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, 2023

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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.

Mike Nader, B.Sc., MBA, MA
President & Chief Executive Officer

Dan Skwarchuk, B.Comm (Hons), CPA, CGA
Regional Lead Corporate Services &
Chief Financial Officer

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
the Winnipeg Regional Health Authority

Report on the Audit of the Consolidated Financial Statements

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, 2023, and the consolidated statements of operations and accumulated deficit, change in net debt, remeasurement gains and losses and cash flow 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 Authority as at March 31, 2023, and the results of its operations and accumulated deficit, changes in its net debt, remeasurement gains, and its cash flow 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 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.

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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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

Winnipeg, Manitoba
July 6, 2023

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WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31, 2023
(in thousands of dollars)

	2023	2022 Restated
FINANCIAL ASSETS		
Cash	**$ 88,817**	$ 37,134
Accounts receivable (Note 5)	**208,456**	274,286
Investments (Note 6)	**30,923**	29,355
Employee benefits recoverable from Manitoba Health (Note 7)	**51,972**	51,972
Employee future benefits recoverable from Manitoba Health (Note 16)	**19,892**	19,892
	400,060	412,639
LIABILITIES		
Bank indebtedness	**89,321**	111,477
Accounts payable and accrued liabilities (Note 8)	**352,991**	306,846
Unearned revenue (Note 9)	**63,665**	70,088
Employee benefits payable (Note 7)	**93,570**	93,390
Employee future benefits payable (Note 16)	**123,366**	126,095
Long-term debt (Note 10)	**343,302**	896,028
Asset retirement obligation liability (Note 4)	**79,199**	94,260
	1,145,414	1,698,184
NET DEBT	**(745,354)**	(1,285,545)
NON-FINANCIAL ASSETS		
Inventory	**31,640**	27,174
Prepaid expenses	**5,462**	4,266
Tangible capital assets, net (Note 11)	**650,606**	1,604,019
	687,708	1,635,459
COMMITMENTS AND CONTINGENCIES (Note 12)		
TOTAL NET (LIABILITIES) ASSETS	**$ (57,646)**	$ 349,914
Total net (liabilities) assets are comprised of:		
Accumulated (deficit) surplus	**(58,275)**	350,032
Accumulated remeasurement gains (losses)	**629**	(118)
	$ (57,646)	$ 349,914

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

Netha Dyck ...... Dr. Netha Dyck, RN, EdD, CHE, I-FCNEI, I-FCAN
Chair, Board of Directors

BM Innes ...... Brenda McInnes, CPA, CA
Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations and Accumulated Deficit

For the year ended March 31, 2023

(in thousands of dollars)

	2023			2023	2022 Restated		
	Core Operations	**Capital Operations**	**Actual Total**	**Budget Total (Note 18)**	Core Operations	Capital Operations	Actual Total
REVENUE							
Manitoba Health grants	**$ 2,078,873**	**$ 54,487**	**2,133,360**	**$ 1,958,024**	$ 2,178,209	$ 104,605	$ 2,282,814
Grants from other provincial government sources	**94,689**	**-**	**94,689**	**94,496**	102,757	-	102,757
Other capital grants	**-**	**5,171**	**5,171**	**20,000**	-	4,844	4,844
Patient and resident income	**43,630**	**-**	**43,630**	**31,159**	45,594	-	45,594
Recoveries from external sources	**29,404**	**-**	**29,404**	**36,335**	27,187	-	27,187
Investment income	**1,401**	**-**	**1,401**	**475**	608	-	608
Other income	**11,866**	**-**	**11,866**	**10,000**	8,382	-	8,382
	2,259,863	**59,658**	**2,319,521**	**2,150,489**	2,362,737	109,449	2,472,186
EXPENSES							
Acute care	**982,295**	**65,592**	**1,047,887**	**938,187**	1,032,546	133,123	1,165,669
Community care	**469,803**	**5,636**	**475,439**	**536,970**	500,074	5,934	506,008
Long-term care	**557,327**	**4,378**	**561,705**	**473,353**	589,061	3,932	592,993
Medical remuneration	**245,150**	**-**	**245,150**	**216,271**	235,249	-	235,249
	2,254,575	**75,606**	**2,330,181**	**2,164,781**	2,356,930	142,989	2,499,919
INSURED SERVICES (DEFICIT) SURPLUS	**5,288**	**(15,948)**	**(10,660)**	**(14,292)**	5,807	(33,540)	(27,733)
NON-INSURED SERVICES							
Non-insured services income	**49,818**	**-**	**49,818**	**45,000**	41,880	5,476	47,356
Non-insured services expenses	**55,106**	**651**	**55,757**	**39,632**	47,687	6,159	53,846
NON-INSURED SERVICES (DEFICIT) SURPLUS	**(5,288)**	**(651)**	**(5,939)**	**5,368**	(5,807)	(683)	(6,490)
DEFICIT BEFORE RESTRUCTURING	**-**	**(16,599)**	**(16,599)**	**(8,924)**	-	(34,223)	(34,223)
IMPACT OF RESTRUCTURING TRANSACTIONS (Note 19)	**(2,594)**	**(389,114)**	**(391,708)**	**-**	-	-	-
DEFICIT FOR THE YEAR	**$ (2,594)**	**$ (405,713)**	**(408,307)**	**$ (8,924)**	$ -	$ (34,223)	$ (34,223)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			**350,032**				448,016
Impact on opening accumulated surplus on adoption of new accounting standards (Note 4)			**-**				(63,761)
ACCUMULATED (DEFICIT) SURPLUS, END OF YEAR			**(58,275)**				$ 350,032

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, 2023
(in thousands of dollars)

	Budget	2023	2022 Restated
DEFICIT FOR THE YEAR	$ (8,924)	$ (408,307)	$ (34,223)
CHANGE IN TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(63,500)	(78,299)	(61,936)
Amortization of tangible capital assets	121,703	62,419	121,195
Transfer of tangible capital assets	-	963,610	-
Loss on disposal of tangible capital assets	-	-	419
Tangible capital assets - ARO	-	(3,356)	(26,397)
Amortization of tangible capital assets - ARO	-	1,156	1,380
Transfer of tangible capital assets - ARO	-	7,883	-
	58,203	953,413	34,661
CHANGE IN OTHER NON-FINANCIAL ASSETS			
Net change in inventories	-	(4,466)	(784)
Net change in prepaid expenses	-	(1,196)	1,247
	-	(5,662)	463
CHANGE IN OTHER ITEMS			
Net remeasurement gain for the year	-	747	1,819
	-	747	1,819
DECREASE IN NET DEBT	49,279	540,191	2,720
NET DEBT, BEGINNING OF YEAR	(1,191,285)	(1,285,545)	(1,288,265)
NET DEBT, END OF YEAR	$ (1,142,006)	$ (745,354)	$ (1,285,545)

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, 2023
(in thousands of dollars)

		2023		2022 Restated
Accumulated remeasurement losses at beginning of year	**$**	**(118)**	$	(1,937)
Unrealized gains (losses) attributable to:				
Investments		**(487)**		3
Derivative – interest rate swap		**-**		1,816
Realized gain on Derivative – interest rate swap		**1,234**		-
Net remeasurement gain for the year		**747**		1,819
Accumulated remeasurement gain (loss) at end of year	**$**	**629**	$	(118)

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, 2023
(in thousands of dollars)

	2023	2022 Restated
OPERATING ACTIVITIES		
Deficit for the year	**$ (408,307)**	$ (34,223)
Items not affecting cash		
Amortization of tangible capital assets	**62,419**	121,195
ARO - accretion and amortization	**8,374**	5,482
Loss on disposals of tangible capital assets	**-**	419
Impact of restructuring (Note 19)	**391,708**	-
Recognition of unearned revenue	**(59,722)**	(20,287)
Employee future benefits expense	**7,158**	10,505
	1,630	83,091
Net change in operating working capital balances	**165,371**	(35,005)
Unearned revenue transferred to other health organizations	**(4,398)**	(4,686)
Employee future benefit payments	**(9,887)**	(12,185)
	152,716	31,215
FINANCING ACTIVITIES		
(Payments to) Proceeds from operating line of credit	**(22,156)**	23,564
Proceeds from capital line of credit	**37,062**	36,939
Payment of capital line of credit	**(44,418)**	(18,014)
Proceeds from long-term debt	**44,418**	18,014
Payment of long-term debt	**(35,949)**	(70,712)
	(21,043)	(10,209)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(78,299)**	(61,936)
	(78,299)	(61,936)
INVESTING ACTIVITIES		
(Increase) decrease in investments, net	**(1,691)**	11,922
	(1,691)	11,922
INCREASE (DECREASE) IN CASH	**51,683**	(29,008)
CASH, BEGINNING OF YEAR	**37,134**	66,142
CASH, END OF YEAR	**$ 88,817**	$ 37,134

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 – "Community Hospitals") – by means of agreements to further regionalization and operating agreements.
   - Other hospitals (Misericordia Health Centre, Riverview Health Centre, St. Boniface General Hospital – "Other Hospitals"),– by means of operating agreements.
   - Other supporting organizations (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 (now Digital Health) 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 were subsequently transferred to Shared Health on July 1, 2022 through a Government of Manitoba Order in Council.
   - Effective April 1, 2022, as part of the provincial Health System Transformation Program discussed in Note 19, the Authority transferred operating control, the tangible capital assets, and related liabilities of the Manitoba Adolescent Treatment Centre to Shared Health.
   - Effective April 1, 2022, as part of the provincial Health System Transformation Program discussed in Note 19, the operating control, tangible capital assets, and related liabilities related to the delivery of Addictions Foundation Manitoba services within the Winnipeg region were transferred from the Province of Manitoba to the WRHA.
   - Effective March 22, 2023, the Seven Oaks Foundation is no longer consolidated within the WRHA's financial results. The directors of the Foundation are no longer appointed by the Seven Oaks General Hospital and, as such, the WRHA no longer exercises any control over the Foundation.

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. FUTURE ACCOUNTING POLICY CHANGES

Standard effective April 1, 2023

PSAS 3400 – Revenue takes effect April 1, 2023. This new standard provides guidance on accounting for overall revenue transactions for which there is no specific guidance elsewhere in the Public Sector Accounting Handbook. This standard may be applied retroactively or prospectively. The Authority continues to evaluate the impact of the adoption of this standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 organizations as disclosed in note 1.

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 expenses, 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 two ways:

i. Assets financed by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.
ii. Assets financed by cash received or receivable: revenue is recognized when the funded asset is purchased or developed.

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, which includes interest and realized gains and losses, is recorded as revenue when earned. Unrealized gains and losses are recorded in the consolidated statement of remeasurement gains and losses and are recorded as investment income when realized.

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 or 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 term of the lease
Furniture and equipment	4% - 33%
Computer hardware and software	10% - 33%
Leasehold improvements	over the term 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 prorated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains and losses 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 EARSL of 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 funding mechanisms with the departments of Health (MH) and of Mental Health and Community Wellness (MHCW) and other government departments. These consolidated financial statements use funding mechanisms approved by the two departments for the year ended March 31, 2023.

The amount of revenue recognized requires a number of estimates. Since MH and MHCW do 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.

Asset retirement obligations also require extensive use of estimates such as the degree to which areas may be affected, the timeframe for the future remediation work, cost escalation over that same timeframe and, the appropriate discount rate to use to determine the present value of these future obligations.

Other amounts estimated by management include the useful life of tangible capital assets, employee future benefits payable, wage settlement accruals 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 write-down 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, 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 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.

Write-downs 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 write-down being recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the write-down 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, 2023, the Authority has not identified a liability for contaminated sites based on the recognition criteria (2022 – nil).

k) Asset Retirement Obligations

Asset retirement obligations (ARO's) are provisions for legal obligations for the retirement of the Authority's tangible capital assets that are either in productive use or no longer in productive use.
An ARO liability is recognized when, as at the financial reporting date:

i. there is a statutory, contractual, or legal obligation to incur retirement costs in relation to a tangible capital asset;
ii. a past transaction or event giving rise to the liability has occurred;
iii. it is expected that future economic benefits will be given up; and
iv. a reasonable estimate of the amount can be made.

Liabilities are recognized by the Authority in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are measured initially at management's best estimate as the present value of the estimated future cash flows required to settle the retirement obligation. The discount rate used in the present value calculations is 4.55%. This represents the average interest rate of new debt for a debt portfolio that preserves the current average term to maturity of 21 years. For tangible capital assets that are still in productive use, there is a corresponding increase to the carrying value of the related tangible capital asset. For assets that are not recorded or are no longer in productive use, the liability is expensed in the period. In subsequent periods, the liability is accreted over time and adjusted for changes in the liability estimate, as applicable or timing of the future cash flows. The capitalized asset retirement costs are amortized on a straight-line basis over the same remaining useful life of the related asset. For tangible capital assets that have been fully amortized, the capitalized ARO costs are amortized over 25 years. This time period reflects the continued use of fully amortized capital assets and an estimate of the time span between the decision to construct a new replacement hospital through to its construction and the eventual demolition of the previous hospital. No construction of new hospitals is currently planned within the WRHA. The amortization and accretion expense are included in the Consolidated Statement of Operations. The estimate of the ARO and the associated assumptions regarding escalation and discount rates will be revisited annually. The ARO liability was revalued on March 31, 2023 to recognize the significant increase in costs since the April 1, 2022 adoption of the standard.

WRHA holds a significant number of buildings which will incur costs for AROs in future years or, ultimately, at the end of the asset's useful life. The type of AROs identified to date at WRHA are asbestos, underground storage tanks, PCB in ballasts and electrical transformers, small residential and commercial refrigerators, refrigerants in large chillers and rooftop units, and fuel storage tanks. The most significant potential AROs for the Authority are for asbestos used in building construction and underground fuel storage tanks. The two areas of legislation governing the WRHA's AROs are the Workplace Health & Safety and Health Regulation of 2006 for asbestos within buildings and the 2001 Storage and Handling of Petroleum Products and Allied Products Regulation, M.R. 188/2001 for fuel storage tanks. The effective date of the liability for WRHA's assets will be the later of:

i. The date of when the legislation or regulation came into effect; or
ii. The date the asset was acquired.

(in thousands of dollars)

4. CHANGE IN ACCOUNTING POLICY

Asset Retirement Obligations

Effective April 1, 2022, the Authority adopted PS 3280, Asset Retirement Obligations using the modified retroactive application method. Under this method, the opening Accumulated Surplus for the current year is adjusted to reflect the accumulated amortization and accretion expenses that would have occurred had the ARO been originally recognized at the time the legal requirement for remediation came into effect. These amounts are measured using information, assumptions and discount rates that are current at the beginning of the fiscal year in which this Section is first applied. For April 1, 2022, the WRHA recognized:

i. A retrospective liability for the asset retirement obligations dated back to the effective date of the applicable legislation, adjusted for accumulated accretion, a net amount of $46.3 million;
ii. An asset retirement cost capitalized as a $46.3 million increase to the carrying amount of the related tangible capital assets;
iii. Accumulated amortization of $21.3 million on that capitalized cost; and
iv. A reduction to the April 1, 2022 opening balance of the accumulated surplus/deficit of $69.2 million which represents the accumulated accretion and amortization expense since the date of the legislation that is giving rise to the respective AROs.

The change follows the effective implementation date for Asset Retirement Obligations in accordance with PS 3280 for fiscal years beginning on or after April 1, 2022. Comparative figures as at and for the year ended March 31, 2022 have been restated. The impact of restatement to comparative figures is as follows:

	Statement of Financial Position		
	2022 Previously Published	ARO Adjustments	2022 Restated
Tangible Capital Assets	$ 1,579,002	$ 25,017	$ 1,604,019
Asset Retirement Obligation Liability	-	94,260	94,260
Net Assets	$ 419,157	$ (69,243)	$ 349,914

	Statement of Operations		
	2022 Previously Published	ARO Adjustments	2022 Restated
Accretion expense	$ -	$ 4,102	$ 4,102
Amortization expense	121,195	1,380	122,575
(Deficit) Excess of revenue over expenses	$ (28,741)	$ (5,482)	$ (34,223)

At March 31, 2023 estimated total undiscounted costs of the AROs are $122.6 million (2022 $162.4 million) and the discount rate used was 4.55% (2022 4.55%). The estimated liability is the present value of the estimated future cash flows required to settle the asset retirement obligations and is estimated at $79.2 million as at March 31, 2023 after a year-end revaluation. A liability of $25.6 million was transferred to Shared Health effective July 1, 2022 as part of the Health Sciences Centre asset transfer.

(in thousands of dollars)

A reconciliation of the beginning and ending aggregate carrying amount of the liability is as follows:

	ARO Liability	
	2023	2022
Balance, beginning of year	**$ 94,260**	$ 90,158
Changes during the year:		
Estimated Health Sciences Centre liabilities transferred to Shared Health	**(25,634)**	-
Accretion expense	**3,424**	4,102
Year-end revaluation	**7,149**	-
	$ 79,199	$ 94,260

5. ACCOUNTS RECEIVABLE

	2023	2022
MH – core and capital operations	**$ 108,145**	$ 201,089
Other Province of Manitoba departments	**14,915**	38,300
Facility advances and receivables	**55,967**	6,447
Patient-related and other	**41,771**	33,176
Capital grants receivable	**3,116**	8,095
Allowance for doubtful accounts	**(15,458)**	(12,821)
	$ 208,456	$ 274,286

Aging of accounts receivable as at March 31, 2023 is as follows:

			Past Due		
	Total	**Current**	**0 - 60 days**	**61 - 120 days**	**>120 days**
Patient-related and other	**$ 41,771**	**$ 13,769**	**$ 2,117**	**$ 3,415**	**$ 22,470**
Capital grants receivable	**3,116**	**37**	**-**	**138**	**2,941**
Other Province of Manitoba departments	**14,915**	**15,026**	**-**	**(111)**	**-**
Facility advances and receivables	**55,967**	**5,202**	**-**	**-**	**50,765**
Gross receivables	**115,769**	**34,034**	**2,117**	**3,442**	**76,176**
MH (See below)	**108,145**	**65,447**	**-**	**-**	**42,698**
Allowance for doubtful accounts	**(15,458)**	**(188)**	**(54)**	**(478)**	**(14,738)**
Net receivables	**$ 208,456**	**$ 99,293**	**$ 2,063**	**$ 2,964**	**$ 104,136**

(in thousands of dollars)

MH receivables by funding year as at March 31, 2023 are as follows:

	Total	2022/23	2021/22	2020/21
MH – core operations	$ 106,942	$ 64,244	$ 40,257	$ 2,441
MH – capital operations	1,203	1,203	-	-
	$ 108,145	$ 65,447	$ 40,257	$ 2,441

Aging of accounts receivable as at March 31, 2022 is as follows:

			Past Due		
	Total	Current	0 - 60 days	61 - 120 days	>120 days
Patient-related and other	$ 33,176	$ 13,340	$ 2,078	$ 2,132	$ 15,626
Capital grants receivable	8,095	3,203	109	45	4,738
Other Province of Manitoba departments	38,300	26,044	603	1,262	10,391
Facility advances and receivables	6,447	(2,353)	252	2,847	5,701
Gross receivables	86,018	40,234	3,042	6,286	36,456
MH (See below)	201,089	152,790	-	-	48,299
Allowance for doubtful accounts	(12,821)	(742)	(112)	(416)	(11,551)
Net receivables	$ 274,286	$ 192,282	$ 2,930	$ 5,870	$ 73,204

MH receivables by funding year as at March 31, 2022 are as follows:

	Total	2020/21	2019/20	2018/19
MH – core operations	$ 198,959	$ 151,663	$ 46,078	$ 1,218
MH – capital operations	2,130	1,127	524	479
	$ 201,089	$ 152,790	$ 46,602	$ 1,697

6. INVESTMENTS

	Fair value hierarchy level	**2023**	2022
Investments at fair value			
Government bonds	**Level 2**	**$ 1,428**	$ 737
Corporate bonds	**Level 2**	**8,257**	1,763
Guaranteed Investment Certificates ("GICs")	**Level 2**	**8,730**	12,364
Mutual Funds	**Level 1**	**3,694**	4,367
Publicly traded common shares	**Level 1**	**8,814**	10,124
		$ 30,923	$ 29,355

(in thousands of dollars)

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:

i. Level 1: Unadjusted quoted prices in an active market for an identical asset or liability
ii. 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)
iii. 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 $4,269 (2022 - $1,853), which includes $1,401 (2022 - $608) in direct operations and $2,868 (2022 - $1,245) 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.

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 MH. The amount of funding that will be provided by MH for employee benefits has been capped and has been recorded as a receivable of $51,972 (2022 – $51,972) on the consolidated statement of financial position. MH 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:

		2023		2022
Balance, beginning of year	**$**	**93,390**	$	91,397
Net increase in vacation/overtime/statutory holiday entitlements		**180**		1,993
Balance, end of year	**$**	**93,570**	$	93,390

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2023		2022
Accounts payable and accrued liabilities	**$**	**233,221**	$	176,522
Accounts payable to MH		**57,516**		10,379
Accrued salaries		**62,223**		119,886
Holdbacks on construction contracts		**31**		59
	$	**352,991**	$	306,846

(in thousands of dollars)

9. 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 MH, foundations or other funders for specified capital expenditures.

	2023			2022		
	Core	**Capital**	**Total**	Core	Capital	Total
Funding provided by MH	**$ 7,097**	**$ 34,884**	**$ 41,981**	$ 16,054	$ 32,885	$ 48,939
Funding provided by other sources	**14,843**	**6,841**	**21,684**	18,096	3,053	21,149
Unearned Revenue	**$ 21,940**	**$ 41,725**	**$ 63,665**	$ 34,150	$ 35,938	$ 70,088

	2023			2022		
	Core	**Capital**	**Total**	Core	Capital	Total
Balance, beginning of year	**$ 34,150**	**$ 35,938**	**$ 70,088**	$ 24,352	$ 38,975	$ 63,327
Add: amount received during the year	**47,702**	**9,995**	**57,697**	22,148	9,586	31,734
Transfers to other health organizations	**(1,750)**	**(2,648)**	**(4,398)**	-	(4,686)	(4,686)
Less: amount recognized as revenue	**(58,162)**	**(1,560)**	**(59,722)**	(12,350)	(7,937)	(20,287)
Balance, end of year	**$ 21,940**	**$ 41,725**	**$ 63,665**	$ 34,150	$ 35,938	$ 70,088

10. LONG-TERM DEBT

	March 2023	March 2022
Debt with Province of Manitoba		
1.50% - 5.75% treasury loans, maturing from October 2023 to February 2063 Monthly principal payments $2,134	**$ 304,186**	$ 790,257
Prime minus 1.90% floating rate lines of credit supporting capital projects	**13,772**	57,077
Total debt with Province of Manitoba	**$ 317,958**	$ 847,334
Third party debt		
1.720% banker's acceptance, matures April 18, 2022 Health Sciences Centre Tecumseh Street Parkade (Note 19)	**$ -**	$ 22,719
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $94	**14,746**	15,003
3.58% bank loan, maturing September 30, 2044 Monthly principal and interest payments $59 St. Boniface General Hospital Atrium	**10,598**	10,920
Prime minus 0.90% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot	**-**	52
Total third party debt	**$ 25,344**	$ 48,694
Total long-term debt	**$ 343,302**	$ 896,028

(in thousands of dollars)

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 St. Boniface General Hospital Atrium loan maturing on September 30, 2044 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 had 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, 2023, amount to $116,400 (2022 - $101,300). As at March 31, 2023, $89,321 was being utilized (2022 - $111,477).

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
2023/24	$ 333	$ 302	$ 24,156	$ 24,791
2024/25	346	320	23,494	24,160
2025/26	358	339	22,465	23,162
2026/27	371	360	22,309	23,040
2027/28	384	384	20,190	20,958
Thereafter	8,806	13,041	205,344	227,191
	$ 10,598	$ 14,746	$ 317,958	$ 343,302

(in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS

	2023				
	Opening	**Transfers**	**Additions**	**Disposals**	**Closing**
Cost					
Land	$ 20,206	$ (10,038)	$ -	$ -	$ 10,168
Buildings	1,782,558	(942,074)	7,268	(240)	847,512
Buildings under capital lease	16,690	-	-	-	16,690
Furniture and equipment	871,525	(295,147)	17,153	(127)	593,404
Computer hardware and software	527,671	(474,406)	190	-	53,455
Leasehold improvements	162,856	(1,125)	8	-	161,739
Construction in progress	180,327	(137,333)	53,680	-	96,674
Asset retirement obligation	46,333	(12,517)	3,356	-	37,172
	$ 3,608,166	$ (1,872,640)	$ 81,655	$ (367)	$ 1,816,814
	Opening	**Transfers**	**Amortization**	**Disposals**	**Closing**
Accumulated Amortization					
Buildings	$ 798,436	$ (360,145)	$ 27,008	$ (367)	$ 464,932
Buildings under capital lease	3,789	-	417	-	4,206
Furniture and equipment	760,508	(243,864)	20,479	-	537,123
Computer hardware and software	334,246	(291,409)	8,251	-	51,088
Leasehold improvements	85,852	(1,096)	6,264	-	91,020
Asset retirement obligation	21,316	(4,633)	1,156	-	17,839
	$ 2,004,147	$ (901,147)	$ 63,575	$ (367)	$ 1,166,208
Net Book Value	$ 1,604,019				$ 650,606

	2022				
	Opening	Transfers	Additions	Disposals	Closing
Cost					
Land	$ 20,206	$ -	$ -	$ -	$ 20,206
Buildings	1,774,420	8,047	916	(825)	1,782,558
Buildings under capital lease	16,690	-	-	-	16,690
Furniture and equipment	860,065	5,875	11,577	(5,992)	871,525
Computer hardware and software	493,782	33,665	224	-	527,671
Leasehold improvements	157,888	4,777	191	-	162,856
Construction in progress	184,034	(52,364)	49,028	(371)	180,327
Asset retirement obligation	46,333	-	-	-	46,333
	$ 3,553,418	$ -	$ 61,936	$ (7,188)	$ 3,608,166
	Opening	Transfers	Amortization	Disposals	Closing
Accumulated Amortization					
Buildings	$ 755,316	$ -	$ 43,897	$ (777)	$ 798,436
Buildings under capital lease	3,372	-	417	-	3,789
Furniture and equipment	729,958	-	36,542	(5,992)	760,508
Computer hardware and software	306,400	-	27,846	-	334,246
Leasehold improvements	73,359	-	12,493	-	85,852
Asset retirement obligation	19,936	-	1,380	-	21,316
	$ 1,888,341	$ -	$ 122,575	$ (6,769)	$ 2,004,147
Net Book Value	$ 1,665,077				$ 1,604,019

(in thousands of dollars)

The Authority capitalizes interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $1,264 (2022 - $551).

12. 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, 2023, 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
2023/24	$ 14,834	$ 3,627
2024/25	14,447	3,021
2025/26	13,957	1,678
2026/27	13,036	764
2027/28	11,998	558
Thereafter	11,322	558
	$ 79,594	$ 10,206

c) As at March 31, 2023, the Authority has recorded construction projects of $96,676 (2022 - $180,327); the estimated cost to complete these projects is $220,270 (2022 - $278,710). The Authority currently has capital commitments of approximately $96,143 (2022 - $115,034) and equipment purchase commitments of approximately $5,470 (2022 - $5,860).

d) In the 2020/21 fiscal year, a contingent liability was recognized in accounts payable and accrued liabilities in the consolidated statement of financial position for outstanding wage settlements related to expired collective agreements. During the current fiscal year, some of the outstanding contracts were settled, while others continue to be negotiated. During the 2022/23 fiscal year, this liability has been updated and continues to be an estimate, which may be subject to change. The extent of the liability accrued is not being disclosed pending completion of labour negotiations.

(in thousands of dollars)

13. DESIGNATED NET ASSETS

Annually, the Board of Directors (or Board of Directors of consolidated entities as applicable) approve the amount set aside by the Authority and its consolidated entities for the following purposes:

	2023	2022
Laundry capital assets	**$ 7,882**	$ 7,372
Nutrition and Food Services	**6,181**	6,181
Concordia capital assets	**798**	798
Deer Lodge capital assets	**281**	281
Victoria capital assets	**329**	329
Seven Oaks ancillaries and Wellness Institute	**6,016**	6,017
Riverview internally restricted	**6,294**	6,148
Misericordia internally and ancillary fund	**3,127**	2,292
St. Boniface internally restricted	**7,331**	7,929
Total	**$ 38,239**	$ 37,347

14. 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, 2023.

15. 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, 2023 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 and the Other Hospitals 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' and the Other Hospitals' 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 and Other Hospitals, the Authority has the ability to determine their strategic operating, capital, investing and financing policies.

The controlled Community Hospitals and Other Hospitals have been consolidated into the Authority's consolidated financial statements due to the nature of the agreements in existence. St. Boniface General Auxiliary Inc. has also been consolidated as required under PSAS.

16. 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, 2022, projected to March 31, 2023. Information about the Authority's accrued retirement liability as at March 31 is as follows:

		2023		2022
Accrued benefit obligation	**$**	**102,424**	$	108,103
Funded status – plan deficit	**$**	**(102,424)**	$	(108,103)
Unamortized net actuarial gain		**(9,826)**		(5,160)
Accrued benefit liability	**$**	**(112,250)**	$	(113,263)

(in thousands of dollars)

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

	2023	2022
Accrued benefit liability – beginning of year	**$ (113,263)**	$ (113,865)
In-year expense	**(7,736)**	(9,942)
Benefits paid	**8,749**	10,544
Accrued benefit liability – end of year	**$ (112,250)**	$ (113,263)

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

	2023	2022
Current service cost	**$ 7,936**	$ 8,915
Amortization of actuarial gain	**(1,180)**	(1,910)
Interest cost	**4,206**	2,937
Past service cost (gain)	**(3,226)**	-
	$ 7,736	$ 9,942

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

	2023	2022
Discount rate	**4.50%**	4.00%
Salary escalation	**3.00%**	3.00%
Expected average remaining service life	**10.1 Yrs**	11.0 Yrs

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

	2023	2022
Discount rate	**4.00%**	2.65%
Salary escalation	**2.00%**	3.00%

The amount of funding that will be provided by MH for pre-retirement entitlement obligations has been capped and has been recorded as a receivable of $19,892 (2022 – $19,892) on the consolidated statement of financial position. MH 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 $72,198 (2022 - $72,042) 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, 2022 disclosed total actuarial value of assets of $10,011,845 (2022 - $9,561,724) with total actuarial liabilities of $8,691,510 (2022 - $8,289,289), resulting in a surplus of $1,320,335 (2022 - $1,272,435).

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 $1,397 (2022 - $618) to this plan. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2021 disclosed total actuarial value of assets of $5,078,145 with total actuarial liabilities of $5,710,057, resulting in an unfunded liability of $631,912.

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 $3,841 (2022 - $3,654) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2020 disclosed total actuarial value of assets of $5,710,426 with total actuarial liabilities of $5,558,121, resulting in a surplus of $152,305.

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 $2,192 (2022 - $1,972) to this plan.

c) Sick leave liability

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

The most recent valuation of the obligation was performed as at December 31, 2022, projected to March 31, 2023. Information about the Authority's accrued benefit liability as at March 31 is as follows:

(in thousands of dollars)

		2023		2022
Accrued benefit obligation	$	12,832	$	7,260
Funded status – plan deficit	$	(12,832)	$	(7,260)
Unamortized net actuarial loss (gain)		1,716		(5,572)
Accrued benefit liability	$	(11,116)	$	(12,832)

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

		2023		2022
Accrued benefit liability – beginning of year	$	(12,832)	$	(13,910)
In-year expense		578		(563)
Benefits paid		1,138		1,641
Accrued benefit liability – end of year	$	(11,116)	$	(12,832)

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

		2023		2022
Current service cost	$	472	$	1,173
Amortization of actuarial gain		(1,048)		(904)
Interest cost		282		294
Past service cost (gain)		(284)		-
	$	(578)	$	563

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

	2023	2022
Discount rate	4.50%	4.00%
Salary escalation	3.00%	3.00%
Expected average remaining service life	8.3 Yrs	9 Yrs

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

	2023	2022
Discount rate	4.00%	2.65%
Salary escalation	2.00%	3.00%

17. 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.

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.

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 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 0.06% to 10.98%, and maturities from August 7, 2023 to March 15, 2031. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $97 (2022 - $25) on net assets and accumulated remeasurement gains or losses.

(in thousands of dollars)

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 $960 (2022 - $1,188) on interest expense on the consolidated statement of operations.

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, 2023, the maturity dates are as follows:

	Government bonds	Corporate bonds	GICs	Effective yield
Within 1 year	$ -	$ 6,632	$ 307	4.52%
2 to 5 years	1,211	1,580	8,423	2.25%
5 to 10 years	217	45	-	1.99%
	$ 1,428	$ 8,257	$ 8,730	

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

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.

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.

18. BUDGETED FIGURES

Budgeted Figures, detailed within the Authority's 2022/23 Summary Budget submission, have been provided for comparison purposes and have been approved by the Authority's Board.

19. RESTRUCTURING TRANSACTIONS

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
- Shared Services

A Government of Manitoba Order in Council approved under *The Health System Governance and Accountability Act* was issued on June 22, 2022 that allowed for the transfer of the associated tangible capital assets and related liabilities for the above Clinical Programs and Administrative Services. Effective July 1, 2022 all tangible capital assets related to Health Sciences Centre and Digital Health along with the associated debt was transferred to Shared Health. Included in the debt transferred was the Tecumseh Street Parkade interest rate swap. The net loss on the swap at the time of the transaction was $399,475.

On April 1, 2022 and April 29, 2022, transition of specific staff and services into new organizations and refinement of organizational structures took place as part of the Health System Transformation Wave 2. These transitions are a significant step towards fulfilling the redefined roles of government health departments and health Service Delivery Organizations.

As part of the Wave 2 transition, Manitoba's mental health and addictions services have been brought together to help evolve and strengthen mental health and addictions service delivery across Manitoba. Provincial programs, such as the Authority's Manitoba Adolescent Treatment Centre, have transferred to Shared Health as of April 1, 2022. In addition, the responsibility for delivery of the Addictions Foundation of Manitoba programs within the WRHA's service territory have been transferred from the Province to the Authority in two phases on April 1 and July 1, 2022. These transfers are essential in being able to work collaboratively to ensure Manitobans have easier access to the mental health and addictions care they need, in their community or closer to home.

Effective March 22, 2023, The Seven Oaks Foundation is no longer consolidated within the WRHA's financial results. With the recent change to how the Board members are appointed, the necessary control criteria are no longer met.

(in thousands of dollars)

The total impact of these restructuring transactions is:

	WRHA Restructuring Transactions 2023					
	HSC	**MATC**	**AFM**	**Digital Health**	**SOGH Foundation**	**Total**
Transfer of tangible capital assets	$ (1,826,807)	$ (5,864)	$ 155	$ (27,605)	$ -	**$ (1,860,121)**
Transfer of accumulated amortization	872,261	4,403	(114)	19,961		**896,511**
Net change in financial assets	(4,873)	(2,332)	2,370		(2,652)	**(7,487)**
Payment of capital line of credit	44,418					**44,418**
Payment of long-term debt	517,220					**517,220**
Asset retirement obligation liability	25,634					**25,634**
Asset retirement obligation net asset	(7,883)					**(7,883)**
Total restructuring gain (loss)	**$ (380,030)**	**$ (3,793)**	**$ 2,411**	**$ (7,644)**	**$ (2,652)**	**$ (391,708)**

The transfers of tangible capital assets, accumulated amortization, long term debt and capital line of credit are non-cash transactions and are not included in the cash-flow statement.

20. COVID-19

Significant expenditures were incurred by the Authority as part of the response to combat COVID-19. Throughout the fiscal year, the Authority was reimbursed by MH for those costs identified as incremental expenditures due to the COVID-19 pandemic. While these amounts have been paid to the Authority, it is anticipated that MH will perform audit procedures subsequent to year-end that may result in revised settlement of the revenues provided for these expenditures. In addition, transfers of personal protective equipment were received from Government of Manitoba Central Services. These items have been valued at current market prices and grant revenue has been recognized by the Authority in the consolidated statement of operations. Manitoba Health has advised the WRHA that no eligible COVID funding will be provided beyond March 31, 2023.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Consolidated Statement of Operations by Expense Category

For the year ended March 31, 2023

(in thousands of dollars)

	2023 Core Operations	2023 Capital Operations	2023 Actual Total	2023 Budget Total (Note 18)	2022 Restated Core Operations	2022 Restated Capital Operations	2022 Restated Actual Total
REVENUE							
Manitoba Health grants	**$ 2,078,873**	**$ 54,487**	**$ 2,133,360**	**$ 1,958,024**	$ 2,178,209	$ 104,605	$ 2,282,814
Grants from other provincial government sources	**94,689**	**-**	**94,689**	**94,496**	102,757	-	102,757
Other capital grants	**-**	**5,171**	**5,171**	**20,000**	-	4,844	4,844
Patient and resident income	**43,630**	**-**	**43,630**	**31,159**	45,594	-	45,594
Recoveries from external sources	**29,404**	**-**	**29,404**	**36,335**	27,187	-	27,187
Investment income	**1,401**	**-**	**1,401**	**475**	608	-	608
Other income	**11,866**	**-**	**11,866**	**10,000**	8,382	-	8,382
	2,259,863	**59,658**	**2,319,521**	**2,150,489**	2,362,737	109,449	2,472,186
EXPENSES							
Salaries and wages	**1,194,799**	**-**	**1,194,799**	**1,098,081**	1,283,104	-	1,283,104
Medical remuneration	**246,768**	**-**	**246,768**	**216,271**	238,511	-	238,511
General supplies	**41,748**	**-**	**41,748**	**32,388**	42,636	-	42,636
Food and dietary supplies	**18,889**	**-**	**18,889**	**16,313**	18,031	-	18,031
Medical and surgical supplies	**101,811**	**-**	**101,811**	**138,646**	91,034	-	91,034
Pharmaceutical supplies	**61,420**	**-**	**61,420**	**86,318**	65,641	-	65,641
Utilities	**20,109**	**-**	**20,109**	**3,960**	18,021	-	18,021
Miscellaneous	**36,288**	**(464)**	**35,824**	**16,514**	38,806	701	39,507
Software, equipment, maintenance and rentals	**23,710**	**-**	**23,710**	**4,871**	23,853	-	23,853
Contracted out services	**17,083**	**-**	**17,083**	**3,140**	16,074	-	16,074
Buildings and grounds	**28,096**	**-**	**28,096**	**5,946**	28,372	-	28,372
Interest	**2,575**	**14,342**	**16,917**	**26,160**	1,200	28,361	29,561
Amortization	**6,153**	**53,354**	**59,507**	**113,999**	5,150	108,445	113,595
ARO - amortization and accretion	**-**	**8,374**	**8,374**	**-**	-	5,482	5,482
	1,799,449	**75,606**	**1,875,055**	**1,762,607**	1,870,433	142,989	2,013,422
FACILITY FUNDING							
Long term care facility funding	**365,618**	**-**	**365,618**	**326,447**	398,005	-	398,005
Community health agency funding	**71,311**	**-**	**71,311**	**60,664**	72,234	-	72,234
GRANT FUNDING							
Grants to facilities and agencies	**18,197**	**-**	**18,197**	**15,064**	16,258	-	16,258
	455,126	**-**	**455,126**	**402,175**	486,497	-	486,497
INSURED SERVICES (DEFICIT) SURPLUS	**5,288**	**(15,948)**	**(10,660)**	**(14,293)**	5,807	(33,540)	(27,733)
NON-INSURED SERVICES							
Non-insured services income							
Other income	**49,818**	**-**	**49,818**	**45,000**	41,880	5,476	47,356
	49,818	**-**	**49,818**	**45,000**	41,880	5,476	47,356
Non-insured services expenses							
Compensation	**25,121**	**-**	**25,121**	**16,384**	24,595	-	24,595
Supplies	**11,162**	**-**	**11,162**	**3,946**	10,093	-	10,093
Utilities and miscellaneous	**16,176**	**-**	**16,176**	**9,990**	10,119	-	10,119
Interest	**386**	**-**	**386**	**1,608**	399	1,040	1,439
Amortization of capital assets	**2,261**	**651**	**2,912**	**7,704**	2,481	5,119	7,600
	55,106	**651**	**55,757**	**39,632**	47,687	6,159	53,846
NON-INSURED SERVICES (DEFICIT) SURPLUS	**(5,288)**	**(651)**	**(5,939)**	**5,368**	(5,807)	(683)	(6,490)
DEFICIT BEFORE RESTRUCTURING	**-**	**(16,599)**	**(16,599)**	**(8,925)**	-	(34,223)	(34,223)
IMPACT OF RESTRUCTURING TRANSACTIONS (Note 19)	**(2,594)**	**(389,114)**	**(391,708)**	**-**	-	-	-
DEFICIT FOR THE YEAR	**$ (2,594)**	**$ (405,713)**	**$ (408,307)**	**$ (8,925)**	$ -	$ (34,223)	$ (34,223)