Winnipeg Regional Health Authority
Office régional de la santé de Winnipeg

Consolidated Financial Statements of the

WINNIPEG REGIONAL HEALTH AUTHORITY

For the year ended March 31, 2019

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

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 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.

Deloitte 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
President & Chief Executive Officer

Shelley Hopkins, CPA, CMA
Chief Financial Officer

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To the Board of Directors of
the Winnipeg Regional Health Authority

Opinion
We have audited the consolidated financial statements of the Winnipeg Regional Health Authority (the "Authority"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net debt, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Winnipeg Regional Health Authority as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The financial statements of the Authority for the year ended March 31, 2018, which form the basis of the restated figures as included in the financial statements, were audited by another auditor who expressed an unmodified opinion on those statements in accordance with PSAS including the sections 4200 – 4270 on June 28, 2018.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the financial statements. We are responsible for the direction, supervisor and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants

July 23, 2019
Winnipeg, Manitoba

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

		2019		2018 (Restated) (Notes 2 & 21)
FINANCIAL ASSETS				
Cash	**$**	**68,804**	$	78,897
Accounts receivable (Note 5)		**93,343**		143,421
Investments (Note 6)		**41,189**		35,723
Employee benefits recoverable from Manitoba Health, Seniors and Active Living (Note 7)		**78,957**		78,957
Employee future benefits recoverable from Manitoba Health, Seniors and Active Living (Note 17)		**74,415**		74,415
		356,708		411,413
LIABILITIES				
Bank indebtedness (Note 11)		**31,471**		94,347
Accounts payable and accrued liabilities (Notes 8 and 9)		**200,201**		203,501
Unearned Revenue (Note 10)		**92,853**		91,161
Employee benefits payable (Note 7)		**128,091**		129,898
Employee future benefits payable (Note 17)		**200,715**		205,148
Long-term debt (Note 11)		**966,066**		989,414
		1,619,397		1,713,469
NET DEBT		**(1,262,689)**		(1,302,056)
NON-FINANCIAL ASSETS				
Inventory		**44,171**		46,055
Prepaid expenses		**16,044**		17,698
Tangible capital assets, net (Notes 11 and 12)		**1,721,381**		1,753,983
		1,781,596		1,817,736
COMMITMENTS AND CONTINGENCIES (Note 13)				
TOTAL NET ASSETS	**$**	**518,907**	$	515,680
Total net assets is comprised of:				
Accumulated surplus		**520,534**		516,799
Endowments		**1,876**		2,179
Accumulated remeasurement losses		**(3,503)**		(3,298)
	$	**518,907**	$	515,680

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

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

. . . . Victor Giesbrecht, MBA CPA CGA
Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31

(in thousands of dollars)

	2019 Core Operations	2019 Capital Operations	2019 Actual Total	2019 Budget Total	2018 Actual Total (Restated) (Notes 2 & 21)
REVENUE					
Manitoba Health, Seniors and Active Living grants	**$ 2,748,969**	**$ 116,759**	**$ 2,865,728**	**$ 2,796,040**	$ 2,829,045
Other capital grants	**-**	**13,102**	**13,102**	**7,000**	6,024
Separately funded primary health programs	**5,700**	**-**	**5,700**	**5,362**	4,852
Patient and resident income	**50,996**	**-**	**50,996**	**51,666**	48,353
Recoveries from external sources	**46,743**	**-**	**46,743**	**48,207**	54,221
Investment income	**1,529**	**-**	**1,529**	**275**	275
Other income	**5,499**	**-**	**5,499**	**6,484**	6,427
Recognition of unearned revenue	**15,872**	**-**	**15,872**	**11,666**	15,332
	2,875,308	**129,861**	**3,005,169**	**2,926,700**	2,964,529
EXPENSES					
Acute care	**1,779,981**	**119,360**	**1,899,341**	**1,852,798**	1,892,613
Community care	**431,865**	**3,981**	**435,846**	**450,937**	437,029
Long-term care	**390,545**	**1,667**	**392,212**	**385,536**	392,924
Medical remuneration	**278,379**	**-**	**278,379**	**265,188**	268,454
	2,880,770	**125,008**	**3,005,778**	**2,954,459**	2,991,020
INSURED SERVICES (DEFICIT) SURPLUS	**(5,462)**	**4,853**	**(609)**	**(27,759)**	(26,491)
NON-INSURED SERVICES					
Non-insured services income	**66,250**	**-**	**66,250**	**62,197**	68,911
Non-insured services expenses	**59,840**	**2,066**	**61,906**	**53,214**	61,055
NON-INSURED SERVICES SURPLUS (DEFICIT)	**6,410**	**(2,066)**	**4,344**	**8,983**	7,856
SURPLUS (DEFICIT) FOR THE YEAR	**$ 948**	**$ 2,787**	**$ 3,735**	**$ (18,776)**	$ (18,635)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			**516,799**		535,434
ACCUMULATED SURPLUS, END OF YEAR			**$ 520,534**		$ 516,799

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

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

	Budget	2019	2018 (Restated) (Notes 2 & 21)
NET (DEFICIT) SURPLUS FOR THE YEAR	**$ (18,776)**	**$ 3,735**	$ (18,635)
CHANGE IN TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	**(91,914)**	**(77,401)**	(89,637)
Amortization of tangible capital assets	**105,156**	**109,919**	114,292
Disposals of tangible capital assets	**-**	**84**	3,241
	(5,534)	**36,337**	9,261
CHANGE IN OTHER NON-FINANCIAL ASSETS			
Net change in inventories		**1,884**	2,620
Net change in prepaid expenses		**1,654**	505
		3,538	3,125
CHANGE IN OTHER ITEMS			
Net remeasurement (loss) gain for the year		**(205)**	1,212
Net change in endowments		**(303)**	6
		(508)	1,218
DECREASE IN NET DEBT		**39,367**	13,604
NET DEBT, BEGINNING OF YEAR		**1,302,056**	1,315,660
NET DEBT, END OF YEAR		**$ 1,262,689**	$ 1,302,056

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)

	2019	2018 (Restated) (Notes 2 & 21)
Accumulated remeasurement losses at beginning of year	**$ (3,298)**	$ (4,510)
Unrealized (losses) gains attributable to:		
Derivative – interest rate swap (Note 9)	**(552)**	1,656
Investments	**347**	(444)
Net remeasurement (loss) gain for the year	**(205)**	1,212
Accumulated remeasurement losses at end of year	**$ (3,503)**	$ (3,298)

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)

	2019	2018 (Restated) (Notes 2 & 21)
OPERATING ACTIVITIES		
Surplus (deficit) for the year	**$ 3,735**	$ (18,635)
Items not affecting cash		
Amortization of tangible capital assets	**109,919**	114,292
Loss on disposals of tangible capital assets	**84**	3,241
Recognition of unearned revenue	**(19,636)**	(16,481)
Net change in employee benefits	**(6,240)**	941
	87,862	83,358
Net change in non-cash operating working capital balances	**49,808**	(54,299)
Unearned revenue received	**21,328**	18,411
	158,998	47,470
FINANCING ACTIVITIES		
Proceeds from operating line of credit	**-**	25,079
Payment of operating line of credit	**(62,876)**	-
Proceeds from capital line of credit	**35,766**	12,066
Proceeds from long-term debt	**-**	52,057
Payment of long-term debt	**(59,114)**	(33,147)
	(86,224)	56,055
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	**(77,401)**	(89,637)
	(77,401)	(89,637)
INVESTING ACTIVITIES		
Increase in investments, net	**(5,466)**	(1,810)
	(5,466)	(1,810)
(DECREASE) INCREASE IN CASH	**(10,093)**	12,078
CASH, BEGINNING OF YEAR	**78,897**	66,819
CASH, END OF YEAR	**$ 68,804**	$ 78,897

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, Shared Health Inc., 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. Consolidated 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.
   - Other supporting organizations (Seven Oaks Foundation, St. Boniface General Auxiliary)

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. CHANGES IN ACCOUNTING POLICIES

The Province of Manitoba directed healthcare organizations, including the Authority to change its basis of accounting from the Canadian Public Sector Accounting Standards ("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.

Amounts related to March 31, 2018 and April 1, 2017 were previously presented in accordance with PSAS for GNFPO. These amounts have been restated as required to be compliant with our accounting policies under PSAS. Reconciliations and descriptions relating to the transition from PSAS for GNFPO to PSAS are included in Note 21.

The most significant changes as a result of adopting this basis of accounting include:

- Capital deferred contributions are no longer recognized by the Authority unless very specific criteria are met.
- Deferred contributions receivable, now referred to as capital funding receivable, may be recognized in certain circumstances where capital expenditures are undertaken on a reimbursement basis.
- Operating deferred contributions, now referred to as unearned revenue, are recognized when the Authority receives funding for specified purposes. Any unspent funds are recognized as unearned revenue in the consolidated statement of financial position.
- Long-term debt associated with the financing of capital equipment and projects is recognized in the consolidated statement of financial position.
- Funding received to pay down the principal and interest on the debt associated with funded tangible capital assets is recognized as revenue.
- Financial statement presentation:
  - The Authority's budget is presented on the consolidated statement of operations along with current year and comparative year actual amounts.
  - The consolidated statement of financial position presents 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 is 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.

3. ADOPTION OF NEW ACCOUNTING STANDARD

The Authority undertook a review of PSAS 3430 – Restructuring Transactions, which took effect April 1, 2018. The Authority's 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 19) is in the scope of this standard. None of the Authority's operations were transferred to Shared Health prior to March 31, 2019. This standard will apply to the transfer of operations that began April 1, 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Controlled entities

The Authority consolidates all organizations that it controls through the ability to determine the strategic operating, capital, investing and financial policies.

b) Core and capital operations

The Authority includes all operating revenues and expenses in core operations with the exception of the revenue and expenses related to externally funded capital operations. Capital revenue includes any revenues or grants received specifically for the purpose of funding tangible capital assets. Capital expenses include the amortization of funded tangible capital assets and any interest expense associated with debt incurred to finance those externally funded tangible capital assets.

c) Revenue recognition

Provincial government transfers for operating purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions are considered unearned until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Manitoba is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the Authority.

Funding received for the acquisition or development of tangible capital assets is recognized as revenue in one of three ways:

i. Assets funded by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.
ii. Assets funded by an allocation of cash: revenue is recognized when the funded asset is purchased or developed.
iii. Assets funded based on services provided for a specified period of time: revenue is recognized over the specified period of service.

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the Authority if the amount can be reasonably estimated and collection is reasonably assured. All non-government contribution or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

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.

d) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

e) 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.

f) Tangible capital assets including capital leases

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible 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.

g) 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.

h) 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.

i) Use of estimates

The preparation of consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 ("MHSAL") funding mechanisms. These consolidated financial statements use funding mechanisms approved by MHSAL for the year ended March 31, 2019.

The amount of revenue recognized from MHSAL requires a number of estimates. Since MHSAL 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 the useful life of tangible capital assets, employee future benefits payable and allowance for doubtful accounts.

j) 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.

(in thousands of dollars)

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.

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.

k) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceed maximum acceptable amounts under an environmental standard. The Authority is required to recognize a liability related to the cost of the remediation of contaminated sites when certain recognition criteria are met. For the fiscal year ended March 31, 2019, the Authority has not identified a liability for contaminated sites based on the recognition criteria.

5. ACCOUNTS RECEIVABLE

		2019		2018
MHSAL – core and capital operations	**$**	**16,742**	$	67,946
Other Province of Manitoba departments		**2,502**		2,366
Facility advances and receivables		**5,614**		5,975
Patient-related and other		**50,248**		51,465
Capital grants receivable		**29,752**		29,567
Allowance for doubtful accounts		**(11,515)**		(13,898)
	$	**93,343**	$	143,421

(in thousands of dollars)

Aging of accounts receivable as at March 31, 2019 is as follows:

				Past Due						
		Total	**Current**		**0 - 60 days**		**61 - 120 days**		**>120 days**
Patient-related and other	$	**50,248**	**$ 16,014**	$	**16,406**	$	**4,700**	$	**13,128**
Capital grants receivable		**29,752**	**8,095**		**2,380**		**1,498**		**17,779**
Other Province of Manitoba departments		**2,502**	**57**		**496**		**16**		**1,933**
Facility advances and receivables		**5,614**	**-**		**-**		**-**		**5,614**
Gross receivables		**88,116**	**24,166**		**19,282**		**6,214**		**38,454**
MHSAL (See below)		**16,742**	**10,688**		**-**		**-**		**6,054**
Allowance for doubtful accounts		**(11,515)**	**(304)**		**(1,533)**		**(914)**		**(8,764)**
Net receivables	$	**93,343**	**$ 34,550**	$	**17,749**	$	**5,300**	$	**35,744**

MHSAL receivables by funding year as at March 31, 2019 are as follows:

		Total	**2018/19**		**2017/18**		**2016/17**		**2015/16 and prior**
MHSAL – core operations	$	**9,775**	**$ 9,015**	$	**631**	$	**129**	$	**-**
MHSAL – capital operations		**6,967**	**1,673**		**314**		**1,525**		**3,455**
	$	**16,742**	**$ 10,688**	$	**945**	$	**1,654**	$	**3,455**

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

				Past Due					
		Total	Current		0 - 60 days		61 - 120 days		>120 days
Patient-related and other	$	51,465	$ 21,000	$	13,032	$	6,556	$	10,877
Capital grants receivable		29,567	5,205		726		3,956		19,680
Other Province of Manitoba departments		2,366	245		194		147		1,780
Facility advances and receivables		5,975	-		-		-		5,975
Gross receivables		89,373	26,450		13,952		10,659		38,312
MHSAL (See below)		67,946	42,392		-		-		25,554
Allowance for doubtful accounts		(13,898)	(369)		(135)		(2,883)		(10,511)
Net receivables	$	143,421	$ 68,473	$	13,817	$	7,776	$	53,355

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

	Total	2017/18	2016/17	2015/16	2014/15 and prior
MHSAL – core operations	$61,272	$40,698	$16,589	$1,773	$2,212
MHSAL – capital operations	6,674	1,694	1,525	3,455	-
	$67,946	$42,392	$18,114	$5,228	$2,212

(in thousands of dollars)

6. INVESTMENTS

	Fair value hierarchy level	2019	2018
Investments at fair value			
Money market investments	**Level 2**	**$ 5,105**	$ 3,584
Government bonds	**Level 2**	**4,837**	4,296
Principal protected notes	**Level 2**	**4,250**	3,820
Corporate bonds	**Level 2**	**9,073**	12,405
Guaranteed Investment Certificates ("GICs")	**Level 2**	**13,901**	11,686
Publicly traded common shares	**Level 1**	**4,028**	-
		$ 41,194	$ 35,791
Less: amounts included with accrued interest		**(5)**	(68)
		$ 41,189	$ 35,723

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 $2,214 (2018 - $1,347), which includes $1,529 (2018 - $275) in direct operations and $685 (2018 - $1,072) 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.

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, 2019, the maturity dates are as follows:

	Principal protected notes	Government	Corporate	GICs	Effective yield
Within 1 year	$ 1,372	$ 2,491	$ 2,264	$ 3,837	2.44%
2 to 5 years	2,642	1,608	5,528	10,064	2.14%
5 to 10 years	236	364	1,281	-	1.84%
Over 10 years	-	374	-	-	5.74%
	$ 4,250	$ 4,837	$ 9,073	$ 13,901	

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

(in thousands of dollars)

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 MHSAL. The amount of funding that will be provided by MHSAL 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. MHSAL 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:

	2019	2018
Balance, beginning of year	**$ 129,898**	$ 129,956
Decrease in vacation/overtime/ statutory holiday entitlements	**(1,807)**	(58)
Balance, end of year	**$ 128,091**	$ 129,898

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable and accrued liabilities	**$ 151,617**	$ 141,000
Accounts payable to MHSAL	**3,527**	8,599
Accrued salaries	**44,962**	42,294
Holdbacks on construction contracts	**95**	11,608
	$ 200,201	$ 203,501

(in thousands of dollars)

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into an interest rate swap to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for the Tecumseh Street Parkade ("Tecumseh") at the Health Sciences Centre. This interest rate swap relates to banker's acceptance (listed in Note 11), which is automatically renewed monthly until the end of the swap agreement.

The notional amount of the Tecumseh swap at March 31, 2019 is $26,594 (2018 - $27,886) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(3,990) (2018 - $(3,438)), resulting in a derivative liability of $3,990 (2018 - $3,438) 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.

10. UNEARNED REVENUE

Unearned operating revenue represents the unspent amount of funding received for the Authority's operating expenses not yet incurred. Unearned capital revenue represents advance funding, received from MHSAL, foundations or other funders for specified capital expenditures.

	2019			2018 (Restated)		
	Core	**Capital**	**Total**	Core	Capital	Total
Funding provided by MHSAL	**$ 13,945**	**$ 45,494**	**$ 59,439**	$ 13,131	$ 43,773	$ 56,904
Funding provided by other sources	**29,571**	**3,843**	**33,414**	31,023	3,234	34,257
Unearned Revenue	**$ 43,516**	**$ 49,337**	**$ 92,853**	$ 44,154	$ 47,007	$ 91,161

	2019			2018 (Restated)		
	Core	**Capital**	**Total**	Core	Capital	Total
Balance, beginning of year	**$ 44,154**	**$ 47,007**	**$ 91,161**	$ 46,766	$ 42,465	$ 89,231
Add: amount received during the year	**18,185**	**17,560**	**35,745**	13,156	20,442	33,598
Transfers to other health organizations	**-**	**(14,417)**	**(14,417)**	-	(15,187)	(15,187)
Less: amount recognized as revenue	**(18,823)**	**(813)**	**(19,636)**	(15,768)	(713)	(16,481)
Balance, end of year	**$ 43,516**	**$ 49,337**	**$ 92,853**	$ 44,154	$ 47,007	$ 91,161

(in thousands of dollars)

11. LONG-TERM DEBT

	2019	2018 (Restated) (Note 2 & 21)
Debt with Province of Manitoba		
3.25% treasury loan, maturing February 28, 2032 Concordia Hospital, monthly principal payments $12	**$ 1,848**	$ 1,991
3.25% treasury loan, maturing February 28, 2032 Deer Lodge Centre, monthly principal payments $11	**1,651**	1,779
3.25% treasury loan, maturing February 28, 2032 Grace Hospital, monthly principal payments $17	**2,679**	2,886
5.75% treasury loan, maturing January 29, 2024 Health Sciences Centre, monthly principal payments $163	**9,425**	11,375
5.35% treasury loan, maturing March 29, 2024 Health Sciences Centre, monthly principal payments $197	**11,842**	14,211
4.82% treasury loan, maturing January 31, 2023 Health Sciences Centre, monthly principal payments $255	**11,725**	14,784
4.90% treasury loan, maturing November 30, 2021 Health Sciences Centre, monthly principal payments $72	**2,311**	3,178
5.30% treasury loan, maturing November 30, 2022 Health Sciences Centre, monthly principal payments $90	**3,960**	5,040
5.05% treasury loan, maturing November 30, 2029 Health Sciences Centre, monthly principal payments $83	**10,667**	11,667
3.70% treasury loan, maturing February 28, 2037 Health Sciences Centre, monthly principal payments $67	**14,333**	15,133
4.45% treasury loan, maturing February 29, 2044 Health Sciences Centre, monthly principal payments $201	**59,974**	62,381
3.55% treasury loan, maturing February 28, 2045 Health Sciences Centre, monthly principal payments $153	**47,546**	49,381
3.48% treasury loan, maturing February 28, 2046 Health Sciences Centre, monthly principal payments $279	**90,167**	93,517
3.75% treasury loan, maturing February 28, 2047 Health Sciences Centre, monthly principal payments $139	**46,528**	48,194
3.25% treasury loan, maturing February 28, 2030 Health Sciences Centre, monthly principal payments $10	**15,130**	16,516
4.05% treasury loan, maturing February 28, 2021 Misericordia Hospital, monthly principal payments $33	**767**	1,167
3.55% treasury loan, maturing February 28, 2045 Misericordia Hospital, monthly principal payments $106	**32,963**	34,234

(in thousands of dollars)

	2019	2018 (Restated) (Note 2 & 21)
3.50% treasury loan, maturing February 28, 2037 Misericordia Hospital, monthly principal payments $18	**3,965**	4,187
4.95% treasury loan, maturing November 30, 2023 St. Boniface General Hospital, monthly principal payments $88	**4,941**	6,000
4.45% treasury loan, maturing November 30, 2035 St. Boniface General Hospital, monthly principal payments $133	**26,667**	28,267
3.40% treasury loan, maturing February 28, 2030 St. Boniface General Hospital, monthly principal payments $69	**9,097**	9,931
3.25% treasury loan, maturing February 28, 2032 St. Boniface General Hospital, monthly principal payments $98	**15,211**	16,388
4.85% treasury loan, maturing January 31, 2025 Seven Oaks General Hospital, monthly principal payments $52	**3,646**	4,271
3.25% treasury loan, maturing February 28, 2032 Seven Oaks General Hospital, monthly principal payments $35	**5,355**	5,769
5.25% treasury loan, maturing November 30, 2034 Victoria General Hospital, monthly principal payments $57	**10,653**	11,333
4.50% treasury loan, maturing November 30, 2040 Victoria General Hospital, monthly principal payments $28	**7,222**	7,556
3.25% treasury loan, maturing February 28, 2032 Victoria General Hospital, monthly principal payments $22	**3,360**	3,621
5.20% treasury loan, maturing March 30, 2020 WRHA, monthly principal payments $69	**833**	1,667
4.90% treasury loan, maturing November 30, 2021 WRHA, monthly principal payments $94	**3,022**	4,156
5.10% treasury loan, maturing February 28, 2027 WRHA, monthly principal payments $46	**4,354**	4,904
4.59% treasury loan, maturing October 31, 2023 WRHA, monthly principal payments $139	**7,639**	9,306
3.59% treasury loan, maturing November 30, 2025 WRHA, monthly principal payments $125	**10,000**	11,500
3.35% treasury loan, maturing February 28, 2028 WRHA, monthly principal payments $469	**50,156**	55,781
3.40% treasury loan, maturing February 28, 2028 WRHA, monthly principal payments $178	**19,022**	21,156
4.00% treasury loan, maturing February 28, 2034 WRHA, monthly principal payments $59	**10,565**	11,273
3.00% treasury loan, maturing February 28, 2030 WRHA, monthly principal payments $181	**23,742**	25,917

(in thousands of dollars)

	2019	2018 (Restated) (Note 2 & 21)
3.48% treasury loan, maturing February 28, 2046 WRHA, monthly principal payments $108	**34,830**	36,124
3.25% treasury loan, maturing February 28, 2032 WRHA, monthly principal payments $263	**40,823**	43,983
3.38% treasury loan, maturing February 28, 2033 WRHA, monthly principal payments $172	**28,760**	30,827
5.30%, treasury loan, maturing November 30, 2022 WRHA, monthly principal payments $34	**916**	1,165
4.59%, treasury loan, maturing October 31, 2023 WRHA, monthly principal payments $31	**1,017**	1,239
4.50%, treasury loan, maturing February 28, 2026 WRHA, monthly principal payments $85	**4,263**	4,879
3.70%, treasury loan, maturing February 28, 2029 WRHA, monthly principal payments $36	**2,591**	2,853
3.00%, treasury loan, maturing February 28, 2030 WRHA, monthly principal payments $37	**2,927**	3,195
3.38%, treasury loan, maturing February 28, 2033 WRHA, monthly principal payments $25	**12,247**	13,123
Floating rate lines of credit supporting capital projects	**200,264**	-
Total debt with Province of Manitoba	**$ 911,604**	$ 767,805
Third party debt		
Floating rate lines of credit supporting capital projects	**$ -**	$ 164,498
1.720% banker's acceptance, maturing April 15, 2019 Health Sciences Centre Tecumseh Street Parkade (Note 9)	**26,594**	27,886
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $92	**15,683**	15,884
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments $48 St. Boniface General Hospital Atrium	**11,819**	12,098
7.38% mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition and Food Services	**-**	772
Prime minus 0.65% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot	**366**	471
Total third party debt	**$ 54,462**	$ 221,609
Total long-term debt	**$ 966,066**	$ 989,414

(in thousands of dollars)

Previously, each year MHSAL and Manitoba Finance's Treasury Division ("Treasury Division") would review the current third-party debt held by the Authority and determine which loan balances should be transferred into fixed or long-term loans at the Treasury Division. If a loan was chosen to be fixed, the third party debt was settled by MHSAL and the long-term loans would subsequently be held by Treasury Division. Treasury Division would then issue a promissory note for the Authority and MHSAL would then provide monthly principal and interest payments to Treasury Division on behalf of the Authority.

Beginning with the year ended March 31, 2019 and with restatements of the March 31, 2018 consolidated statement of financial position, the unsecured loans held with Treasury Division through the promissory notes for the Authority are now recognized in the consolidated statement of financial position of the Authority.

The Health Sciences Centre Tecumseh Street Parkade loan has been collateralized by the Tecumseh Street Parkade, which at March 31, 2019 had a net book value of $29,806 (2018 - $31,370). The assigned results of the Health Sciences Centre Business and Innovative Services have also been secured against the parkade loan.

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, 2019, amount to $131,500 (2018 - $131,500). As at March 31, 2019, $31,471 was being utilized (2018 - $94,347).

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

Principal Payments	Third-party debt	Capital lease	Treasury loans	Total
2019/20	$ 26,987	$ 213	$ 256,729	$ 283,929
2020/21	405	226	55,598	56,229
2021/22	415	240	54,565	55,220
2022/23	374	257	52,362	52,993
2023/24	333	302	47,721	48,356
Thereafter	10,265	14,445	444,629	469,339
	$ 38,779	$ 15,683	$ 911,604	$ 966,066

(in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS

2019

	Opening	Transfers	Additions	Disposals	Closing
Cost					
Land	**$ 20,206**	**$ -**	**$ -**	**$ -**	**$ 20,206**
Buildings	**1,433,414**	**7,892**	**45,412**	**(7,799)**	**1,478,919**
Buildings under capital lease	**16,690**	**-**	**-**	**-**	**16,690**
Furniture and equipment	**1,023,236**	**836**	**19,241**	**(259,029)**	**784,284**
Computer hardware and software	**364,910**	**102,216**	**597**	**(614)**	**467,109**
Leasehold improvements	**146,828**	**2,187**	**1,241**	**-**	**150,256**
Construction in progress (Note 13)	**548,339**	**(113,131)**	**10,910**	**-**	**446,118**
	$ 3,553,623	**$ -**	**$ 77,401**	**$ (267,442)**	**$ 3,363,582**

	Opening	Transfers	Amortization	Disposals	Closing
Accumulated Amortization					
Buildings	**$ 645,800**	**$ -**	**$ 35,808**	**$ (7,715)**	**$ 673,893**
Buildings under capital lease	**2,121**	**-**	**417**	**-**	**2,538**
Furniture and equipment	**887,110**	**-**	**35,311**	**(259,029)**	**663,392**
Computer hardware and software	**214,950**	**-**	**31,039**	**(614)**	**245,375**
Leasehold improvements	**49,659**	**-**	**7,344**	**-**	**57,003**
	$ 1,799,640	**$ -**	**$ 109,919**	**$ (267,358)**	**$ 1,642,201**

Net Book Value	**$ 1,753,983**				**$ 1,721,381**

2018

	Opening	Transfers	Additions	Disposals	Closing
Cost					
Land	$ 20,206	$ -	$ -	$ -	$ 20,206
Buildings	1,417,468	13,384	2,650	(88)	1,433,414
Buildings under capital lease	16,690	-	-	-	16,690
Furniture and equipment	1,004,064	5,875	16,972	(3,675)	1,023,236
Computer hardware and software	340,052	19,143	5,715	-	364,910
Leasehold improvements	143,883	2,476	469	-	146,828
Construction in progress (Note 13)	528,627	(40,878)	63,831	(3,241)	548,339
	$ 3,470,990	$ -	$ 89,637	$ (7,004)	$ 3,553,623

	Opening	Transfers	Amortization	Disposals	Closing
Accumulated Amortization					
Buildings	$ 608,284	$ -	$ 37,604	$ (88)	$ 645,800
Buildings under capital lease	1,704	-	417	-	2,121
Furniture and equipment	853,670	-	37,115	(3,675)	887,110
Computer hardware and software	182,286	-	32,664	-	214,950
Leasehold improvements	43,167	-	6,492	-	49,659
	$ 1,689,111	$ -	$ 114,292	$ (3,763)	$ 1,799,640

Net Book Value	$ 1,781,879				$ 1,753,983

The Authority capitalizes interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $881 (2018 - $1,566).

(in thousands of dollars)

13. 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, 2019, 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
2019/20	$ 25,354	$ 4,560
2020/21	24,731	2,592
2021/22	24,244	1,181
2022/23	23,662	236
2023/24	21,545	67
	$ 119,536	$ 8,636

c) As at March 31, 2019, the Authority had construction projects of $446,118 (2018 - $548,339); the estimated cost to complete these projects is $351,337 (2018 - $362,247). The Authority currently has capital commitments of approximately $29,746 (2018 - $14,370) and equipment purchase commitments of approximately $1,803 (2018 - $1,776).

14. DESIGNATED NET ASSETS

Annually, the Board of Directors approves the amount set aside by the Authority and its consolidated entities for the following purposes:

	2019	2018
Laundry capital assets	**$ 4,809**	$ 2,954
Nutrition and Food Services	**6,181**	6,181
Concordia capital assets	**664**	664
Deer Lodge capital assets	**281**	281
Grace capital assets	**3,247**	3,400
Victoria capital assets	**329**	329
Seven Oaks ancillaries and Wellness Institute	**4,931**	4,812
Health Sciences Centre internally restricted	**8,599**	7,538
Riverview internally restricted	**5,839**	4,218
Middlechurch internally restricted	**206**	206
Misericordia ancillary fund	**658**	307
St. Boniface internally restricted	**7,897**	7,674
Total	**$ 43,641**	$ 38,564

15. 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, 2019.

16. 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, 2019 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.

(in thousands of dollars)

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. Seven Oaks General Hospital Foundation Inc. and St. Boniface General Auxiliary Inc. have also been consolidated as required under PSAS.

17. 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, 2018, projected to March 31, 2019.

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

		2019		2018
Accrued benefit obligation	**$**	**161,297**	$	156,517
Funded status – plan deficit	**$**	**(161,297)**	$	(156,517)
Unamortized net actuarial gain		**(11,956)**		(19,732)
Accrued benefit liability	**$**	**(173,253)**	$	(176,249)

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

		2019		2018
Accrued benefit liability – beginning of year	**$**	**(176,249)**	$	(177,208)
In-year expense		**(13,195)**		(15,540)
Benefits paid		**16,191**		16,499
Accrued benefit liability – end of year	**$**	**(173,253)**	$	(176,249)

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

		2019		2018
Current service cost	**$**	**11,199**	$	11,970
Amortization of actuarial gain		**(3,428)**		(1,658)
Interest cost		**5,424**		5,228
	$	**13,195**	$	15,540

(in thousands of dollars)

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

	2019	2018
Discount rate	**3.10%**	3.43%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.9 Yrs**	7.5 Yrs

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

	2019	2018
Discount rate	**3.43%**	3.10%
Salary escalation	**3.50%**	3.50%

The amount of funding that will be provided by MHSAL 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 on the consolidated statement of financial position. MHSAL has indicated that payment of this receivable, when required, is guaranteed by the Province of Manitoba.

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 $102,620 (2018 - $103,048) 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, 2018 disclosed total actuarial value of assets of $7,822,893 with total actuarial liabilities of $7,294,265, resulting in a surplus of $528,628.

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 $569 (2018 - $600) to this plan.

(in thousands of dollars)

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 $2,131 (2018 - $2,266) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2017 disclosed total actuarial value of assets of $5,000,689 with total actuarial liabilities of $4,725,325, resulting in a surplus of $275,364.

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 $2,116 (2018 - $2,127) 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:

		2019		2018
Accrued benefit obligation	**$**	**19,305**	$	23,756
Funded status – plan deficit	**$**	**(19,305)**	$	(23,756)
Unamortized net actuarial gain		**(8,157)**		(5,143)
Accrued benefit liability	**$**	**(27,462)**	$	(28,899)

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

		2019		2018
Accrued benefit liability – beginning of year	**$**	**(28,899)**	$	(30,186)
In-year expense		**(2,183)**		(2,704)
Benefits paid		**3,620**		3,991
Accrued benefit liability – end of year	**$**	**(27,462)**	$	(28,899)

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

		2019		2018
Current service cost	**$**	**2,475**	$	2,642
Amortization of actuarial gain		**(1,128)**		(791)
Interest cost		**836**		853
	$	**2,183**	$	2,704

(in thousands of dollars)

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

	2019	2018
Discount rate	**3.10%**	3.43%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**8.0 Yrs**	7.5 Yrs

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

	2019	2018
Discount rate	**3.43%**	3.10%
Salary escalation	**3.50%**	3.50%

18. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

a) 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 which do not already have allowances.

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.

b) 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 its derivative instruments. 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 0.4% to 5.94%, and maturities from June 2, 2019 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $133 (2018 - $102) 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 $266 (2018 - $284) on interest expense on the consolidated statement of operations.

Offsetting the change on the variable rate of the Tecumseh loan is the interest rate swap. A 1% increase in interest rates, with all other variables held constant, would result in an estimated impact of $2,419 (2018 - $2,557) 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 is exposed to equity price risk on its publicly traded common shares. Fluctuations in the fair value of these shares is recognized in the Consolidated Statement of Remeasurement Gains and Losses. The Authority has minimal exposure to foreign exchange risk.

19. SUBSEQUENT EVENT

Shared Health, a provincial organization, was created to include responsibility for developing and administering a provincial clinical and preventative service plan for the Government of Manitoba with respect to all provincial health services to consolidate certain provincially scoped health care services, support services and facilities under one organization.

As of April 1, 2019, Shared Health Inc. assumed the operational responsibilities of the following divisions and departments of the Authority:

- Health Sciences Centre (insured services and ancillary operations)
- Manitoba eHealth
- Diagnostic & Non-invasive Cardiac Services
- Emergency Medical Services
- Patient Transport
- Certain corporate and administrative functions

This initial restructuring will include the transfer of approximately $900 million of operating funding. A Government of Manitoba order under legislation is expected during the 2019/2020 fiscal year that will allow for the transfer of the associated assets and liabilities.

20. BUDGETED FIGURES

Budgeted Figures, detailed within the Authority’s 2018-19 Summary Budget submission, have been provided for comparison purposes and have been approved by the Authority’s Board. The budgeted total revenues and total expenditures were subject to audit. The procedures for the audit of the budgeted figures were limited to verification of total budgeted revenues and total budgeted expenditures against the budget approved by the Authority’s Board.

(in thousands of dollars)

Changes to the original budget were made to reflect the Authority's change in its basis of accounting from PSAS for GNFPOs to PSAS without sections PSAS 4200 – PSAS 4270. These changes have also been approved by the Authority's Board. The following presents a reconciliation between the Authority's original budget and the budget as presented in the consolidated financial statement of operations and accumulated surplus to align with the presentation of the current year results under the current basis of accounting:

Revenue budget	
WRHA's preliminary revenue budget	$2,976,283
Change in accounting policies adjustments:	
MHSAL capital grants	103,360
Other capital grants	7,000
Amortization of deferred contributions - capital	(97,746)
Revised revenue budget	$2,988,897
Expense budget	
WRHA's prelminary expense budget	$2,976,283
Change in accounting policies adjustment:	
Interest expense	31,390
Revised expense budget	$ 3,007,673
Net of revenue and expense budgets	$ (18,776)

21. ADJUSTMENTS IN PRIOR PERIOD FINANCIAL STATEMENTS

a) Change in accounting policy

Certain accounting policies previously applied under PSAS for GNFPOs have been amended to comply with PSAS without sections PSAS 4200 – PSAS 4270. The comparative figures for March 31, 2018 were restated to reflect these adjustments. The following reconciliation provides a description of the effect of transition.

	Excess (deficiency) of revenue over expenses for the year ended March 31, 2018	Net (liabilities) assets at April 1, 2017
Excess of revenue over expenses and net liabilities, PSAS for GNFPOs	$ 420	$ (23,406)
Adjustments:		
Amortization of deferred contributions related to capital assets	(102,703)	-
Government transfers related to capital	108,992	-
Other capital grants	6,024	-
Interest expense on capital loans	(30,681)	-
Deferred contributions related to capital - unamortized	-	1,463,558
Long-term debt	-	(897,343)
Consolidation of Seven Oaks Hospital Foundation and St. Boniface General Auxiliary	125	2,068
	$ (17,823)	$ 544,877

(in thousands of dollars)

The Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. These loans were then converted into Promissory Notes with the Province of Manitoba. 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. Since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority incorporated the long-term debt as part of its deferred contributions balance. With the change in accounting policies, lines of credit with Financial Institutions in the amount of $152,432 and Treasury loans in the amount of $744,911 as of April 1, 2017 will now be included in the Authority's Statement of Financial Position as debt.

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 were not previously consolidated:

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

With the change in accounting policies effective April 1, 2017, these entities have been consolidated into the Authority's financial results. A financial summary of these entities is as follows:

Financial Position as at April 1, 2017		
Total assets	$	2,201
Total liabilities		133
Total net assets	$	2,068
Results of Operations for the year ended March 31, 2018		
Total revenue	$	1,604
Total expenses		1,479
Surplus from operations	$	125
Cash Flows for the year ended March 31, 2018		
Generated by operating activities	$	426
Used in financing, capital and investing activities		(92)
Increase in cash	$	334

b) Correction of prior year accounting errors

Accounting errors were noted impacting deferred contributions, capital assets, accounts payable and net assets. The correction has been reported retroactively, and comparative information has been restated. The impact of these corrections to the April 1, 2017 balances was a decrease of $6,181 to deferred contributions, a decrease of $6,495 to capital assets, an increase of $9,357 to accounts payable, and a decrease of $9,671 to net assets.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Consolidated Statement of Operations by Expense Category

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

	2019 Core Operations	2019 Capital Operations	2019 Actual Total	2019 Budget Total	2018 Actual Total (Restated) (Notes 2 & 21)
REVENUE					
Manitoba Health, Seniors and Active Living grants	**$ 2,748,969**	**$ 116,759**	**$ 2,865,728**	**$ 2,796,040**	$ 2,829,045
Other capital grants	**-**	**13,102**	**13,102**	**7,000**	6,024
Separately funded primary health programs	**5,700**	**-**	**5,700**	**5,362**	4,852
Patient and resident income	**50,996**	**-**	**50,996**	**51,666**	48,353
Recoveries from external sources	**46,743**	**-**	**46,743**	**48,207**	54,221
Investment income	**1,529**	**-**	**1,529**	**275**	275
Other income	**5,499**	**-**	**5,499**	**6,484**	6,427
Recognition of unearned revenue	**15,872**	**-**	**15,872**	**11,666**	15,332
	2,875,308	**129,861**	**3,005,169**	**2,926,700**	2,964,529
EXPENSES					
Salaries and wages	**1,646,864**	**-**	**1,646,864**	**1,663,739**	1,662,853
Medical remuneration	**281,442**	**-**	**281,442**	**278,206**	270,927
General supplies	**41,327**	**-**	**41,327**	**43,750**	39,057
Food and dietary Supplies	**16,979**	**-**	**16,979**	**7,122**	7,285
Medical and surgical supplies	**140,421**	**-**	**140,421**	**141,961**	141,804
Pharmaceutical supplies	**77,123**	**-**	**77,123**	**72,049**	76,491
Utilities	**24,372**	**-**	**24,372**	**21,136**	22,568
Miscellaneous	**57,671**	**-**	**57,671**	**60,059**	62,873
Software, equipment, maintenance and rentals	**73,210**	**-**	**73,210**	**61,662**	69,348
Contracted out services	**44,546**	**-**	**44,546**	**31,518**	46,814
Buildings and grounds	**38,342**	**-**	**38,342**	**36,968**	39,822
Interest	**1,023**	**31,994**	**33,017**	**31,890**	32,302
Amortization	**9,146**	**93,014**	**102,160**	**105,156**	106,236
Loss on disposal of tangible capital assets	**-**	**-**	**-**	**-**	3,241
	2,452,466	**125,008**	**2,577,474**	**2,555,216**	2,581,621
FACILITY FUNDING					
Long term care facility funding	**307,538**	**-**	**307,538**	**299,925**	307,105
Community health agency funding	**55,531**	**-**	**55,531**	**51,641**	53,367
Adult day care facility funding	**2,729**	**-**	**2,729**	**2,982**	2,828
Long term care community therapy services	**1,112**	**-**	**1,112**	**1,035**	1,054
GRANT FUNDING					
Grants to facilities and agencies	**61,394**	**-**	**61,394**	**43,660**	45,045
	428,304	**-**	**428,304**	**399,243**	409,399
INSURED SERVICES (DEFICIT) SURPLUS	**(5,462)**	**4,853**	**(609)**	**(27,759)**	(26,491)
NON-INSURED SERVICES					
Non-insured services income	**66,250**	**-**	**66,250**	**62,197**	68,911
Non-insured services expenses	**59,840**	**2,066**	**61,906**	**53,214**	61,055
NON-INSURED SERVICES SURPLUS (DEFICIT)	**6,410**	**(2,066)**	**4,344**	**8,983**	7,856
SURPLUS (DEFICIT) FOR THE YEAR	**$ 948**	**$ 2,787**	**$ 3,735**	**$ (18,776)**	$ (18,635)