Northern Regional Health Authority

Financial Statements

March 31, 2023

MNP LLP

To the Board of Directors of Northern Regional Health Authority:

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. 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 financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP is appointed by the Board of Directors 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 Committee and management to discuss their audit findings.

June 20, 2023

Original Document Signed	Original Document Signed
Chief Executive Officer	Vice President, Corporate Services and Chief Financial Officer

To the Board of Directors of Northern Regional Health Authority:

Opinion

We have audited the financial statements of Northern Regional Health Authority (the "Authority"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, change in accumulated deficit, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2023, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the 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 Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis. The other information also comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Canadian public sector accounting standards, 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.

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

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

Auditor's Responsibilities for the Audit of the 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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

Winnipeg, Manitoba

MNP LLP

June 20, 2023

Chartered Professional Accountants

Northern Regional Health Authority
Statement of Financial Position
For the year-ended March 31, 2023

	2023	2022 Restated (Note 2)
Financial assets		
Cash *(Note 3)*	**180,170**	193,133
Accounts receivable *(Note 4)*	**3,693,233**	4,239,968
Due from Manitoba Health *(Note 5)*	**8,680,916**	13,082,592
Vacation entitlement receivable - Manitoba Health *(Note 6)*	**5,429,191**	5,429,191
Pre-retirement receivable - Manitoba Health *(Note 6)*	**3,433,037**	3,239,559
Total financial assets	**21,416,547**	26,184,443
Liabilities		
Bank indebtedness *(Note 3)*	**8,108,522**	6,761,083
Accounts payable and accrued liabilities *(Note 7)*	**26,599,498**	26,406,001
Vacation liability	**11,393,308**	12,350,484
Unearned revenue *(Note 8)*	**5,668,932**	5,754,375
Sick leave benefit obligation *(Note 9)*	**1,546,100**	1,647,000
Pre-retirement obligation *(Note 10)*	**10,193,090**	9,963,800
Asset retirement obligation *(Note 11)*	**8,707,617**	8,352,630
Long-term debt *(Note 12)*	**82,252,501**	81,297,831
Total financial liabilities	**154,469,568**	152,533,204
Net debt	**(133,053,021)**	(126,348,761)
Non-financial assets		
Tangible capital assets *(Note 13)*	**119,574,096**	118,776,785
Inventory	**1,236,004**	1,164,951
Prepaid expenses	**1,415,783**	1,319,170
Total non-financial assets	**122,225,883**	121,260,906
Accumulated deficit	**(10,827,138)**	(5,087,855)

Approved on behalf of the Board

Original Document Signed

NRHA Board Chair

Original Document Signed

NRHA Board Vice-Chair

The accompanying notes are an integral part of these financial statements

Northern Regional Health Authority
Statement of Operations
For the year ended March 31, 2023

	2023 Budget	2023 Capital	2023 Operating	*2023*	*2022 Restated (Note 2)*
Revenue					
Province of Manitoba					
Health - operating	**153,199,538**	**-**	**173,807,559**	**173,807,559**	178,598,513
Health - medical remuneration	**40,868,259**	**-**	**41,226,308**	**41,226,308**	41,689,782
Health - capital	**8,718,898**	**10,325,053**	**-**	**10,325,053**	10,499,656
MHCW - operating	**13,817,580**	**-**	**17,595,716**	**17,595,716**	13,748,800
MHCW - medical remuneration	**1,351,805**	**-**	**1,425,688**	**1,425,688**	1,345,080
Other departments	**1,091,638**	**-**	**2,536,477**	**2,536,477**	2,245,611
Total Province of Manitoba *(Note 14)*	**219,047,718**	**10,325,053**	**236,591,748**	**246,916,801**	248,127,442
Federal government	**128,610**	**-**	**471,414**	**471,414**	227,500
Interest revenue	**20,000**	**-**	**42,726**	**42,726**	8,497
Patient income	**603,200**	**-**	**465,486**	**465,486**	574,247
Personal care home income	**3,652,500**	**-**	**3,378,312**	**3,378,312**	3,330,726
Northern patient transportation program recoveries	**5,225,000**	**-**	**7,891,431**	**7,891,431**	5,366,313
Miscellaneous income/other revenue	**3,208,403**	**-**	**3,550,659**	**3,550,659**	4,197,604
Other capital revenue	**100,000**	**388,057**	**-**	**388,057**	317,286
Total revenue	**231,985,431**	**10,713,110**	**252,391,776**	**263,104,886**	262,149,615
Expenses					
Acute care	**87,265,737**	**-**	**99,402,532**	**99,402,532**	97,558,179
Medical remuneration	**42,220,064**	**-**	**45,764,136**	**45,764,136**	44,431,797
Public health	**23,095,059**	**-**	**21,539,509**	**21,539,509**	23,233,039
Home care	**8,027,761**	**-**	**8,561,925**	**8,561,925**	8,792,986
Mental health	**6,748,557**	**-**	**8,727,735**	**8,727,735**	6,012,051
Long term care (PCH)	**17,191,692**	**-**	**20,808,227**	**20,808,227**	19,953,073
Northern patient transportation program	**22,996,454**	**-**	**27,788,296**	**27,788,296**	22,031,606
NPTP federal bad debt	**-**	**-**	**3,413,274**	**3,413,274**	2,449,871
Ancillary programs	**3,012,905**	**-**	**2,306,313**	**2,306,313**	2,161,591
Unallocated administration	**12,608,303**	**-**	**13,403,166**	**13,403,166**	12,901,791
COVID expenses	**-**	**-**	**6,302,066**	**6,302,066**	15,393,149
Capital expenses	**10,759,522**	**13,194,000**	**-**	**13,194,000**	11,026,869
Total expenses *(Note 15)*	**233,926,054**	**13,194,000**	**258,017,179**	**271,211,179**	265,946,002
Deficit before other items	**(1,940,623)**	**(2,480,890)**	**(5,625,403)**	**(8,106,293)**	(3,796,387)
Restructuring gains *(Note 22)*		**1,538,202**	**828,808**	**2,367,010**	-
Deficit	**(1,940,623)**	**(942,688)**	**(4,796,595)**	**(5,739,283)**	(3,796,387)

Northern Regional Health Authority
Statement of Change in Accumulated Deficit
For the year ended March 31, 2023

	Budget	*2023*	*2022 Restated (Note 2)*
Accumulated deficit, beginning of year, as previously stated	**(5,087,855)**	**(3,697,943)**	(389,000)
Adjustment due to adoption of PS Section 3280 (Note 2)	**-**	**(1,389,912)**	(902,468)
Accumulated deficit, beginning of year, as restated	**(5,087,855)**	**(5,087,855)**	(1,291,468)
Deficit	**(1,940,623)**	**(5,739,283)**	(3,796,387)
Accumulated deficit, end of year	**(7,028,478)**	**(10,827,138)**	(5,087,855)

The accompanying notes are an integral part of these financial statements

Northern Regional Health Authority
Statement of Change in Net Debt
For the year ended March 31, 2023

	Budget	2023	2022 Restated (Note 2)
Annual deficit	**(1,940,623)**	**(5,739,283)**	(3,796,387)
Purchases of tangible capital assets	-	**(9,453,012)**	(4,463,284)
Amortization of tangible capital assets	-	**8,655,700**	7,619,277
Asset retirement obligation	-	**-**	1,744,899
Decrease (increase) in inventory	-	**(71,053)**	119,290
Decrease (increase) in prepaid expenses	-	**(96,613)**	(364,082)
	-	**(964,978)**	4,656,100
Increase in net debt	-	**(6,704,260)**	(8,750,373)
Net debt, beginning of year	**(126,348,761)**	**(126,348,761)**	(117,598,388)
Net debt, end of year	**(128,289,384)**	**(133,053,021)**	(126,348,761)

Northern Regional Health Authority
Statement of Cash Flows
For the year ended March 31, 2023

	2023	*2022 Restated (Note 2)*
Cash provided by (used for) the following activities		
Operating activities		
Deficit	**(5,739,283)**	(3,796,387)
Amortization of tangible capital assets	**8,655,700**	7,766,206
Accretion expense on asset retirement obligation	**354,987**	340,515
	3,271,404	4,310,334
Changes in working capital accounts		
Accounts receivable	**546,735**	563,540
Due from Manitoba Health	**4,401,676**	(8,587,437)
Inventory	**(71,053)**	119,290
Prepaid expenses	**(96,613)**	(364,082)
Pre-retirement receivable - Manitoba Health	**(193,478)**	-
Accounts payable and accrued liabilities	**193,498**	4,383,432
Vacation liability	**(957,176)**	1,020,351
Unearned revenue	**(85,443)**	1,403,685
	7,009,550	2,849,113
Financing activities		
Net change in long-term debt	**954,670**	(3,661,990)
Change in accrued pre-retirement obligation	**229,290**	163,582
Change in sick leave benefit obligation	**(100,900)**	18
Change in bank indebtedness	**1,347,439**	5,155,058
	2,430,499	1,656,668
Capital activity		
Purchase of tangible capital assets	**(9,453,012)**	(4,463,284)
Increase (decrease) in cash resources	**(12,963)**	42,497
Cash resources, beginning of year	**193,133**	150,636
Cash resources, end of year	**180,170**	193,133

1. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Nature and purpose of the Authority

Effective May 28, 2012, a Regulation was registered in respect to the Regional Health Authorities Act, affecting the amalgamation of Burntwood Regional Health Authority with the Norman Regional Health Authority to form a new authority named the Northern Regional Health Authority (the "Authority"). The amalgamation of the regional health authorities was part of the provincial budget announcement made on April 17, 2012 to reduce the number of regional health authorities in Manitoba.

All operations, properties, liabilities and obligations and agreements with contract facilities of the predecessor organizations were transferred to the Authority on this date.

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

Basis of reporting

These financial statements include the accounts of the following operations of the Authority:

Cormorant Health Care Centre
Cranberry Portage Wellness Centre
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor
Flin Flon General Hospital
Flin Flon Personal Care
Northern Lights Manor
The Pas Health Complex
The Snow Lake Medical Nursing Unit
Thompson Clinic
Northern Consultation Clinic
Sherridon Health Centre
St. Paul's Personal Care Home
Acquired Brain Injury House
Hope North Recovery Centre for Youth
Eaglewood Addictions Foundation of Manitoba

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

1. Significant accounting policies *(Continued from previous page)*

Inventory

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

Tangible capital assets

Tangible capital assets are initially recorded at cost. Contributed tangible assets are recorded at their fair value at the date of contribution if fair value can be reasonably determined. Interest on the debt associated with construction in progress projects is capitalized as incurred.

Amortization

Tangible capital assets are amortized annually using the following methods and rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	***Rate***
Land improvements	straight-line	2.5 %
Buildings	straight-line	2.5 %
Computers	straight-line	10 %
Equipment	straight-line	10 %

No amortization is provided for construction in progress.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Authority determines that a long-lived asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Net financial assets (net debt)

The Authority's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Authority is determined by its financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus (deficit).

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, inventory and prepaid expenses.

1. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Manitoba Health operating revenue
Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2023.

Government transfers
Government transfers are recognized in the financial statements when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

Unearned revenue represents funding for equipment not yet purchased. These amounts will be recognized as revenue in the fiscal year the equipment is purchased.

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

Any operating surplus greater than 2% of the budgeted amount related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health. Under Manitoba Health policy the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding
Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

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

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

Northern patient transportation program recoveries
Northern patient transportation program recoveries includes recoveries of patient transportation costs. Revenue is recognized when the underlying service is provided.

Ancillary funding
Ancillary funding comprises amounts received for specific programs funded outside of global funding from Manitoba Health and other Province of Manitoba departments. Revenue is recorded as unearned until the service is provided.

1. Significant accounting policies *(Continued from previous page)*

Contributed materials and services

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

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

Capital management

The Authority's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Authority's capital consists of net debt.

The Authority's capital management policy is to meet capital needs with working capital advances from Manitoba Health. The Authority met its externally imposed capital requirements.

There were no changes in the Authority's approach to capital management during the year.

Employee future benefits

The Authority's employee future benefit programs consist of a multi-employer defined benefit plan, as well as pre-retirement obligations and sick leave benefit obligations.

Multi-employer defined benefit plan

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

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

The Healthcare Employees’ Pension Plan is subject to the provisions of the Pension Benefits Act, Manitoba. This Act requires that the Plan’s actuaries conduct two valuations – a going-concern valuation and a solvency valuation. In 2010, HEB Manitoba completed the solvency exemption application process, and has now been granted exemption for the solvency funding and transfer deficiency provision. As at December 31, 2013 the Plan’s going concern ratio was 96.1%. As at December 2008, the actuarial valuation shows a deficit of $388 million. In order to ensure the long-term sustainability of the Plan contribution rates increased 2.2% through a gradual implementation over 27 months from January 1, 2011 to April 1, 2013. Contributions to the Plan made during the year on behalf of its employees are included in the statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Fund. The pension liability for the Authority’s employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the Plan by the Authority and its employees. The Authority is in receipt of an actuarial report on the Statement of Pension Obligations under the Civil Service Superannuation Act as at December 31, 2012.

During the year, the Authority contributed $7,032,095 (2022 - $7,013,346) to the Plan.

1. Significant accounting policies *(Continued from previous page)*

Employee future benefits *(Continued from previous page)*

Pre-retirement obligation

The accrued benefit obligation for pre-retirement benefits are actuarially determined using the projected benefit method pro-rated on service and management's best estimates of expected future rates of return on assets, termination rates, employee demographics, salary rate increases plus age related merit-promotion scale with no provision for disability and employee mortality and withdrawal rates.

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):
a) The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan ("HEPP") is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

i. has ten years service and has reached the age of 55; or
ii. qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii. retires at or after age 65; or
iv. terminates employment at any time due to permanent disability.

b) The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, is to pay out the following severance pay upon retirement to employees who have reached the age of 55 and have nine or more years of service:
i. one week of severance pay for each year of service up to 15 years of service; and
ii. two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

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

Actuarial gains and losses can arise in a given year as a result of the difference between the actual return on plan assets in that year and the expected return on plan assets for that year, the difference between the actual accrued benefit obligations at the end of the year and the expected accrued benefit obligations at the end of the year and changes in actuarial assumptions. In accordance with Canadian public sector accounting standards, gains or losses that arise in a given year, along with past service costs that arise from pre-retirement benefit plan amendments, are to be amortized into income over the expected average remaining service life ("EARSL") of the related employee group.

Sick leave benefits obligation

At April 1, 2016, a valuation of the Authority's obligations for the accumulated sick leave bank was done for accounting purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation include average employee daily wage, number of sick days used in the year, number of sick days earned in the year, excess of used days over earned days in the year, dollar value of the excess and number of unused sick days.

Key assumptions used in the valuation were based on information available. The valuation used the same assumptions about future events as was used for the pre-retirement obligation valuation noted above.

1. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Areas requiring the use of significant estimates include the useful lives of tangible capital assets, allowance for accounts deemed uncollectible, provisions for slow moving and obsolete inventory, amounts recognized for employee benefit obligations and wage accrual for unsettled union negotiations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provisions recognized.

A liability for asset retirement obligations reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Authority to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Authority reviews the carrying amount of the liability. The Authority recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Authority continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Authority recognizes its financial instruments when the Authority becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Authority may irrevocably elect to subsequently measure any financial instrument at fair value. The Authority has made such an election during the year.

The Authority subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Fair value measurements

The Authority classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Authority to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. There were no transfers between levels for the years ended March 31, 2023 and 2022.

2. Change in accounting policy

Asset retirement obligations

Effective April 1, 2021, the Authority adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements.

Pursuant to the recommendations, the change was applied using a modified retroactive application approach and prior periods have been restated. On adoption, the Authority recognized:

- A liability for any existing asset retirement obligations, adjusted for accumulated accretion to date;
- An asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets;
- Accumulated amortization on the capitalized asset retirement cost; and
- An adjustment to opening accumulated deficit.

The cumulative effect in the current year of adopting this new standard is to increase liabilities by $8,707,617, increase the associated tangible capital assets by $6,855,956, increase expenses by $461,749, and increase accumulated operating deficit by $1,389,912. The effect of the change on the prior period is to increase liabilities by $8,352,630, increase the associated tangible capital assets by $6,962,718, increase expenses by $487,444, and increase opening accumulated operating deficit by $902,468.

3. Cash

The Authority has an authorized operating line of credit of $11,000,000 (2022 - $10,000,000) bearing interest at the bank's prime rate minus 1.00% per annum (2022 - prime minus 1.00%). Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health. As at March 31, 2023 the bank's prime rate was 6.70% (2022 - 2.45%).

4. Accounts receivable

	2023	*2022*
Northern Patient Transportation Program receivables	**29,866,544**	29,132,607
GST rebate receivable	**190,693**	266,338
Patient and other receivables	**3,251,052**	968,339
Allowance for doubtful accounts - Northern Patient Transportation Program receivables	**(28,537,730)**	(25,124,455)
Allowance for doubtful accounts - patient and other receivables	**(1,077,326)**	(1,002,861)
	3,693,233	4,239,968

5. Due from Manitoba Health

The Authority has amounts receivable from Manitoba Health to cover operational expenses of $8,680,916 (2022 - $13,082,592)

6. Pre-retirement and vacation entitlements due from Manitoba Health

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

7. Accounts payable and accrued liabilities

	2023	2022
Accounts payable	**12,965,024**	7,385,910
Pension payable	**1,073,925**	955,237
Salaries and benefits payable	**12,560,549**	18,064,854
	26,599,498	26,406,001

8. Unearned revenue

Unearned revenue consists of Province of Manitoba funding received in the fiscal year for various programs. This allocation of funding is recognized as revenue when program expenses are incurred. The change in unearned revenue balance for the year is as follows:

	2023	2022
Balance, beginning of year	**5,754,375**	4,350,690
Funding received during the year	**2,693,571**	2,541,022
Amounts recognized as revenue during the year	**(2,779,014)**	(1,137,337)
	5,668,932	5,754,375

9. Sick leave benefit obligation

The Authority's sick leave benefit obligation is based on an actuarial report prepared as of March 31, 2023. The following table presents information about the sick leave benefit obligations, the change in value and the balance of the obligation as at March 31, 2023:

	2023	2022
Sick leave benefit, beginning of year	**1,647,000**	1,646,982
Current period service cost	**91,807**	133,200
Interest cost	**52,867**	34,400
Benefits paid	**(189,247)**	(177,482)
Actuarial gain and other	**(56,327)**	9,900
Sick leave benefit obligation, end of year	**1,546,100**	1,647,000

10. Accrued pre-retirement obligations

The Authority's pre-retirement obligation is based on an actuarial report prepared as of March 31, 2023. The valuation includes employees who qualify as at March 31, 2023, and an estimate for the remainder of the employees who have not yet met the years of service criteria. The following table presents information about accrued pre-retirement benefit obligations, the change in value and the balance of the obligation as at March 31, 2023:

	2023	*2022*
Pre-retirement benefit obligation, beginning of year	**9,963,800**	9,800,218
Adjustment to opening pre-retirement benefits	**(1,521,505)**	(692,569)
Current period service costs	**736,516**	756,886
Interest cost	**499,738**	233,326
Benefits paid	**(728,060)**	(633,617)
Actuarial gain and other	**990,523**	312,433
Amortization	**252,078**	187,123
Pre-retirement accrued benefit liability, end of year	**10,193,090**	9,963,800

The actuarial valuation was based on a number of assumptions about future events including a discount rate of 4.50% (2022 - 2.65%), a rate of salary increases of 2.00% (2022 - 4.00%) and an expected average remaining service life of 8.5 years.

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

11. Asset retirement obligations

The Authority is legally required to perform closure, post-closure and remediation activities on sites containing asbestos, fuel storage sites and other asset related obligations meeting the criteria of PS 3280. The expected future cash outflows have been determined using an inflation rate of 2.0% and estimated to be $16,756,367 in the years that the retirement costs are expected to occur. The years of expected future cash flow have been determined using the assets' useful life or planned remediation date with estimated dates ranging from 2025 to 2048.

The Authority recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of the related asset. The asset retirement cost is amortized on a straight-line basis over the useful life of the related asset.

The Authority estimated the amount of the liability using a present value technique with the discount rate set at 4.25% which represents the Province of Manitoba's average cost of borrowing.

	2023	*2022*
Balance, beginning of year	**8,352,630**	8,012,115
Accretion	**354,987**	340,515
Balance, end of year	**8,707,617**	8,352,630

12. Long-term debt

	2023	*2022*
Long-term debt with Manitoba Treasury with maturity dates between March 31, 2024 and March 31, 2060, with repayments ranging from $1,241 to $79,879 per month including interest at rates ranging from 1.50% to 5.05% per annum.	**76,781,071**	78,335,600
Line of credit facility with Manitoba Treasury to fund construction in progress. Due on demand and bearing interest at prime minus 1.00% per annum (2022 - prime minus 1.00%). As at March 31, 2023 the prime rate was 6.70% (2022 - 2.45%).	**5,008,184**	2,398,073
Loan payable to Royal Bank of Canada with monthly payments of $10,016 including interest at 3.72% per annum, due May 2027, secured by certain buildings.	**463,246**	564,158
	82,252,501	81,297,831

Principal repayments on long-term debt in each of the next five years

2024	6,326,970
2025	6,234,018
2026	6,171,917
2027	6,276,347
2028	6,260,532

Interest on long-term debt amounted to $2,479,459 (2022 – $2,335,933) and is included in capital expenses on the statement of operations.

13. Tangible capital assets

					2023
	Cost	***Additions***	***Disposals***	***Accumulated amortization***	***Net book value***
Land and land improvements	**761,178**	**254,114**	**-**	**373,992**	**641,300**
Buildings	**169,070,595**	**9,191,894**	**-**	**93,914,476**	**84,348,013**
Machinery, equipment and furniture	**75,021,459**	**3,812,301**	**-**	**52,543,169**	**26,290,591**
Computers	**5,875,343**	**162,480**	**-**	**5,760,335**	**277,488**
Construction in progress	**7,749,631**	**267,073**	**-**	**-**	**8,016,704**
	258,478,206	**13,687,862**	**-**	**152,591,972**	**119,574,096**

					2022 (Restated)
	Cost	*Additions*	*Disposals*	*Accumulated amortization*	*Net book value*
Land and land improvements	761,178	-	-	373,992	387,186
Buildings	160,942,550	8,128,044	-	86,506,325	82,564,269
Machinery, equipment and furniture	67,470,849	7,550,611	-	47,559,336	27,462,124
Computers	5,875,343	-	-	5,261,768	613,575
Construction in progress	10,257,385	(2,507,754)	-	-	7,749,631
	245,307,305	13,170,901	-	139,701,421	118,776,785

Amortization expense of $8,655,700 (2022 - $7,619,277) was recorded in the statement of operations.

13. Tangible capital assets *(Continued from previous page)*

Construction in progress

Other projects with total costs incurred to-date of $8,016,704 are in various stages of completion. Total projected costs for these projects are $27,197,088.

There were no disposals of tangible capital assets for the years ended March 31, 2023 or 2022. Changes in accumulated amortization reflect amortization expensed in capital expenses in the statement of operations for each year.

14. Revenue from Province of Manitoba

	2023	*2022*
Revenue as per Manitoba Health's funding document	**220,618,567**	215,397,880
Adjusted for:		
Payments on prior year receivables	**(6,575,935)**	(3,877,248)
Unearned revenue	**-**	(1,818,000)
Flow-through funding	**422,059**	20,170
Anticipated COVID funding	**406,530**	1,313,782
Principal and interest funding	**10,325,053**	10,499,655
Other	**-**	9,218,716
Provincial nursing stations	**(1,535,527)**	-
Miscellaneous	**1,770,946**	-
Anticipated CBA settlement funding	**811,331**	-
CIHI fees	**32,980**	32,965
	226,276,004	230,787,920
Add: Other Province of Manitoba Funding		
Mental Health and Community Wellness	**18,104,320**	15,093,911
Families - Children's Therapy Network	**539,805**	278,519
Families - Healthy Baby	**3,599**	24,594
Families - FASD	**587,565**	564,657
COVID PPE Grant Funding	**1,106,171**	1,148,174
Miscellaneous	**299,337**	229,667
	246,916,801	248,127,442

15. Expenses by object

Expenses in the statement of operations are reported by function. Below is the detail of expenses by object:

	2023	*2022*
Salaries and benefits	**193,383,257**	192,979,574
Transportation	**32,024,522**	30,394,436
Communication	**369,226**	279,701
Supplies and services	**23,103,410**	23,228,178
Minor capital	**1,933,514**	627,490
Other operating	**8,907,104**	7,993,970
Amortization	**8,655,700**	7,766,205
Accretion expense from asset retirement obligation	**354,987**	340,515
Debt servicing	**2,479,459**	2,335,933
	271,211,179	265,946,002

16. Related party transactions

The Pas Health Complex Foundation, Inc. and The Northern Health Foundation Inc. (together the "Foundations") are non-profit voluntary associations whose purpose is the betterment of health care at The Health Complex facilities. The aims and objectives of these Foundations coincide with those of the Authority. The Authority regularly provides the Foundations with a listing of project/equipment requirements for the Foundations to consider in their annual funding processes. During the year the Authority received capital donations of $388,057 (2022 - $317,286) of donated equipment.

17. Commitments and contingencies

(i) The Authority has entered into various operating leases for rental units to assist with accommodation needs of the Authority with estimated payments of $1,570,571 in 2023.

(ii) In the normal course of operations, there are pending claims by and against the Authority. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the Authority's financial position or results of operations.

(iii) On July 1, 1987, a group of health care organizations ("Subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2023.

18. Financial Instruments

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Market risk

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

Risk management policy

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

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

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

The Authority is not exposed to significant credit risk from due from Manitoba Health, vacation entitlement receivable and pre-retirement receivable, as these receivables are due from the Province of Manitoba.

18. Financial Instruments *(Continued from previous page)*

Currency risk

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

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

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Authority to interest rate risk arises primarily on its bank indebtedness and long-term debt, the majority of which include interest at variable rates based on the bank's prime rate. The Authority's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Authority manages its exposure to the interest rate risk of its assets and liabilities by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on assets and liabilities do not have a significant impact on the Authority’s results of operations.

19. Comfort funds under administration

At March 31, 2023, the balance of Resident comfort funds held in trust is $74,618 (2022 - $64,314). These funds are included in the accounts payable and accrued liabilities balance of the Authority's financial statements.

20. Economic dependence

The Authority received approximately 95% (2022 - 95%) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

21. Budget information

The disclosed budget information has been approved by the Board of Directors of the Northern Regional Health Authority at the meeting held on August 25, 2021.

22. Restructuring transactions

As of April 1, 2022, the Authority assumed the operational responsibilities for the division of Addictions Foundation Manitoba (AFM) relating to the geographical area of the the Authority. This included the transfer of annual operational funding of $3,668,264, the transfer of tangible capital assets with a net book value of $4,936,951, and restructuring gains of $1,538,202 and $828,808 for the capital fund and operating fund respectively.