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, 2020

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Board of Directors of the Winnipeg Regional Health Authority. The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards 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 fair presentation of the consolidated financial statements prepared by management.

Vickie Kaminski
President & Chief Executive Officer

Shelley Hopkins, CPA, CMA
Chief Financial Officer

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

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, 2020, 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, 2020, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 8, 2020
Winnipeg, Manitoba

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

	2020	2019
FINANCIAL ASSETS		
Cash	**$ 66,421**	$ 68,804
Accounts receivable (Note 5)	**71,191**	93,343
Investments (Note 6)	**37,640**	41,189
Employee benefits recoverable from Manitoba Health, Seniors and Active Living (Note 7)	**51,972**	78,957
Employee future benefits recoverable from Manitoba Health, Seniors and Active Living (Note 17)	**19,892**	74,415
	247,116	356,708
LIABILITIES		
Bank indebtedness (Note 11)	**48,394**	31,471
Accounts payable and accrued liabilities (Notes 8 and 9)	**212,790**	200,201
Unearned revenue (Note 10)	**59,760**	92,853
Employee benefits payable (Note 7)	**88,487**	128,091
Employee future benefits payable (Note 17)	**129,994**	200,715
Long-term debt (Note 11)	**965,256**	966,066
	1,504,681	1,619,397
NET DEBT	**(1,257,565)**	(1,262,689)
NON-FINANCIAL ASSETS		
Inventory	**24,193**	44,171
Prepaid expenses	**5,979**	16,044
Tangible capital assets, net (Note 12)	**1,694,710**	1,721,381
	1,724,882	1,781,596
COMMITMENTS AND CONTINGENCIES (Note 13)		
TOTAL NET ASSETS	**$ 467,317**	$ 518,907
Total net assets is comprised of:		
Accumulated surplus	**473,946**	520,534
Endowments	**-**	1,876
Accumulated remeasurement losses	**(6,629)**	(3,503)
	$ 467,317	$ 518,907

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

Wayne McWhirter
.... Wayne McWhirter, FCPA, FCA
Chair, Board of Directors

Kyla Kramps
.... Kyla Kramps, CPA, CA, CBV
Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2020
(in thousands of dollars)

	2020			2020	2019
	Core Operations	**Capital Operations**	**Actual Total**	**Budget Total**	Actual Total
REVENUE					
Manitoba Health, Seniors and Active Living grants	**$ 1,925,261**	**$ 100,825**	**$ 2,026,086**	**$ 2,000,429**	$ 2,867,475
Other capital grants	**-**	**27,022**	**27,022**	**-**	13,102
Separately funded primary health programs	**5,985**	**-**	**5,985**	**4,851**	5,700
Patient and resident income	**47,332**	**-**	**47,332**	**49,606**	51,146
Recoveries from external sources	**27,603**	**-**	**27,603**	**27,381**	49,668
Investment income	**1,634**	**-**	**1,634**	**1,600**	1,529
Other income	**7,764**	**-**	**7,764**	**7,812**	16,549
	2,015,579	**127,847**	**2,143,426**	**2,091,679**	3,005,169
EXPENSES					
Acute care	**1,014,271**	**144,907**	**1,159,178**	**1,079,797**	1,938,189
Community care	**430,705**	**5,225**	**435,930**	**435,000**	435,250
Long-term care	**354,021**	**1,536**	**355,557**	**360,000**	353,960
Medical remuneration	**225,096**	**-**	**225,096**	**228,000**	278,379
	2,024,093	**151,668**	**2,175,761**	**2,102,797**	3,005,778
INSURED SERVICES DEFICIT	**(8,514)**	**(23,821)**	**(32,335)**	**(11,118)**	(609)
NON-INSURED SERVICES					
Non-insured services income	**36,585**	**5,350**	**41,935**	**41,663**	66,250
Non-insured services expenses	**33,156**	**6,476**	**39,632**	**37,719**	61,906
NON-INSURED SERVICES SURPLUS (DEFICIT)	**3,429**	**(1,126)**	**2,303**	**3,944**	4,344
(DEFICIT) SURPLUS BEFORE RESTRUCTURING	**(5,085)**	**(24,947)**	**(30,032)**	**(7,174)**	3,735
IMPACT OF RESTRUCTURING TRANSACTION (NOTE 19)	**16,556**	**-**	**16,556**	**-**	-
(DEFICIT) SURPLUS FOR THE YEAR	**$ (21,641)**	**$ (24,947)**	**$ (46,588)**	**$ (7,174)**	$ 3,735
ACCUMULATED SURPLUS, BEGINNING OF YEAR			**520,534**		516,799
ACCUMULATED SURPLUS, END OF YEAR			**$ 473,946**		$ 520,534

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
As at March 31
(in thousands of dollars)

	Budget	2020	2019
NET (DEFICIT) SURPLUS FOR THE YEAR	**$ (7,174)**	**$ (46,588)**	$ 3,735
CHANGE IN TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	**(62,924)**	**(87,607)**	(77,401)
Amortization of tangible capital assets	**51,372**	**113,939**	109,919
Disposals of tangible capital assets	**-**	**339**	84
	(18,726)	**(19,917)**	36,337
CHANGE IN OTHER NON-FINANCIAL ASSETS			
Net change in inventories		**19,978**	1,884
Net change in prepaid expenses		**10,065**	1,654
		30,043	3,538
CHANGE IN OTHER ITEMS			
Net remeasurement loss for the year		**(3,126)**	(205)
Net change in endowments		**(1,876)**	(303)
		(5,002)	(508)
DECREASE IN NET DEBT		**5,124**	39,367
NET DEBT, BEGINNING OF YEAR		**1,262,689**	1,302,056
NET DEBT, END OF YEAR		**$ 1,257,565**	$ 1,262,689

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

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

		2020		2019
Accumulated remeasurement losses at beginning of year	**$**	**(3,503)**	$	(3,298)
Unrealized (losses) gains attributable to:				
Derivative – interest rate swap (Note 9)		**(1,942)**		(552)
Investments		**(1,184)**		347
Net remeasurement loss for the year		**(3,126)**		(205)
Accumulated remeasurement losses at end of year	**$**	**(6,629)**	$	(3,503)

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, 2020
(in thousands of dollars)

		2020		2019
OPERATING ACTIVITIES				
(Deficit) surplus for the year	**$**	**(46,588)**	$	3,735
Items not affecting cash				
Amortization of tangible capital assets		**113,939**		109,919
Loss on disposals of tangible capital assets		**339**		84
Recognition of unearned revenue		**(29,862)**		(19,636)
Net change in employee benefits		**(110,325)**		(6,240)
		(72,497)		87,862
Net change in non-cash operating working capital balances		**141,290**		49,808
Unearned revenue received		**32,596**		35,745
Unearned revenue transferred to other health organizations		**(35,827)**		(14,417)
		65,562		158,998
FINANCING ACTIVITIES				
Proceeds from operating line of credit		**16,923**		-
Payment of operating line of credit		**-**		(62,876)
Proceeds from capital line of credit		**57,554**		35,766
Payment of capital line of credit		**(210,037)**		-
Proceeds from long-term debt		**210,037**		-
Payment of long-term debt		**(58,364)**		(59,114)
		16,113		(86,224)
CAPITAL ACTIVITIES				
Purchase of tangible capital assets		**(87,607)**		(77,401)
		(87,607)		(77,401)
INVESTING ACTIVITIES				
Decrease (Increase) in investments, net		**3,549**		(5,466)
		3,549		(5,466)
DECREASE IN CASH		**(2,383)**		(10,093)
CASH, BEGINNING OF YEAR		**68,804**		78,897
CASH, END OF YEAR	**$**	**66,421**	$	68,804

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.

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, Long Term Care services (Middlechurch Home of Winnipeg and Riverpark Gardens sites), Acute Care services (Churchill Health Centre, Deer Lodge Centre, Grace General Hospital, 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), and Manitoba Adolescent Treatment Centre ("MATC") – by means of operating agreements.
   - Other supporting organizations (Seven Oaks Foundation, St. Boniface General Auxiliary)
   - Effective April 1, 2019, as part of the provincial Health System Transformation Program discussed in Note 19, the Authority transferred operating control of some of its divisions and departments to Shared Health Inc. ("Shared Health") including the Acute Care services of Health Sciences Centre and its ancillary operations including the Volunteer Enterprises of the Health Sciences Centre Inc. Also transferred were the operations of Manitoba eHealth which provides information technology services to all regional health authorities in Manitoba, Shared Health, CancerCare Manitoba, the Addictions Foundation of Manitoba, as well as health care providers and their colleges and associations. The tangible capital assets and related liabilities of these divisions will transfer at a subsequent date through a Government of Manitoba order under legislation.

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 STANDARD

Public Sector Accounting Standard ("PSAS") 3430 – Restructuring Transactions, took effect April 1, 2018. The creation of Shared Health and the transfer of certain operations from the Authority to Shared Health (Note 19) as of April 1, 2019 is in the scope of this standard. Note 19 includes details of the restructuring and the impact on the Authority's financial statements.

3. FUTURE ACCOUNTING POLICY CHANGES

During the year, the Authority undertook a review of the Public Sector Accounting Board accounting standard 3280 – Asset Retirement Obligations which takes effect April 1, 2021. The Authority has begun its review of potential obligations that may require recognition under this standard, including liabilities related to the retirement of assets which contain asbestos or other contaminants. Further review and refinement of the valuation methodologies for recognizing these obligations continues. The impact to the Authority's financial statements is unknown at this time.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards. The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

a) Controlled entities

The Authority consolidates all organizations that it controls through its ability to determine the strategic operating, capital, investing and financial policies of the organization. The Authority continues to control the tangible capital assets and associated long-term debt for Health Sciences Centre and Digital Health (formerly eHealth) until such time as an Order in Council is passed in the Manitoba Legislature to allow Shared Health to own and control those assets and associated long-term debt. Shared Health has management responsibility and holds the budget for the operation of Health Sciences Centre and Digital Health as a result of a restructuring transaction effected April 1, 2019 (Note 19).

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 other capital related expenditures, including 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 stipulations, if any, have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is 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.

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.

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 assumptions and/or experience are recognized over the estimated average remaining service period of the active employees.

h) 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, 2020.

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.

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 expensed as incurred.

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, bank indebtedness 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.

j) 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, 2020, the Authority has not identified a liability for contaminated sites based on the recognition criteria.

5. ACCOUNTS RECEIVABLE

	2020	2019
MHSAL – core and capital operations	**$ 29,960**	$ 16,742
Other Province of Manitoba departments	**1,763**	2,502
Facility advances and receivables	**5,876**	5,614
Patient-related and other	**28,634**	50,248
Capital grants receivable	**30,405**	29,752
Allowance for doubtful accounts	**(25,447)**	(11,515)
	$ 71,191	$ 93,343

(in thousands of dollars)

Aging of accounts receivable as at March 31, 2020 is as follows:

				Past Due		
		Total	**Current**	**0 - 60 days**	**61 - 120 days**	**>120 days**
Patient-related and other	$	**28,634**	$ 10,783	**3,540**	**2,218**	**12,093**
Capital grants receivable		**30,405**	**7,534**	**890**	**1,374**	**20,607**
Other Province of Manitoba departments		**1,763**	549	**-**	**1**	**1,213**
Facility advances and receivables		**5,876**	**-**	**45**	**-**	**5,831**
Gross receivables		**66,678**	**18,866**	**4,475**	**3,593**	**39,744**
MHSAL (See below)		**29,960**	**23,238**	**-**	**-**	**6,722**
Allowance for doubtful accounts		**(25,447)**	**(114)**	**(413)**	**(468)**	**(24,452)**
Net receivables	$	**71,191**	**$ 41,990**	**$ 4,062**	**$ 3,125**	**$ 22,014**

MHSAL receivables by funding year as at March 31, 2020 are as follows:

		Total	**2019/20**	**2018/19**	**2017/18**	**2016/17 and prior**
MHSAL – core operations	$	**24,785**	**$ 23,088**	**$ 991**	**$ 699**	**$ 7**
MHSAL – capital operations		**5,175**	**150**	**288**	**1,849**	2,888
	$	**29,960**	**$ 23,238**	**$ 1,279**	**$ 2,548**	**$ 2,895**

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	$0
MHSAL – capital operations	6,967	1,673	314	1,525	3,455
	$16,742	$10,688	$945	$1,654	$3,455

(in thousands of dollars)

6. INVESTMENTS

	Fair value hierarchy level	2020	2019
Investments at fair value			
Money market investments	**Level 2**	**$ 5,893**	$ 5,105
Government bonds	**Level 2**	**2,422**	4,837
Principal protected notes	**Level 2**	**2,602**	4,250
Corporate bonds	**Level 2**	**5,945**	9,073
Guaranteed Investment Certificates ("GICs")	**Level 2**	**15,633**	13,901
Publicly traded common shares	**Level 1**	**5,152**	4,028
		$ 37,647	$ 41,194
Less: amounts included with accrued interest		**(7)**	(5)
		$ 37,640	$ 41,189

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 $3,354 (2019 - $2,214), which includes $1,634 (2019 - $1,529) in direct operations and $1,720 (2019 - $685) included in non-insured services income.

None of the above investments are considered impaired, and no investment loss 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, 2020, the maturity dates are as follows:

	Principal protected notes	Government bonds	Corporate bonds	GICs	Effective yield
Within 1 year	$ 2,123	$ 1,641	$ 2,814	$ 4,181	1.80%
2 to 5 years	479	104	2,062	11,452	2.33%
5 to 10 years	-	303	1,005	-	2.55%
Over 10 years	-	374	64	-	3.69%
	$ 2,602	$ 2,422	$ 5,945	$ 15,633	

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 and has been recorded as a receivable of $51,972 (2019 – $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:

		2020		2019
Balance, beginning of year	**$**	**128,091**	$	129,898
Restructuring (Note 19)		**(41,776)**		-
Increase (decrease) in vacation/overtime/ statutory holiday entitlements		**2,172**		(1,807)
Balance, end of year	**$**	**88,487**	$	128,091

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2020		2019
Accounts payable and accrued liabilities	**$**	**105,754**	$	151,617
Accounts payable to Shared Health		**69,115**		-
Accounts payable to MHSAL		**2,373**		3,527
Accrued salaries		**35,447**		44,962
Holdbacks on construction contracts		**101**		95
	$	**212,790**	$	200,201

(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, 2020 is $25,302 (2019 - $26,594) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(5,932) (2019 - $(3,990)), resulting in a derivative liability of $5,932 (2019 - $3,990) 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 its 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.

	2020			2019		
	Core	**Capital**	**Total**	Core	Capital	Total
Funding provided by MHSAL	**$ 2,320**	**$ 34,076**	**$ 36,396**	$ 13,945	$ 45,494	$ 59,439
Funding provided by other sources	**18,902**	**4,463**	**23,364**	29,571	3,843	33,414
Unearned Revenue	**$ 21,222**	**$ 38,538**	**$ 59,760**	$ 43,516	$ 49,337	$ 92,853

	2020			2019		
	Core	**Capital**	**Total**	Core	Capital	Total
Balance, beginning of year	**$ 43,516**	**$ 49,337**	**$ 92,853**	$ 44,154	$ 47,007	$ 91,161
Restructuring (Note 19)	**(19,513)**	**-**	**(19,513)**	-	-	-
Add: amount received during the year	**13,639**	**18,958**	**32,596**	18,185	17,560	35,745
Transfers to other health organizations	**(4,635)**	**(11,679)**	**(16,314)**	-	(14,417)	(14,417)
Less: amount recognized as revenue	**(11,785)**	**(18,077)**	**(29,862)**	(18,823)	(813)	(19,636)
Balance, end of year	**$ 21,222**	**$ 38,538**	**$ 59,760**	$ 43,516	$ 49,337	$ 92,853

(in thousands of dollars)

11. LONG-TERM DEBT

	2020	2019
Debt with Province of Manitoba		
2.45% - 5.75% treasury loans, maturing from February 28, 2021 to March 31, 2060 Monthly principal payments $5,583	**$ 864,911**	$711,340
Prime minus 1.90% floating rate lines of credit supporting capital projects	**47,781**	200,264
Total debt with Province of Manitoba	**$ 912,692**	$ 911,604
Third party debt		
1.720% banker's acceptance, matures April 15, 2020 Health Sciences Centre Tecumseh Street Parkade (Note 9)	**$ 25,302**	$ 26,594
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $92	**15,470**	15,683
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments $48 St. Boniface General Hospital Atrium	**11,530**	11,819
Prime minus 0.65% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot	**262**	366
Total third party debt	**$ 52,564**	$ 54,462
Total long-term debt	**$ 965,256**	$ 966,066

Unsecured loans held with Manitoba Finance's Treasury Division through the promissory notes for the Authority are 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, 2020 had a net book value of $28,242 (2019 - $29,806). 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, 2020, amount to $101,500 (2019 - $131,500). As at March 31, 2020, $48,394 was being utilized (2019 - $31,471).

(in thousands of dollars)

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
2020/21	$ 25,707	$ 226	$ 117,681	$ 143,614
2021/22	415	240	54,979	55,634
2022/23	374	257	52,776	53,407
2023/24	333	302	48,135	48,770
2024/25	10,265	320	42,359	52,944
Thereafter	-	14,125	596,762	610,887
	$ 37,094	$ 15,470	$ 912,692	$ 965,256

12. TANGIBLE CAPITAL ASSETS

	2020				
	Opening	**Transfers**	**Additions**	**Disposals**	**Closing**
Cost					
Land	**$ 20,206**	$ -	$ -	$ -	**$ 20,206**
Buildings	**1,478,919**	281,750	6,857	**(3,606)**	**1,763,920**
Buildings under capital lease	**16,690**	-	-	-	**16,690**
Furniture and equipment	**784,284**	37,751	14,420	**(1,613)**	**834,842**
Computer hardware and software	**467,109**	24,575	**15**	(127)	**491,572**
Leasehold improvements	**150,256**	5,720	38	-	**156,014**
Construction in progress (Note 13)	**446,118**	(349,796)	**66,277**	(229)	**162,370**
	$ 3,363,582	**$ -**	**$ 87,607**	**$ (5,575)**	**$ 3,445,614**
	Opening	**Transfers**	**Amortization**	**Disposals**	**Closing**
Accumulated Amortization					
Buildings	**673,893**	**$ 164**	**$ 40,153**	**$ (3,606)**	**$ 710,604**
Buildings under capital lease	**2,538**	**-**	**417**	**-**	**2,955**
Furniture and equipment	**663,392**	**(164)**	33,713	**(1,535)**	**695,406**
Computer hardware and software	**245,375**	**-**	**30,252**	**(95)**	**275,532**
Leasehold improvements	**57,003**	**-**	**9,404**	**-**	**66,407**
	$ 1,642,201	**$ -**	**$ 113,939**	**$ (5,236)**	**$ 1,750,904**
Net Book Value	**$ 1,721,381**				**$ 1,694,710**

(in thousands of dollars)

	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

The Authority capitalizes interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $215 (2019 - $881).

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, 2020, 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
2020/21	$ 25,170	$ 4,135
2021/22	24,670	4,570
2022/23	23,729	1,280
2023/24	21,613	459
2024/25	17,618	278
	$ 112,798	$ 10,722

c) As at March 31, 2020, the Authority had construction projects of $162,370 (2019 - $446,118); the estimated cost to complete these projects is $210,858 (2019 - $351,337). The Authority currently has capital commitments of approximately $69,229 (2019 - $29,746) and equipment purchase commitments of approximately $4,001 (2019 - $1,803).

(in thousands of dollars)

d) Labour agreements with certain unions have expired and plan to be negotiated during the upcoming year. The results have not been included in the Authority's results as they are undeterminable at this point.

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:

	2020	2019
Laundry capital assets	**$ 7,411**	$ 4,809
Nutrition and Food Services	**6,181**	6,181
Concordia capital assets	**664**	664
Deer Lodge capital assets	**281**	281
Grace capital assets	**3,290**	3,247
Victoria capital assets	**329**	329
Seven Oaks ancillaries and Wellness Institute	**5,175**	4,931
Health Sciences Centre internally restricted	**-**	8,599
Riverview internally restricted	**5,951**	5,839
Middlechurch internally restricted	**206**	206
Misericordia ancillary fund	**944**	658
St. Boniface internally restricted	**7,897**	7,897
Total	**$ 38,329**	$ 43,641

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, 2020.

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, 2020 that required disclosure.

(in thousands of dollars)

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 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' and MATC'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 and MATC 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, 2020. Information about the Authority's accrued retirement liability as at March 31 is as follows:

	2020	2019
Accrued benefit obligation	$ 111,037	$ 161,297
Funded status – plan deficit	**$ (111,037)**	$ (161,297)
Unamortized net actuarial gain	**(3,626)**	(11,956)
Accrued benefit liability	**$ (114,663)**	$ (173,253)

(in thousands of dollars)

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

		2020		2019
Accrued benefit liability – beginning of year	**$**	**(173,253)**	$	(176,249)
Restructuring (Note 19)		**56,108**		-
In-year expense		**(8,461)**		(13,195)
Benefits paid		**10,943**		16,191
Accrued benefit liability – end of year	**$**	**(114,663)**	$	(173,253)

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

		2020		2019
Current service cost	$	**8,000**	$	11,199
Amortization of actuarial gain		**(2,767)**		(3,428)
Interest cost		**3,228**		5,424
	$	**8,461**	$	13,195

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

	2020	2019
Discount rate	**2.60%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.8 Yrs**	7.9 Yrs

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

	2020	2019
Discount rate	**3.10%**	3.43%
Salary escalation	**3.50%**	3.50%

The amount of funding that will be provided by MHSAL for pre-retirement entitlement obligations has been capped and has been recorded as a receivable of $19,892 (2019 – 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 $69,958 (2019 - $102,620) 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, 2019 disclosed total actuarial value of assets of $8,279,598 with total actuarial liabilities of $7,575,601, resulting in a surplus of $703,997.

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 $562 (2019 - $569) 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 $2,954 (2019 - $2,131) 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 $2,121 (2019 - $2,116) to this plan.

(in thousands of dollars)

c) Sick leave liability

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

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

		2020		2019
Accrued benefit obligation	**$**	**11,763**	$	19,305
Funded status – plan deficit	**$**	**(11,763)**	$	(19,305)
Unamortized net actuarial gain		**(3,568)**		(8,157)
Accrued benefit liability	**$**	**(15,331)**	$	(27,462)

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

		2020		2019
Accrued benefit liability – beginning of year	**$**	**(27,462)**	$	(28,899)
Restructuring (Note 19)		**9,567**		-
In-year expense		**(33)**		(2,183)
Benefits paid		**2,597**		3,620
Accrued benefit liability – end of year	**$**	**(15,331)**	$	(27,462)

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

		2020		2019
Current service cost	$	**1,051**	$	2,475
Amortization of actuarial gain		**(1,402)**		(1,128)
Interest cost		**384**		836
	$	**33**	$	2,183

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

	2020	2019
Discount rate	**2.60%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.2 Yrs**	8.0 Yrs

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

	2020	2019
Discount rate	**3.10%**	3.43%
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 cash, 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 cash and the 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, 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 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 portion 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 1.9% to 5.85%, and maturities from May 25, 2020 to June 2, 2048. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $84 (2019 - $133) 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 rates, with all other variables held constant, would result in an estimated impact of $220 (2019 - $266) 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% change in the interest rates, with all other variables held constant, would result in an estimated impact of $2,421 (2019 - $2,419) on net assets and accumulated remeasurement gains or losses.

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 are recognized in the Consolidated Statement of Remeasurement Gains and Losses. The Authority has minimal exposure to foreign exchange risk.

c) Liquidity Risk

Liquidity risk is the risk that the Authority 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.

19. RESTRUCTURING TRANSACTION

The Province of Manitoba established a Health System Transformation Program to guide the thoughtful planning and phased implementation of broad health-system changes aimed at improving the quality, accessibility and efficiency of health-care services province-wide. As part of the transformation, Shared Health, a provincial organization, was created and has been given the responsibility for developing and administering a provincial clinical and preventative service plan for the Government of Manitoba with respect to all provincial health services and for consolidating certain provincially scoped health care services, support services and facilities under one organization. Shared Health and the Authority are under the common control of the Province of Manitoba.

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

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

This initial restructuring included the transfer of approximately $900 million of MHSAL annual operating funding from the Authority to Shared Health. A Government of Manitoba order under legislation is expected during the 2020/2021 fiscal year that will allow for the transfer of the associated tangible capital assets and related liabilities for the above divisions and departments. The amount of the capital transfer will be determined at the date the Order in Council is finalized.

An unaudited proforma statement of operations providing prior year amounts adjusted for the restructuring changes is provided in Schedule 2.

There were no contingent liabilities transferred to Shared Health as part of the restructuring transaction and the Authority did not incur any restructuring costs. Shared Health has agreed to assume the non-capital contractual obligations of the transferred divisions and departments. Any capital contractual obligations will transfer along with the capital assets and related liabilities at a future point in time.

(in thousands of dollars)

The carrying value of the assets and liabilities transferred on April 1, 2019 was:

Financial Assets	
Cash	$ 2,822
Accounts receivable	73,639
Employee benefits recoverable from MHSAL	25,441
Employee future benefits recoverable from MHSAL	56,067
	157,969
Non-Financial Assets	
Inventory	21,199
Prepaids	10,225
	31,424
Liabilities	
Accounts payable and accrued liabilities	(43,997)
Unearned revenue	(19,513)
Employee benefits payable	(41,776)
Employee future benefits payable	(65,675)
	(170,961)
Endowment Accounts	(1,876)
Restructuring Charge	$ 16,556

20. BUDGETED FIGURES

Budgeted Figures, detailed within the Authority's 2019-20 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.

21. DEVELOPING EVENT

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Authority's. At the current time, it is not possible to reliably estimate the duration and impact that these events may have on the Authority's future financial results because of the uncertainties about future developments.

22. COMPARATIVE FIGURES

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

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 1 - Consolidated Statement of Operations by Expense Category
For the year ended March 31, 2020
(in thousands of dollars)

	2020			2020	2019
	Core Operations	**Capital Operations**	**Actual Total**	**Budget Total**	Actual Total
REVENUE					
Manitoba Health, Seniors and Active Living grants	**$ 1,925,261**	**$ 100,825**	**$ 2,026,086**	**$ 2,000,429**	$ 2,867,475
Other capital grants	**-**	**27,022**	**27,022**	**-**	13,102
Separately funded primary health programs	**5,985**	**-**	**5,985**	**4,851**	5,700
Patient and resident income	**47,332**	**-**	**47,332**	**49,606**	51,146
Recoveries from external sources	**27,603**	**-**	**27,603**	**27,381**	49,668
Investment income	**1,634**	**-**	**1,634**	**1,600**	1,529
Other income	**7,764**	**-**	**7,764**	**7,812**	16,549
	2,015,579	**127,847**	**2,143,426**	**2,091,679**	3,005,169
EXPENSES					
Salaries and wages	**1,089,134**	**-**	**1,089,134**	**1,071,834**	1,646,864
Medical remuneration	**228,335**	**-**	**228,335**	**264,885**	281,442
General supplies	**23,301**	**-**	**23,301**	**24,786**	41,327
Food and dietary Supplies	**13,853**	**-**	**13,853**	**14,203**	16,979
Medical and surgical supplies	**93,477**	**-**	**93,477**	**86,965**	140,421
Pharmaceutical supplies	**57,894**	**-**	**57,894**	**58,842**	77,123
Utilities	**14,674**	**-**	**14,674**	**15,250**	24,372
Miscellaneous	**37,752**	**18,999**	**56,751**	**41,176**	57,671
Software, equipment, maintenance and rentals	**21,405**	**-**	**21,405**	**22,168**	73,210
Contracted out services	**29,211**	**-**	**29,211**	**29,833**	44,546
Buildings and grounds	**25,990**	**-**	**25,990**	**22,590**	38,342
Interest	**88**	**30,430**	**30,518**	**12,600**	33,017
Amortization	**4,599**	**102,239**	**106,838**	**51,372**	102,160
	1,639,713	**151,668**	**1,791,381**	**1,716,504**	2,577,474
FACILITY FUNDING					
Long term care facility funding	**308,740**	**-**	**308,740**	**310,944**	307,538
Community health agency funding	**57,407**	**-**	**57,407**	**55,016**	55,531
Adult day care facility funding	**2,706**	**-**	**2,706**	**2,828**	2,729
Long term care community therapy services	**1,023**	**-**	**1,023**	**1,054**	1,112
GRANT FUNDING					-
Grants to facilities and agencies	**14,504**	**-**	**14,504**	**16,451**	61,394
	384,380	**-**	**384,380**	**386,293**	428,304
INSURED SERVICES (DEFICIT) SURPLUS	**(8,514)**	**(23,821)**	**(32,335)**	**(11,118)**	(609)
NON-INSURED SERVICES					
Non-insured services income	**36,585**	**5,350**	**41,935**	**41,663**	66,250
Non-insured services expenses	**33,156**	**6,476**	**39,632**	**37,719**	61,906
NON-INSURED SERVICES SURPLUS (DEFICIT)	**3,429**	**(1,126)**	**2,303**	**3,944**	4,344
(DEFICIT) SURPLUS BEFORE RESTRUCTURING	**(5,085)**	**(24,947)**	**(30,032)**	**(7,174)**	3,735
IMPACT OF RESTRUCTURING TRANSACTION (NOTE 19)	**16,556**	**-**	**16,556**	**-**	-
(DEFICIT) SURPLUS FOR THE YEAR	**$ (21,641)**	**$ (24,947)**	**$ (46,588)**	**$ (7,174)**	$ 3,735

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Pro Forma Consolidated Statement of Core Operations

For the year ended March 31, 2020

(unaudited)
(in thousands of dollars)

	2020	2019		
	Core Operations	Core Operations	Transferred Operations	Adjusted Total
REVENUE				
Manitoba Health, Seniors and Active Living grants	**$ 1,925,261**	$ 2,750,716	$ (848,102)	$ 1,902,614
Separately funded primary health programs	**5,985**	5,700	-	5,700
Patient and resident income	**47,332**	51,146	(9,808)	41,338
Recoveries from external sources	**27,603**	49,668	(20,939)	28,729
Investment income	**1,634**	1,529	-	1,529
Other income	**7,764**	16,549	(14,253)	2,296
	2,015,579	2,875,308	(893,102)	1,982,206
EXPENSES				
Salaries and wages	**1,089,134**	1,646,864	(567,140)	1,079,724
Medical remuneration	**228,335**	281,442	(38,000)	243,442
General supplies	**23,301**	41,327	(20,497)	20,830
Food and dietary Supplies	**13,853**	16,979	(4,886)	12,093
Medical and surgical supplies	**93,477**	140,421	(62,507)	77,914
Pharmaceutical supplies	**57,894**	77,123	(27,181)	49,942
Utilities	**14,674**	24,372	(13,315)	11,057
Miscellaneous	**37,752**	57,671	(25,435)	32,236
Software, equipment, maintenance and rentals	**21,405**	73,210	(61,463)	11,747
Contracted out services	**29,211**	44,546	(13,305)	31,241
Buildings and grounds	**25,990**	38,342	(16,392)	21,950
Interest	**88**	1,023	-	1,023
Amortization	**4,599**	9,146	(4,280)	4,866
	1,639,713	2,452,466	(854,401)	1,598,065
FACILITY FUNDING				
Long term care facility funding	**308,740**	307,538	-	307,538
Community health agency funding	**57,407**	55,531	-	55,531
Adult day care facility funding	**2,706**	2,729	-	2,729
Long term care community therapy services	**1,023**	1,112	-	1,112
GRANT FUNDING				
Grants to facilities and agencies	**14,504**	61,394	(42,528)	18,866
	384,380	428,304	(42,528)	385,776
INSURED SERVICES (DEFICIT) SURPLUS	**(8,514)**	(5,462)	3,827	(1,635)
NON-INSURED SERVICES				
Non-insured services income	**36,585**	66,250	(31,208)	35,042
Non-insured services expenses	**33,156**	59,840	(27,208)	32,632
NON-INSURED SERVICES SURPLUS (DEFICIT)	**3,429**	6,410	(4,000)	2,410
(DEFICIT) SURPLUS BEFORE RESTRUCTURING	**(5,085)**	948	(173)	775
IMPACT OF RESTRUCTURING TRANSACTION (NOTE 19)	**16,556**	-	-	-
(DEFICIT) SURPLUS FOR THE YEAR	**$ (21,641)**	$ 948	$ (173)	$ 775