Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2021

Contents

For the year ended March 31, 2021

To the Board of Directors of Prairie Mountain Health

Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian public sector accounting standards.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Finance Committee are composed primarily of Directors who are neither management nor employees of the Region. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Finance Committee is appointed by the Board and has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Region's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Prairie Mountain Health to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Finance Committee and management to discuss their audit findings.

Original Document Signed	Original Document Signed
Management	Management

Independent Auditor's Report

MNP LLP

To the Board of Directors of Prairie Mountain Health:

Opinion

We have audited the consolidated financial statements of Prairie Mountain Health (the "Region"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, remeasurement gains and losses, changes in net financial assets (net debt) and 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 Region as at March 31, 2021, and the results of its consolidated operations, its consolidated remeasurement gains and losses 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 Region 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 Region'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 Region or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Region'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 Region'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 Region'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 Region 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 Region 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.

Brandon, Manitoba

June 23, 2021

MNP LLP

Chartered Professional Accountants

Prairie Mountain Health
Consolidated Statement of Financial Position
As at March 31
(in thousands of dollars)

		2021		2020
FINANCIAL ASSETS				
Cash and cash equivalents	$	**69,305**	$	63,994
Accounts receivable *(Note 4)*		**6,535**		8,769
Investments *(Note 7)*		**9,287**		8,481
Due from Manitoba Health and Seniors Care *(Note 5)*		**44,943**		34,689
Loan receivable *(Note 6)*		**-**		91
Other assets		**298**		298
		130,368		116,322
LIABILITIES				
Accounts payable and accrued liabilities *(Note 9)*	$	**45,693**	$	34,605
Unearned revenue *(Note 13)*		**24,449**		21,029
Employee benefits payable *(Note 10)*		**32,723**		32,380
Employee future benefits payable *(Note 10)*		**41,254**		42,143
Capital lease *(Note 12)*		**177**		254
Long-term debt *(Note 11)*		**142,537**		153,199
		286,833		283,610
NET DEBT	$	**(156,465)**	$	(167,288)
OTHER ASSETS				
Inventories held for use		**5,530**		5,157
Prepaid expenses		**2,547**		3,154
Capital assets *(Note 8)*		**276,754**		291,995
		284,831		300,306
ACCUMULATED SURPLUS	$	**128,366**	$	133,018
ACCUMULATED SURPLUS IS COMPRISED OF:				
Accumulated capital and operating surplus (deficit)		**122,661**		127,690
Restricted *(Note 15)*		**5,287**		5,525
Accumulated remeasurement gains (losses)		**418**		(197)
	$	**128,366**	$	133,018

Commitments and contingencies *(Note 19)*

Approved on behalf of the Board

Original Document Signed **Director**

Original Document Signed **Director**

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

Prairie Mountain Health
Consolidated Statement of Operations
For the year ended March 31
(in thousands of dollars)

	Budget 2021 Total	Actual 2021 Operating	Actual 2021 Capital	Actual 2021 Total	Actual 2020 Total
REVENUE					
Manitoba Health and Seniors Care *(Note 16)*	$ 475,327	$ 482,526	$ 20,532	$ **503,058**	$ 501,139
Mental Health, Wellness and Recovery *(Note 17)*	30,523	30,523	-	**30,523**	-
Separately funded programs	1,859	1,386	-	**1,386**	3,706
Authorized/residential charges	30,796	35,465	-	**35,465**	35,239
Non-insured income	2,084	1,610	-	**1,610**	2,011
Other income	11,414	11,794	2,348	**14,142**	16,114
Investment income	903	671	-	**671**	2,007
	552,906	**563,975**	**22,880**	**586,855**	560,216
EXPENSES					
Acute care services	$ 219,102	$ 229,079	$ -	$ **229,079**	$ 223,186
Personal care home services	136,131	151,955	-	**151,955**	144,678
Therapy services	9,613	9,259	-	**9,259**	9,332
Community based home care services	40,582	38,011	-	**38,011**	39,705
Community based health services	28,854	29,950	-	**29,950**	27,281
Community based mental health services	25,963	25,101	-	**25,101**	24,860
Emergency medical services	357	439	-	**439**	775
Medical remuneration	47,093	46,364	-	**46,364**	46,103
Regional undistributed costs	19,702	30,109	-	**30,109**	25,386
Future employee benefits	3,500	3,523	-	**3,523**	3,025
Reserve for major repairs and equipment	121	46	-	**46**	221
Amortization of capital assets	17,047	-	20,915	**20,915**	20,640
Interest expense	4,585	-	5,398	**5,398**	4,632
Loss (gain) on disposal of capital assets	-	-	(29)	**(29)**	(3)
Minor equipment purchases	1,127	-	1,195	**1,195**	2,741
	553,777	**563,836**	**27,479**	**591,315**	572,562
SURPLUS (DEFICIT)	$ **(871)**	$ **139**	$ **(4,599)**	$ **(4,460)**	$ (12,346)
ANCILLARY OPERATIONS					
Ancillary income	$ 2,713	$ 3,151	$ -	$ **3,151**	$ 3,601
Ancillary expenses - other	1,886	2,905	-	**2,905**	2,805
Ancillary expenses - amortization of capital assets	399	-	438	**438**	479
ANCILLARY SURPLUS (DEFICIT)	**428**	**246**	**(438)**	**(192)**	317
SURPLUS (DEFICIT) FOR THE YEAR	$ **(443)**	$ **385**	$ **(5,037)**	$ **(4,652)**	$ (12,029)
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR		(3,250)	136,268	**133,018**	145,047
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	$	**(2,865)** $	**131,231** $	**128,366** $	133,018

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

Prairie Mountain Health
Consolidated Statement of Change in Net Assets (Debt)
For the year ended March 31
(in thousands of dollars)

		Budget 2021		*Actual* 2021		Actual 2020
Surplus (Deficit) for the year	$	(443)	$	**(4,652)**	$	(12,029)
Acquisition of tangible capital assets		(16,516)		**(8,566)**		(11,420)
Amortization of tangible capital assets		17,047		**21,353**		21,119
Loss (gain) on sale of tangible capital assets		-		**(70)**		(3)
Proceeds on sale of tangible capital assets		-		**2,524**		6
Decrease (increase) of inventory		-		**(373)**		(302)
Decrease (increase) of prepaid expense		-		**607**		(1,233)
Change in Net Assets (Debt)	$	88	$	**10,823**	$	(3,862)
Net Assets (Debt), beginning of year			$	**(167,288)**	$	(163,426)
Net Assets (Debt), end of year			$	**(156,465)**	$	(167,288)

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

Prairie Mountain Health

Consolidated Statement of Cash Flows

For the year ended March 31

(in thousands of dollars)

		2021		2020
OPERATING TRANSACTIONS				
Excess (shortfall) of revenue over expenses	$	(4,652)	$	(12,029)
Adjustments to determine net cash provided by (used in) operating activities				
Loss (gain) on disposal of capital assets		(70)		(3)
Amortization of capital assets		21,353		21,119
Changes in non-cash operating working capital items:				
Accounts receivable		2,234		195
Due from Manitoba Health and Seniors Care		(10,254)		4,474
Loan receivable		91		34
Inventories held for use		(373)		(302)
Prepaid expenses		607		(1,233)
Other long term assets		-		(16)
Accounts payable and accrued liabilities		11,088		(5,518)
Unearned revenue		3,420		(2,045)
Employee future benefits		(546)		(5,024)
		22,898		(348)
CAPITAL TRANSACTIONS				
Proceeds on sale of capital assets		2,524		6
Cash used to acquire capital assets		(8,566)		(11,420)
		(6,042)		(11,414)
INVESTING TRANSACTIONS				
Portfolio investment transactions		(806)		(28)
FINANCING TRANSACTIONS				
Repayment of loans and advances		(10,739)		(3,143)
NET CHANGE IN CASH		5,311		(14,933)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		63,994		78,927
CASH AND CASH EQUIVALENTS, END OF YEAR	$	69,305	$	63,994
Supplementary Information				
Interest received	$	671	$	2,007
Interest paid		5,398		4,632

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

Prairie Mountain Health
Consolidated Statement of Remeasurement Gains (Losses)
For the year ended March 31

(in thousands of dollars)

		2021		2020
Accumulated remeasurement gains (losses) at beginning of year	$	**(197)**	$	(18)
Unrealized gains (losses) attributable to:				
Portfolio investments		**615**		(179)
Accumulated remeasurement gains (losses) at end of year	$	**418**	$	(197)

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

1. Organization

On May 28, 2012, Regulation 63/2012 under the Regional Health Authorities Act (the "Act") was passed to amalgamate the Assiniboine Regional Health Authority, Brandon Regional Health Authority Inc. and Parkland Regional Health Authority Inc. and a new Region named the "Western Regional Health Authority" was established for the western Manitoba health region. On December 10, 2012, Regulation 151/2012 was passed under the "Act" changing the Region's name to Prairie Mountain Health. Prairie Mountain Health ("the Region", "PMH") commenced activity on April 1, 2012. The Region is involved in the provision of health care services to the western region of Manitoba. The Region 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. Basis of accounting

a) Adoption of PSAS without sections 4200 – 4270

The Province of Manitoba directed healthcare organizations, including the Region to change its basis of accounting from the Canadian PSAS for Government Not-For-Profit Organizations ("PSAS for GNFPOs"), which includes sections PSAS 4200 – PSAS 4270 to PSAS without sections PSAS 4200 – PSAS 4270 for the fiscal year beginning April 1, 2018.

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

- Deferred contributions, capital will no longer be recognized by the region unless very specific criteria are met.
- Deferred contributions receivable, now referred to as capital funding receivable, may be recognized in certain circumstances where capital expenditures are undertaken on a reimbursement basis.
- Deferred contributions, future expenses, now referred to as unearned revenue, will be recognized when the region receives one-time funding for multi-year operating purposes. Any unspent funds at the end of a fiscal year will be recognized as unearned revenue in the consolidated statement of financial position.
- Long-term debt associated with the financing of capital equipment and projects will be recognized in the consolidated statement of financial position.
- Cash flowed to pay down the principal and interest on the debt associated with funded tangible capital assets will be recognized upon receipt of the funding.
- Financial statement presentation:
  - The Region's budget will be presented on the consolidated statement of operations along with current year and comparative year actual amounts.
  - The consolidated statement of financial position will present financial assets and liabilities to determine a net asset (debt) position; non-financial assets are shown separately and the accumulated surplus or deficit is the sum of the above-noted items.
  - The consolidated statement of changes in net assets (debt) will present the activity during the year that contributed to the change in the net asset (debt) position on the consolidated statement of financial position.
  - The consolidated statement of operations will show the services revenue and expenses split out between operating and capital activities.

b) Standard effective April 1, 2018

The Region undertook a review of PSAS 3430 – Restructuring Transactions, which took effect April 1, 2018. The Region's assessment of the impact of this section is that the creation of Shared Health Inc. ("Shared Health") and transfer of operations from PMH to Shared Health (Note 25) is in the scope of this standard. None of the Region's operations were transferred to Shared Health prior to March 31, 2019. This standard will apply to the transfer of operations that began April 1, 2019.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards and include the following significant accounting policies:

a) Basis of reporting

The Region provides community health care services, acute health care services and long-term care services through devolved and contract facilities. The assets, liabilities, and operations of the following devolved organizations have been included in these consolidated financial statements:

Baldur Health Centre
Benito Health Centre
Birtle Health Centre
Boissevain Health Centre
Boissevain-Westview Lodge
Brandon Regional Health Centre
Carberry Health Centre
Cartwright-Davidson Memorial Health Centre
Community and Home Care Health Services
Community Mental Health Services
Child and Adolescent Treatment Centre - Brandon
Dauphin Regional Health Centre
Deloraine Health Centre
Deloraine-Bren Del Win Lodge
Elkhorn-Elkwood Manor
Erickson Health Centre
Fairview Personal Care Home
Gilbert Plains Health Centre
Glenboro Health Centre
Grandview Hospital District
Grandview Personal Care Home
Hamiota Health Centre
Hamiota Health Centre Lilac Residence (East Wing)
Hamiota Health Centre Lilac Residence (North Wing)
Hartney Health Centre
Killarney-Tri Lake Health Centre
McCreary/Alonsa Health Centre
Melita Health Centre
Minnedosa Health Centre
Minnedosa Personal Care Home
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Neepawa Health Centre
Neepawa-Country Meadows Personal Care Home
Pioneer Lodge Inc.
Reston Health Centre
Rideau Park Personal Care Home
Riverdale Personal Care Home Inc. Westwood Lodge
Rivers Health Centre
Roblin District Health Centre
Rossburn Health Centre
Russell Health Centre
Russell Personal Care Home
St. Paul's Personal Care Home
Sandy Lake Personal Care Home
Shoal Lake-Strathclair Health Centre
Souris Health Centre
Swan Valley Health Centre
Swan Valley Lodge
Swan River Valley Personal Care Home
Tiger Hills Villa Inc.
Treherne-Tiger Hills Health Centre
Virden Health Centre
Virden-Sherwood Nursing Home
Virden-Westman Nursing Home
Wawanesa Health Centre

The Region also provides health care services, by means of operating agreements, through non-devolved facilities. The health care services provided are delivered under the control of the Region as the major funder. The financial position and results of operations of these related organizations have been consolidated in these consolidated financial statements. The following facilities are non-devolved:

Ste. Rose Health Centre
Winnipegosis General Hospital
Mossey River Personal Care Home Inc. – Winnipegosis
The Salvation Army Dinsdale Personal Care Home – Brandon

All significant inter-divisional transactions of non-devolved and contract facilities have been eliminated.

3. **Significant accounting policies** *(continued)*

a) Basis of reporting *(continued)*

Funds paid to non-devolved facilities in accordance with their operating agreements that are not expended in the relevant fiscal year shall be deemed to be an operating surplus. Any operating surplus at year end shall be deducted from the non-devolved facilities' future payments, unless otherwise approved in writing by PMH. PMH shall not approve retention of surpluses that exceed two percent (2%) of total funding from PMH. PMH will not be responsible for any deficits incurred by the non-devolved facilities in providing the required programs/services.

The Region also receives funding from the Brandon Regional Health Centre Foundation, the Fairview Foundation and Dauphin Hospital Foundation and other community foundations/auxiliaries, which organize fundraising drives to raise funds for the use of the Region or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of its Board of Directors. As there is no control, significant influence or economic interest between the Region and the Foundations, no financial information regarding the foundations are reported or disclosed in the consolidated financial statements of the Region.

b) Revenue recognition

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

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

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

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the Region if the amount can be reasonably estimated and collection is reasonably assured. All non-government 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 inflow received before the criterion has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

Provincial Funding
During the 2020-21 fiscal year, the Manitoba government 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 moved to MHWR from MHSC. Overall funding to the Region has not changed; however funding will be received separately from each health department. MHWR funding guidelines and reporting requirements have yet to be defined.

In Globe funding
In Globe funding is funding approved by MHSC and MHWR, for Regional Health programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the four service categories of Acute Care, Long Term Care, Community and Mental Health, and Home Care. All additional costs in these four service categories must be absorbed within the global funding provided.

Out of Globe funding
Out of Globe funding is funding approved by MHSC for specific programs.

3. **Significant accounting policies** *(continued)*

b) *Revenue recognition* *(continued)*

Any operating surplus related to Out of Globe funding arrangements is 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 Region or repaid to MHSC.

Conversely, any operating deficit related to Out of Globe funding arrangements is 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 Region. Any unapproved costs not paid by MHSC are absorbed by the Region.

Non-Insured income
Non-insured income is revenue received for products and services where the recipient does not have MHSC coverage or where coverage is available from a third party. Revenue is recognized when the product is received and/or the service is rendered.

Ancillary income
Ancillary income comprises amounts received for preferred accommodations, non-MHSC activities and parking fees. Revenue is recognized when the service is provided.

Other income
Other income comprises recoveries for a variety of uninsured goods and services sold to patients or external customers. Revenue is recognized when the good is sold or the service is provided.

Investment income
Investment income comprises interest from cash, interest from fixed income investments, and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) *Contributed materials and services*

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and an official receipt for income tax purposes has been issued to the donors.

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 consolidated financial statements.

d) *Cash and cash equivalents*

The Region considers deposits in banks, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

e) *Financial instruments*

Measurement of financial instruments
The Region initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

3. Significant accounting policies *(continued)*

e) *Financial instruments* *(continued)*

The Region subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains (Losses) in the period incurred.

The Region uses the following measurement classifications for its financial assets and financial liabilities:

Cash and cash equivalents	Amortized Cost
Accounts receivable	Amortized Cost
Due from Manitoba Health and Seniors Care	Amortized Cost
Loan receivable	Cost
Investments	Fair Value
Accounts payable and accrued liabilities	Amortized Cost
Employee future benefits obligations	Amortized Cost

In accordance with Public Sector Accounting (PSA) standards adopted for April 1, 2011, the Region has elected to record investments at fair value, using market bid prices at year-end as a basis for valuation. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the consolidated statement of operations. Any discount or premium arising on purchase is amortized over the period of maturity in order to reflect a yield based on purchase costs and a carrying value of the amount expected to be realized at maturity. Interest earned on investments and gains or losses resulting from net settlements in the period are recorded in the Consolidated Statement of Operations.

The Region uses the following classifications of fair value measurements for its portfolio investments:

Prices quoted in active markets	Level 1
Observable bid prices in the markets	Level 2
Source other than observable market	Level 3

Impairment

At the end of each reporting period, the Region assesses whether there are any indications that a financial asset may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Region, including but not limited to the following events: significant decline in fair market value, significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Region determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Region identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset in the cost or amortized cost category, it reduces the carrying amount of the asset to the highest of the following:

i. the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
ii. the amount that could be realized by selling the asset at the consolidated statement of financial position date; and
iii. the amount the Region expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights

The carrying amount of the asset in the cost or amortized cost category is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the consolidated statement of operations.

When the extent of impairment of a previously written-down asset in the cost or amortized cost category decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of operations in the period the reversal occurs.

3. Significant accounting policies *(continued)*

e) *Financial instruments* *(continued)*

When the Region identifies a loss in value that is other than a temporary decline of a financial asset in the fair value category, the asset is written down to recognize the loss. The amount of the loss is recognized in the consolidated statement of operations and is not reversed if there is a subsequent increase in value.

Transaction costs
Transaction costs are added to the carrying value of items in the cost or amortized cost category when they are initially recognized, and expensed in the period incurred for items in the fair value category. Transaction costs include fees and commissions paid to agents, advisors, brokers and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

f) Risk management

The Region is exposed to various risks through its financial instruments. The following analysis provides a measure of the Region's risk exposure and concentrations:

	Risks			
			Market risk	
Financial instruments	*Credit*	*Liquidity*	*Currency*	*Interest Rate*
Cash	X			X
Amounts receivable	X		X	
Accounts payable and accrued liabilities		X	X	

The Region manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Risk Management Policy. The objective of the policy is to reduce volatility in cash flow and earnings. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

The Region also has a specific Investment Policy that details the asset quality and proportion of fixed income and equity securities in which investments are made.

The Region does not use derivative financial instruments to manage its risks.

<u>Credit risk</u>

Credit risk arises from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Region could incur a financial loss. The Region's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the facilities it funds, minimizing credit risk. The Region's policy is to limit extending credit to individuals and has been proactive in the implementation of processes to accept prepayment for products and services.

Management regularly reviews the aging of accounts receivable balances. Amounts deemed uncollectible are written down to their expected realizable values, by making an allowance for doubtful accounts adjustment, as soon as the account is determined not to be fully collectible. The Region considers the following factors in determining collectability: age of the amount outstanding, knowledge gained surrounding change in economic circumstances of the third party, and the history of collectability based on the type of revenue stream.

3. Significant accounting policies *(continued)*

f) ***Risk management*** *(continued)*

Prior to authorizing the provision of a loan, the Region's management reviews the financial position of the potential loan recipient and considers current and historical evidence of cash flows and economic circumstances. It is not a policy of the Region to grant loans, however, special considerations are reviewed with the Board of Directors prior to a provision being granted. The Region's management regularly reviews loan balances and the principal and interest payments due to assess collectability and risk of loss. Valuation allowances are made when collection is in doubt. When there is sufficient evidence to support that an amount is uncollectible with no realistic prospect of recovery, a valuation allowance is recorded in order to reflect the loan, or class of loans, at the lower of cost and net recoverable value. Once all or part of a loan is written-off, it is not subsequently reversed. Interest is accrued on loans receivable to the extent it is deemed collectable.

Liquidity risk

Liquidity risk is the risk that the Region will not be able to meet a demand for cash or fund its obligations as they come due. The Region meets its liquidity requirements by anticipating investing and financing activities and holding assets that can be readily converted into cash. The Region has operating lines of credit available totaling $23,700,000 should it be required to meet temporary fluctuations in cash requirements. Lines of credit are approved by Manitoba Health and Seniors Care and are in effect for the period ending March 31, 2021. The Region is not currently accessing the operating lines of credit.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the Region is the Canadian dollar. The Region's transactions in U.S. dollars are infrequent and are limited to non-resident charges, certain purchases and capital asset acquisitions. The Region does not use foreign exchange forward contracts to manage foreign exchange transaction exposures. The Region's investment portfolio does not hold any investments in foreign currency.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Region to interest rate risk arises from its interest bearing assets. The Region's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Region manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Region’s results of operations.

The primary objective of the Region with respect to its fixed income investments is to generate income and preserve capital. The Region manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

Changes to risk

There have been no changes to the Region's risk exposures from the prior year.

3. Significant accounting policies *(continued)*

g) Inventories held for use

Inventories consist of medical supplies, drugs, linen and other supplies that are measured at average cost, except drugs which are valued at the actual cost using the first-in, first-out method. The cost of inventories includes purchase price, shipping, unrebated portion of goods and services tax, and provincial tax. Inventory is expensed when put into use.

h) Capital assets

Purchased capital assets are recorded at cost. The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Land is carried at cost or fair market value at the date of acquisition and is not amortized.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Contributed capital assets are recorded at fair value at the date of contribution.

The Region's objectives when managing capital assets are to safeguard its ability to operate as a going concern so it can continue to provide services to its members. An Annual Health Plan including an operating and capital budget is developed and monitored to ensure the Region's capital is maintained at an appropriate level. There were no changes in the Region's approach to capital management during the period.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses. Capital assets, excluding vehicles, are amortized on a straight-line basis over their estimated useful lives as follows:

Parking lots	8-15 years
Land improvements	15 years
Buildings and leasehold improvements	20-40 years
Building service equipment/equipment	4-20 years
Computer software and equipment	3-5 years

Vehicles are amortized on a declining balance basis using 30% as the annual rate and are included in Building service equipment/equipment.

i) Foreign currency transactions

Monetary assets and liabilities of the Region which are denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains and losses are included in the consolidated statement of operations.

j) Management estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring use of significant estimates include useful life of capital assets, allowance for accounts deemed uncollectable and amounts recognized for employee benefit obligations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

(in thousands of dollars)

3. Significant accounting policies *(continued)*

k) 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 expenditures were incurred by the Region as part of the response to combat COVID-19. Throughout the fiscal year, the Region was reimbursed by MHSC for those costs identified as incremental expenditures due to the COVID-19 pandemic. While these amounts have been paid to the Region, 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 expenditures. In addition, transfers were received from Government of Manitoba Central Services for certain personal protective equipment and capital equipment. The Region 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.

4. Accounts receivable

The Region's exposure to credit risk for accounts receivable as at March 31 is as follows:

	1-30 Days	**31-60 Days**	**61-90 Days**	**91-120+ Days**	**2021**
Patients/residents	$ 684	$ 439	$ 282	$ 5,984	**$ 7,389**
Trade receivables	2,088	669	5	556	**3,318**
GST receivable	400	283	6	-	**689**
Foundations	42	2	2	13	**59**
Approved capital funding	325	98	65	-	**488**
Accrued interest	21	-	-	-	**21**
	3,560	1,491	360	6,553	**11,964**
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(5,357)	**(5,357)**
Trade receivables	-	-	-	(72)	**(72)**
	-	-	-	(5,429)	**(5,429)**
	$ 3,560	$ 1,491	$ 360	$ 1,124	**$ 6,535**

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	2020
Patients/residents	$ 523	$ 486	$ 219	$ 5,234	$ 6,462
Trade receivables	3,691	355	18	573	4,637
GST receivable	375	230	8	41	654
Foundations	193	19	12	116	340
Approved capital funding	1,410	59	3	7	1,479
Accrued interest	27	-	-	-	27
	6,219	1,149	260	5,971	13,599
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(4,700)	(4,700)
Trade receivables	-	-	-	(130)	(130)
	-	-	-	(4,830)	(4,830)
	$ 6,219	$ 1,149	$ 260	$ 1,141	$ 8,769

(in thousands of dollars)

5. Due from Manitoba Health and Seniors Care

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

	1-30 Days	**31-60 Days**	**61-90 Days**	**91-120+ Days**	**2021**
Other operations	**$ 8,895**	**$ (7)**	**$ (3)**	**$ 72**	**$ 8,957**
Out of Globe 2019/20	**-**	**-**	**-**	**(1,303)**	**(1,303)**
Out of Globe 2020/21	**(302)**	**-**	**-**	**-**	**(302)**
Approved capital funding	**42**	**149**	**64**	**516**	**771**
Vacation	**-**	**-**	**-**	**17,109**	**17,109**
Vacation-Non-Devolved Facilities	**-**	**-**	**-**	**748**	**748**
Pre-retirement	**-**	**-**	**-**	**18,136**	**18,136**
Pre-retirement-Non-Devolved Facilities	**-**	**-**	**-**	**827**	**827**
	$ 8,635	**$ 142**	**$ 61**	**$ 36,105**	**$ 44,943**
Less: allowance for doubtful accounts	**-**	**-**	**-**	**-**	**-**
	$ 8,635	**$ 142**	**$ 61**	**$ 36,105**	**$ 44,943**

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	2020
Other operations	$ 1,009	$ (4)	$ (2)	$ 101	$ 1,104
Out of Globe 2018/19	-	-	-	(2,671)	(2,671)
Out of Globe 2019/20	(1,003)	-	-	-	(1,003)
Approved capital funding	333	-	-	106	439
Vacation	-	-	-	17,109	17,109
Vacation-Non-Devolved Facilities	-	-	-	748	748
Pre-retirement	-	-	-	18,136	18,136
Pre-retirement-Non-Devolved Facilities	-	-	-	827	827
	339	(4)	(2)	34,356	34,689
Less: allowance for doubtful accounts	-	-	-	-	-
	$ 339	$ (4)	$ (2)	$ 34,356	$ 34,689

6. Loan receivable

On August 31, 2009 the Region advanced the Brandon YMCA $320,000 to establish and operate a day care facility. The full term of the loan is thirteen (13) years. The terms of the agreement are set out that during the first three years from and after the advance date, the borrower pays interest only.

The Brandon YMCA	**2021**	2020
3.5% compounded semi-annually repayable at $9,516 quarterly, including interest. Payments started November 30, 2012 and end August 31, 2022. The loan is secured by property. Loan was paid in full December 3, 2020.	**$ -**	$ 91

(in thousands of dollars)

7. Investments

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash & cash equivalents	$ 492	$ 492	$ 460	$ 460
Guaranteed investment certificates at interest rates from 2.00%-2.31% with varying maturities up to March 23, 2021	-	-	60	60
Municipal, provincial and federal bonds at interest rates from 1.25%-8.10% with varying maturities up to December 15, 2025	1,900	1,944	2,275	2,331
Corporate bonds at interest rates from 2.81%-5.86% with varying maturities up to September 10, 2025	4,690	4,664	4,111	4,035
Equity pooled investments at interest rates from 2.00%-4.70%	1,761	2,161	1,746	1,569
Investment in Tiger Hills Villa	26	26	26	26
	$ 8,869	$ 9,287	$ 8,678	$ 8,481

Investments primarily consist of bonds and guaranteed investment certificates (GIC's) with maturity dates of 12 months or greater from date of acquisition. Investments are fixed income instruments issued or guaranteed by Canadian governments and corporations and include federal and provincial bonds, municipal bonds, corporate debentures and mortgage-backed securities, with a minimum A rating by an independent rating agency.

8. Capital assets

	2021		
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,620	$ -	$ 4,620
Land improvements	5,433	3,193	2,240
Buildings and leasehold improvements	439,281	209,601	229,680
Building service equipment/equipment	136,889	100,984	35,905
Assets under capital lease	2,101	1,537	564
Construction in progress	3,745	-	3,745
	$ 592,069	$ 315,315	$ 276,754

	2020		
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,620	$ -	$ 4,620
Land improvements	4,775	2,860	1,915
Buildings and leasehold improvements	417,637	198,807	218,830
Building service equipment/equipment	130,184	91,785	38,399
Assets under capital lease	2,101	1,269	832
Construction in progress	27,399	-	27,399
	$ 586,716	$ 294,721	$ 291,995

(in thousands of dollars)

8. Capital assets (continued)

Construction in Progress Commitment

Individually significant construction projects in process occurring in the year are summarized below:

	2021	2020
Costs incurred to date for:		
Building	-	$ 24,928
Service equipment	-	3,308
Total costs incurred to date	-	$ 28,236
Current year costs	-	$ 3,247
Prior year costs	-	24,989
Total expected costs	-	$ 21,638

Other projects with total costs incurred to date of **$3,745** ($3,725 – 2020) are in various stages of completion. Total expected costs for these projects are $13,923.

9. Accounts payable and accrued liabilities

	2021	2020
Accounts payable and accrued liabilities	$ 13,166	$ 12,363
Salary and payroll deductions payable	30,729	20,428
Pension payable	1,776	1,789
Accrued interest	22	25
	$ 45,693	$ 34,605

10. Employee future benefits

Employee future benefits include an accrued benefit obligation for vacation, pre-retirement, and sick leave benefits.

Vacation benefits obligation

The accrued benefit obligation for vacation benefits is valued using employee vacation banked balances at March 31 and salary rates. The total on the consolidated financial statements for vacation benefits at March 31, 2021 is **$ 32,723** ($32,380 – 2020) and is considered a short-term obligation.

The long-term portion of employee future benefits is made up of pre-retirement and sick leave benefits as follows:

	2021	2020
Pre-retirement benefits obligation	$ 34,371	$ 35,098
Sick leave benefits obligation	6,883	7,045
	$ 41,254	$ 42,143

(in thousands of dollars)

10. Employee future benefits (continued)

Pre-retirement benefits obligation

The accrued benefit obligation for pre-retirement benefits is actuarially determined using the projected unit credit service pro-rated on service actuarial cost method and management's best estimates of expected future rates of return on assets, termination rates, employee demographics, salary rate increases plus age related merit/promotion scale with nil for disability and employee mortality and withdrawal rates. The most recent actuarial report was prepared at March 31, 2021. The valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The accrued pre-retirement benefit obligation for March 31, 2021 is based on an extrapolation of that valuation.

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 Region's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

a) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for current active plan members of the Healthcare Employees Pension Plan (HEPP), is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

   i. has ten years service and has reached the age of 55 or
   ii. qualifies for the Rule of 80 (where their age plus employment service totals 80)
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

b) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, is to pay out the following severance pay upon retirement to employees who have reached the age of 55 and have nine or more years of service:

   i. one week of severance pay for each year of service up to 15 years of service
   ii. two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

c) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the MGEU Collective Agreement, is to pay out one week's pay for each year of accumulated service, or portion thereof, upon retirement if the employee has accumulated ten (10) or more years of accumulated service, up to a maximum of fifteen (15) week's pay.

The actuarial valuation was based on a number of assumptions about future events as follows:

	2021	2020
Discount rate – March 31	**2.65%**	2.60%
Rate of salary increase – April 1	**3.50%**	3.50%
EARSL – March 31 (in years)	**8.0**	8.0

Actuarial gains and losses can arise in a given year as a result of (a) the difference between the actual return on plan assets in that year and the expected return on plan assets for that year, (b) the difference between the actual accrued benefit obligations at the end of the year and the expected accrued benefit obligations at the end of the year and © changes in actuarial assumptions. For the fiscal year beginning April 1, 2013, and in accordance with Canadian public sector accounting standards, gains or losses that arise in a given year, along with past service costs that arise from pre-retirement benefits plan amendments, are to be amortized into income over the expected average remaining service life (EARSL) of the related employee group. Prior to April 1, 2013 valuation, gains or losses have been recognized in the period they were incurred.

The pre-retirement valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The following table presents information about accrued pre-retirement benefit obligations, the change in value and the balance of the obligation at March 31, 2021.

(in thousands of dollars)

10. Employee future benefits (continued)

Change in Benefit Obligation – Pre-retirement

	2021	2020
Pre-retirement benefit obligation, beginning of year	$ 37,734	$ 38,980
Transfer to Shared Health	-	(2,070)
Current period service cost	2,679	2,462
Interest cost	984	1,107
Benefits paid	(4,412)	(3,856)
Actuarial (gain)/loss	(102)	1,111
Pre-retirement benefit obligation, end of year	36,883	37,734
Unamortized net actuarial gain (loss)	(2,512)	(2,636)
Pre-retirement accrued benefit liability, end of year	$ 34,371	$ 35,098

Funding for the pre-retirement obligation is recoverable from MHSC for costs incurred up to March 31, 2004 on an Out-of-Globe basis in the year of payment. As of April 1, 2004, In-Globe funding has been amended to include these costs.

Sick leave benefits obligation

For the year ending March 31, 2013, the Region adopted accrual accounting for the sick leave plan according to Canadian public sector accounting standards section PS3255. Prior to that date the Region recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the consolidated statement of financial position. At the beginning of fiscal year April 1, 2011, a valuation of the Region's obligations for the accumulated sick leave banked was done for accounting purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation are as follows:

- Average employee daily wage
- Number of sick days used in the year
- Number of sick days earned in the year
- Excess days of used over earned
- Dollar value of the excess
- Number of unused sick days

Key assumptions used in the valuation were based on Management's best estimates. The valuation used the same assumptions about future events as was used for the pre-retirement valuation above. The following table presents information about the accrued sick leave benefit obligation, the change in value and the balance of the obligation:

Change in Benefit Obligation – Sick Leave

	2021	2020
Sick Leave benefit obligation, beginning of year	$ 5,777	$ 6,681
Transfer to Shared Health	-	(414)
Current period service cost	447	411
Interest cost	150	187
Expected benefits paid	(895)	(1,266)
Actuarial (gain)/loss	(19)	178
Sick Leave benefit obligation, end of year	5,460	5,777
Unamortized net actuarial gain (loss)	1,423	1,268
Sick Leave benefit liability, end of year	$ 6,883	$ 7,045

(in thousands of dollars)

11. Long-term debt

	2021	2020
Loans payable to Treasury Division at interest rates from 3.00% to 5.75%, due from January 31, 2021 to February 29, 2036, with monthly payments of principal from $23 to $183 plus interest, secured by promissory note	$ 66,703	$ 76,754
Loans payable to Treasury Division at interest rates from 2.45% to 3.20%, due from March 31, 2023 to March 31, 2060, with monthly payments of principal and interest from $12 to $123, secured by promissory note	61,748	66,916
Loans payable to Treasury Division at interest rates from 1.50% to 2.25%, due from February 28, 2031 to February 28, 2041, with monthly payments of principal and interest from $1 to $39, secured by promissory note	4,393	-
Lines of credit and floating loans payable to Treasury Division, interest at 0.55%	6,613	5,744
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.31% to 10.50%, due from October 1, 2021 to May 1, 2029, with monthly payments of principal and interest from $1 to $14, secured by buildings	2,844	3,431
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from April 30, 2022 to December 31, 2023, with monthly payments of principal and interest from $5 to $6, secured by buildings	236	354
	$ 142,537	$ 153,199

Principal payments due in the next five years are as follows:

2022	$ 12,192
2023	12,126
2024	11,738
2025	10,426
2026	9,157
Thereafter	86,898
	$ 142,537

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

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

12. Obligations under capital lease

	2021	2020
Royal Bank of Canada monthly payments including interest of $6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	$ 177	$ 254

Principal payments due in the next two years are as follows:

2022	80
2023	97

(in thousands of dollars)

13. Unearned revenue

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

	Operating	Capital	2021	2020
Balance, beginning of year	$ 4,464	$ 16,565	$ 21,029	$ 23,074
Amount received during the year	4,441	5,235	9,676	9,939
Less: amount recognized as revenue - programs	(3,090)	(2,688)	(5,778)	(10,134)
Less: amount recognized as revenue - ancillary services	(124)	(354)	(478)	(485)
Less: transfers to Shared Health	-	-	-	(1,365)
Balance, end of year	$ 5,691	$ 18,758	$ 24,449	$ 21,029

14. Pension plan

The majority of the employees of the Region are members of the Healthcare Employees Pension Plan - HEPP (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group and as such, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with Canadian public sector accounting standards, section 3250.

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 through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries to provide assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to HEPP to remain a constant percentage of employee's contributions. Variances between actual funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

On October 17, 2017 HEB Manitoba and the Board of the Healthcare Employees' Pension Plan (HEPP) announced changes designed to enhance the long-term sustainability of the Plan's defined benefit commitment. There are transition rules for current members. Future members who begin employment after December 1, 2019 must be age 55 to retire and will not be eligible for supplementary or bridge benefits.

The Healthcare Employees' Pension Plan is subject to the provisions of the Pension Benefits Act, Manitoba. This Act requires that the Plan's actuaries conduct two valuations – a going-concern valuation and a solvency valuation. In 2010, HEB Manitoba completed the solvency exemption application process, and has now been granted exemption for the solvency funding and transfer deficiency provision. As at December 31, 2018 the Plan's going concern ratio was 107.2%.

During the year, the Region contributed **$23,791** ($24,171 – 2020) to the Pension Plan using contribution rates set out in the Plan as follows:

	2021	2020
Employee contributions		
% of Basic Annual Earnings below YMPE*	8.9%	8.9%
% of Basic Annual Earnings above YMPE	10.5%	10.5%
Employer contributions		
% of Basic Annual Earnings below YMPE	8.9%	8.9%
% of Basic Annual Earnings above YMPE	10.5%	10.5%
*(*YMPE – Yearly Maximum Pensionable Earnings)*		

15. Restricted assets

The Board of Directors has restricted net assets related to non MHSC activities of **$5,287** ($5,525 - 2020). The revenue earned on these restricted assets is used for the operations of these non MHSC activities and for possible capital asset purchases. Restricted net assets consist of donations, bequests, revenue from ancillary operations and other contributions.

(in thousands of dollars)

16. Manitoba Health and Seniors Care revenue

	2021	2020
Allocation per Funding Document	$ 459,647	$ 476,925
Add One Time Funding:		
Salary and benefit settlements	4,959	-
Primary care/community program improvement initiatives	579	262
Mental Health program improvement initiatives	1,123	560
Family physician stipends	-	282
Primary care nurses salaries and benefits	-	72
Emergency services billings	40	40
Transitional care program expansion	161	159
COVID-19	12,030	-
Various program improvement initiatives	(90)	62
Total funding approved by MHSC	478,449	478,362
Add/(Deduct):		
Fee for service radiology income	5,175	5,157
Medical remuneration year end settlement	-	324
Amounts recorded in unearned revenue	-	63
Medical remuneration non-global receivable (payable)	(314)	(1,303)
Capital interest receivable (payable)	(8)	(6)
Capital principal receivable (payable)	20	24
Funding for interest payments on Treasury Division loans	5,190	4,387
Funding for principal payments on Treasury Division loans	12,882	10,418
Funding for capital asset purchases	1,664	3,713
Total revenue from MHSC	$ 503,058	$ 501,139

17. Mental Health, Wellness and Recovery revenue

	2021	2020
Allocation per Funding Document	$ 30,523	-

18. Capital disclosures

The Region operates a number of elderly persons housing facilities which are subject to capital requirements as part of Canada Mortgage and Housing Corporation ("CMHC") and Manitoba Housing. Under the terms of agreements with Manitoba Housing and CMHC, replacement reserve accounts are to be credited with amounts as determined in consultation with Manitoba Housing. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by Manitoba Housing or CMHC from time to time. The funds in the account may only be used as approved. Withdrawals are credited to interest first and then principal.

Pursuant to the operating agreements with Manitoba Housing for Riverdale Personal Care Home Inc., Westwood Lodge, Tiger Hills Villa Inc. and Hamiota District Health Centre Inc., Lilac Residence (North Wing) elderly persons housing facilities, on a cumulative basis for all Manitoba Housing properties, any excess subsidy funding provided to the Region is to be repaid. Where a cumulative deficiency exists for Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to approval of project costs.

(in thousands of dollars)

19. Commitments and contingencies

a) The Region has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2022	$ 2,060
2023	1,244
2024	999
2025	373
2026	14

b) The Region is subject to individual 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 Region.

c) Effective January 1, 2003 the Region joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2021.

d) In 2021, a contingent liability was recognized in accounts payable and accrued liabilities related to expired collective agreements. The amount recorded is an estimate, which may be subject to change, and could result in an exposure in that the liability may be in excess of the amount accrued. The extent of the liability accrued is not being disclosed pending the completion of labour negotiations.

e) Shared Health, a provincial organization, was established to support a centralized and better-connected provincial health planning process; and develop a provincial clinical and preventative services plan, effective April 1, 2018. As of April 1, 2019, the following significant operations of the Region were transferred to Shared Health:

- Information and Communications Technology (includes Electronic Health Records and Telehealth)
- Brandon Diagnostic Services
- Emergency Medical Services
- Medical Transportation Coordination Centre

This restructuring included the transfer of approximately $51 million in operating funding.

The carrying values of the non-capital assets and liabilities transferred on April 1, 2019 were:

Financial Assets	$ 4,341,000
Liabilities	$ 5,713,000
Restructuring Gain	$ 1,372,000

The restructuring gain is included as part of the Regional undistributed costs on the Consolidated Statement of Operations. There were no contingent liabilities transferred to Shared Health as part of the restructuring transaction and the Region did not incur any restructuring costs. Shared Health has agreed to assume the non-capital contractual obligations of the transferred departments.

An Order of Council is expected during the 2021/22 fiscal year that will allow for the transfer of the associated tangible capital assets and related liabilities for the above departments. Any capital contractual obligations will transfer along with the capital assets and related liabilities at a future point in time.

20. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2015, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2021, the Region has no known contaminated sites or no known future potential contaminated sites.

(in thousands of dollars)

21. Related party transactions

The Region provides community health services through operations directly owned by the Region as well as through other organizations and agencies via a variety of agreements (Notes 3(a), 3(b), 5 and 18). Transactions between the related parties are recorded at the exchange amount.

22. Trusts under administration

At March 31, the balance of funds held in trust are as follows:

	2021	2020
Resident trust funds	**$ 346**	$ 372

These funds are not included in the balances of the Region's consolidated financial statements.

23. Expenses by type

	2021	2020
Personnel Services	**$461,884**	$ 448,980
Grants/Transfer Payments	**8,097**	7,743
Transportation	**5,602**	6,221
Communication	**642**	651
Supplies and Services	**72,708**	70,510
Debt Servicing	**5,466**	4,714
Minor Capital	**5,094**	3,953
Amortization	**21,353**	21,116
Other Operating	**13,812**	11,958
Balance, end of year	**$594,658**	$ 575,846

24. Disclosure of allocated expenses

Allocated expenses relate to expenses that have been assigned amongst programs where acute care and personal care homes share the same facility, and would not include all facilities under the Region. The portion of expense allocated is as follows:

	Acute	Personal Care Homes	Community	2021	2020
Administration	$ 783	$ 709	$ -	**$ 1,492**	$ 1,526
Food Services	3,175	13,400	-	**16,575**	16,767
Housekeeping	3,229	2,035	-	**5,264**	5,165
Laundry	1,811	1,440	-	**3,251**	3,426
Nursing	459	738	-	**1,197**	2,109
Plant Operations	6,383	1,450	-	**7,833**	7,359
Plant Maintenance	3,280	2,274	-	**5,554**	5,397
Balance, end of year	**$ 19,120**	**$ 22,046**	**$ -**	**$ 41,166**	$ 41,749

25. Economic dependence

The Region received approximately **86%** (89% - 2020) of its total revenue from MHSC and is economically dependent on MHSC for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

26. Comparative figures

Comparative figures have been restated to compare to current year results.