Winnipeg Regional Health Authority
Office régional de la santé de Winnipeg

Consolidated Financial Statements of the

WINNIPEG REGIONAL HEALTH AUTHORITY

March 31, 2018

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 public sector accounting standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. Of necessity, the consolidated financial statements 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.

Réal Cloutier	Shelley Hopkins, CPA, CMA
Interim President & Chief Executive Officer	Chief Financial Officer

Independent auditors' report

To the Directors of the
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, 2018, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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, 2018, 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 public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
June 28, 2018

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WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31
(in thousands of dollars)

		2018		2017
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**76,559**	$	64,960
Accounts receivable (Note 5)		**106,742**		154,002
Inventory		**45,937**		48,549
Prepaid expenses		**18,003**		18,199
Investments (Note 8)		**9,220**		12,791
Employee benefits recoverable from Manitoba Health, Seniors and Active Living (Note 6)		**78,957**		78,957
		335,418		377,458
CAPITAL ASSETS (Notes 7 and 12)		**1,760,447**		1,788,342
OTHER ASSETS				
Employee future benefits recoverable from Manitoba Health, Seniors and Active Living (Note 18)		**74,415**		82,499
Investments (Note 8)		**26,503**		21,122
	$	**2,196,783**	$	2,269,421
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET LIABILITIES				
CURRENT				
Bank indebtedness (Note 12)	**$**	**94,347**	$	119,426
Accounts payable and accrued liabilities (Notes 9 and 11)		**181,216**		231,060
Deferred contributions, future expenses (Note 10)		**42,928**		41,375
Employee benefits payable (Note 6)		**128,535**		128,593
Current portion of long-term debt (Note 12)		**28,859**		31,836
		475,885		552,290
NON-CURRENT				
Long-term debt (Note 12)		**28,252**		29,259
Employee future benefits payable (Note 18)		**218,515**		220,761
Deferred contributions, capital (Note 13)		**1,498,231**		1,492,856
		1,744,998		1,742,876
COMMITMENTS AND CONTINGENCIES (Note 15)				
NET LIABILITIES		**(20,808)**		(21,234)
ACCUMULATED REMEASUREMENT LOSSES		**(3,292)**		(4,511)
	$	**2,196,783**	$	2,269,421

The accompanying notes and schedules are an integral part of the consolidated financial statements.

.... Karen Dunlop, RN
Chair, Board of Directors

.... Derek Johannson
Treasurer

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

	2018	2017
REVENUE		
Manitoba Health, Seniors and Active Living operating income	**$ 2,719,942**	$ 2,791,575
Separately funded primary health programs	**4,852**	5,751
Patient and resident income	**48,353**	43,055
Recoveries from external sources	**54,221**	50,053
Investment income	**275**	200
Other income	**7,248**	8,453
Amortization of deferred contributions, capital	**100,612**	102,256
Recognition of deferred contributions, future expenses	**15,283**	26,156
	2,950,786	3,027,499
EXPENSES		
Direct operations	**2,444,186**	2,539,815
Interest	**944**	956
Amortization of capital assets	**105,968**	108,720
	2,551,098	2,649,491
FACILITY FUNDING		
Long term care facility funding	**307,099**	310,698
Community health agency funding	**53,367**	51,513
Adult day care facility funding	**2,828**	3,013
Long term care community therapy services	**1,054**	1,258
GRANT FUNDING		
Grants to facilities and agencies	**45,051**	46,598
	2,960,497	3,062,571
OPERATING DEFICIT	**(9,711)**	(35,072)
NON-INSURED SERVICES		
Non-insured services income	**68,550**	67,181
Non-insured services expenses	**58,419**	60,671
NON-INSURED SERVICES SURPLUS	**10,131**	6,510
SURPLUS (DEFICIT) FOR THE YEAR	**$ 420**	$ (28,562)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

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

	2018				
	Unrestricted net assets	**Investment in capital assets**	**Internally restricted net assets (Note 14)**	**Endowment accounts**	**Total**
Balance, beginning of year	**$ (239,097)**	**$ 184,408**	**$ 31,283**	**$ 2,172**	**$ (21,234)**
Surplus (deficit) for the year	**14,560**	**(14,645)**	**505**	**-**	**420**
Purchase of capital assets, net	**(13,290)**	**13,947**	**(657)**	**-**	**-**
Net asset restrictions	**(1,252)**	**-**	**1,252**	**-**	**-**
Endowments received	**-**	**-**	**-**	**6**	**6**
Balance, end of year	**$ (239,079)**	**$ 183,710**	**$ 32,383**	**$ 2,178**	**$ (20,808)**

	2017				
	Unrestricted net assets	Investment in capital assets	Internally restricted net assets (Note 14)	Endowment accounts	Total
Balance, beginning of year	$ (198,786)	$ 178,110	$ 25,832	$ 2,163	$ 7,319
Surplus (deficit) for the year	(20,459)	(14,397)	6,294	-	(28,562)
Purchase of capital assets, net	(17,704)	20,695	(2,991)	-	-
Net asset restrictions	(2,148)	-	2,148	-	-
Endowments received	-	-	-	9	9
Balance, end of year	$ (239,097)	$ 184,408	$ 31,283	$ 2,172	$ (21,234)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Remeasurement Gains and Losses
For the year ended March 31
(in thousands of dollars)

		2018		2017
Accumulated remeasurement losses at beginning of year	**$**	**(4,511)**	$	(6,278)
Unrealized gains (losses) attributable to:				
Derivative – interest rate swap (Note 11)		**1,656**		1,531
Investments		**(437)**		227
Realized gains reclassified to statement of operations				
Investments		**-**		9
Net remeasurement gain for the year		**1,219**		1,767
Accumulated remeasurement losses at end of year	**$**	**(3,292)**	$	(4,511)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

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

	2018	2017
OPERATING ACTIVITIES		
Surplus (deficit) for the year	$ 420	$ (28,562)
Items not affecting cash		
Amortization of capital assets	114,011	117,357
Amortization of deferred contributions, capital	(102,703)	(104,454)
Recognition of deferred contributions, future expenses	(15,695)	(26,426)
Net change in employee benefits	(2,304)	2,522
	(6,271)	(39,563)
Net change in non-cash operating working capital balances	9,534	50,888
Deferred contributions received, future expenses	17,248	14,646
	20,511	25,971
FINANCING ACTIVITIES		
Deferred contributions, capital received	108,078	126,699
Payment of line of credit	(25,079)	(7,787)
Long-term debt repayments	(3,984)	(4,423)
	79,015	114,489
CAPITAL ACTIVITIES		
Purchase of capital assets	(86,116)	(141,245)
	(86,116)	(141,245)
INVESTING ACTIVITIES		
(Increase) decrease in investments, net	(1,810)	362
	(1,810)	362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,600	(423)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,960	65,383
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 76,559	$ 64,960

The accompanying notes and schedules are an integral part of the consolidated financial statements.

1. NATURE OF BUSINESS

*The Winnipeg Regional Health Authority (the "*Authority" or *"WRHA") was established as of* May 28, 2012 under the Regional Health Authorities Act, as the successor to the Winnipeg Regional Health Authority established on December 1, 1999.

The Authority provides community health services, long term care services and acute care services. In addition, the Authority 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.

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, Long Term Care services (Middlechurch Home of Winnipeg and Riverpark Gardens sites), Acute Care services (Churchill Health Centre, Deer Lodge Centre, Grace General Hospital, Health Sciences Centre, Pan Am Clinic, and Victoria General Hospital sites), and Medical Remuneration.
  - Community Hospitals (Concordia Hospital, Seven Oaks General Hospital) – by means of agreements to further regionalization and operating agreements.
  - Other Hospitals (Misericordia Health Centre, Riverview Health Centre, St. Boniface General Hospital), Volunteer Enterprises of the Health Sciences Centre Inc. ("VENT") and Manitoba Adolescent Treatment Centre ("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.

The Authority is a not-for-profit organization. Under the *Income Tax Act* (Canada), the Authority is exempt from income taxes, provided certain requirements of the *Income Tax Act* (Canada) are met.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

The following Public Sector Accounting Standards ("PSAS") took effect April 1, 2017: Related Party Disclosures ("PSAS 2200"), Assets ("PSAS 3210"), Contingent Assets ("PSAS 3320"), Contractual Rights ("PSAS 3380") and Inter-entity Transactions ("PSAS 3420").

The Authority reviewed PSAS 3210, PSAS 3320 and PSAS 3380 and found that no additional recognition or disclosure was required in the financial statements for the year ended March 31, 2018. The Authority reviewed PSAS 2200 and PSAS 3420 and found that no additional recognition of amounts in the financial statements for the year ended March 31, 2018 was required; however, the Authority added disclosure in accordance with these sections (Note 17).

3. FUTURE ACCOUNTING POLICY CHANGES

a) Adoption of PSAS without sections 4200 – 4270

The Province of Manitoba has directed the Authority to change its basis of accounting from the Canadian PSAS for Government Not-For-Profit Organizations ("PSAS for GNFPOs"), which includes sections PSAS 4200 – PSAS 4270 to PSAS without sections PSAS 4200 – PSAS 4270 for the fiscal year beginning April 1, 2018. The most significant changes expected as a result of adopting this basis of accounting include:

- Deferred contributions, capital. Capital contributions from the Province of Manitoba will be recognized as revenue in the year that the asset is acquired or constructed. Currently, the Authority recognizes a deferred contribution liability in the year an asset is acquired and that liability is amortized and revenue is recognized over the useful life of the acquired or constructed asset.
- Deferred contributions, future expenses. When the Authority receives one-time funding for multi-year operating purposes, any unspent funds at the end of a fiscal year will be recognized as unearned revenue in the consolidated statement of financial position.
- Financial statement presentation:
    - The Authority's budget will be presented on the consolidated statement of operations along with current year and comparative year actual amounts.
    - The consolidated statement of financial position will present financial assets and liabilities to determine a net debt position; non-financial assets are shown separately and the accumulated surplus or deficit is the sum of the above-noted items.
    - The consolidated statement of net assets will be replaced by the consolidated statement of net debt, which presents the activity during the year that contributed to the change in the net debt position on the consolidated statement of financial position.

b) Standard effective April 1, 2018

During the previous year, the Authority undertook a review of PSAS 3430 – Restructuring Transactions, which takes effect April 1, 2018. The Authority's preliminary assessment of the impact of this section is that the creation of Shared Health Inc. ("Shared Health") and transfer of operations from the WRHA to Shared Health (Note 20) will be in the scope of this standard. The full impact of applying this standard to the Shared Health/WRHA reorganization is unknown at this time as the specific operations to be transferred from the WRHA to Shared Health has not been finalized as at March 31, 2018. Assessment of the impact of this section will be finalized by March 31, 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards including PSAS for GNFPO.

a) Controlled entities

The Authority consolidates organizations involved in the delivery of health care services that it controls through the ability to determine the strategic operating, capital, investing and financial policies. Controlled organizations not directly involved in the delivery of health care services are not consolidated (Note 17).

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iii. 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.

iv. Endowment contributions requiring the externally restricted contribution be maintained in perpetuity – recognized as direct increase to net assets.

Non-insured services income is recognized when services are rendered.

Investment income, including realized gains and losses, is recorded as revenue when earned. Investment income from endowment net assets is recognized (a) as revenue when earned if no external restriction exists; (b) as revenue in the year in which the related expenses are incurred if an external restriction on the use of investment income exists; or (c) is added to endowment net assets if external restriction requires investment income to be held in perpetuity.

c) 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.

d) Inventory

Inventory held for internal use consists of medical supplies, drugs, linen and other supplies that are measured at the lower of cost and replacement cost. Inventory held for sale is measured at the lower of cost and net realizable value. Cost for all types of inventory is calculated using the weighted average cost formula.

e) 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 at the following annual rates:

Buildings	2% - 10%
Buildings under capital lease	over the life of the lease
Furniture and equipment	4% - 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.

f) Employee future benefits

The Authority accrues its obligations under employee benefit plans and the related costs. The Authority has adopted the following policies:

Multi-employer plans

Defined contribution accounting is applied for multi-employer pension plans, whereby contributions are expensed on an accrual basis, as the Authority has insufficient information to apply defined benefit plan accounting.

Other defined benefit plans

The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected unit credit service prorated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains are amortized on a straight-line basis. The period of amortization is equal to the expected average remaining service life ("EARSL") of active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Authority's cost of borrowing. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service period of the active employees.

g) Endowment net assets

Endowment accounts are to be invested in perpetuity, and investment income earned is to be used for designated purposes. Investment income earned may be added back directly to the endowment net asset if this is explicitly directed by the donor.

h) Use of estimates

The preparation of consolidated financial statements in conformity with PSAS for GNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Authority is funded by the Province of Manitoba using Manitoba Health, Seniors and Active Living ("Manitoba Health") funding mechanisms. These consolidated financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2018.

The amount of revenue recognized from Manitoba Health requires a number of estimates. Since Manitoba Health does not communicate certain adjustments related to revenue until after the completion of the consolidated financial statements, the amount of revenue recognized during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management's best estimate of amounts that have been earned during the year.

Other amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

i) Financial instruments

The Authority classifies its financial instruments at either fair value or amortized cost. The Authority determines the classification of its financial instruments at initial recognition. The Authority's accounting policy for each category is as follows:

Fair value

The fair value category includes derivatives and investments.

Derivatives and investments are measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented in the consolidated statement of remeasurement gains and losses. In the year of settlement or disposal, the gains or losses are reclassified to the consolidated statement of operations.

The Authority recognizes investments based on trade dates. Transaction costs related to investments are added to the carrying value of the instrument.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the writedown in the consolidated statement of operations is not reversed until the investment is sold.

(in thousands of dollars)

Amortized cost

The amortized cost category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. These financial instruments are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns are recognized when the amount of a loss is known with sufficient accuracy, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the writedown in the consolidated statement of operations is not reversed.

5. ACCOUNTS RECEIVABLE

	2018	2017
Manitoba Health – operating, capital and fee for service	**$ 61,272**	$ 106,737
Other Province of Manitoba departments	**2,366**	2,613
Facility advances and receivables	**5,665**	7,292
Patient-related and other	**51,337**	44,574
Allowance for doubtful accounts	**(13,898)**	(7,214)
	$ 106,742	$ 154,002

Aging of accounts receivable as at March 31, 2018 is as follows:

	Total	Current	31 - 60 days	61 - 90 days	>91 days
Patient-related and other	$ 51,337	$ 33,357	$ 2,264	$ 1,500	$ 14,216
Other Province of Manitoba departments	2,366	451	9	-	1,906
Facility advances and receivables	5,665	35	-	-	5,630
Gross receivables	59,368	33,843	2,273	1,500	21,752
Manitoba Health (See below)	61,272				
Allowance for doubtful accounts	(13,898)	(634)	(163)	(422)	(12,679)
Net receivables	$ 106,742	$ 33,209	$ 2,110	$ 1,078	$ 9,073

Manitoba Health receivables by funding year as at March 31, 2018 are as follows:

	Total	2017/18	2016/17	2015/16	2014/15 and prior
Manitoba Health – operating, capital and fee for service	$ 61,272	$ 40,698	$ 16,589	$ 1,773	$ 2,212

(in thousands of dollars)

Aging of accounts receivable as at March 31, 2017 is as follows:

	Total	Current	31 - 60 days	61 - 90 days	>91 days
Patient-related and other	$ 44,574	$ 21,080	$ 3,041	$ 1,685	$ 18,768
Other Province of Manitoba departments	2,613	2,613	-	-	-
Facility advances and receivables	7,292	-	160	-	7,132
Gross receivables	54,479	23,693	3,201	1,685	25,900
Manitoba Health (See below)	106,737				
Allowance for doubtful accounts	(7,214)	-	-	-	(7,214)
Net receivables	$ 154,002	$ 23,693	$ 3,201	$ 1,685	$ 18,686

Manitoba Health receivables by funding year as at March 31, 2017 are as follows:

	Total	2016/17	2015/16	2014/15	2013/14 and prior
Manitoba Health – operating, capital and fee for service	$106,737	$75,513	$19,328	$7,196	$4,700

As at March 31, 2018, there are significant amounts owing to the Authority that are past due. The majority of these amounts are from Manitoba Health and the Authority's experience is that these will be collected. None of these amounts are impaired.

6. 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. The amount of funding that will be provided by Manitoba Health for employee benefits has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable of $78,957 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.

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

	2018	2017
Balance, beginning of year	**$ 128,593**	$ 121,299
Increase (decrease) in vacation/overtime/ statutory holiday entitlements	**(58)**	7,294
Balance, end of year	**$ 128,535**	$ 128,593

(in thousands of dollars)

7. CAPITAL ASSETS

	2018		
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 20,206**	**$ -**	**$ 20,206**
Buildings	**1,434,798**	**(644,840)**	**789,958**
Buildings under capital lease	**16,690**	**(2,121)**	**14,569**
Furniture and equipment	**1,023,103**	**(887,623)**	**135,480**
Computer hardware and software	**364,910**	**(214,950)**	**149,960**
Leasehold improvements	**146,887**	**(49,718)**	**97,169**
Construction in progress	**553,105**	**-**	**553,105**
	$ 3,559,699	**$ (1,799,252)**	**$ 1,760,447**

	2017		
	Cost	Accumulated amortization	Net book value
Land	$ 20,206	$ -	$ 20,206
Buildings	1,417,421	(607,982)	809,439
Buildings under capital lease	16,690	(1,704)	14,986
Furniture and equipment	1,003,972	(853,585)	150,387
Computer hardware and software	340,052	(182,286)	157,766
Leasehold improvements	145,332	(43,167)	102,165
Construction in progress	533,393	-	533,393
	$ 3,477,066	$ (1,688,724)	$ 1,788,342

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $1,566 (2017 - $2,657).

(in thousands of dollars)

8. INVESTMENTS

	Fair value hierarchy level		2018		2017
Investments at fair value					
Money market investments	**Level 2**	**$**	**3,584**	$	1,897
Government bonds	**Level 2**		**4,296**		4,128
Principal protected notes	**Level 2**		**3,820**		4,070
Corporate bonds	**Level 2**		**12,405**		11,136
Guaranteed Investment Certificates ("GICs")	**Level 2**		**11,686**		12,735
			35,791		33,966
Less: amounts included with accrued interest			**(68)**		(53)
			35,723		33,913
Less: amounts maturing/redeemable within one year, included in current assets			**(9,220)**		(12,791)
		$	**26,503**	$	21,122

The fair value hierarchy level is provided to present the degree of objectivity of the fair values of the investment portfolio. The levels are defined as follows:

Level 1: Unadjusted quoted prices in an active market for an identical asset or liability
Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Authority’s total investment income is $1,347 (2017 - $1,233), which includes $275 (2017 - $200) in direct operations and $1,072 (2017 - $1,033) included in non-insured services income.

None of the above investments are considered impaired, and no writedown was recorded during the year as there were no declines in the values of these investments that were concluded to be other than a temporary decline in value.

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.

(in thousands of dollars)

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 Principal protected notes, Government and Corporate bonds and GICs by staggering maturity dates. As at March 31, 2018, the maturity dates are as follows:

	Principal protected notes	Government	Corporate	GICs	Effective yield
Within 1 year	$ 1,270	$ -	$ 1,788	$ 2,578	1.71%
2 to 5 years	2,067	4,014	8,973	9,047	2.35%
5 to 10 years	483	254	1,638	-	2.19%
Over 10 years	-	27	-	-	5.74%
	$ 3,820	$ 4,295	$ 12,399	$ 11,625	

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable and accrued liabilities	**$ 123,723**	$ 167,146
Accounts payable to Manitoba Health	**3,615**	10,512
Accrued salaries	**42,294**	41,476
Holdbacks on construction contracts	**11,584**	11,926
	$ 181,216	$ 231,060

(in thousands of dollars)

10. DEFERRED CONTRIBUTIONS, FUTURE EXPENSES

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses not yet incurred. The recognition of deferred contributions, future expenses is recorded as revenue in the consolidated statement of operations.

		2018		2017
Funding provided by Manitoba Health	**$**	**7,569**	$	3,385
Funding provided by other sources		**35,359**		37,990
Deferred contributions, future expenses	**$**	**42,928**	$	41,375

		2018		2017
Balance, beginning of year	**$**	**41,375**	$	56,955
Amount received during the year		**17,248**		14,646
Transferred to deferred contributions, capital		**-**		(3,800)
Less: amount recognized as revenue – programs		**(15,283)**		(26,156)
Less: amount recognized as revenue – non-insured services		**(412)**		(270)
Balance, end of year	**$**	**42,928**	$	41,375

11. 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 ("Emily") and Tecumseh Street Parkade ("Tecumseh") at the Health Sciences Centre. These interest rate swaps relate to banker's acceptances (listed in Note 12), which are automatically renewed monthly until the end of the swap agreement.

The notional amount of the Emily swap at March 31, 2018 is $nil (2017 - $323); this swap matured on July 23, 2017 and had a fixed rate of 4.105%. The fair value of this swap as at March 31, 2017 was $(2), resulting in a derivative liability of $2 included in accounts payable and accrued liabilities.

The notional amount of the Tecumseh swap at March 31, 2018 is $27,886 (2017 - $29,177) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(3,438) (2017 - $(5,094)), resulting in a derivative liability of $3,438 (2017 - $5,094) included in accounts payable and accrued liabilities.

The counterparty to this contract is a major Canadian financial institution. The Authority does not anticipate any material adverse effect on its consolidated 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.

(in thousands of dollars)

12. LONG-TERM DEBT

		2018		2017
1.720% banker's acceptance, maturing April 15, 2018 Health Sciences Centre Tecumseh Street Parkade (Note 11)	**$**	**27,886**	$	29,177
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $92		**15,884**		16,046
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments $48 St. Boniface General Hospital Atrium		**12,098**		12,367
7.38% mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition and Food Services		**772**		2,532
1.405% banker's acceptance, matured July 23, 2017 Health Sciences Centre Emily Street Parkade (Note 11)		**-**		323
Prime minus 0.65% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot		**471**		584
5.75% mortgage payable, matured March 31, 2018 Monthly principal and interest payments $3 Middlechurch		**-**		66
		57,111		61,095
Less: amounts due within one year, included in current liabilities		**(28,859)**		(31,836)
	$	**28,252**	$	29,259

The Health Sciences Centre Tecumseh Street Parkade loan has been collateralized by the Tecumseh Street Parkade, which at March 31, 2018 had a net book value of $31,370 (2017 - $32,785). The Health Sciences Centre Emily Street Parkade loan has been collateralized by the Emily Street Parkade, which at March 31, 2018 had a net book value of $3,389 (2017 - $3,749). The assigned results of the HSC Business and Innovative Services have also been secured against both of the parkade loans.

The St. Boniface General Hospital Atrium loan maturing on October 30, 2024 is collateralized 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 St. Boniface General Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any associated building or land without the lender's consent.

The Grace General Hospital Ancillary parking lot loan has been collateralized by the revenue from the Grace General Hospital Ancillary parking lot.

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which, as at March 31, 2018, amount to $131,500 (2017 - $132,000). As at March 31, 2018, $94,347 is being utilized (2017 - $119,426).

(in thousands of dollars)

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

	Bank loans	Capital lease
2018/19	$ 29,042	$ 201
2019/20	393	213
2020/21	405	226
2021/22	415	240
2022/23	52	257
Thereafter	10,920	14,747
	$ 41,227	$ 15,884

13. 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.

	2018	2017
Balance, beginning of year	**$ 1,492,856**	$ 1,466,811
Amount received during the year	**108,078**	126,699
Transferred from deferred contributions, future expenses	**-**	3,800
Less: amount amortized to revenue – programs	**(100,612)**	(102,256)
Less: amount amortized to revenue – non-insured services	**(2,091)**	(2,198)
Balance, end of year	**$ 1,498,231**	$ 1,492,856

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 incorporated the long-term debt balance of $164,553 (2017 - $152,432) as part of its deferred contributions, capital balance.

(in thousands of dollars)

14. INTERNALLY RESTRICTED NET ASSETS

Annually, the Board of Directors determines the amount, if any, to be transferred between unrestricted and internally restricted net assets. Internally restricted net assets include amounts set aside by the Authority and its consolidated entities for the following purposes:

	2018	2017
Laundry Capital Assets	**$ 2,954**	$ 2,306
Concordia Capital Assets	**664**	664
Deer Lodge Capital Assets	**281**	281
Grace Capital Assets	**3,400**	3,351
Victoria Capital Assets	**329**	329
Seven Oaks Ancillaries and Wellness Institute	**4,812**	5,081
Health Sciences Centre Internally Restricted	**7,538**	6,559
Riverview Internally Restricted	**4,218**	4,119
Middlechurch	**206**	206
Misericordia Ancillary Fund	**307**	930
St. Boniface Internally Restricted	**7,674**	7,456
Total	**$ 32,383**	$ 31,283

15. 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) As at March 31, 2018, the Authority had agreements to lease various premises occupied by the Authority, as well as commitments to lease various equipment. Lease payments for the next five years are as follows:

	Premises	Equipment
2018/19	$ 24,988	$ 4,917
2019/20	24,337	4,153
2020/21	23,649	2,961
2021/22	23,185	1,480
2022/23	23,621	96
	$ 119,780	$ 13,607

c) As at March 31, 2018, the Authority had capital commitments of approximately $14,370 (2017 - $9,293) and equipment purchase commitments of approximately $1,776 (2017 - $10,166).

d) During the 2017/2018 fiscal year, the Authority was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan ("HEPP") related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Authority and HEB have not accurately determined the amount due from the Authority to HEB. It is expected that the amount, once finalized, will not be material to the consolidated financial statements of the Authority.

16. HEALTHCARE INSURANCE RECIPROCAL OF CANADA

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, 2018.

17. RELATED PARTIES

a) Key management personnel

The Authority undertakes an annual review to identify all of its related parties, including key management personnel, who are the individuals having authority and responsibility for planning, directing and controlling the activities of the entity. The key management personnel of the WRHA include members of the Board of Directors and Senior Management of the Authority. Each person identified as a key manager is required to disclose, on an annual basis or as any applicable situation arises, any conflict of interest with the Authority. If a conflict exists, the Authority quantifies the transactions and discloses as required. There were no related party transactions with key management personnel during the year ended March 31, 2018 that required disclosure.

b) Entities under common control

The Authority enters into funding arrangements either to receive or provide funding from/to other entities within the Province of Manitoba Government Reporting Entity. These entities are considered related parties as they and the WRHA are under the common control of the Province of Manitoba. The funding received or provided is recognized on an accrual basis at the exchange value of the funding transferred between the entities.

c) 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 (Note 1). Transactions between the related entities are recorded at the exchange amount.

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, and VENT's services and purposes are integrated with that of the Authority such that they and the Authority 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 Authority has the ability to determine their strategic operating, capital, investing and financing policies.

The controlled Community Hospitals, Other Hospitals, MATC, and VENT have been consolidated into the Authority's consolidated 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 17(c)i. provides a financial summary of these controlled non-consolidated entities.

For accounting purposes the relationships with these organizations and agencies are as follows:

i. Controlled entities

The Community Hospitals, Other Hospitals, MATC and VENT are controlled and have been consolidated into the Authority's consolidated 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* (Canada) and, accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

(in thousands of dollars)

A financial summary of these entities is as follows:

Financial Position	**2018**	2017
Total assets	**$ 2,620**	$ 2,201
Total liabilities	**97**	133
Total net assets	**$ 2,523**	$ 2,068
Results of Operations		
Total revenue	**$ 1,557**	$ 1,416
Total expenses	**1,128**	1,098
Surplus from operations	**$ 429**	$ 318
Cash Flows		
Used in operating activities	**$ 330**	$ 426
Provided by financing, capital and investing activities	**4**	952
Increase in cash	**$ 334**	$ 1,378

During the year, the controlled and not consolidated entities contributed $nil (2017 - $224) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with the listed entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $18 (2017 - $88) receivable from and $nil (2017 - $nil) payable to the entities above.

ii. 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* (Canada) 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 $7,533 (2017 - $7,984) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with the above entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $904 (2017 - $1,965) receivable from and $nil (2017 - $2) payable to the entities above.

(in thousands of dollars)

iii. Economic interest

The consolidated entities within the Authority have an economic interest in a number of charitable 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 $4,581 (2017 - $3,041) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with these entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $75 (2017 - $23) receivable from and $nil (2017 - $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. As at March 31, 2018, the Authority had aggregate amounts of $nil (2017 - $nil) receivable from and $29,462 (2017 - $33,487) payable to proprietary and non-proprietary personal care homes and community health agencies.

18. 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 a formula (dependent on the agreement/policy applicable to the employee).

The most recent valuation of the obligation was performed as at December 31, 2014, projected to March 31, 2015. The March 31, 2018 amounts are based on an extrapolation of the data used in the December 31, 2014 valuation. The next full valuation will be completed as at December 31, 2018 projected to March 31, 2019.

Information about the Authority's accrued retirement benefit plan as at March 31 is as follows:

	2018	2017
Accrued benefit obligation	**$ 169,884**	$ 181,777
Funded status – plan deficit	**$ (169,884)**	$ (181,777)
Unamortized net actuarial gain	**(19,732)**	(8,798)
Accrued benefit liability	**$ (189,616)**	$ (190,575)

(in thousands of dollars)

The change in the Authority's accrued retirement benefit plan consists of the following:

		2018		2017
Accrued benefit liability – beginning of year	$	**(190,575)**	$	(192,493)
In-year (expense)		**(15,540)**		(14,480)
Benefits paid		**16,499**		16,378
Accrued benefit liability – end of year	$	**(189,616)**	$	(190,575)

The expense related to the Authority's accrued retirement benefit plans consists of the following:

		2018		2017
Current service cost	$	**11,970**	$	11,725
Amortization of actuarial gain		**(1,658)**		(2,308)
Interest cost		**5,228**		5,063
	$	**15,540**	$	14,480

The significant actuarial assumptions adopted for measuring the Authority's accrued benefit obligations are as follows:

	2018	2017
Discount rate	**3.425%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.5 Yrs**	7.5 Yrs

The significant actuarial assumptions adopted in measuring the Authority's expense for the retirement benefit plan are as follows:

	2018	2017
Discount rate	**3.10%**	3.00%
Salary escalation	**3.50%**	3.50%

The amount of funding that 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 of $74,415 (2017 – $82,499) 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. The change in this liability during the year is the result of the transfer of operations, including employees and the related assets and liabilities to Diagnostic Services of Manitoba. Any changes from the March 31, 2004 liability amount are reflected in the consolidated statement of operations.

(in thousands of dollars)

b) Pension plans

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan available to all eligible employees. The Authority is a Signatory Board and Settlor of the Plan. All of the relevant financial information is contained within the financial information of the Plan.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $103,048 (2017 - $104,736) and are included as an expense in the consolidated statement of operations.

The most recent valuation for financial reporting purposes completed by the Plan as at December 31, 2017 disclosed total actuarial value of assets of $7,418,720 with total actuarial liabilities of $7,001,533, resulting in a surplus of $417,187.

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. During the year, the Authority expensed contributions of $600 (2017 - $688) to this plan.

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 $2,266 (2017 - $2,040) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2016 disclosed total actuarial value of assets of $4,659,794 with total actuarial liabilities of $4,459,115, resulting in a surplus of $200,679.

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 of $2,127 (2017 - $1,865) to this plan.

c) Sick leave liability

The Authority provides sick leave benefits that accumulate, but do not vest.

Information about the Authority's sick leave liability as at March 31 is as follows:

	2018	2017
Accrued benefit obligation	**$ 23,756**	$ 26,858
Funded status – plan deficit	**$ (23,756)**	$ (26,858)
Unamortized net actuarial gain	**(5,143)**	(3,328)
Accrued benefit liability	**$ (28,899)**	$ (30,186)

(in thousands of dollars)

The change in the Authority's sick leave liability consists of the following:

		2018		2017
Accrued benefit liability – beginning of year	**$**	**(30,186)**	$	(33,040)
In-year expense		**(2,704)**		(1,533)
Benefits paid		**3,991**		4,387
Accrued benefit liability – end of year	**$**	**(28,899)**	$	(30,186)

The expense related to the Authority's sick leave liability consists of the following:

		2018		2017
Current service cost	**$**	**2,642**	$	2,585
Amortization of actuarial gain		**(791)**		(1,905)
Interest cost		**853**		853
	$	**2,704**	$	1,533

The significant actuarial assumptions adopted for measuring the Authority's sick leave liability are as follows:

	2018	2017
Discount rate	**3.425%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.5 Yrs**	7.5 Yrs

The significant actuarial assumptions adopted in measuring the Authority's expense for the sick leave liability are as follows:

	2018	2017
Discount rate	**3.10%**	3.00%
Salary escalation	**3.50%**	3.50%

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Authority is exposed to various financial risks through transactions in financial instruments.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority is exposed to credit risk in connection with its accounts receivable, interest rate swap, and investment activities.

The Authority's accounts receivable consist mostly of amounts due from the Government of Manitoba and from the facilities that it funds, minimizing credit risk. These receivable balances are monitored on an ongoing basis. An impairment allowance is set up based on the Authority's judgment on a case-by-case basis. There are no significant amounts that are past due or impaired.

The Authority's credit risk associated with an interest rate swap is minimized by entering into an agreement with a major Canadian financial institution.

With respect to credit risk arising from investment activities, the Authority manages this risk by developing an investment policy that establishes criteria for the selection of investments that include benchmarks for the creditworthiness of entities.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures, and methods used to measure the risk.

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: interest rate risk, liquidity risk, foreign exchange 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.

Interest rate risk

Interest rate risk includes 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 is exposed to interest rate risk with respect to its investments because the fair value will fluctuate due to changes in market interest rates. In addition, the Authority is exposed to interest rate risk with respect to its long-term debt because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time.

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 has entered into an interest rate swap to manage the interest rate cash flow exposure associated with a proportion of total debt that is subject to variable rates. The contracts have an effect of converting the floating rate of interest to a fixed rate.

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

The fair value of the bond portfolio is also subject to changes in the interest rate. The bonds held as investments have interest rates ranging from 2.3% to 5.7%, and maturities from April 16, 2018 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $102 (2017 - $545) on net assets and accumulated remeasurement gains or losses.

The interest payments on the variable rate long-term debt are subject to changes in the interest rate. A 1% change in the interest rate would result in an impact of $284 (2017 - $313) on interest expense on the consolidated statement of operations.

Offsetting the change on the variable rates of the Tecumseh and Emily Street Parkades is the interest rate swap. A 1% increase in interest rates, with all other variables held constant, would result in an estimated impact of $2,557 (2017 - $2,180) on net assets and accumulated remeasurement gains or losses.

Liquidity Risk

The Authority is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Authority manages its liquidity risk by monitoring cash requirements through cash forecasts to ensure sufficient resources are available to meet its obligations.

The maturities of financial liabilities are provided in the notes to the consolidated financial statements related to these liabilities.

Foreign exchange and other price risk

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

20. SUBSEQUENT EVENT

Shared Health, a provincial organization, was established to support a centralized and better-connected provincial health planning process; and develop a provincial clinical and preventative services plan, effective April 1, 2018,. The organization will also provide coordinated clinical and business support to the Province of Manitoba's regional health authorities. Preliminary plans include the centralization of services in the areas of contracting and procurement of supplies and equipment, capital planning, communications, food distribution, laundry services, clinical engineering services, accounting and legal services. The Authority will be transferring to Shared Health a significant number of services that are contemplated to be in the scope of Shared Health; however, the exact timing and magnitude of services, funding, and net assets to be transferred are not known at this time.

21. COMPARATIVE FIGURES

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