
Consolidated Financial Statements of **Shared Health Inc.**

For the year ended March 31, 2021



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Management's Responsibility

To the Corporate Member of
Shared Health Inc.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the consolidated financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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 are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors is composed entirely of directors who are neither management nor employees of Shared Health Inc. 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 fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Shared Health Inc.'s external auditor.

Deloitte LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board 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 Board and management to discuss their audit findings.

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Adam Topp
Chief Executive Officer

June 25, 2021

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Jennifer Bjarnarson, MHA, CPA, CMA
Interim Provincial Lead Administrative Support
Services and Chief Financial Officer

Independent Auditor's Report

To the Corporate Member of
Shared Health Inc.

Opinion

We have audited the consolidated financial statements of Shared Health Inc. (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Shared Health Inc. as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Organization 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 PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 Organization 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.

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

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
June 25, 2021

Shared Health Inc.**Consolidated Statement of Financial Position**

As at March 31, 2021

(amounts expressed in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 77,734	\$ 29,093
Accounts receivable (Note 3)	90,978	103,538
Vacation pay benefits recoverable (Note 4)	28,188	28,188
Pre-retirement leave benefits recoverable (Note 4)	73,314	73,314
	<u>270,214</u>	<u>234,133</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	141,884	99,761
Accrued vacation and overtime payable	63,986	59,870
Pre-retirement leave benefits payable (Note 6)	77,467	76,164
Sick leave benefits payable (Note 6)	12,072	12,546
Unearned revenue (Note 7)	34,099	28,753
Long-term debt (Note 8)	111,399	76,789
	<u>440,907</u>	<u>353,883</u>
Net debt	<u>(170,693)</u>	<u>(119,750)</u>
Non-Financial assets		
Tangible capital assets (Note 11)	111,075	57,458
Inventory	35,922	27,260
Prepaid expenses	20,508	16,401
	<u>167,505</u>	<u>101,119</u>
Commitments and contingencies (Note 10)		
Accumulated deficit	<u>(3,188)</u>	<u>(18,631)</u>
Accumulated deficit is comprised of:		
Accumulated deficit	(4,764)	(20,202)
Endowments	1,576	1,571
	<u>\$ (3,188)</u>	<u>\$ (18,631)</u>

Approved on behalf of the Board

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Karen Herd, Chair of the Board of Directors

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Scott Sinclair, Vice-Chair of the Board of Directors

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

Shared Health Inc.**Consolidated Statement of Operations and Accumulated Deficit**

Year ended March 31, 2021

(amounts expressed in thousands of dollars)

	Actual			Budget	Actual
	2021			2021	2020
	Core operations	Capital operations	Total	Total	Total
Revenue					
Manitoba Health and Seniors Care operating income	\$ 1,292,028	\$ 28,552	\$ 1,320,580	\$ 1,326,623	\$ 1,182,476
Other Province of Manitoba Operating income	41,072	-	41,072	-	-
Other recoveries	48,964	322	49,286	49,253	44,112
Patient and resident income	14,118	-	14,118	1,856	15,073
Recoveries from regional health authorities	2,514	112	2,626	7,781	3,367
Government of Canada income	3,315	-	3,315	4,471	3,092
Interest income	777	-	777	57	1,135
	1,402,788	28,986	1,431,774	1,390,041	1,249,255
Expenses (Note 13)					
Acute care	699,686	15,817	715,503	606,732	624,644
Diagnostic services	303,546	-	303,546	276,293	275,366
Emergency response services	155,880	-	155,880	156,787	151,938
Digital health	147,336	-	147,336	145,741	138,611
Medical remuneration	84,021	-	84,021	199,084	66,851
Mental health services	13,593	-	13,593	13,544	12,466
	1,404,062	15,817	1,419,879	1,398,181	1,269,876
Insured services (Deficit) Surplus	(1,274)	13,169	11,895	(8,140)	(20,621)
Non-insured services					
Non-insured services income	17,029	-	17,029	30,299	26,534
Non-insured services expenses	(15,755)	-	(15,755)	(24,771)	(20,213)
Non-insured services surplus	1,274	-	1,274	5,528	6,321
Operating Surplus (Deficit)	-	13,169	13,169	(2,612)	(14,300)
Restructuring gain (Note 16)	2,322	-	2,322	-	12,662
Loss on disposal of tangible capital assets	-	(53)	(53)	(84)	(84)
Surplus (Deficit) for the year	2,322	13,116	15,438	(2,696)	(1,722)
Accumulated deficit, beginning of the year			(20,202)		(18,480)
Accumulated deficit, end of year			\$ (4,764)		\$ (20,202)

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

Shared Health Inc.**Consolidated Statement of Changes in Net Debt**

Year ended March 31, 2021

(amounts expressed in thousands of dollars)

	Actual 2021	Budget 2021	Actual 2020
Surplus (Deficit) for the year	\$ 15,438	\$ (2,696)	\$ (1,722)
Change in tangible capital assets			
Acquisition of tangible capital assets	(66,470)	—	(17,020)
Amortization of tangible capital assets	12,800	9,749	10,435
Loss on disposal of tangible capital assets	53	—	84
	(53,617)	9,749	(6,501)
Change in other non-financial assets			
Net acquisition of inventories	(8,662)	—	(27,260)
Net acquisition of prepaid expenses	(4,107)	—	(13,774)
	(12,769)	—	(41,034)
Net change in endowments (Note 16)	5	—	1,571
(Increase) decrease in net debt	(50,943)	7,053	(47,686)
Net debt, beginning of the year	(119,750)	(119,750)	(72,064)
Net debt, end of the year	\$ (170,693)	\$ (112,697)	\$ (119,750)

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

Consolidated Statement of Cash Flows
Year ended March 31, 2021
(amounts expressed in thousands of dollars)

	2021	2020
Operating activities		
Surplus (Deficit) for the year	\$ 15,438	\$ (1,722)
Items not affecting cash		
Amortization of tangible capital assets	12,800	10,435
Loss on disposals of tangible capital assets	53	(84)
Recognition of unearned revenue	(38,585)	(12,088)
Net change in endowments	5	1,571
	(10,289)	(1,888)
Net change in non-cash working capital items:		
Accounts receivable	12,560	(99,463)
Vacation pay benefits recoverable	—	(27,590)
Pre-retirement leave benefits recoverable	—	(60,820)
Accounts payable and accrued liabilities	42,123	87,574
Accrued vacation and overtime payable	4,116	48,876
Pre-retirement leave benefits payable	1,303	62,278
Sick leave benefits payable	(474)	10,161
Inventory	(8,662)	(27,260)
Prepaid expenses	(4,107)	(13,774)
Cash funding received but unearned in year	43,931	31,815
	80,501	9,909
Capital activities		
Acquisitions of tangible capital assets	(66,470)	(17,020)
	(66,470)	(17,020)
Financing activities		
Repayment of long-term debt	(5,451)	(4,191)
Advances from long-term debt	40,061	10,520
	34,610	6,329
Net increase (decrease) in cash during the year	48,641	(782)
Cash, beginning of the year	29,093	29,875
Cash, end of year	\$ 77,734	\$ 29,093

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

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

1. Nature of the business

Shared Health Inc. (“Shared Health” or the “Organization”) was established in March 2018 by amending the articles of incorporation of the former Diagnostic Services of Manitoba Inc. (“DSM”). Incorporated in 2002, DSM was created to provide laboratory services throughout Manitoba, and imaging services within the rural environment. Shared Health was created to expand upon the provincial mandate of DSM to include responsibility for developing and administering a provincial clinical and preventative service plan for the Government of Manitoba through Manitoba Health and Seniors Care (“MHSC”; formerly included within the Manitoba Health, Seniors and Active Living department), in respect to all provincial health services throughout Manitoba. Shared Health will also consolidate certain provincially scoped administrative and support health care services and facilities under one organization. As a result, Shared Health will take a provincial lead in the coordination and integration of patient-centered clinical and preventive health services across Manitoba.

Shared Health is a not-for-profit organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met. Shared Health is also a corporation without share capital under The Corporations Act (Manitoba) in which the Minister of Health, Seniors and Active Living is the sole member.

The Regional Health Authorities Amendment (Health System Governance and Accountability) Act (“Bill 10”) has been introduced by the Manitoba Government. Once proclaimed, Bill 10 will establish Shared Health as a provincial health authority and will set out the organization’s responsibilities, duties and authority. Once Bill 10 is in effect, Shared Health will no longer be governed by The Corporations Act (Manitoba).

Much of the fiscal 2020 year was devoted to numerous transformation initiatives, including the further activation of Shared Health, along with the development of the first Provincial Clinical and Preventive Services Plan. This included Shared Health assuming the operational responsibilities for a variety of divisions of other health care entities, including the Health Sciences Centre. In fiscal 2021, the impacts of COVID-19 resulted in delayed implementation of the transformation initiatives. See note 16 for further discussion of responsibilities assumed.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”). The significant accounting policies used in the preparation of the financial statements are as follows:

a) Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues when they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (*continued*)

a) *Basis for accounting (continued)*

The statement of operations has been presented with both core operations and capital operations. Core operations represents the ongoing general operations of the entity. Capital operations represents the funded capital operations of the entity including the capital revenue, depreciation and interest on long-term debt related to funded capital assets.

b) *Use of estimates*

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Organization is funded by the Province of Manitoba using MHSC funding mechanisms. These consolidated financial statements use funding mechanisms approved by MHSC for the year ended March 31, 2021.

The amount of revenue recognized from MHSC requires a number of estimates. Since MHSC does not communicate certain adjustments related to revenue until after the completion of the consolidated financial statements, the amount of revenue recognized during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these consolidated financial statements represents management's best estimate of amounts that have been earned during the year.

Other amounts estimated by management include the useful life of tangible capital assets, employee future benefits payable, wage settlement accruals, and allowance for doubtful accounts.

c) *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 Organization as part of the response to combat COVID-19. Throughout the fiscal year, the Organization 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 Organization, 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, government transfers were received from Government of Manitoba Central Services for certain personal protective equipment and capital equipment. The Organization 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.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (*continued*)

d) Revenue recognition

Public sector entities may receive revenue as a government transfer in which no exchange of benefit is expected from the payer or from an exchange transaction in which a transfer of benefits between two parties occurs.

Revenue for exchange transactions is recognized when an event has occurred, revenue is measurable and collection is reasonably assured. Non-insured services income is recognized when services are rendered. Externally restricted revenue is deferred until conditions have been met.

Government transfers for operating purposes are recognized as revenue in the period in which amounts have been authorized, received and stipulations, if any, have been met. Any government transfers received that include performance stipulations giving rise to a liability are considered unearned until resources have been used for their intended purpose(s). Government transfers not yet received are recognized as revenue if funding is authorized and eligibility criteria have been met.

Funding for the acquisition or development of tangible capital assets may be received through MHSC lines of credit or a cash allocation. Drawings from a MHSC line of credit and subsequent debt amortization are recognized as revenue as MHSC makes required principal and interest payments on behalf of Shared Health. Capital funding received as a cash allocation is deferred until used for the intended purpose.

e) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid instruments, such as certificates of deposit, term deposits, treasury notes and other money market instruments, which generally have original maturities of less than three months from the date of issuance.

f) Inventory

Inventory held for internal use consists of medical supplies, drugs, linens and other supplies that are measured at the lower of cost and replacement cost. Inventory held for sale is measured at the lower of cost and net realizable value. Cost for all types of inventory is calculated using the weighted average cost formula.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (*continued*)

g) Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible capital assets are depreciated on a straight-line basis over the following useful lives:

Computer hardware and software	10 - 25%
Furniture and equipment	10 - 20%
Leasehold improvements	over the life of the lease

Tangible capital assets in progress are recorded at cost. When a specific project is completed, all capitalized costs are transferred to the appropriate category of capital asset and depreciation is charged.

h) Employee future benefits

The Organization accrues its obligations under employee benefit plans and the related costs. The Organization has adopted the following policies:

i. Multi-employer plans

Defined contribution accounting is applied for multi-employer pension plans, whereby contributions are expensed on an accrual basis, as the Organization has insufficient information to apply defined benefit plan accounting.

ii. Other defined benefit plans

The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected unit credit service prorated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains/losses are amortized on a straight-line basis. The period of amortization is equal to the expected average remaining service life ("EARSL") of active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Organization's cost of borrowing. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service period of the active employees.

i) Endowment net assets

Endowment accounts are to be invested in perpetuity, and investment income earned is to be used for designated purposes. Investment income earned may be added back directly to the endowment net asset if this is explicitly directed by the donor.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (*continued*)

j) Financial instruments

The Organization classifies its financial instruments at either fair value or amortized cost. The Organization determines the classification of its financial instruments at initial recognition. The Organization's accounting policy for each category is as follows:

i. Fair value

Investments are measured initially and thereafter at fair value. In the year of settlement or disposal, the gains or losses are reclassified to the statement of operations.

The Organization recognizes investments based on trade dates. Transaction costs related to investments are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains/losses and recognized in the statement of operations. If the loss in value subsequently reverses, the write-down in the statement of operations is not reversed until the investment is sold.

ii. Amortized cost

The amortized cost category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. These financial instruments are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs are recognized when the amount of a loss is known with sufficient accuracy, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and accumulated deficit. If the loss in value subsequently reverses, the write-down in the statement of operations is not reversed.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

2. Significant accounting policies (continued)

k) Future accounting policies

Standard	Summary of future changes
Public Sector Accounting Standard 3280 – <i>Asset Retirement Obligations</i>	This new standard provides guidance on how to account for and report a liability for asset retirement obligations, which includes liabilities related to assets which contain asbestos or other contaminants. This standard was originally effective for fiscal years beginning on or after April 1, 2021; however, the Public Sector Accounting Board deferred the effective date by one year to fiscal years beginning on or after April 1, 2022, with earlier application permitted. Three transitional options are provided: prospective application, retrospective application, and modified retrospective application with restatement. The Organization continues to evaluate the impact of the adoption of this standard.
Public Sector Accounting Standard 3400 - <i>Revenue</i>	This new standard provides guidance on accounting for overall revenue transactions for which there is no specific guidance elsewhere in the Public Sector Accounting Handbook. This standard is effective for annual reporting periods beginning on or after April 1, 2023, with earlier application permitted. This standard may be applied retroactively or prospectively. The Organization continues to evaluate the impact of the adoption of this standard.

3. Accounts receivable

	2021	2020
Due from MHSC	\$ 48,310	\$ 15,234
Due from other Province of Manitoba departments	264	-
Due from Winnipeg Regional Health Authority	5,521	69,267
Other receivables	40,473	22,329
Allowance for doubtful accounts	(3,590)	(3,292)
	<u>\$ 90,978</u>	<u>\$ 103,538</u>

Aging of accounts receivable as at March 31, 2021 is as follows:

	Total	0-60 days	61-120 days	>120 days
Due from MHSC	\$ 48,310	\$ 33,869	\$ 1,098	\$ 13,343
Due from other Province of Manitoba departments	264	-	186	78
Due from Winnipeg Regional Health Authority	5,521	5,521	-	-
Other receivables	40,473	31,028	(152)	9,597
Gross receivables	<u>94,568</u>	<u>70,418</u>	<u>1,132</u>	<u>23,018</u>
Allowance for doubtful accounts	(3,590)	-	-	(3,590)
	<u>\$ 90,978</u>	<u>\$ 70,418</u>	<u>\$ 1,132</u>	<u>\$ 19,428</u>

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

3. Accounts receivable (*continued*)

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

	Total	0-60 days	61-120 days	>120 days
Due from MHSC	\$ 15,234	\$ 15,234	\$ -	\$ -
Due from Winnipeg Regional Health Authority	69,267	69,267	-	-
Other receivables	22,329	14,078	2,401	5,850
Gross receivables	106,830	98,579	2,401	5,850
Allowance for doubtful accounts	(3,292)	-	-	(3,292)
	<u>\$ 103,538</u>	<u>\$ 98,579</u>	<u>\$ 2,401</u>	<u>\$ 2,558</u>

4. Vacation pay benefits recoverable and pre-retirement leave benefits recoverable

Pre-retirement leave and vacation benefits recoverable from MHSC represent the amount guaranteed by the Province of Manitoba at March 31, 2004 that was transferred from the regional health authorities ("RHA"s) for the employees transferred to Shared Health in 2017/18 and 2019/20. The pre-retirement leave benefits recoverable transferred were equal to valuations of the actuarial liabilities at the date of transfer. The MHSC receivable continues to be guaranteed by the Province of Manitoba. Any changes from the amount originally guaranteed will be reflected in the statement of operations.

5. Accounts payable and accrued liabilities

	2021	2020
Trade accounts payable	<u>\$ 61,655</u>	<u>\$ 51,760</u>
Payroll and payroll remittances payable	62,596	40,444
Due to MHSC	5,151	-
Due to Regional Health Authorities	12,482	7,557
	<u>\$ 141,884</u>	<u>\$ 99,761</u>

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. The extent of the liability accrued is not being disclosed pending the completion of labour negotiations.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

6. Employee future benefits

Multi-employer pension plan

Substantially all full-time and part-time employees of the Organization are members of the Health Employees Pension Plan ("HEPP"). The Organization's liability is limited to the contributions required during the year under respective agreements.

HEPP is a specified multi-employer, defined benefit pension plan (the "Plan"). HEPP is accounted for as a defined contribution plan since the Organization has insufficient information to apply defined benefit plan accounting. Employee and employer contributions were made at a rate of 7.9% (7.9% in 2020) each on the first \$62 (\$59 in 2020) of earnings, and a rate of 9.5% (9.5% in 2020) on earnings in excess of the amount. Employer contributions made during the year by the Organization amounted to \$54,371 (\$53,023 in 2020). The most recent actuarial valuation of the Plan was as of December 31, 2020, which disclosed the total actuarial value of the assets to be \$8,864,899 (\$8,279,598 in 2020) and the total actuarial value of the liabilities to be \$7,936,834 (\$7,575,601 in 2020), resulting in a surplus of \$928,065 (\$703,997 in 2020).

Pre-retirement leave benefits payable

The Organization has a commitment to provide pre-retirement leave benefits for employees who meet certain eligibility criteria. If the eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to their retirement date.

The Organization measures its obligation for pre-retirement leave benefits as of March 31 of each year. The most recent actuarial valuation of the obligation was performed at December 31, 2018, projected to March 31, 2021.

During the current year, the pre-retirement leave obligation incurred amounts to \$7,240 (\$7,219 in 2020) and has been recorded as an expense in the year.

Detailed information about the Organization's actuarial benefit liability related to the pre-retirement leave benefits is as follows:

	2021	2020
Accrued benefit obligation	\$ 77,209	\$ 76,066
Unamortized net actuarial gain	258	98
Accrued benefit liability	\$ 77,467	\$ 76,164

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

6. Employee future benefits (*continued*)

Pre-retirement leave benefits payable (continued)

The change in actuarial benefit liability is detailed as follows:

	2021	2020
Accrued benefit liability, beginning of year	\$ 76,164	\$ 13,886
Obligation transfer from RHAs	-	60,862
Current expense	7,240	7,219
Benefit payments	(5,937)	(5,803)
Accrued benefit liability, end of year	\$ 77,467	\$ 76,164

The details of the expense related to the Organization's pre-retirement leave benefits are as follows:

	2021	2020
Current year service cost	\$ 5,279	\$ 4,988
Interest cost	1,991	2,204
Amortization of actuarial (gain) loss	(30)	27
Total expense	\$ 7,240	\$ 7,219

The actuarial valuation is based on assumptions about future events. The significant actuarial assumptions adopted in measuring the Organization's pre-retirement leave obligation are as follows:

	2021	2020
Discount rate	2.60%	3.10%
Rate of base compensation increase	3.50%	3.50%
Expected average remaining service life for amortization of actuarial gains/losses	8.8 years	8.6 years

The significant actuarial assumptions adopted in measuring the Organization's pre-retirement leave expense are as follows:

	2021	2020
Discount rate	2.60%	3.10%
Rate of base compensation increase	3.50%	3.50%

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

6. Employee future benefits (*continued*)

Sick leave benefits payable

The sick leave benefits offered by the Organization do not vest and therefore there are no sick-leave payouts to employees upon retirement.

All employees are credited with 1.25 days per month for use as paid absence in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

Detailed information about the Organization's actuarial benefit liability related to sick leave benefits is as follows:

	2021	2020
Accrued benefit obligation	\$ 9,136	\$ 9,543
Unamortized net actuarial gain	2,936	3,003
Accrued benefit liability	<u>\$ 12,072</u>	<u>\$ 12,546</u>

The change in actuarial benefit liability is detailed as follows:

	2021	2020
Accrued benefit liability, beginning of year	\$ 12,546	\$ 2,385
Current expense	746	1,097
Benefit payments	(1,241)	(1,709)
Obligation transfer from RHAs	21	10,773
Accrued benefit liability, end of year	<u>\$ 12,072</u>	<u>\$ 12,546</u>

The details of the expense related to the Organization's sick leave benefits are as follows:

	2021	2020
Current period service cost	\$ 809	\$ 721
Interest cost	253	392
Amortization of actuarial gain	(316)	(16)
Total expense	<u>\$ 746</u>	<u>\$ 1,097</u>

Shared Health Inc.

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March 31, 2021

(Amounts expressed in thousands of dollars)

6. Employee future benefits *(continued)*

Sick leave benefits payable (continued)

The actuarial valuation is based on assumptions about future events. The significant actuarial assumptions adopted in measuring the Organization's sick leave obligation are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.60%	3.10%
Rate of base compensation increase	3.50%	3.50%
Expected average remaining service life for amortization of actuarial gains/losses	8.8 years	8.5 years

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

	<u>2021</u>	<u>2020</u>
Discount rate	2.60%	3.10%
Rate of base compensation increase	3.50%	3.50%

7. Unearned revenue

Unearned core revenue represents the amount of funding received for the Organization's operating expenses not yet incurred. Unearned capital revenue represents advance funding received for the Organization's capital expenditures not yet incurred.

	<u>2021</u>			<u>2020</u>		
	<u>Core</u>	<u>Capital</u>	<u>Total</u>	<u>Core</u>	<u>Capital</u>	<u>Total</u>
Funding provided by MHSC	\$ 6,162	\$ 9,961	\$ 16,123	\$ 3,862	\$ 6,670	\$ 10,532
Funding provided by other sources	17,976	-	17,976	18,221	-	18,221
	\$ 24,138	\$ 9,961	\$ 34,099	\$ 22,083	\$ 6,670	\$ 28,753

	<u>2021</u>			<u>2020</u>		
	<u>Core</u>	<u>Capital</u>	<u>Total</u>	<u>Core</u>	<u>Capital</u>	<u>Total</u>
Balance, beginning of year	\$ 22,083	\$ 6,670	\$ 28,753	\$ 6,101	\$ 2,925	\$ 9,026
Balance transferred	-	-	-	20,331	-	20,331
Add: amount received during the year	22,060	21,871	43,931	4,949	6,535	11,484
Less: amount recognized as revenue	(20,005)	(18,580)	(38,585)	(9,298)	(2,790)	(12,088)
Balance, end of year	\$ 24,138	\$ 9,961	\$ 34,099	\$ 22,083	\$ 6,670	\$ 28,753

Shared Health Inc.

Notes to the Consolidated Financial Statements

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(Amounts expressed in thousands of dollars)

8. Long-term debt

	<u>2021</u>	<u>2020</u>
Debt with Province of Manitoba		
1.875% - 5.30% treasury loans, maturing from November 30, 2022 to March 31, 2060. Monthly principal payments of \$707 plus interest.	\$ 83,844	\$ 76,936
Prime minus 1.9% floating rate lines of credit supporting capital projects	46,794	16,348
	<u>130,638</u>	<u>93,284</u>
Plus: purchases made on behalf of the Organization by other RHAs	372	6,249
Less: purchases made on behalf of other RHAs	(19,611)	(22,744)
Total debt with Province of Manitoba	\$ 111,399	\$ 76,789

Long-term debt consists of loans and lines of credits provided by the Manitoba Finance Treasury Division of the Government of Manitoba ("Treasury") through the issuance of promissory notes. The debt is unsecured and MHSC forwards the monthly principal and interest payments related to this debt to Treasury on behalf of the Organization.

A portion of long-term debt was incurred for capital purchases made by the Organization on behalf of other RHAs. Because the related tangible capital assets have been transferred to the respective RHAs, the related portion of the long-term debt has been transferred to the respective RHAs as well. For the year ended March 31, 2021, the outstanding balance of the amount transferred was \$19,611 (\$22,744 in 2020). Capital revenue has been adjusted for these payments of principal and interest accordingly.

Similarly, a portion of the long-term debt of other RHAs was incurred to acquire tangible capital assets that have subsequently been transferred to the Organization. Since the Organization has recorded the respective tangible capital assets in its Statement of Financial Position, it has recorded its portion of the related long-term debt as well which amounted to \$372 at March 31, 2021 (\$6,249 in 2020). Capital revenue has been adjusted for these payments of principal and interest accordingly.

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

2022	\$ 52,758
2023	5,873
2024	5,471
2025	5,304
2026	5,184
Thereafter	36,809

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

8. Long-term debt (*continued*)

Principal repayments for the year 2021 include the full amount of the line of credit of \$46,794 because it is due on demand (\$16,348 in 2020). However, it is expected that this amount will be refinanced prior to the line being called.

9. Credit facilities

The Organization has a \$55,000 (\$55,000 in 2020) credit facility that was not utilized at year end. Interest is payable at the bank prime rate less 0.90% per annum.

10. Commitments and contingencies

Commitments

Lease payments

The Organization's future minimum annual payments under various operating leases for the next four years are as follows:

2022	\$	4,870
2023		441
2024		390
2025		287

Contingencies

The Organization, in the course of its operations, is subject to lawsuits and regulatory compliance requirements. As a policy, management will accrue for losses in instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. At present, management has no reason to believe that there are any lawsuits or compliance matters outstanding, the resolution of which would have a significant impact on the Organization's financial position.

11. Tangible capital assets

Historical Cost	2021					
	Opening	Transfer	Additions	Disposals	Write-downs	Closing
Computer hardware and software	\$ 31,312	\$ 123	\$ -	\$ -	\$ -	\$ 31,435
Furniture and equipment	99,779	34,849	2,742	(1,091)	-	136,279
Leasehold	-	590	-	-	-	590
Construction in progress	13,710	(35,562)	63,728	-	-	41,876
	\$ 144,801	\$ -	\$ 66,470	\$ (1,091)	\$ -	\$ 210,180

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

11. Tangible capital assets (*continued*)

Accumulated Depreciation	2021					
	Opening	Transfer	Additions	Disposals	Write-downs	Closing
Computer hardware and software	\$ (17,015)	\$ -	\$ (2,792)	\$ -	\$ -	\$ (19,807)
Furniture and equipment	(70,328)	-	(9,929)	1,038	-	(79,219)
Leasehold	-	-	(79)	-	-	(79)
Construction in progress	-	-	-	-	-	-
	\$ (87,343)	\$ -	\$ (12,800)	\$ 1,038	\$ -	\$ (99,105)
Net Book Value	\$ 57,458	\$ -	\$ 53,670	\$ (53)	\$ -	\$ 111,075

Historical Cost	2020					
	Opening	Transfer	Additions	Disposals	Write-downs	Closing
Computer hardware and software	\$ 30,887	\$ 425	\$ -	\$ -	\$ -	\$ 31,312
Furniture and equipment	95,933	4,766	-	(906)	-	99,793
Construction in progress	1,867	(5,191)	17,020	-	-	13,696
	\$ 128,687	\$ -	\$ 17,020	\$ (906)	\$ -	\$ 144,801

Accumulated Depreciation	2020					
	Opening	Transfer	Additions	Disposals	Write-downs	Closing
Computer hardware and software	\$ (13,894)	\$ -	\$ (3,121)	\$ -	\$ -	\$ (17,015)
Furniture and equipment	(63,837)	-	(7,314)	822	-	(70,328)
Construction in progress	-	-	-	-	-	-
	\$ (77,731)	\$ -	\$ (10,435)	\$ 822	\$ -	\$ (87,343)
Net Book Value	\$ 50,956	\$ -	\$ 6,585	\$ (84)	\$ -	\$ 57,458

The Organization capitalizes interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to \$59 (\$194 in 2020).

12. Related parties

Key management personnel

The Organization undertakes an annual review to identify all of its related parties, including key management personnel, who are the individuals having authority and responsibility for planning, directing and controlling the activities of the entity. The key management personnel of the Organization include members of the Board of Directors and Senior Management. Each person identified as a key manager is required to disclose, on an annual basis or as any applicable situation arises, any conflict of interest with the Organization. If a conflict exists, the Organization quantifies the transactions and discloses as required. There were no related party transactions during the year ended March 31, 2021 that required disclosure.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

13. Operating expenses

	2021	2020
Insured services		
Salaries and benefits	\$ 960,503	\$ 899,020
Medical supplies	68,681	58,849
Equipment expense	81,021	78,744
Contracted out services	103,287	60,238
Drug supplies	21,939	20,674
Laboratory & diagnostic supplies	39,040	39,362
Housekeeping supplies	4,192	2,997
Laundry and linen supplies	2,971	2,531
Rent and utilities	17,651	15,744
External consulting	29,949	13,951
Buildings & grounds	11,904	12,639
Amortization of capital assets	12,800	10,435
Travel	7,599	8,966
Bad debt	7,729	6,577
Food and dietary supplies	3,357	3,494
Facility fee	5,550	5,299
Telecommunications	14,501	12,683
Courier and postage	6,693	3,936
Staff training and development	5,324	2,839
Insurance	2,849	2,700
Printing, paper and office supplies	2,440	2,125
Interest on capital debt	2,163	1,951
Legal & audit fees	1,559	812
Miscellaneous	6,177	3,310
Total operating expenses - Insured services	<u>\$ 1,419,879</u>	<u>\$ 1,269,876</u>

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

13. Operating expenses (*continued*)

	2021	2020
Non-Insured services		
Salaries and benefits	\$ 6,730	\$ 8,418
Medical supplies	23	44
Equipment expense	357	523
Contracted out services	601	1,122
Drug supplies	-	1
Laboratory & diagnostic supplies	27	36
Housekeeping supplies	111	192
Laundry and linen supplies	10	12
Rent and utilities	133	114
External consulting	5,555	5,824
Buildings & grounds	480	540
Travel	5	13
Food and dietary supplies	898	1,808
Telecommunications	13	38
Courier and postage	7	18
Staff training and development	18	2
Printing, paper and office supplies	15	28
Legal & audit fees	3	8
Miscellaneous	769	1,472
Total operating expenses - Non-Insured Services	<u>\$ 15,755</u>	<u>\$ 20,213</u>

14. Financial instruments

The Organization is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks.

Credit risk

The Organization is exposed to credit risk mainly through its cash and cash equivalents and the collection of its accounts receivable. The Organization, in the normal course of its business, evaluates the financial condition of its customers on a continuous basis and examines credit history for new customers.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument may be adversely affected by a change in interest rates. The long-term debt of the Organization bears interest at primarily variable rates.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

14. Financial instruments (*continued*)

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk mainly in respect of its collection of accounts receivable from customer and MHSC, and payment of accounts payable, long-term debt and other liabilities.

15. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been approved by the Organization's Board of Directors.

		2021
Shared Health preliminary revenue budget		<u>\$ 1,350,951</u>
Transferred in services		
WRHA Medical Remuneration funding	110,392	
Net funding adjustments between Services Delivery Organizations	8,582	
Removal of Health Sciences Centre & Digital Health capital - delay of Order in Council	<u>(64,600)</u>	54,374
Incremental funding		<u>15,015</u>
Shared Health revised revenue budget		<u>\$ 1,420,340</u>

16. Restructuring transactions

The Province of Manitoba established a Health System Transformation Program to guide the thoughtful planning and phased implementation of broad health-system changes aimed at improving the quality, accessibility and efficiency of health-care services province-wide. 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 and for consolidating certain provincially scoped health care services delivering shared support services and for operating certain facilities under one organization.

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

16. Restructuring transactions (*continued*)

In order to carry out this mandate, effective April 1, 2019, Shared Health assumed the governance, management and operational responsibilities for specific Clinical and Administrative Services which were formerly under other provincial Service Delivery Organizations (SDOs) and all of which was and remains under the common control of the Province of Manitoba. The transfer of responsibility occurred as part of Wave 1 of the approved Health System Transformation Plan. The Clinical and Administrative Services transferred to Shared Health as of April 1, 2019 are as follows:

- Health Sciences Centre (insured services and ancillary operations)
- Digital Health (formerly Manitoba eHealth)
- Winnipeg Diagnostic & Non-invasive Cardiac Services
- Provincial Emergency Response Services
- Provincial Patient Transport
- Certain corporate and administrative functions previously performed by the Winnipeg Regional Health Authority

This initial restructuring included the transfer of approximately \$941 million of MHSC annual operating funding.

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

Financial assets

Cash	\$ 31,601
Accounts receivable	43,708
Employee benefits recoverable from MHSC	27,590
Employee future benefits recoverable from MHSC	60,820
	<hr/>
	163,719

Non-financial assets

Inventory	21,199
Prepays	10,225
	<hr/>
	31,424

Liabilities

Account payable	89,054
Unearned revenue	20,331
Employee benefits payable	10,663
Employee future benefits payable	60,862
	<hr/>
	180,910

Endowment	(1,571)
Restructuring gain	<hr/>
	\$ 12,662

Shared Health Inc.

Notes to the Consolidated Financial Statements

March 31, 2021

(Amounts expressed in thousands of dollars)

16. Restructuring transactions (*continued*)

There were no contingent liabilities transferred to Shared Health as part of the restructuring transaction. The Organization has agreed to assume the non-capital contractual obligations of the transferred divisions and departments. Any capital obligations will transfer along with the capital assets and related liabilities at a future point in time.

In 2020/21, some residual restructuring transactions took place with Winnipeg Regional Health Authority, resulting in Accounts Receivable of \$2,322 on the Statement of Financial Position and a restructuring gain of \$2,322 on the Statement of Operations. These transactions relate to the transfer of internally restricted assets.

A Transition Management Office has been established within Shared Health to support the planning and execution of the Health System Transformation Program.

The Health System Transformation Project includes additional restructuring transfers to Shared Health that will occur as part of Wave 2 and 3 plans. It was anticipated that Wave 2 would start in September 2020, however due to COVID-19 impacts, there have been delays in implementation.

A Government of Manitoba Order in Council approved under proposed legislation 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 Clinical Programs and Administrative Services. While tangible capital assets did not transfer in the 2019/2020 year nor the 2020/21 year, the Service Delivery Organizations agreed to make these assets available for the provision of services transferred to Shared Health through a jointly executed Interim Governance, Management and Operating Agreement. Shared Health covered the carrying costs incurred by the WRHA for the HSC Ancillary Operations capital loans through the payment and recording of a facility fee of \$5,600 in 2021 (\$5,300 in 2020).

17. Healthcare Insurance Reciprocal of Canada

On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial *Insurance Acts*, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2021.

Shared Health Inc.

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March 31, 2021

(Amounts expressed in thousands of dollars)

18. Designated Net Assets

The below table presents net assets that have been internally designated and are presented in the accumulated deficit:

	<u>2021</u>	<u>2020</u>
Specific purpose funds - Shared Health Corporate	\$ 804	\$ 529
Specific purpose funds - Health Sciences Centre	6,026	6,025
Child Protection Centre internally designated	543	-
Health Sciences Centre Research internally designated	1,799	1,570
	<u>\$ 9,172</u>	<u>\$ 8,124</u>

19. Comparative Figures

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