Financial statements of
Shared Health Inc.

March 31, 2019

[redacted]

Management's Responsibility

To the 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 consolidated 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. 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's external auditor.

[redacted] 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.

[redacted]

Chief Executive Officer

[redacted]

Chief Financial Officer

[redacted]

[redacted]

[redacted]

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, 2019, 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, 2019, and its financial performance and 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.

Other Matter

The financial statements of the Organization for the year ended March 31, 2018, which form the basis of the restated figures as included in the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements in accordance with PSAS including sections 4200 – 4270 on June 25, 2018.

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.

[redacted]

Chartered Professional Accountants

[redacted]

Shared Health Inc.

Statement of financial position

As at March 31, 2019
(amounts expressed in thousands of dollars)

	Notes	2019	2018
		$	$ (restated- Note 2 & 19)
Financial assets			
Cash and cash equivalents		**29,875**	34,395
Accounts receivable	4	**4,075**	3,698
Vacation pay benefits recoverable		**598**	598
Pre-retirement leave benefits recoverable	5	**12,494**	12,494
		47,042	51,185
Liabilities			
Accounts payable and accrued liabilities	6	**12,188**	17,514
Accrued vacation and overtime payable		**10,994**	10,633
Pre-retirement leave benefits payable	7	**13,886**	13,874
Sick leave benefits payable	7	**2,385**	2,407
Unearned revenue	8	**9,026**	8,153
Long-term debt	10	**70,627**	69,502
		119,106	122,083
Commitments and contingencies	11		
Net debt		**(72,064)**	(70,898)
Non-financial assets			
Tangible capital assets	12	**50,956**	54,528
Prepaid expenses		**2,628**	2,900
		53,584	57,428
Accumulated deficit		**(18,480)**	(13,471)

Approved on behalf of the Board

[redacted] Karen Herd, Board Chair and Director

Bernadette Preun, Vice Chair and 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, 2019

(amounts expressed in thousands of dollars)

	Notes	Actual 2019 Core operations	Actual 2019 Capital operations	Actual 2019 Total	Budget 2019 Total	Actual 2018 Total
		$	$	$	$ (Note 17)	$ (restated - Note 2 & 19)
Revenue						
Manitoba Health, Seniors and Active Living operating income		187,882	6,472	194,354	190,745	188,423
Recoveries from regional health authorities		17,504	-	17,504	17,465	17,052
Other recoveries		3,502	567	4,069	3,505	4,123
Government of Canada		227	-	227	528	375
Interest income		543	-	543	77	268
Recognition of unearned revenue		519	609	1,128	-	515
		210,176	7,648	217,824	212,320	210,756
Expenses						
Diagnostic services	14	191,863	12,332	204,195	203,117	203,001
Administration	14	18,188	234	18,422	15,140	13,083
		210,051	12,566	222,617	218,257	216,084
Operating surplus (deficit)		124	(4,918)	(4,793)	(5,937)	(5,328)
Loss on disposal of tangible capital items		-	(216)	(216)	-	(667)
Annual deficit		124	(5,134)	(5,009)	(5,937)	(5,995)
Accumulated deficit, beginning of the year				(13,471)		(7,476)
Accumulated deficit, end of the year				(18,480)		(13,471)

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

Shared Health Inc.

Statement of changes in net debt

Year ended March 31, 2019
(amounts expressed in thousands of dollars)

	Actual 2019	Budget 2019	Actual 2018
	$	$	$ (restated - Note 2 & 19)
Annual deficit	**(5,009)**	**(5,937)**	(5,995)
Acquisition of tangible capital assets	**(7,359)**	**—**	(6,269)
Proceeds from disposal of tangible capital assets	**—**	**—**	—
Depreciation of tangible capital assets	**10,713**	**9,749**	9,858
Loss on disposal of tangible capital assets	**216**	**—**	667
	3,570	**9,749**	4,256
Net acquisition (use) of prepaid expenses	**273**	**—**	(1,583)
	273	**—**	(1,583)
(Increase) decrease in net debt	**(1,166)**	**3,812**	(3,322)
Net debt, beginning of the year	**(70,898)**	**(67,576)**	(67,576)
Net debt, end of the year	**(72,064)**	**(63,764)**	(70,898)

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

Shared Health Inc.

Statement of cash flows

Year ended March 31, 2019
(amounts expressed in thousands of dollars)

	2019	2018
	$	$ (restated - Note 2 & 19)
Operating activities		
Annual deficit	(5,009)	(5,995)
Deductions not affecting cash:		
Depreciation	10,713	9,858
Loss on disposal of tangible capital items	216	667
Recognition of unearned revenue	(1,128)	(515)
Cash funding received but unearned in year	2,001	6,850
	6,793	10,865
Net change in non-cash items		
Accounts receivable	(66)	15,070
Vacation pay benefits recoverable	—	1,544
Pre-retirement leave benefits recoverable	—	227
Future sick benefits recoverable	—	1,970
Accounts payable and accrued liabilities	(5,632)	1,003
Accrued vacation and overtime payable	358	169
Pre-retirement leave benefits payable	12	(90)
Sick leave benefits payable	(22)	2
Prepaid expenses	272	(1,588)
	1,715	29,172
Capital activities		
Acquisitions of tangible capital items	(7,359)	(6,269)
	(7,359)	(6,269)
Financing activities		
Repayment of long-term debt	(20,808)	(28,699)
Advances from long-term debt	21,932	31,812
	1,124	3,113
Net (decrease) increase in cash during the year	(4,520)	26,016
Cash and cash equivalents, beginning of the year	34,395	8,379
Cash and cash equivalents, end of the year	29,875	34,395

	2019	2018
Cash and cash equivalents are comprised of:	$	$
Cash	4,328	3,380
Investments held in money market funds	25,547	31,015
	29,875	34,395

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 2019 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. Preparations were made for the Wave 1 transition of services that occurred April 1, 2019.

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. Adoption of new accounting standards

Adoption of PSAS without sections 4200 – 4270

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

Amounts relating to March 31, 2018 and April 1, 2017 were previously presented in accordance with PSAS for GNFPO. These amounts have been restated as required to be compliant with policies under the new method of presentation. Reconciliations and descriptions relating to the transition are included in Note 18.

Significant changes arising from the transition include the following:

- Deferred contributions - capital is no longer to be recognized by the Organization unless very specific criteria are met.
- Deferred contributions - future expenses is now referred to as unearned revenue, is recognized when the Organization receives funding for specific purposes for which the related expenditures have not been made. Any unspent funds are recognized as unearned revenue in the statement of financial position.
- Long-term debt associated with the financing of capital equipment and projects is recognized in the statement of financial position.

2. Adoption of new accounting standards (continued)

Adoption of PSAS without sections 4200 – 4270 (continued)

- Funding for capital purchases drawn from a MHSAL line of credit will be recognized as revenue as MHSAL makes required principal and interest payments on behalf of the Organization.
- The Organization's current year budget is presented on the statement of operations along with current year and comparative year actual amounts.
- The statement of financial position presents financial assets and liabilities to determine a net debt position; non-financial assets are shown separately and the accumulated surplus or deficit is the sum of the above-noted items.
- The statement of net assets is replaced by the statement of net debt, which presents the activity during the year that contributed to the change in the net debt position on the statement of financial position.

Standards effective April 1, 2018

The Organization undertook a review of PSAS 3430 – Restructuring Transactions, which took effect April 1, 2018 and determined the Organization is within the scope of this standard. The Organization has determined that no restructuring transactions occurred in the current year. This standard will apply to the operations Shared Health is absorbing from the Winnipeg Regional Health Authority ("WRHA") beginning on April 1, 2019. Please refer to Note 16 – Subsequent Events for more information.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS").

Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenue as they become available 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.

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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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

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:

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.

3. Significant accounting policies (continued)

Employee future benefits (continued)

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.

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, 2019.

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 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:

Fair value

The fair value category includes investments.

Investments are measured 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 added to the carrying value of the instrument.

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.

(Amounts expressed in thousands of dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

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.

4. Accounts receivable

	2019 $	2018 $ (restated)
Due from MHSAL	88	858
Due from Regional Health Authorities	3,178	2,220
Other receivables	809	620
	4,075	3,698

As at March 31, 2019 the Organization has nil allowance for doubtful accounts (nil in 2018) as the Organization has no significant amounts that the Organization deems impaired.

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 Regional Health Authorities	3,178	1,956	—	1,222
Other receivables	809	785	1	23
	4,075	2,829	1	1,245

Aging of accounts receivable as at March 31, 2018 is as follows:

	Total $	0-60 days $	61-120 days $	>120 days $
Due from MHSAL	858	858	—	—
Due from Regional Health Authorities	2,190	2,184	6	30
Other receivables	609	549	60	11
	3,657	3,591	66	41

(Amounts expressed in thousands of dollars)

5. Pre-retirement leave benefits recoverable

Pre-retirement leave benefits are recoverable from MHSAL and represent the amount guaranteed by the Province of Manitoba at March 31, 2004 for Westman Lab and the RHA's portion of this receivable transferred to the Organization for RHA employees transferred to the Organization. A pre-retirement leave valuation date of March 31, 2017 was used for the RHA transfer which occurred in fiscal year 2017/18. 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.

6. Accounts payable

	2019	2018
	$	$
Trade accounts payable	**2,731**	4,204
Payroll remittances payable	**5,395**	5,830
Due to MHSAL	**311**	126
Due to Regional Health Authorities	**3,751**	7,354
	12,188	17,514

7. 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") or Civil Service Superannuation Plan ("CSSP"). 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 2018) each on the first $57 ($56 in 2018) of earnings, and a rate of 9.5% (9.5% in 2018) on earnings in excess of the amount. Employer contributions made during the year by the Organization amounted to $8,544 ($8,067 in 2018). The most recent actuarial valuation of the Plan was as of December 31, 2018, which disclosed the total actuarial value of the assets to be $7,822,893 and the total actuarial value of the liabilities to be $7,294,265, resulting in a surplus of $528,628 ($417,187 in 2017).

The Organization is considered a "non-matching employer" in the CSSP under the Civil Service Supperannuation Act. Employers with this status are not required to make contributions towards pension benefits.

Pre-retirement leave benefits payable

The Organization has a commitment to provide pre-retirement leave benefits for employees who meet certain eligibility criteria. If 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 at March 31, 2019.

(Amounts expressed in thousands of dollars)

7. Employee future benefits (continued)

Pre-retirement leave benefits payable (continued)

During the current year, the pre-retirement leave obligation incurred amounts to $1,292 ($1,496 in 2018) and has been recorded as an expense in the year.

Detailed information about the Organization's pre-retirement leave benefits are as follows:

	2019 $	2018 $
Accrued benefit obligation	**14,009**	12,644
Unamortized net actuarial (gain) loss	**(123)**	1,230
Actuarial benefit liability	**13,886**	13,874

The change in actuarial benefit liability is detailed as follows:

	2019 $	2018 $
Accrued benefit liability, beginning of year	**13,874**	13,964
Current expense	**1,292**	1,496
Benefit payments	**(1,280)**	(1,586)
Actuarial benefit liability, end of year	**13,886**	13,874

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

	2019 $	2018 $
Current year service cost	**908**	977
Interest cost	**438**	435
Amortization of actuarial (gain) loss	**(76)**	55
Increase in loss valuation allowance	**22**	29
Total expense	**1,292**	1,496

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:

	2019	2018
Discount rate	**3.43%**	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:

	2019	2018
Discount rate	**3.43%**	3.10%
Rate of base compensation increase	**3.50%**	3.50%

(Amounts expressed in thousands of dollars)

7. Employee future benefits (continued)

Sick leave benefits payable

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

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

Detailed information about the Organization's sick leave benefits are as follows:

	2019	2018
	$	$
Accrued benefit obligation	**1,886**	2,530
Unamortized net actuarial loss (gain)	**499**	(123)
Actuarial benefit liability	**2,385**	2,407

The change in actuarial benefit liability is detailed as follows:

	2019	2018
	$	$
Accrued benefit liability, beginning of year	**2,407**	2,405
Current expense	**374**	418
Benefit payments	**(396)**	(416)
Actuarial benefit liability, end of year	**2,385**	2,407

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

	2019	2018
	$	$
Current year service cost	**239**	264
Interest cost	**88**	87
Amortization of actuarial loss	**39**	59
Obligation transfer from RHAs	**8**	8
	374	418

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:

	2019	2018
Discount rate	**3.43%**	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)

7. 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:

	2019	2018
Discount rate	**3.43%**	3.10%
Rate of base compensation increase	**3.50%**	3.50%

8. 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.

			2019			2018
	Core	**Capital**	**Total**	Core	Capital	Total
	$	**$**	**$**	$	$	$
				(restated)	(restated)	(restated)
Funded by MHSAL	**2,700**	**2,925**	**5,625**	2,500	2,450	4,950
Funded by other sources	**3,401**	**—**	**3,401**	3,203	—	3,203
	6,101	**2,925**	**9,026**	5,703	2,450	8,153

			2019			2018
	Core	**Capital**	**Total**	Core	Capital	Total
	$	**$**	**$**	$	$	$
				(restated)	(restated)	(restated)
Balance, beginning of year	**5,703**	**2,450**	**8,153**	86	1,732	1,818
Amounts received in year	**917**	**1,084**	**2,001**	5,987	863	6,850
Less: amounts recognized	**(519)**	**(609)**	**(1,128)**	(370)	(145)	(515)
Balance, end of year	**6,101**	**2,925**	**9,026**	5,703	2,450	8,153

(Amounts expressed in thousands of dollars)

9. Long-term debt

	2019 $	2018 $ (restated)
Government of Manitoba loan with interest charged at 5.30%, repayable in monthly instalments of $56 plus interest, maturing November 20, 2022.	**2,477**	3,153
Government of Manitoba loan with interest charged at 4.59%, repayable in monthly instalments of $50 plus interest, maturing on October 21, 2023.	**2,750**	3,350
Government of Manitoba loan with interest charged at 4.50%, repayable in monthly instalments of $139 plus interest, maturing February 28, 2026.	**11,528**	13,194
Government of Manitoba loan with interest charged at 3.70%, repayable in monthly instalments of $59 plus interest, maturing February 28, 2029.	**7,008**	7,714
Government of Manitoba loan with interest charged at 3.00%, repayable in monthly instalments of $60 plus interest, maturing February 28, 2030.	**7,915**	8,640
Government of Manitoba loan with interest charged at 3.38%, repayable in monthly instalments of $198 plus interest, maturing February 28, 2033.	**33,112**	35,490
Government of Manitoba line of credit at various rates, due on demand.	**24,893**	—
[redacted] Bank loans, repaid during the year.	**—**	20,808
	89,683	92,349
Plus: purchases made on behalf of the Organization by other RHA's	**6,249**	4,297
Less: purchases made on behalf of other RHAs	**(25,305)**	(27,145)
	70,627	69,501

Long-term debt consists of debt transferred from third-party providers to Manitoba Finance Treasury Division ("Treasury") when a line of credit has been fully or substantially drawn. Treasury then issues a promissory note signed by the Organization and Manitoba Health provides monthly principal and interest payments to Treasury on behalf of the Organization.

Beginning with the year ended March 31, 2019, and with the restatements of the March 31, 2018 statement of financial position, the loans held by Treasury along with the promissory notes held by Treasury are now recognized in the statement of financial position 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. At March 31, 2019, the outstanding balance of the amount transferred was $24,583 ($27,145 in 2018). Capital revenue has been adjusted for these payments of principal and interest accordingly.

(Amounts expressed in thousands of dollars)

9. Long-term debt (continued)

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, 2019 ($4,635 in 2018). Capital revenue has been adjusted for these payments of principal and interest accordingly.

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

	$
2020	28,361
2021	4,190
2022	4,190
2023	4,051
2024	3,616
Thereafter	26,219

Principal repayments for the year 2020 include the full amount of the line of credit of $24,893 because it is due on demand. However, it is expected that this amount will be refinanced prior to the line being called.

10. Credit facilities

The Organization has a $7,800 ($7,800 in 2018) credit facility that was not utilized at year end. Interest is payable at the bank prime rate less 0.90%.

11. 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:

	$
2020	448
2021	458
2022	458
2023	458
2024	229

Contingencies

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

(Amounts expressed in thousands of dollars)

12. Tangible capital assets

	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 $	Additions $	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**

	Opening $	Transfer $	Additions $	Disposals $	Writedowns $	2018 Closing $
Historical cost						
Computer hardware/intangibles	14,509	6,560	6	(118)	—	20,957
Furniture and equipment	96,158	3,447	3,087	(6,831)	—	95,861
System software-in-progress	14,611	(10,007)	3,176	(2)	—	7,778
	125,278	—	6,269	(6,951)	—	124,596

	Opening $	Transfer $	Additions $	Disposals $	Writedowns $	2018 Closing $
Accumulated depreciation						
Computer hardware/intangibles	(7,346)	(1,409)	(1,924)	66	—	(10,613)
Furniture and equipment	(59,145)	1,409	(7,936)	6,217	—	(59,455)
System software-in-progress	—	—	—	—	—	—
	(66,491)	—	(9,860)	6,283	—	(70,068)
Net book value	58,787					54,528

13. 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 personal 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, 2019 that required disclosure.

(Amounts expressed in thousands of dollars)

14. Operating expenses

	2019	2018
	$	$
		(restated)
Salaries and benefits	**153,151**	147,694
Diagnostic supplies	**32,358**	31,194
Depreciation	**10,713**	9,858
Equipment	**10,008**	8,914
Referred out services	**7,014**	8,158
Interest	**1,853**	1,760
External consulting	**1,557**	290
Office supplies	**1,294**	750
Miscellaneous	**857**	914
Travel	**826**	665
Training and development	**780**	762
Rent and utilities	**732**	634
Grants	**730**	125
Legal and audit fees	**214**	158
Telephone	**193**	186
Insurance	**176**	152
Recruitment	**106**	120
Meetings	**55**	33
Writeoff of RHA benefits receivable	**—**	3,717
	222,617	216,084

15. 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 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.

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.

(Amounts expressed in thousands of dollars)

16. Subsequent event

The following significant operations of various RHA's were transferred to the Organization as of April 1, 2019 based on direction from the Minister of Health:

- Health Sciences Centre (both insured services and ancillary operations)
- Manitoba eHealth
- Diagnostic Services
- Emergency response services
- Certain corporate and administrative functions

The restructuring will include an estimated transfer of $880,806 of budgeted operating revenues. An order of Council is expected during 2019/2020 fiscal year that will allow for the transfer of assets and liabilities.

17. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been approved by the Organization's Board of Directors. Budgeted figured included in the financial statements have not been audited.

Changes to the original budget were made to reflect the Organization's change in its basis of accounting from PSAS for GNFPOs to PSAS without sections 4200 – 4270, please see Note 2 for further details of this change. The following represents a reconciliation between the Organization's original budget and the budget as presented in the statement of operations to align with the presentation of the current year results, under the current basis of accounting.

Budgeted revenues

	$
Shared Health preliminary revenue budget	214,447
Incremental funding	2,263
Shared Health approved revenue budget	216,710
Change in accounting standard adjustments	
MHSAL capital grants	5,398
Amortization of deferred contributions - capital	(9,788)
Shared Health revised revenue budget	212,320

Budgeted expenses

	$
Shared Health preliminary expense budget	214,448
Incremental expenditures	1,740
Shared Health approved expense budget	216,188
Change in accounting standard adjustments	
Interest expense	2,069
Shared Health revised revenue budget	218,257

(Amounts expressed in thousands of dollars)

18. Restatement of prior period financial statements

Certain accounting policies previously applied under PSAS for GNFPOs have been amended to comply with PSAS without sections 4200 – 4270. The comparative figures for March 31, 2018 were restated to reflect these adjustments. The following reconciliations provide a description of the effect of the transition.

Reconciliation of accumulated deficit as at April 1, 2017

	$
Net assets (liabilities), as previously stated	(976)
Derecognition of deferred contributions	59,888
Recognition of long-term debt	(66,388)
Accumulated deficit, as restated	(7,476)

Reconciliation of net debt as at April 1, 2017

	$
Net debt, as previously stated	61,076
Derecognition of deferred contributions	59,888
Recognition of long-term debt	(66,388)
Net debt, as restated	(67,576)

Reconciliation of annual deficit for the year ended March 31, 2018

	$
Excess of revenue over expenses, as previously stated	827
Recognition of additional revenues	5,291
Derecognition of amortization of deferred contributions	(9,795)
Increase in loss on disposal of tangible capital assets	558
Recognition of interest expense on long-term debt	1,760
Annual deficit, as restated	(5,995)

19. Change in auditors

The financial statements of the Organization for the year ended March 31, 2018, which form the basis of the restated figures as included in Note 18 and comparative financial figures, were audited by another auditor who expressed an unmodified opinion on those financial statements in accordance with PSAS including sections 4200 – 4270 on June 25, 2018.