

**INTERLAKE-EASTERN REGIONAL
HEALTH AUTHORITY**

Consolidated Financial Statements
For the year ended March 31, 2021

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Financial Statements

For the year ended March 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Interlake-Eastern Regional Health Authority ("Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors of the Authority met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors, appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's consolidated financial statements.

Original Document Signed

Dr. David Matear, Chief Executive Officer

Original Document Signed

Dorothy Forbes, Regional Lead Corporate Services and Chief Financial Officer

June 24, 2021



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Independent Auditor's Report

To the Board of Directors of Interlake-Eastern Regional Health Authority

Opinion

We have audited the consolidated financial statements of Interlake-Eastern Regional Health Authority and its group reporting entities (the Authority), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of operations, the consolidated statement of changes in net debt, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at March 31, 2021, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Consolidated Financial Statements

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

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 generally accepted auditing standards 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 generally accepted auditing standards, 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, supervision 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 24, 2021

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Financial Position

As at March 31	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 13,191,361	\$ 9,105,746
Accounts receivable (Note 3)	7,780,124	7,603,412
Vacation entitlements receivable (Note 4)	4,919,518	4,919,518
Retirement obligations receivable (Note 12)	4,005,559	4,005,559
	29,896,562	25,634,235
Liabilities		
Accounts payable and accrued liabilities (Note 7)	18,957,783	15,141,417
Accrued vacation entitlements (Note 4)	10,047,438	9,728,990
Accrued retirement obligations (Note 12)	12,751,033	12,601,842
Sick leave liability (Note 12)	2,381,076	2,417,450
Long-term debt (Note 8)	184,430,188	181,871,402
Unearned revenue	3,998,481	3,272,998
	232,565,999	225,034,099
Net debt	(202,669,437)	(199,399,864)
Non Financial Assets		
Tangible capital assets (Note 5)	217,138,024	216,725,874
Inventories	1,148,159	1,161,119
Prepaid expenses	431,726	493,203
	218,717,909	218,380,196
Commitments and contingencies (Note 5 and 11)		
Accumulated surplus	\$ 16,048,472	\$ 18,980,332

Approved on behalf of the Board of Directors:

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Original Document Signed Director

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations

For the year ended March 31

				2021	2020
	Budget	Operations	Capital	Total	Total
Revenue					
Province of Manitoba					
Manitoba Health and Seniors Care (Note 9)	\$ 197,580,559	\$ 198,363,117	\$ 16,544,566	\$ 214,907,683	\$ 205,728,705
Other	11,728,752	11,623,617	-	11,623,617	2,252,316
Patient and resident income	13,890,927	13,325,854	-	13,325,854	13,986,156
Investment income	501,000	102,146	-	102,146	417,876
Other income	5,332,582	4,887,564	(12,265)	4,875,299	5,740,966
Recognition of unearned revenue	7,038	7,038	336,188	343,226	560,684
	229,040,858	228,309,336	16,868,489	245,177,825	228,686,703
Expenses					
Acute care	75,491,059	83,002,018	678,597	83,680,615	80,083,227
Amortization	12,401,340	-	12,498,322	12,498,322	12,329,936
Community health	21,635,302	20,407,483	56,336	20,463,819	19,831,107
Home-based care	33,649,033	31,572,771	-	31,572,771	33,180,580
Interest expense	5,123,973	-	6,062,603	6,062,603	4,912,723
Long-term care	48,503,535	53,104,560	493,890	53,598,450	50,528,422
Medical remuneration	16,104,291	15,160,147	-	15,160,147	15,368,817
Mental health services	9,387,275	8,602,347	-	8,602,347	8,934,384
Northern patient transportation	181,810	136,842	-	136,842	223,552
Regional undistributed expenses	12,271,384	16,481,034	10,898	16,491,932	11,545,225
	234,749,002	228,467,202	19,800,646	248,267,848	236,937,973
Annual deficit before non-insured services	(5,708,144)	(157,866)	(2,932,157)	(3,090,023)	(8,251,270)
Non-insured Services					
Ancillary income	483,436	448,440	2,547	450,987	496,666
Ancillary expenses	(386,240)	(290,574)	(2,250)	(292,824)	(411,428)
	97,196	157,866	297	158,163	85,238
Annual deficit (Note 10)	\$ (5,610,948)	\$ -	\$ (2,931,860)	(2,931,860)	(8,166,032)
Accumulated surplus, beginning of year				18,980,332	27,146,364
Accumulated surplus, end of year				\$ 16,048,472	\$ 18,980,332

The accompanying notes are an integral part of these consolidated financial statements.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Debt

For the year ended March 31	2021	2021	2020
	Budget	Total	Total
Annual deficit	\$ (5,610,948)	\$ (2,931,860)	\$ (8,166,032)
Acquisition of tangible capital assets	(12,911,263)	(12,911,263)	(8,872,820)
Amortization of tangible capital assets	12,401,340	12,499,113	12,330,726
Decrease (increase) in inventories	-	12,960	(159,984)
Decrease in prepaid expenses	-	61,477	47,940
Changes in net debt	<u>\$ (6,120,871)</u>	(3,269,573)	(4,820,170)
Net debt, beginning of year		<u>(199,399,864)</u>	(194,579,694)
Net debt, end of year		<u>\$ (202,669,437)</u>	\$ (199,399,864)

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Cash Flows

For the year ended March 31	2021	2020
Cash Flows from Operating Transactions		
Annual deficit for the year	\$ (2,931,860)	\$ (8,166,032)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	12,499,113	12,330,726
	9,567,253	4,164,694
Changes in non-cash operating balances		
Accounts receivable	(176,712)	(3,262,433)
Vacation entitlements receivable	-	564,906
Retirement obligations receivable	-	1,146,540
Accounts payable and accrued liabilities	3,816,366	(692,752)
Accrued vacation entitlements	318,448	(631,811)
Accrued retirement obligations	149,191	(843,682)
Sick leave liability	(36,374)	(363,536)
Unearned revenue	725,483	90,730
Inventories	12,960	(159,984)
Prepaid expenses	61,477	47,940
	14,438,092	60,612
Cash Flows from Capital Transactions		
Acquisition of tangible capital assets	(12,911,263)	(8,872,820)
Cash Flows from Investing Transactions		
	-	-
Cash Flows Financing Transactions		
Debt proceeds	11,476,505	6,982,260
Debt repayment	(8,917,719)	(7,443,692)
	2,558,786	(461,432)
Net increase (decrease) in cash and cash equivalents	4,085,615	(9,273,640)
Cash and cash equivalents, beginning of year	9,105,746	18,379,386
Cash and cash equivalents, end of year	\$ 13,191,361	\$ 9,105,746
Supplementary Information		
Interest paid during the year	\$ 64,544	\$ 75,109

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

1. Nature of the Organization

Interlake-Eastern Regional Health Authority (the Authority) was established on May 28, 2012 by a Regional Health Authorities Act Regulation. All operations, property, liabilities and obligations and agreements with contract facilities of the predecessor organizations were transferred to the Authority on this date.

The Authority is a registered charity under The Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements of Interlake-Eastern Regional Health Authority have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board.

(b) Reporting Entity

The consolidated financial statements include the assets, liabilities, accumulated surplus, revenue and expenses of the reporting entity.

Betel Home - Gimli and Betel Home - Selkirk operated by Betel Home Foundation, operate under contract arrangements for funding with the Authority. The financial statements of these facilities have been consolidated in these financial statements. The financial statements of the fundraising of Betel Home Foundation operating as Pathfinders' Benevolent Fund is not reported in these consolidated financial statements, as any fundraising is controlled by Betel Home Foundation.

Intercompany balances and transactions have been eliminated.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition

During the year, the Manitoba government has officially transferred responsibility for the administration of the Mental Health Act to the Minister of Mental Health, Wellness and Recovery (MHWR) from the Minister of Manitoba Health and Seniors Care (MHSC), previously known as Manitoba Health, Seniors and Active Living (MHSAL). A portion of the In-Globe and Out-of-Global funding has transferred to this new health department. Overall funding to the Authority has not changed, however funding will be received separately from each health department. MHWR funding guidelines and reporting requirements have yet to be defined.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by MHSC. These consolidated financial statements reflect agreed funding arrangements with MHSC with respect to the year ended March 31, 2021.

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

Funding received for the acquisition or development of tangible capital assets are recognized as revenue in one of two 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.

With respect to actual operating results, certain adjustments to funding will be made by MHSC after completion of their review of the Authority's accounts.

In-Globe Funding is funding approved for the five service categories of Acute Care, Long-term Care, Home Care, Community and Mental Health, and Emergency Response and Transport. Under MHSC policy, the Authority is responsible for In-Globe deficits, unless otherwise approved by the two health departments.

Out-of-Globe Funding is funding approved for specific programs.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Any operating surpluses related to Out-of-Globe funding arrangements are recorded on the Consolidated Statement of Financial Position as a payable to MHSC until such time as MHSC reviews the consolidated financial statements. At that time, MHSC determines what portion of the approved surplus may be retained by the Authority, or repaid to MHSC.

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

Any adjustments will be reflected in the year the final statement of recommended costs is received from MHSC.

Any unrestricted 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 contributions 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 contributions or grants received before the criteria has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

Investment income is recognized as revenue in the year in which it is earned.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

(e) Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

(f) Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments are earned in accordance with the Authority's benefit plans for vacation, sick and retirement allowances.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

(g) Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the estimated amounts of accrued retirement obligations and employee future benefits, the estimated retroactive pay liability for expired collective agreements, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(h) Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(i) Tangible Capital Assets

Acquired tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5%
Leasehold improvements	10%
Buildings	2.5%, 3.33% and 5%
Building service equipment	10%
Equipment and computers	10% to 20%
Software and license fees	20%

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

(j) Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Authority is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

(k) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Cash has been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each Statement of Financial Position date and charged to the financial instrument for those measured at amortized cost.

Due to the nature of the financial instruments held by the Authority, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses is not required for these consolidated financial statements.

3. Accounts Receivable

	2021	2020
Patients and residents	\$ 658,926	\$ 647,646
Trade receivables	4,275,028	3,526,355
Other receivables	3,167,901	3,824,994
GST receivable	423,909	504,881
Allowance for doubtful accounts	(3,842,533)	(2,278,485)
Due from (to) MHSC		
COVID-19 funding	1,957,195	-
Salaries	1,076,346	-
Other operations	201,224	245,669
Safety and security	630,007	1,357,521
Out of Globe - 2019/2020	-	(225,169)
Out of Globe - 2020/2021	(767,879)	-
	\$ 7,780,124	\$ 7,603,412

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

4. Vacation Entitlements Receivable

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004, changes in the liability related to vacation were recoverable from MHSC. At that date, MHSC advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by MHSC to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from MHSC is as follows:

	2021	2020
Balance, beginning of year	\$ 4,919,518	\$ 5,484,424
Transfer to Shared Health (Note 14)	-	(564,906)
	\$ 4,919,518	\$ 4,919,518

An analysis of the changes accrued in the vacation entitlements is as follows:

	2021	2020
Balance, beginning of year	\$ 9,728,990	\$ 10,360,801
Net increase in accrued vacation entitlements	318,448	469,873
Transfer to Shared Health (Note 14)	-	(1,101,684)
	\$ 10,047,438	\$ 9,728,990

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY Notes to Consolidated Financial Statements

For the year ended March 31, 2021

5. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 513,702	\$ -	\$ 513,702	\$ -
Land improvements	918,178	866,007	918,178	860,404
Buildings	284,737,039	103,225,777	279,493,291	94,940,401
Leasehold improvements	1,556,788	1,147,795	1,556,788	1,035,674
Equipment	59,507,034	43,724,029	57,994,750	40,706,164
Building service equipment	2,369,086	1,685,861	2,369,086	1,559,884
Equipment - computers	6,223,523	4,811,143	6,223,523	3,935,698
Software licenses	2,418,159	2,295,365	2,418,159	2,216,138
Construction in progress	16,650,492	-	10,492,760	-
	\$374,894,001	\$157,755,977	\$361,980,237	\$145,254,363
Net book value		\$217,138,024		\$216,725,874

Projects with total costs incurred to date of \$16,650,492 (\$10,492,760 in 2020) are in various stages of completion. Total expected costs for these projects are \$27,468,581 and will be funded through Treasury loans.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of \$9,500,000 (\$9,500,000 in 2020). The line of credit bears interest at Royal Bank of Canada prime rate less 1.05%, which is 1.4% at March 31, 2021 and is supported by an authorization letter from MHSC. As at March 31, 2021 and 2020, the line of credit was unutilized.

The contract facilities have an approved operating line of credit to a maximum amount of \$1,000,000 (\$1,000,000 in 2020). The demand line of credit bears interest at prime rate of 2.45% at March 31, 2021 and is secured by a security agreement granting a first security interest in all property. As at March 31, 2021 and 2020, the line of credit was unutilized.

7. Accounts Payable and Accrued Liabilities

	<u>2021</u>	<u>2020</u>
Accounts payable and accrued liabilities	\$ 10,692,419	\$ 9,592,480
Accrued salaries	8,265,364	5,548,937
	<u>\$ 18,957,783</u>	<u>\$ 15,141,417</u>

In 2021, a contingent liability was recognized in Accrued salaries for wage settlements related to expired collective agreements. The amount recorded is an estimate, which may be subject to change. The extent of the liability accrued is not disclosed as this could have an adverse effect on the outcome.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY Notes to Consolidated Financial Statements

For the year ended March 31, 2021

8. Long-term Debt

	2021	2020
Treasury loans, bearing interest between 1.5% to 5.75%, maturing from March 31, 2023 to March 31, 2060.	\$173,442,741	\$175,412,344
Treasury loans with repayment terms not yet defined.	10,340,711	5,695,254
CMHC mortgage, bearing interest at 10.375%, due September 1, 2027 and requiring monthly principal and interest payments of \$3,565, secured by a first charge on land and building (Arborg).	258,320	285,052
CMHC mortgage, bearing interest at 9.375%, due February 1, 2029 and requiring monthly principal and interest payments of \$2,015, secured by a first charge on land and building (Teulon).	156,942	169,844
CMHC mortgage, bearing interest at 8.0%, due December 1, 2024 and requiring monthly principal and interest payments of \$3,240, secured by a first charge on land and building (Beausejour).	125,858	153,639
CMHC mortgage, bearing interest at 8.0%, due February 1, 2026 and requiring monthly principal and interest payments of \$2,165, secured by a first charge on land and building (Stonewall).	105,616	122,550
CMHC mortgages, repaid during the year (Lac du Bonnet).	-	32,719
	\$184,430,188	\$181,871,402

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

8. Long-term Debt (continued)

The minimum principal payments due in the next five years and thereafter are as follows:

2022	\$ 19,855,193
2023	9,582,163
2024	9,509,814
2025	9,113,087
2026	8,965,626
Thereafter	<u>127,404,305</u>
	<u>\$184,430,188</u>

9. Revenue from Manitoba Health and Seniors Care

	<u>2021</u>	<u>2020</u>
Revenue as per MHSC's final funding document	\$ 187,864,911	\$ 191,033,116
Capital principal and interest	14,727,456	12,006,590
Basic equipment	475,576	784,754
COVID-19 funding	9,906,009	-
Salaries	1,076,346	-
Ceiling lift funding	123,400	-
Influenza and immunizations	124,862	134,371
Clinical Assistant	-	38,859
15/16 Specialized equipment	-	23,039
One-time funding - Other	117,606	33,962
Out-of-globe items and adjustments	(694,836)	(225,168)
Harm reduction activities	157,372	135,495
My Health Team	56,053	229,875
Safety and renovations	972,928	1,661,484
Transfers to Shared Health	-	(127,672)
	<u>\$ 214,907,683</u>	<u>\$ 205,728,705</u>

10. Annual Surplus (Deficit) for the Year

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Operations</u>	<u>Capital</u>	<u>Total</u>
Regional services	\$ (5,277,000)	\$ (69,654)	\$ (3,170,253)	\$ (8,486,973)
Contracted services	(333,948)	69,654	238,393	320,941
	<u>\$ (5,610,948)</u>	<u>\$ -</u>	<u>\$ (2,931,860)</u>	<u>\$ (8,166,032)</u>

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

11. Commitments and Contingencies

The Authority has the following commitments and contingencies at year end:

- (a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2021, management believes the Authority has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.
- (b) On January 1, 1986, a group of health care organizations, ("subscribers"), formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit subscribers to exchange contracts of indemnity, whereby each entity mutually insures and is insured by other member entities. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, Yukon, Nova Scotia and Newfoundland. 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, 2021.

The Authority's coverage also includes contract facilities as named insured parties.

- (c) Lease commitments exist at a variety of facilities with leases expiring at various dates up to August 31, 2027 with an aggregate commitment of \$3,405,827. For the period April 1, 2021 to March 31, 2022 the amount of the commitment is \$1,510,390.
- (d) The Authority has not recognized a liability for decommissioning the Selkirk and District General Hospital. Decommissioning concerns include asbestos and known sewer issues. During a demolition, asbestos could be released into the air and therefore, precautions will need to be taken in order to protect the environment. As well, the aging facility has known sewer problems, which will require environmental cleanup and repatriation following destruction of the existing facility. A liability has not been recorded as the MHSC budget for the new Selkirk Regional Health Centre (SRHC) includes \$1,000,000 for decommissioning the existing site. The revised estimate cost for demolition is being established.
- (e) Labour agreements with certain unions have expired and plan to be negotiated during the upcoming year. These consolidated financial statements include an estimate of amounts expected to be settled. Should the settled amounts differ from management's estimate recorded in the consolidated financial statements, the difference will be charged to operations in the year of settlement.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

12. Employee Future Benefits

The Authority has the following employee future benefits at year end:

(a) Accrued Retirement Obligations

Accrued retirement obligations are estimated based on an actuarial valuation as at March 31, 2019, which has been adjusted for interest rate changes and for actual benefit payments paid out to members in the current year. The next actuarial valuation will be completed for March 31, 2022. Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

- i) Four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:
 - has ten years service and has reached the age of 55 or;
 - qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
 - retires at or after age 65 or;
 - terminates employment at any time due to permanent disability.

- ii) One week of pay for each year of accumulated service or portion thereof to a maximum of fifteen weeks pay upon retirement if the employee complies with the following conditions:
 - has ten or more years of service
 - has reached the age of 55

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 2.65% (2.60% in 2020) and a rate of salary increase of 3.50% (3.50% in 2020) plus an age related merit/promotion scale with a provision for potential disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for known pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

12. Employee Future Benefits (continued)

(a) Accrued Retirement Obligations (continued)

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

	2021	2020
Balance, beginning of year	\$ 4,005,559	\$ 5,152,099
Transfer to Shared Health (Note 14)	-	(1,146,540)
	\$ 4,005,559	\$ 4,005,559

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

	2021	2020
Balance, beginning of year	\$ 12,601,842	\$ 13,445,524
Net increase in pre-retirement entitlements	149,191	302,858
Transfer to Shared Health (Note 14)	-	(1,146,540)
	\$ 12,751,033	\$ 12,601,842

(b) Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"). The Plan is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. As individual entities within the Plan are not able to identify assets and liabilities, the Authority is accounting for the Plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five years of the last eleven prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

12. Employee Future Benefits (continued)

(b) Pension Plan (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2019 indicated a solvency deficiency. The Board of Trustees of the Plan continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. The deficiency will be funded by contributions in the subsequent years. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to \$9,216,301 (\$9,253,601 in 2020) and are included in the consolidated statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

(c) Sick Leave

Non-vesting accumulated sick leave benefits are calculated using the average usage history and present value techniques. The significant assumptions adopted in measuring the Authority's sick leave entitlements include an interest rate of 2.60% (3.10% in 2020) and a salary increase rate of 3.50% (3.50% in 2020). The accumulated liability is estimated to be \$2,381,076 (\$2,417,450 in 2020).

13. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk, liquidity and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

13. Financial Risk Management (continued)

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements for accounts receivable is as follows:

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Patients and residents	\$ 112,307	\$ 61,524	\$ 28,151	\$ 456,944	\$ 658,926
Trade receivables	455,016	117,911	123,150	3,578,951	4,275,028
Other receivables	1,737,702	78,139	46,048	1,306,012	3,167,901
GST receivable	273,985	149,924	-	-	423,909
Due from (to) MHSC					
Other operations	201,224	-	-	-	201,224
Out-of-Globe 20/21	(767,879)	-	-	-	(767,879)
Safety and security	78,134	129,823	91,698	330,352	630,007
COVID-19 funding	1,957,195	-	-	-	1,957,195
Salaries	1,076,346	-	-	-	1,076,346
	5,124,030	537,321	289,047	5,672,259	11,622,657
Less allowance for doubtful accounts					
Patients and residents	-	-	-	(165,531)	(165,531)
Trade receivables	-	-	-	(3,635,789)	(3,635,789)
Other	-	-	-	(41,213)	(41,213)
Total	\$ 5,124,030	\$ 537,321	\$ 289,047	\$ 1,829,726	\$ 7,780,124

The Authority is not exposed to significant credit risk as the receivable is spread among a large client base and geographic region, and payment in full is typically collected when it is due. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

With respect to amounts due from (to) MHSC, including vacation entitlements receivable and retirement obligations receivables, the Authority is not exposed to significant credit risk as these receivables are from the Province of Manitoba.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its obligations as they fall due. The Authority maintains adequate levels of working capital to ensure its obligations can be met when they fall due. In addition, the Authority has access to a line of credit.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

13. Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash is held in short-term or variable rate products and long-term debt is at fixed interest rates.

14. Restructuring Transactions - Shared Health

In the prior year, 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. Shared Health is responsible for developing and administering a provincial clinical and preventative service plan for the Government of Manitoba with respect to all provincial health services, consolidating certain provincially scoped health care services delivering shared support services and operating certain facilities under one organization.

Effective April 1, 2019, Shared Health assumed the management and operational responsibilities for Information and Communication Technology (ICT) and Emergency Response Services. The transfer of responsibility occurred as part of Wave 1 of the approved Health System Transformation Plan.

This initial restructuring included the transfer of approximately \$26 million of operating funding as well as financial assets and liabilities that resulted in a restructuring gain.

15. Impact of COVID-19 on Significant Judgments, Estimates, and Assumptions

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Significant expenses were incurred by the Authority as part of the response to combat COVID-19. Throughout the fiscal year, the Authority was reimbursed by MHSC for those costs identified as incremental expenses due to the COVID-19 pandemic. While these amounts have been paid to the Authority, it is anticipated that MHSC will perform audit procedures subsequent to year-end that may result in revised settlement of the revenues provided for these expenses. In addition, government transfers were received from Government of Manitoba Central Services for certain personal protective equipment and capital equipment. The Authority has recognized grant revenue for these transfers.

The duration and impact of the COVID -19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Schedule of Expenses by Object

For the year ended March 31

2021 **2020**

	Budget	Operations	Capital	Total	Total
Amortization	\$ 12,402,130	\$ -	\$ 12,499,113	\$ 12,499,113	\$ 12,330,726
COVID-19					
Other supplies and expenses	-	2,175,557	-	2,175,557	65,474
Salaries and employee benefits	-	7,153,192	-	7,153,192	130,802
Drug costs	2,149,840	2,220,283	-	2,220,283	2,181,270
Employee benefits	28,912,953	27,125,727	-	27,125,727	27,188,639
Food costs	4,221,971	4,326,497	-	4,326,497	4,336,219
Interest	5,125,285	-	6,064,063	6,064,063	4,914,670
Medical remuneration	15,746,333	14,490,124	-	14,490,124	15,008,482
Medical surgical supplies	4,990,326	5,233,405	-	5,233,405	5,411,383
Other expenses	12,252,389	12,818,272	281,202	13,099,474	11,937,506
Other supplies	2,622,183	2,478,933	-	2,478,933	2,669,214
Purchased services	10,406,102	9,503,841	19,266	9,523,107	9,783,470
Safety and security	-	-	939,252	939,252	1,752,286
Salaries	132,503,130	137,304,853	-	137,304,853	135,990,646
Utilities	3,802,600	3,927,092	-	3,927,092	3,648,614
	\$ 235,135,242	\$ 228,757,776	\$ 19,802,896	\$ 248,560,672	\$ 237,349,401