INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Financial Statements

For the year ended March 31, 2020

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Contents

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Ron Van Denakker, CEO	Dorothy Forbes, Vice President Finance

June 25, 2020

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Interlake-Eastern Regional Health Authority and its group reporting entities (the Authority), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations, the consolidated statement of changes in net debt, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at March 31, 2020, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 25, 2020

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

As at March 31		2020		2019
Financial Assets				
Cash and cash equivalents	$	**9,105,746**	$	18,379,386
Accounts receivable (Note 3)		**7,603,412**		4,340,979
Vacation entitlements receivable (Note 4)		**4,919,518**		5,484,424
Retirement obligations receivable (Note 12)		**4,005,559**		5,152,099
		25,634,235		33,356,888
Liabilities				
Accounts payable and accrued liabilities (Note 7)		**15,141,417**		15,834,169
Accrued vacation entitlements (Note 4)		**9,728,990**		10,360,801
Accrued retirement obligations (Note 12)		**12,601,842**		13,445,524
Sick leave liability (Note 12)		**2,417,450**		2,780,986
Long-term debt (Note 8)		**181,871,402**		182,332,834
Unearned revenue		**3,272,998**		3,182,268
		225,034,099		227,936,582
Net debt		**(199,399,864)**		(194,579,694)
Non Financial Assets				
Tangible capital assets (Note 5)		**216,725,874**		220,183,780
Inventories		**1,161,119**		1,001,135
Prepaid expenses		**493,203**		541,143
		218,380,196		221,726,058
Commitments and contingencies (Note 5 and 11)				
Accumulated surplus	**$**	**18,980,332**	$	27,146,364

Approved on behalf of the Board of Directors:

Original Document Signed
______________________________ Director

Original Document Signed
______________________________ Director

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Budget	Operations	Capital	2020 Total	2019 Total
Revenue					
Manitoba Health, Seniors and Active Living (Note 9)	$ 205,950,515	$ 191,045,846	$ 14,682,859	$ 205,728,705	$ 232,543,831
Separately funded primary health programs	2,617,176	2,252,316	-	2,252,316	2,424,108
Patient and resident income	13,813,510	13,986,156	-	13,986,156	13,232,859
Investment income	500,500	417,876	-	417,876	524,457
Other income	5,393,509	5,513,714	242,534	5,756,248	7,837,966
Recognition of unearned revenue	7,038	7,038	553,646	560,684	(99,400)
	228,282,248	213,222,946	15,479,039	228,701,985	256,463,821
Expenses					
Acute care	75,079,891	79,015,258	1,090,144	80,105,402	78,651,809
Amortization	12,351,527	-	12,330,726	12,330,726	12,165,224
Community health	21,014,144	19,637,648	63,022	19,700,670	20,213,540
Emergency response and transport	-	-	-	-	23,823,312
Home-based care	33,588,677	33,180,580	-	33,180,580	32,517,724
Interest expense	5,073,633	-	4,914,302	4,914,302	5,023,707
Long-term care	48,148,979	49,657,523	869,647	50,527,170	49,904,253
Medical remuneration	16,193,565	15,452,994	-	15,452,994	14,589,395
Mental health services	9,418,071	8,879,474	78,996	8,958,470	9,040,212
Northern patient transportation	181,810	223,552	-	223,552	165,406
Regional undistributed expenses	12,269,868	11,409,322	135,903	11,545,225	13,343,210
	233,320,165	217,456,351	19,482,740	236,939,091	259,437,792
Annual deficit before non-insured services	(5,037,917)	(4,233,405)	(4,003,701)	(8,237,106)	(2,973,971)
Non-insured Services					
Ancillary income	480,893	481,384	-	481,384	464,847
Ancillary expenses	(385,889)	(409,942)	(368)	(410,310)	(386,498)
	95,004	71,442	(368)	71,074	78,349
Annual surplus (deficit) (Note 10)	$ (4,942,913)	$ (4,161,963)	$ (4,004,069)	(8,166,032)	(2,895,622)
Accumulated surplus, beginning of year				27,146,364	30,041,986
Accumulated surplus, end of year				$ 18,980,332	$ 27,146,364

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

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

For the year ended March 31	2020	2020	2019
	Budget	Total	Total
Annual deficit	$ (4,942,913)	$ (8,166,032)	(2,895,622)
Acquisition of tangible capital assets	(8,872,820)	(8,872,820)	(6,898,475)
Amortization of tangible capital assets	12,351,527	12,330,726	12,165,224
(Increase) decrease in inventories	-	(159,984)	28,949
Decrease (Increase) in prepaid expenses	-	47,940	(17,658)
Changes in net debt	$ (1,464,206)	(4,820,170)	2,382,418
Net debt, beginning of year		(194,579,694)	(196,962,112)
Net debt, end of year		$ (199,399,864)	$ (194,579,694)

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019
Cash Flows from Operating Transactions		
Annual deficit for the year	$ (8,166,032)	$ (2,895,622)
Adjustments for items not affecting cash		
Amortization of tangible capital assets	12,330,726	12,165,224
	4,164,694	9,269,602
Changes in non-cash operating balances		
Accounts receivable	(3,262,433)	1,246,769
Vacation entitlements receivable	564,906	-
Retirement obligations receivable	1,146,540	-
Accounts payable and accrued liabilities	(692,752)	(910,067)
Accrued vacation entitlements	(631,811)	(143,762)
Accrued retirement obligations	(843,682)	(154,063)
Sick leave liability	(363,536)	253,004
Unearned revenue	90,730	(16,877)
Inventories	(159,984)	28,949
Prepaid expenses	47,940	(17,658)
	60,612	9,555,897
Cash Flows from Capital Transactions		
Acquisition of tangible capital assets	(8,872,820)	(6,898,475)
Cash Flows from Investing Transactions	-	-
Cash Flows Financing Transactions		
Debt proceeds	6,982,260	6,290,599
Debt repayment	(7,443,692)	(9,593,610)
	(461,432)	(3,303,011)
Net decrease in cash and cash equivalents	(9,273,640)	(645,589)
Cash and cash equivalents, beginning of year	18,379,386	19,024,975
Cash and cash equivalents, end of year	$ 9,105,746	$ 18,379,386
Supplementary Information		
Interest paid during the year	$ 75,109	$ 121,563

1. Nature of the Organization

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

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

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Reporting Entity

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

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

Intercompany balances and transactions have been eliminated.

(c) Revenue Recognition

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors and Active Living (MHSAL). These consolidated financial statements reflect agreed funding arrangements with MHSAL with respect to the year ended March 31, 2020.

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Any unrestricted contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the Authority, if the amount can be reasonably estimated and collection is reasonably assured.

All contributions or grants that are externally restricted, such that they must be used for a specified purpose, are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criteria has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

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

(d) Inventories

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

(e) Employee Future Benefits

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

(f) Compensated Absences

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

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

(g) Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies (continued)

(h) Contributed Services

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

(i) Tangible Capital Assets

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

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

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

(j) Liability for Contaminated Sites

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

(k) Financial Instruments

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

2. Summary of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

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

3. Accounts Receivable

	2020	2019
Patients and residents	**$ 647,646**	$ 670,944
Trade receivables	**3,526,355**	2,847,706
Other receivables	**3,824,994**	2,336,046
GST receivable	**504,881**	193,181
Allowance for doubtful accounts	**(2,278,485)**	(1,810,642)
Due from (to) MHSAL		
Other operations	**245,669**	759,897
Safety and security	**1,357,521**	795,076
Out of Globe - 2018/2019	**-**	(1,451,229)
Out of Globe - 2019/2020	**(225,169)**	-
	$ 7,603,412	$ 4,340,979

4. Vacation Entitlements Receivable

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

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

	2020	2019
Balance, beginning of year	**$ 5,484,424**	$ 5,484,424
Transfer to Shared Health (Note 14)	**(564,906)**	-
Balance, end of year	**$ 4,919,518**	$ 5,484,424

4. Vacation Entitlements Receivable (continued)

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

	2020	2019
Balance, beginning of year	**$ 10,360,801**	$ 10,504,563
Net decrease in accrued vacation entitlements	**469,873**	(143,762)
Transfer to Shared Health (Note 14)	**(1,101,684)**	-
Balance, end of year	**$ 9,728,990**	$ 10,360,801

5. Tangible Capital Assets

	2020		2019	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 513,702**	**$ -**	$ 513,702	$ -
Land improvements	**918,178**	**860,404**	918,178	854,800
Buildings	**279,493,291**	**94,940,401**	278,138,808	86,842,448
Leasehold improvements	**1,556,788**	**1,035,674**	1,556,788	923,553
Equipment	**57,994,750**	**40,706,164**	56,703,210	37,749,108
Building service equipment	**2,369,086**	**1,559,884**	2,369,086	1,429,351
Equipment - computers	**6,223,523**	**3,935,698**	6,156,312	3,006,273
Software licenses	**2,418,159**	**2,216,138**	2,418,159	2,136,910
Construction in progress	**10,492,760**	**-**	4,351,980	-
	$361,980,237	**$145,254,363**	$353,126,223	$132,942,443
Net book value		**$216,725,874**		$220,183,780

Projects with total costs incurred to-date of $10,492,760 ($4,351,980 in 2019) are in various stages of completion. Total expected costs for these projects are $17,375,106 and will be funded through Treasury loans.

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $9,500,000 ($9,500,000 in 2019). The line of credit bears interest at Royal Bank of Canada prime rate less 1.05%, which is 1.4% at March 31, 2020 and is supported by an authorization letter from MHSAL. As at March 31, 2020 and 2019, the line of credit was unutilized.

The contract facilities have an approved operating line of credit to a maximum amount of $1,000,000 ($1,000,000 in 2019). The line of credit bears interest at prime rate plus 0.5%, which is 2.95% at March 31, 2020 and is secured by a security agreement granting a first security interest in all property. As at March 31, 2020 and 2019, the line of credit was unutilized.

7. Accounts Payable and Accrued Liabilities

	2020	2019
Accounts payable and accrued liabilities	**$ 9,592,480**	$ 10,853,760
Accrued salaries	**5,548,937**	4,980,409
	$ 15,141,417	$ 15,834,169

8. Long-term Debt

	2020	2019
Treasury loans payable, bearing interest between 2.45% to 5.75%, maturing from March 31, 2023 to March 31, 2060.	**$175,412,344**	$126,610,524
Treasury loans with repayment terms not yet defined.	**5,695,254**	54,680,729
CMHC mortgage payable, bearing interest at 10.375%, due September 1, 2027 and requiring monthly principal and interest payments of $3,565, secured by a first charge on land and building (Arborg).	**285,052**	309,211
CMHC mortgage payable, bearing interest at 9.375%, due February 1, 2029 and requiring monthly principal and interest payments of $2,015, secured by a first charge on land and building (Teulon).	**169,844**	181,616
CMHC mortgage payable, bearing interest at 8.0%, due December 1, 2024 and requiring monthly principal and interest payments of $3,240, secured by a first charge on land and building (Beausejour).	**153,639**	179,323
CMHC mortgage payable, bearing interest at 8.0%, due February 1, 2026 and requiring monthly principal and interest payments of $2,165, secured by a first charge on land and building (Stonewall).	**122,550**	138,207
CMHC mortgage payable, bearing interest at 1.04%, due June 1, 2020 and requiring monthly principal and interest payments of $7,600, secured by a first charge on land and building (Lac du Bonnet).	**22,762**	113,218
CMHC mortgage payable, bearing interest at 1.04%, due June 1, 2020 and requiring monthly principal and interest payments of $3,325, secured by a first charge on land and building (Lac du Bonnet).	**9,957**	49,526
CMHC mortgage payable, repaid during the year (Beausejour).	**-**	70,480
	$181,871,402	$182,332,834

8. Long-term Debt (continued)

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

2021	$ 14,561,242
2022	8,888,722
2023	8,946,868
2024	8,864,841
2025	8,458,292
Thereafter	132,151,437
	$181,871,402

9. Revenue from Manitoba Health, Seniors and Active Living

	2020	2019
Revenue as per MHSAL's final funding document	**$ 191,033,116**	$ 217,127,462
Capital principal and interest	**12,006,590**	13,601,326
Basic equipment	**784,754**	605,480
Retroactive salary and benefit increases	**-**	(41,787)
Influenza and immunizations	**134,371**	120,242
Southern Air Ambulance Program	**-**	372,327
Clinical Assistant	**38,859**	-
15/16 Specialized equipment	**23,039**	-
One-time funding - Other	**33,962**	(2,260)
Out-of-globe items and adjustments	**(225,168)**	(1,451,229)
Harm reduction activities	**135,495**	36,675
My Health Team	**229,875**	204,365
Ambulance fee reduction recovery	**-**	242,757
Safety and renovations	**1,661,484**	1,728,473
Transfers to Shared Health	**(127,672)**	-
	$ 205,728,705	$ 232,543,831

10. Annual Surplus (Deficit) for the Year

				2020	2019
	Budget	**Operations**	**Capital**	**Total**	Total
Regional services	**$ (4,661,000)**	**$ (4,149,665)**	**$ (4,337,308)**	**$ (8,486,973)**	$ (3,093,617)
Contracted services	**(281,913)**	**(12,298)**	**333,239**	**320,941**	197,995
	$ (4,942,913)	**$ (4,161,963)**	**$ (4,004,069)**	**$ (8,166,032)**	$ (2,895,622)

11. Commitments and Contingencies

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

(a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2020, management believes the Authority has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

(b) On 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 reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

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

(c) Lease commitments exist at a variety of facilities with leases expiring at various dates up to November 30, 2027 with an aggregate commitment of $5,315,260. For April 1, 2020 to March 31, 2021 the amount of the commitment is $1,409,201.

(d) The Authority has not recognized a liability for decommissioning the Selkirk and District General Hospital. Decommissioning concerns include asbestos and known sewer issues. During a demolition, asbestos could be released into the air and therefore, precautions will need to be taken in order to protect the environment. As well, the aging facility has known sewer problems, which will require environmental cleanup and repatriation following destruction of the existing facility. A liability has not been recorded as the MHSAL budget for the new Selkirk Regional Health Centre (SRHC) includes $1,000,000 for decommissioning the existing site. The revised estimate cost for demolition is currently being established.

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

12. Employee Future Benefits

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

(a) Accrued Retirement Obligations

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

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

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

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 2.60% (3.10% in 2019) and a rate of salary increase of 3.50% (3.50% in 2019) plus an age related merit/promotion scale with a provision for potential disability.

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

12. Employee Future Benefits (continued)

(a) Accrued Retirement Obligations (continued)

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

	2020	2019
Balance, beginning of year	**$ 5,152,099**	$ 5,152,099
Transfer to Shared Health (Note 14)	**(1,146,540)**	-
Balance, end of year	**$ 4,005,559**	$ 5,152,099

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

	2020	2019
Balance, beginning of year	**$ 13,445,524**	$ 13,599,587
Net increase (decrease) in pre-retirement entitlements	**302,858**	(154,063)
Transfer to Shared Health (Note 14)	**(1,146,540)**	-
Balance, end of year	**$ 12,601,842**	$ 13,445,524

(b) Pension Plan

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

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

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

12. Employee Future Benefits (continued)

(b) Pension Plan (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2018 indicated a solvency deficiency. The Board of Trustees of the Plan continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. The deficiency will be funded by contributions in the subsequent years. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $9,253,601 ($10,777,653 in 2019) and are included in the consolidated statement of operations.

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

(c) Sick Leave

Non-vesting accumulated sick leave benefits are calculated using the average usage history and present value techniques. The significant assumptions adopted in measuring the Authority's sick leave entitlements include an interest rate of 3.10% (3.425% in 2019) and a salary increase rate of 3.50% (3.50% in 2019). The accumulated liability is estimated to be $2,417,450 ($2,780,986 in 2019). As of April 1, 2019, sick leave liability in the amount of $234,733 was transferred to Shared Health.

13. Financial Risk Management

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

Credit Risk

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

13. Financial Risk Management (continued)

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

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Patients and residents	$ 75,982	$ 68,377	$ 43,716	$ 459,571	$ 647,646
Trade receivables	377,376	118,821	92,559	2,937,599	3,526,355
Other receivables	2,387,706	113,386	65,450	1,258,452	3,824,994
GST receivable	242,813	118,053	144,015	-	504,881
Due from (to) MHSAL					
Other operations	245,669	-	-	-	245,669
Out of Globe 19/20	(225,169)	-	-	-	(225,169)
Safety and security	469,357	91,104	71,243	725,817	1,357,521
	3,573,734	509,741	416,983	5,381,439	9,881,897
Less allowance for doubtful accounts					
Patients and residents	-	-	-	(699,749)	(699,749)
Trade receivables	-	-	-	(1,532,936)	(1,532,936)
Other	-	-	-	(45,800)	(45,800)
Total	$ 3,573,734	$ 509,741	$ 416,983	$ 3,102,954	$ 7,603,412

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

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

Liquidity Risk

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

Interest Rate Risk

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

14. Restructuring Transactions - Shared Health

The Province of Manitoba established a Health System Transformation Program to guide the thoughtful planning and phased implementation of broad health-system changes aimed at improving the quality, accessibility and efficiency of health-care services province-wide. Shared Health is responsible for developing and administering a provincial clinical and preventative service plan for the Government of Manitoba with respect to all provincial health services, consolidating certain provincially scoped health care services delivering shared support services and operating certain facilities under one organization.

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

This initial restructuring included the transfer of approximately $26 million of operating funding.

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

Financial assets	**$ (1,711,446)**
Liabilities	**2,482,957**
Restructuring gain	**$ 771,511**

There were no contingent liabilities transferred to Shared Health as part of the restructuring transaction and the Authority did not incur any restructuring costs. The contractual obligations transferred to Shared Health are not significant.

A Government of Manitoba Order In Council approved under proposed legislation is expected during the 2020/2021 fiscal year that will allow for the transfer of the associated tangible capital assets and related liabilities for the above services. While tangible capital assets did not transfer in 2019/2020, the Authority 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.

The Health System Transformation Project includes additional restructuring transfers to Shared Health that will occur as part of Wave 2 and 3 plans. It is anticipated that Wave 2 will start in September 2020 and continue for an 18 month period.

15. Uncertainty Related to COVID-19 Issue

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 20, 2020, the Manitoba government declared a province-wide state of emergency and the Chief Public Health Officer issued public health orders to protect the health and safety of all Manitobans and reduce the spread of COVID-19. As a result, the Authority has implemented specific measures to reduce the risk of spreading COVID-19 within its facilities and the community. Given the dynamic nature of these circumstances, the related financial impact for the future cannot be reasonably estimated at this time.

16. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's results.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Schedule of Expenses by Object

For the year ended March 31				2020	2019
	Budget	Operations	Capital	Total	Total
Amortization	$ 12,351,527	$ -	$ 12,330,726	$ 12,330,726	$ 12,165,224
COVID-19	-	196,276	-	196,276	-
Drug costs	2,149,840	2,181,270	-	2,181,270	2,301,250
Employee benefits	28,421,131	27,188,639	-	27,188,639	30,807,876
Food costs	4,205,244	4,336,219	-	4,336,219	4,196,516
Interest	5,075,584	-	4,914,670	4,914,670	5,027,902
Medical remuneration	15,746,333	15,008,482	-	15,008,482	14,615,271
Medical surgical supplies	4,990,326	5,411,383	-	5,411,383	5,322,487
Other expenses	12,285,412	11,645,749	293,940	11,939,689	17,108,067
Other supplies	2,483,248	2,667,031	-	2,667,031	2,767,840
Purchased services	9,793,588	9,591,984	191,486	9,783,470	9,309,149
Safety and security	-	-	1,752,286	1,752,286	1,734,737
Salaries	132,408,721	135,990,646	-	135,990,646	150,872,245
Utilities	3,795,100	3,648,614	-	3,648,614	3,595,726
	$ 233,706,054	$ 217,866,293	$ 19,483,108	$ 237,349,401	$ 259,824,290