Financial statements of
Shared Health Inc.

March 31, 2020

Shared health Soins communs Manitoba

Management's Responsibility

To the Corporate Member of Shared Health Inc.:

Management is responsible for the preparation and presentation of the accompanying 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 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 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 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 accountants. 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 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.

Original Document Signed

Original Document Signed

Dr. Brock Wright, Chief Executive Officer

Glenn McLennan, Chief Financial Officer

July 13, 2020

Deloitte.

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Independent Auditor's Report

To the Corporate Member of
Shared Health Inc.

Opinion

We have audited the financial statements of Shared Health Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Shared Health Inc. as at March 31, 2020, 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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
July 13, 2020

Shared Health Inc.

Statement of financial position

As at March 31, 2020
(amounts expressed in thousands of dollars)

	Notes	2020	2019
		$	$
Financial assets			
Cash		**29,093**	29,875
Accounts receivable	3	**103,538**	4,075
Vacation pay benefits recoverable		**28,188**	598
Pre-retirement leave benefits recoverable	4	**73,314**	12,494
		234,133	47,042
Liabilities			
Accounts payable and accrued liabilities	5	**99,762**	12,188
Accrued vacation and overtime payable		**59,870**	10,994
Pre-retirement leave benefits payable	6	**76,164**	13,886
Sick leave benefits payable	6	**12,546**	2,385
Unearned revenue	7	**28,753**	9,026
Long-term debt	8	**76,789**	70,627
		353,883	119,106
Commitments and contingencies	10		
Net debt		**(119,750)**	(72,064)
Non-financial assets			
Tangible capital assets	11	**57,458**	50,956
Inventory		**27,260**	—
Prepaid expenses		**16,401**	2,628
		101,119	53,584
Accumulated deficit		**(18,631)**	(18,480)

Approved on behalf of the Board

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_______________ Karen Herd, Board Chair and Director

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_______________ Dan Skwarchuk, Director

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

Shared Health Inc.
Statement of operations and accumulated deficit
Year ended March 31, 2020
(amounts expressed in thousands of dollars)

	Notes	Actual 2020			Budget 2020	Actual 2019
		Core operations	Capital operations	Total	Total	Total
		$	$	$	$ (Note 15)	$
Revenue						
Manitoba Health, Seniors and Active Living operating income		**1,172,918**	**6,251**	**1,179,169**	**1,182,670**	194,354
Patient and resident income		**15,073**	**-**	**15,073**	**18,233**	-
Recoveries from regional health authorities		**3,183**	**183**	**3,367**	**3,850**	17,504
Other recoveries		**41,905**	**483**	**42,388**	**51,273**	4,069
Government of Canada		**3,092**	**-**	**3,092**	**1,984**	227
Recognition of unearned revenue		**9,298**	**2,790**	**12,089**	**11,247**	1,128
Interest income		**1,135**	**-**	**1,135**	**-**	543
		1,246,605	**9,707**	**1,256,312**	**1,269,257**	217,824
Expenses	13					
Acute care		**616,399**	**12,983**	**629,382**	**624,933**	-
Diagnostic services		**275,794**	**-**	**275,794**	**279,339**	200,141
Emergency response services		**152,173**	**-**	**152,173**	**152,602**	-
Digital health		**139,567**	**-**	**139,567**	**142,390**	-
Medical remuneration		**66,894**	**-**	**66,894**	**67,536**	22,476
Mental health services		**12,485**	**-**	**12,485**	**11,782**	-
		1,263,311	**12,983**	**1,276,294**	**1,278,582**	222,617
Insured services deficit		**(16,707)**	**(3,276)**	**(19,983)**	**(9,325)**	(4,793)
Non-insured services						
Non-insured services income		**26,534**	**-**	**26,534**	**23,076**	-
Non-insured services expenses		**(20,851)**	**-**	**(20,851)**	**(16,692)**	-
Non-insured services surplus		**5,683**	**-**	**5,683**	**6,384**	-
Operating deficit		**(11,024)**	**(3,276)**	**(14,300)**	**(2,941)**	(4,793)
Restructuring gain	16	**12,662**	**-**	**12,662**	**-**	-
Loss on disposal of tangible capital assets		**-**	**(84)**	**(84)**	**-**	(216)
Annual deficit		**1,638**	**(3,360)**	**(1,722)**	**(2,941)**	(5,009)
Accumulated deficit, beginning of the year				**(18,480)**		(13,471)
Transfer of endowment fund from WRHA	16			**1,571**		-
Accumulated deficit, end of the year				**(18,631)**		(18,480)

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

Shared Health Inc.

Statement of changes in net debt

Year ended March 31, 2020
(amounts expressed in thousands of dollars)

	Notes	Actual 2020	Budget 2020	Actual 2019
		$	$	$
Annual deficit		(1,722)	(2,941)	(5,009)
Acquisition of tangible capital assets		(17,020)	—	(7,359)
Depreciation of tangible capital assets		10,435	9,749	10,713
Loss on disposal of tangible capital assets		84	—	216
		(6,501)	9,749	3,570
Net (acquisition) use of inventories		(27,260)	—	273
Net acqusition of prepaid expenses		(13,774)	—	—
		(41,034)	—	273
Transfer of endowment from WRHA	16	1,571	—	—
(Increase) decrease in net debt		(47,686)	6,808	(1,166)
Net debt, beginning of the year		(72,064)	(72,064)	(70,898)
Net debt, end of the year		(119,750)	(65,256)	(72,064)

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

Shared Health Inc.

Statement of cash flows

Year ended March 31, 2020
(amounts expressed in thousands of dollars)

	2020	2019
	$	$
Operating activities		
Annual deficit	**(1,722)**	(5,009)
Deductions not affecting cash:		
Depreciation	**10,435**	10,713
Loss on disposal of tangible capital items	**(84)**	216
Recognition of unearned revenue	**(12,089)**	(1,128)
Transfer of endowment fund from WRHA	**1,571**	—
Cash funding received but unearned in year	**31,815**	2,001
	29,927	6,793
Net change in non-cash working capital items:		
Accounts receivable	**(99,463)**	(66)
Vacation pay benefits recoverable	**(27,590)**	—
Pre-retirement leave benefits recoverable	**(60,820)**	—
Accounts payable and accrued liabilities	**87,574**	(5,632)
Accrued vacation and overtime payable	**48,876**	358
Pre-retirement leave benefits payable	**62,278**	12
Sick leave benefits payable	**10,161**	(22)
Inventory	**(27,260)**	—
Prepaid expenses	**(13,773)**	272
	9,909	1,715
Capital activities		
Acquisitions of tangible capital items	**(17,020)**	(7,359)
	(17,020)	(7,359)
Financing activities		
Repayment of long-term debt	**(4,191)**	(20,808)
Advances from long-term debt	**10,520**	21,932
	6,329	1,124
Net decrease in cash during the year	**(782)**	(4,520)
Cash, beginning of the year	**29,875**	34,395
Cash, end of the year	**29,093**	29,875

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

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, Seniors and Active Living ("MHSAL"), in respect to all provincial health services throughout Manitoba and to 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.

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. Please see note 16 for further discussion of responsibilities assumed. Preparations were made for the Wave 2 transition of services to occur in fiscal 2021.

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).

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:

Basis for accounting

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

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.

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.

2. Significant accounting policies *(continued)*

Revenue recognition (continued)

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 MHSAL lines of credit or a cash allocation. Drawings from a MHSAL line of credit and subsequent debt amortization are recognized as revenue as MHSAL 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.

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.

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.

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/intangibles	10 to 20%
Furniture and equipment	10 to 15%
Equipment under capital lease	10 to 20%

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.

Employee future benefits

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

2. Significant accounting policies *(continued)*

Employee future benefits (continued)

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.

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.

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.

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 Manitoba Health, Seniors and Active Living ("MHSAL") funding mechanisms. These financial statements use funding mechanisms approved by MHSAL for the year ended March 31, 2020.

The amount of revenue recognized from MHSAL requires a number of estimates. Since MHSAL does not communicate certain adjustments related to revenue until after the completion of the 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 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 and allowance for doubtful accounts.

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:

(Amounts expressed in thousands of dollars)

2. Significant accounting policies *(continued)*

Financial instruments (continued)

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 writedown in the statement of operations is not reversed until the investment is sold.

Amortized cost

The amortized cost category includes accounts receivable, accounts payable and accrued liabilities 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.

Writedowns 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 writedown being recognized in the statement of operations and accumulated deficit. If the loss in value subsequently reverses, the writedown in the statement of operations is not reversed.

3. Accounts receivable

	2020	2019
	$	$
Due from MHSAL	**15,234**	88
Due from Winnipeg Regional Health Authority	**69,267**	3,178
Other receivables	**22,329**	809
Allowance for doubtful accounts	**(3,292)**	–
	103,538	4,075

(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 MHSAL	**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)**
	103,538	**98,579**	**2,401**	**2,558**

Aging of accounts receivable as at March 31, 2019 is as follows:

	Total	0-60 days	61-120 days	>120 days
	$	$	$	$
Due from MHSAL	88	88	—	—
Due from Winnipeg Regional Health Authority	3,178	1,956	—	1,222
Other receivables	809	785	1	23
	4,075	2,829	1	1,245

4. Pre-retirement leave benefits recoverable

Pre-retirement leave and vacation benefits recoverable from MHSAL represent the amount guaranteed by the Province of Manitoba at March 31, 2004 that was transferred from the RHAs for the employees transferred to Shared Health in 2017/18 and 2019/20. The pre-retirement receivables transferred were equal to valuations of the actuarial liabilities at the date of transfer. The MHSAL receivable continues to be guaranteed by the Province of Manitoba. All changes from the amount originally guaranteed are reflected in the statement of operations.

5. Accounts payable

	2020	2019
	$	$
Trade accounts payable	**51,760**	2,731
Payroll remittances payable	**40,444**	5,395
Due to MHSAL	**—**	311
Due to Regional Health Authorities	**7,558**	3,751
	99,762	12,188

(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 2019) each on the first $59 ($57 in 2019) of earnings, and a rate of 9.5% (9.5% in 2019) on earnings in excess of the amount. Employer contributions made during the year by the Organization amounted to $50,453 ($8,544 in 2019). The most recent actuarial valuation of the Plan was as of December 31, 2019, which disclosed the total actuarial value of the assets to be $8,279,598 and the total actuarial value of the liabilities to be $7,575,601, resulting in a surplus of $703,997 ($528,628 in 2019).

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 report was as at March 31, 2020.

During the current year, the pre-retirement leave obligation incurred amounts to $7,219 ($1,292 in 2019) that have 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:

	2020	2019
	$	$
Accrued benefit obligation	**76,066**	14,009
Unamortized net actuarial loss (gain)	**98**	(123)
Actuarial benefit liability	**76,164**	13,886

The change in actuarial benefit liability is detailed as follows:

	2020	2019
	$	$
Accrued benefit liability, beginning of year	**13,886**	13,874
Obligation transfer from RHAs	**60,862**	—
Current expense	**7,219**	1,292
Benefit payments	**(5,803)**	(1,280)
Actuarial benefit liability, end of year	**76,164**	13,886

(Amounts expressed in thousands of dollars)

6. Employee future benefits *(continued)*

Pre-retirement leave benefits payable (continued)

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

	2020	2019
	$	$
Current year service cost	**4,988**	908
Interest cost	**2,204**	438
Amortization of actuarial loss (gain)	**27**	(76)
Increase in loss valuation allowance	**—**	22
Total expense	**7,219**	1,292

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:

	2020	2019
Discount rate	**3.10%**	3.43%
Rate of base compensation increase	**3.50%**	3.50%
Expected average remaining service life for amortization of actuarial gains/losses	**8.6 years**	8.6 years

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

	2020	2019
Discount rate	**3.10%**	3.43%
Rate of base compensation increase	**3.50%**	3.50%

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.

(Amounts expressed in thousands of dollars)

6. Employee future benefits *(continued)*

Sick leave benefits payable (continued)

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

	2020	2019
	$	$
Accrued benefit obligation	**9,543**	1,886
Unamortized net actuarial loss	**3,003**	499
Actuarial benefit liability	**12,546**	2,385

The change in actuarial benefit liability is detailed as follows:

	2020	2019
	$	$
Accrued benefit liability, beginning of year	**2,385**	2,407
Current expense	**1,097**	374
Benefit payments	**(1,709)**	(396)
Obligation transfer from RHAs	**10,773**	-
Actuarial benefit liability, end of year	**12,546**	2,385

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

	2020	2019
	$	$
Current year service cost	**721**	239
Interest cost	**360**	88
Amortization of actuarial loss	**16**	39
Obligation transfer from RHAs	**-**	8
	1,097	374

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:

	2020	2019
Discount rate	**3.10%**	3.43%
Rate of base compensation increase	**3.50%**	3.50%
Expected average remaining service life for amortization of actuarial gains/losses	**8.5 years**	8.5 years

(Amounts expressed in thousands of dollars)

6. Employee future benefits *(continued)*

Sick leave benefits payable (continued)

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

	2020	2019
Discount rate	**3.10%**	3.43%
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.

			2020			2019
	Core	**Capital**	**Total**	Core	Capital	Total
	$	**$**	**$**	$	$	$
Funded by MHSAL	**3,862**	**6,670**	**10,532**	2,700	2,925	5,625
Funded by other sources	**18,221**	**—**	**18,221**	3,401	–	3,401
	22,083	**6,670**	**28,753**	6,101	2,925	9,026

			2020			2019
	Core	**Capital**	**Total**	Core	Capital	Total
	$	**$**	**$**	$	$	$
Balance, beginning of year	**6,101**	**2,925**	**9,026**	5,703	2,450	8,153
Balance transferred	**20,331**	**—**	**20,331**	—	—	—
Amounts received in year	**4,949**	**6,535**	**11,484**	917	1,084	2,001
Less: amounts recognized	**(9,298)**	**(2,790)**	**(12,088)**	(519)	(609)	(1,128)
Balance, end of year	**22,083**	**6,670**	**28,753**	6,101	2,925	9,026

(Amounts expressed in thousands of dollars)

8. Long-term debt

	2020	2019
	$	$
Government of Manitoba loan with interest charged at 5.30%, repayable in monthly instalments of $56 plus interest, maturing November 20, 2022.	**1,802**	2,477
Government of Manitoba loan with interest charged at 4.59%, repayable in monthly instalments of $50 plus interest, maturing on October 21, 2023.	**2,150**	2,750
Government of Manitoba loan with interest charged at 4.50%, repayable in monthly instalments of $139 plus interest, maturing February 28, 2026.	**9,861**	11,528
Government of Manitoba loan with interest charged at 3.70%, repayable in monthly instalments of $59 plus interest, maturing February 28, 2029.	**6,301**	7,008
Government of Manitoba loan with interest charged at 3.00%, repayable in monthly instalments of $60 plus interest, maturing February 28, 2030.	**7,190**	7,915
Government of Manitoba loan with interest charged at 3.38%, repayable in monthly instalments of $198 plus interest, maturing February 28, 2033.	**30,732**	33,112
Government of Manitoba loan with interest charged at 3.38%, repayable in monthly instalments of $198 plus interest, maturing March 31, 2023.	**74**	—
Government of Manitoba loan with interest charged at 2.75%, repayable in monthly instalments of $8 plus interest, maturing March 31, 2027.	**727**	—
Government of Manitoba loan with interest charged at 3.05%, repayable in monthly instalments of $8 plus interest, maturing March 31, 2035.	**18,099**	—
Government of Manitoba lines of credit at various rates, due on demand.	**16,348**	24,893
	93,284	89,683
Plus: purchases made on behalf of the Organization by other RHA's	**6,249**	6,249
Less: purchases made on behalf of other RHAs	**(22,744)**	(25,305)
	76,789	70,627

(Amounts expressed in thousands of dollars)

8. Long-term debt *(continued)*

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 Manitoba Health 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, 2020, the outstanding balance of the amount transferred was $22,744 (2019 - $25,305). 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. Because 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 $6,249 at March 31, 2020 (2019 - $6,249). 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:

	$
2021	21,669
2022	5,355
2023	5,251
2024	4,827
2025	4,647
Thereafter	35,040

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

9. Credit facilities

The Organization has a $7,800 ($7,800 in 2019) credit facility that was not utilized at year end. Interest is payable at the bank prime rate less 0.90% per annum.

(Amounts expressed in thousands of dollars)

10. Commitments and contingencies

Commitments

Lease payments

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

	$
2021	519
2022	519
2023	519
2024	456
2025	450

Contingencies

a) 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.

b) Labor agreements with certain unions have expired and plan to be negotiated during the upcoming year. The results have not been included in Shared Health's results as they are undeterminable as this time.

11. Tangible capital assets

	Opening $	Transfer $	Additions $	Disposals $	Writedowns $	2020 Closing $
Historical cost						
Computer hardware/intangibles	29,830	1,481	–	–	–	31,311
Furniture and equipment	98,006	(1,057)	10,751	(906)	–	106,794
System software-in-progress	842	(424)	6,269	–	–	6,687
	128,678	–	17,020	(906)	–	144,792

	Opening $	Transfer $	Depreciation $	Disposals $	Writedowns $	2020 Closing $
Accumulated depreciation						
Computer hardware/intangibles	(13,037)	(857)	(3,121)	–	–	(17,015)
Furniture and equipment	(64,685)	857	(7,314)	823	–	(70,319)
System software-in-progress	–	–	–	–	–	–
	(77,722)	–	(10,435)	823	–	(87,334)
Net book value	50,956					57,458

(Amounts expressed in thousands of dollars)

11. Tangible capital assets *(continued)*

	Opening	Transfer	Additions	Disposals	Writedowns	2019 Closing
	$	$	$	$	$	$
Historical cost						
Computer hardware/intangibles	20,957	9,413	—	(540)	—	29,830
Furniture and equipment	95,861	1,849	3,033	(2,737)	—	98,006
System software-in-progress	7,778	(11,262)	4,326	—	—	842
	124,596	—	7,359	(3,277)	—	128,678

	Opening	Transfer	Depreciation	Disposals	Writedowns	2019 Closing
	$	$	$	$	$	$
Accumulated depreciation						
Computer hardware/intangibles	(10,613)	(258)	(2,706)	540	—	(13,037)
Furniture and equipment	(59,455)	258	(8,008)	2,520	—	(64,685)
System software-in-progress	—	—	—	—	—	—
	(70,068)	—	(10,714)	3,060	—	(77,722)
Net book value	54,528					50,956

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, 2020 that required disclosure.

(Amounts expressed in thousands of dollars)

13. Operating expenses

	2020	2019
	$	$
Salaries and benefits	**899,020**	153,151
Medical supplies	**87,742**	—
Equipment	**86,770**	10,008
Contracted out services	**66,658**	7,014
Drug supplies	**20,674**	—
Laboratory and diagnostic supplies	**17,287**	32,358
Rent and utilities	**15,679**	732
External consulting	**13,951**	1,557
Buildings and grounds	**12,637**	—
Depreciation	**10,435**	10,713
Travel	**8,966**	826
Bad debt	**6,577**	—
Food and dietary supplies	**5,579**	—
Facility fee	**5,299**	—
Telecommunications	**4,657**	193
Courier and postage	**3,936**	—
Training and development	**2,839**	780
Insurance	**2,700**	176
Office supplies	**2,125**	1,294
Interest	**1,951**	1,853
Legal and audit fees	**812**	214
Miscellaneous	**—**	1,748
Total operating expenses	**1,276,294**	222,617

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.

(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 the risk mainly in respect of its collection of accounts receivable from customer 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.

	$
Shared Health preliminary revenue budget	219,864
Transferred funding - Manitoba Health funding	941,000
Incremental funding	131,469
Shared Health revised revenue budget	1,292,333

16. Restructuring transaction

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.

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 of the Winnipeg Regional Health Authority

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

(Amounts expressed in thousands of dollars)

16. Restructuring transaction *(continued)*

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 MHSAL	27,590
Employee future benefits recoverable from MHSAL	60,820
	163,719
Non-financial assets	
Inventory	21,199
Prepaids	10,225
	31,424
Liabilities	
Accounts payable	89,054
Unearned revenue	20,331
Employee benefits payable	10,663
Employee future benefits payable	60,862
	180,910
Endowment	(1,571)
Restructuring gain	12,662

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.

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 Clinical Programs and Administrative Services. While tangible capital assets did not transfer in the 2019/2020 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 $5.3 million Facility Fee.

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.

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

17. Recent developments

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. The duration and impact of COVID -19 is unknown at this time and it is not possible to reliably estimate the impact that these developments will have on the financial results of the Organization in future periods.