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GOVERNMENT ORGANIZATIONS (CONTINUED):

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INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Financial Statements

For the year ended March 31, 2018

BDO

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Interlake-Eastern Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Interlake-Eastern Regional Health Authority as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 28, 2018

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

March 31	2018	2017
Assets		
Current Assets		
Cash and term deposits	$ 19,024,975	$ 21,553,824
Accounts receivable	5,349,835	5,139,570
Due from Manitoba Health, Seniors and Active Living (Note 2)	37,601	6,313,133
Inventories	1,030,084	799,738
Prepaid expense	523,485	613,818
Vacation entitlements receivable (Note 3)	5,484,424	5,484,424
	31,450,404	39,904,507
Retirement obligations receivable (Note 12)	5,152,099	5,912,865
Other assets	200,312	211,724
Capital assets (Note 4)	225,450,529	223,259,853
	$ 262,253,344	$ 269,288,949
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 16,744,238	$ 26,312,388
Accrued vacation entitlements (Note 3)	10,504,563	10,614,473
Current portion of long-term debt (Note 7)	157,194	190,215
	27,405,995	37,117,076
Accrued retirement obligations (Note 12)	13,599,587	14,289,394
Sick leave liability (Note 12)	2,527,982	2,694,091
Long-term debt (Note 7)	392,670	549,840
Deferred contributions (Note 8)	227,809,752	224,351,738
	271,735,986	279,002,139
Commitments and contingencies (Note 4 and 11)		
Net Assets		
Investment in capital assets (Note 9)	4,911,508	4,896,188
Externally restricted (Note 14)	198,747	205,196
Internally restricted (Note 14)	124,233	110,553
Unrestricted - RHA	(14,121,481)	(14,186,725)
Unrestricted - Contract Facilities	(595,649)	(738,402)
	(9,482,642)	(9,713,190)
	$ 262,253,344	$ 269,288,949

Approved on behalf of the Board:

Original Document Signed Director

Original Document Signed Director

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations

For the year ended March 31		2018		2017
Revenue				
Province of Manitoba				
Health, Seniors and Active Living (Note 10)		**$214,813,243**		$226,445,436
Other		**2,228,506**		2,264,944
Government of Canada		**550,303**		526,097
Client non-insured		**11,696,781**		11,622,690
Interest		**258,701**		76,198
Offset and other income		**6,775,889**		7,050,386
Ancillary income		**463,393**		467,393
Amortization of deferred contributions		**10,578,850**		5,800,604
Write down of deferred contributions (Note 4)		**5,299,622**		-
		252,665,288		254,253,748
Expenditures				
Acute care services		**71,034,557**		66,228,854
Amortization of capital assets		**10,804,087**		6,022,808
Chemotherapy		**987,455**		934,580
Community health		**19,959,958**		19,823,176
Diagnostic services (Note 18)		-		14,288,568
Dialysis		**4,205,688**		4,137,342
Emergency response and transport		**21,409,965**		20,941,256
Home based care		**32,769,558**		33,724,591
Interest on long-term debt		**10,075**		12,371
Medical remuneration		**13,986,639**		14,376,624
Mental health services		**8,796,203**		9,080,544
Northern patient transportation program		**202,637**		184,146
Nurse recruitment and retention		**102,696**		137,621
Personal care home services		**49,269,684**		50,627,652
Regional undistributed expenditures		**12,627,073**		13,421,678
Safety and renovations		**959,044**		820,363
Write down of capital assets (Note 4)		**5,299,622**		-
		252,424,941		254,762,174
Excess (deficiency) of revenue over expenditures for the year	**$**	**240,347**	$	(508,426)
Allocated as follows:				
Regional services	**$**	**97,594**	$	(230,170)
Contracted services		**142,753**		(278,256)
	$	**240,347**	$	(508,426)

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

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

For the year ended March 31	Investment in Capital Assets (Note 9)	Externally Restricted (Note 14)	Internally Restricted (Note 14)	Unrestricted - RHA	Unrestricted - Contract Facilities	2018 Total	2017 Total
Balance, beginning of year	$ 4,896,188	$ 205,196	$ 110,553	$ (14,186,725)	$ (738,402)	$ (9,713,190)	(8,969,949)
Reallocation of interest earned on donation and externally restricted funds	-	2,259	14,771	(17,030)	-	-	-
Change in restricted net assets	-	(8,708)	(1,091)	-	-	(9,799)	(234,815)
Excess (deficiency) of revenue over expenditures for the year	(225,237)	-	-	322,831	142,753	240,347	(508,426)
Net changes in investment in capital assets	240,557	-	-	(240,557)	-	-	-
Balance, end of year	$ 4,911,508	$ 198,747	$ 124,233	$ (14,121,481)	$ (595,649)	$ (9,482,642)	$ (9,713,190)

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 240,347	$ (508,426)
Adjustments for:		
Amortization of capital assets	10,804,087	6,022,808
Amortization of deferred contributions related to capital assets	(10,578,850)	(5,800,604)
Write down of capital assets	5,299,622	-
Write down of deferred contributions	(5,299,622)	-
Deferred contributions - expenses of future periods		
Receipts	12,728,544	22,985,299
Expenditures	(11,636,077)	(20,352,144)
	1,558,051	2,346,933
Changes in non-cash working capital		
Accounts receivable	(210,265)	(1,707,932)
Due from Manitoba Health, Seniors and Active Living	6,275,532	13,993,645
Inventories	(230,346)	39,490
Prepaid expense	90,333	56,241
Accounts payable and accrued liabilities	(9,568,150)	(267,035)
Accrued vacation entitlements	(109,910)	702,451
	(2,194,755)	15,163,793
Sick leave liability	(166,109)	(126,824)
Accrued retirement obligations	70,959	284,541
	(2,289,905)	15,321,510
Cash Flows from Capital Activities		
Purchase of capital assets (net)	(12,994,764)	(42,235,079)
Cash Flows from Investing Activities		
Other assets	11,413	(17,223)
Cash Flows from Financing Activities		
Repayment of long-term debt	(190,191)	(223,436)
Receipt of deferred contributions related to capital assets	12,944,397	46,189,894
Payout of internally restricted net assets	(1,091)	5,889
Payout of externally restricted net assets	(8,708)	(240,704)
	12,744,407	45,731,643
Net increase (decrease) in cash and term deposits	(2,528,849)	18,800,851
Cash and term deposits, beginning of year	21,553,824	2,752,973
Cash and term deposits, end of year	$ 19,024,975	$ 21,553,824
Comprised of		
Cash and term deposits	$ 19,024,975	$ 21,553,824
Supplementary Information		
Interest paid during the year	$ 12,029	$ 12,721

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

1. **Summary of Significant Accounting Policies**

(a) Management's Responsibility for the Financial Statements and Basis of Accounting

These financial statements of Interlake-Eastern Regional Health Authority ("Authority") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations established by the Public Sector Accounting Board.

(b) Nature of the Organization

Interlake-Eastern Regional Health Authority was established on May 28, 2012 by a Regional Health Authorities Act Regulation. The Authority is a registered charity under The Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

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

Two facilities within the region operate under contract arrangements for funding with the Authority. They are Betel Home - Gimli and Betel Home - Selkirk. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent.

(c) Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors and Active Living (MHSAL). 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 funding arrangements with MHSAL with respect to the year ended March 31, 2018.

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

In-Globe Funding is funding approved by MHSAL for the five service categories of Acute Care, Long-term Care, Home Care, Community and Mental Health, and Emergency Response and Transportation.

1. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to MHSAL until such time as MHSAL reviews the financial statements. At that time, MHSAL determines what portion of the approved surplus may be retained by the Authority, or repaid to MHSAL.

Under MHSAL policy, the Authority is responsible for In-Globe deficits, unless otherwise approved by MHSAL.

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

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

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

(d) Inventories

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

1. Summary of Significant Accounting Policies (continued)

(e) Employee Future Benefits

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

(f) Compensated Absences

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

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

(g) Use of Estimates

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

(h) Contributed Services

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

(i) Capital Assets

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

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

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

1. Summary of Significant Accounting Policies (continued)

(j) Liability for Contaminated Sites

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

(k) Allocated Expenditures

A number of general support expenses are not allocated to the five main health sectors of Acute Care, Long-term Care, Home Care, Community and Mental Health and Emergency Response and Transportation. The following costs are included in Regional Undistributed expenditures: payroll, information technology, finance, human resources, executive administration, board, public relations, accreditation, spiritual care, scheduling, purchasing, risk management, community health assessment, quality assurance, education and infection control expenses.

(l) Financial Instruments

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

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

2. Due from (to) Manitoba Health, Seniors and Active Living

	2018	2017
Retroactive salary and benefit increases	$ **95,685**	$ 5,750,315
Inter-facility ambulance transfers	**-**	1,111,988
Other operations	**1,166,369**	1,430,347
Safety and security	**447,506**	55,920
Small IT projects	**-**	132,600
Out of Globe - 2016/17	**-**	(2,168,037)
Out of Globe - 2017/18	**(1,671,959)**	-
	$ **37,601**	$ 6,313,133

3. Vacation Entitlements Receivable

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

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

	2018	2017
Balance, beginning of year	$ **5,484,424**	$ 5,484,424
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	$ **5,484,424**	$ 5,484,424

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

	2018	2017
Balance, beginning of year	$ **10,614,473**	$ 9,912,022
Net (decrease) increase in accrued vacation entitlements	**(109,910)**	702,451
Balance, end of year	$ **10,504,563**	$ 10,614,473

4. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 513,702**	**$ -**	$ 513,702	$ -
Land improvements	**884,684**	**850,872**	868,145	842,468
Buildings	**275,585,388**	**78,835,838**	133,302,766	72,600,892
Leasehold improvements	**1,556,788**	**794,991**	1,546,173	583,424
Equipment	**54,850,102**	**34,754,378**	42,113,075	32,059,451
Building service equipment	**2,369,086**	**1,294,439**	2,369,086	1,155,831
Equipment - computers	**5,237,859**	**2,183,875**	3,776,009	2,794,326
Software licenses	**2,361,787**	**2,061,281**	2,374,623	2,366,969
Construction in progress	**2,866,807**	**-**	148,799,635	-
	$346,226,203	**$120,775,674**	$335,663,214	$112,403,361
Net book value		**$225,450,529**		$223,259,853

Construction in Progress Commitment

Projects with total costs incurred to-date of $2,866,807 ($2,651,299 in 2017) are in various stages of completion. Total expected costs for these projects are $9,861,774.

Cancelled Capital Project

On February 8, 2017, MHSAL notified the Authority that the Lac du Bonnet 80 Bed Personal Care Home capital project was cancelled due to significant financial pressures in the health care system. One-time funding of $2,276,600 was provided as reimbursement for costs the Authority incurred. Total cost of the project, including interest, was $2,301,732. The difference, which relates to capital interest, will be funded through Global Funding.

Impairment of Capital Assets

At year end, the Authority's management has determined that the Berens River Renal Health Centre building is impaired. Management's assessment was based on the fact that the following conditions would reduce the future economic benefits:

i) a significant change in the extent to which the capital asset is used as the number of patients has been greatly reduced;
ii) a decline in the need for the services provided at this building, and
iii) the remote location of the facility would not allow it to be used in other capacities.

The value of the building has been written down by $3,023,022 to a net present value of $741,721.

5. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $9,500,000 ($9,500,000 in 2017). The line of credit bears interest at Royal Bank of Canada prime rate less 1.05% and is supported by an authorization letter from MHSAL. As at March 31, 2018, the line of credit was unutilized (unutilized in 2017).

6. Accounts Payable and Accruals

	2018	2017
Accounts payable and accrued liabilities	$ 12,131,633	$ 11,969,103
Accrued salaries	4,612,605	5,814,478
Holdbacks on construction contracts	-	8,528,807
	$ 16,744,238	$ 26,312,388

7. Long-term Debt

	2018	2017
CMHC mortgage payable, bearing interest at 1.39%, due January 1, 2020 and requiring monthly principal and interest payments of $7,093, secured by a first charge on land and building (Beausejour).	$ 153,982	$ 236,335
CMHC mortgage payable, bearing interest at 1.04%, due June 1, 2020 and requiring monthly principal and interest payments of $3,325, secured by a first charge on land and building (Lac du Bonnet).	88,686	127,442
Royal Bank of Canada demand loan payable, bearing interest at prime rate less 1.05%, due August 31, 2027, requiring monthly principal and interest payments of $3,350, secured by a borrowing resolution. The bank has confirmed that the loan will not be demanded and will be repaid over the term (Beausejour).	307,196	341,052
CMHC mortgage payable, repaid during the year (Stonewall).	-	35,226
	549,864	740,055
Current portion of long-term debt	157,194	190,215
	$ 392,670	$ 549,840

7. Long-term Debt (continued)

The fair value of the mortgage payable is estimated to be approximately equal to carrying value as the interest rate is comparable to current market rates.

Principal payments due in the next five years and thereafter are as follows:

2019	$ 157,194
2020	145,274
2021	45,867
2022	36,611
2023	37,328
Thereafter	127,590
	$ 549,864

8. Deferred Contributions

	2018	2017
Expenses of future periods	**$ 7,820,595**	$ 6,728,128
Capital assets	**219,989,157**	217,623,610
	$227,809,752	$224,351,738

a) Expenses of Future Periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs.

Deferred contributions consist of:

	2018	2017
Funding provided by MHSAL	**$ 4,305,936**	$ 2,741,859
Funding provided by other sources	**3,514,659**	3,986,269
	$ 7,820,595	$ 6,728,128

	2018	2017
Balance, beginning of year	**$ 6,728,128**	$ 4,094,973
Additional amounts received during year	**12,625,959**	22,862,391
Funding for reserve for major repairs	**102,585**	122,908
Less expenditures	**(11,636,077)**	(20,352,144)
Balance, end of year	**$ 7,820,595**	$ 6,728,128

8. Deferred Contributions (continued)

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2018	2017
Balance, beginning of year	**$217,623,610**	$177,234,320
Additional contributions received, net	**12,944,397**	46,189,894
Less amounts amortized to revenue	**(10,578,850)**	(5,800,604)
Balance, end of year	**$219,989,157**	$217,623,610

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	**$225,450,529**	$223,259,853
Amounts financed by:		
Deferred contributions	**219,989,157**	217,623,610
Long-term debt	**549,864**	740,055
	$ 4,911,508	$ 4,896,188

b) Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 10,578,850**	$ 5,800,604
Amortization of capital assets	**(10,804,087)**	(6,022,808)
	$ (225,237)	$ (222,204)

9. Investment in Capital Assets (continued)

Net changes in investment in capital assets		
Purchase of capital assets	**$ 12,994,764**	$ 42,235,079
Amounts funded by:		
MHSAL funding	**(11,827,697)**	(46,031,223)
Donations	**(1,116,701)**	(158,671)
Repayment of long-term debt	**190,191**	223,436
	$ 240,557	$ (3,731,379)

10. Revenue from Manitoba Health, Seniors and Active Living

	2018	2017
Revenue from MHSAL's		
Revenue as per MHSAL's final funding document	**$ 212,709,225**	$ 201,009,085
Debt interest allocation	**(508,495)**	(1,196,436)
Funds for loans held by the Province of Manitoba	**(1,533,037)**	(1,952,933)
Reserve for major repairs funding	**(18,998)**	(52,175)
	210,648,695	197,807,541
Add (Deduct)		
Retroactive salary and benefit increases	**(806,347)**	7,502,341
Quality Assurance Officer	**-**	28,847
Inter-facility ambulance transfers	**-**	3,129,756
Influenza and immunizations	**133,185**	115,253
Universal Newborn Hearing Screening	**47,562**	42,646
St. Laurent EMS Station	**-**	109,957
Southern Air Ambulance Program	**613,000**	613,000
DSM directed funding	**59,161**	52,974
One-time funding - deficit	**846,530**	14,300,000
One-time funding - other	**120,180**	12,008
One-time funding - Selkirk Regional Health Centre	**2,157,515**	2,749,057
Out-of-globe items and adjustments	**(1,379,220)**	(1,613,052)
Dialysis Expansion	**-**	502,791
Inter-Professional Team Demonstration Initiative	**-**	44,854
Hospital Home Team	**-**	28,631
Harm Reduction Activities	**36,675**	45,571
Healthy Together Now	**118,812**	122,937
My Health Team	**101,405**	29,961
Primary Care Paramedics	**213,216**	-
Ambulance fee reduction recovery	**943,830**	-
Safety and renovations	**959,044**	820,363
	$ 214,813,243	$ 226,445,436

11. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2018, management believes the Authority has valid defences and appropriate insurance coverage's in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

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

c) Lease commitments exist at a variety of facilities with leases expiring at various dates up to November 30, 2027. For April 1, 2018 to March 31, 2019 the amount of the commitment is $799,656. The aggregate commitment to March 31, 2024 is $3,597,266.

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

e) During the year ended March 31, 2018, the Authority was made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Authority and HEPP have not accurately determined the amount due from the Authority to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements.

12. Employee Future Benefits

a) Accrued Retirement Obligations

Accrued retirement obligations are estimated based on an actuarial valuation as at March 31, 2015, which has been adjusted for interest rate changes and for actual benefits payments paid out to members. The next actuarial valuation will be completed for March 31, 2019. Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

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

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

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 3.425% (3.10% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus an age related merit/promotion scale with a provision for potential disability.

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

12. Employee Future Benefits (continued)

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

	2018	2017
Balance, beginning of year	**$ 14,289,394**	$ 14,004,853
Net increase in pre-retirement entitlements	**70,959**	284,541
Transfer to Diagnostic Services of Manitoba (Note 18)	**(760,766)**	-
Balance, end of year	**$ 13,599,587**	$ 14,289,394

b) Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with 7.9% of salary under $55,900 and 9.5% of salary over $55,900 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The most recent actuarial valuation of the plan as at December 31, 2016 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $10,401,751 ($10,126,520 in 2017) and are included in the statement of operations.

The Cost of Living Adjustment Funds ("COLA Funds") that were announced in 2010 have now been implemented. The COLA Funds contribution rate is 1.0% (1.0% in 2017) of pensionable earnings. The earliest date a COLA may be granted from these Funds is 2018. A COLA will only be granted if sufficient funds are available.

12. Employee Future Benefits (continued)

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

c) Sick Leave

Non-vesting accumulated sick leave benefits are calculated using the average usage history and present value techniques. The significant assumptions adopted in measuring the Authority's sick leave entitlements include an interest rate of 3.10% (3.00% in 2017) and a salary increase rate of 3.5% (3.5% in 2017). The accumulated liability is estimated to be $2,527,982 ($2,694,091 in 2017).

13. Related Parties

The contract facilities, Betel Home - Selkirk and Betel Home - Gimli, are operated by the Betel Home Foundation. Any fundraising of the Betel Home Foundation is solely for the benefit of the contract facilities.

14. Net Assets - Internal Restrictions and External Restrictions

The Authority considers its capital to comprise its internally and externally restricted net assets, unrestricted net assets and investment in capital assets balances. There have been no changes to what the Authority considers to be its capital since the previous period.

The Authority's objective for managing capital is to safeguard its ability to provide health services to Interlake-Eastern RHA residents. Debt is utilized for projects where specific approvals from MHSAL have been obtained in advance of borrowings.

As a not-for-profit entity, the Authority's operations are reliant on revenues generated annually. The Authority has accumulated a deficit over its history, which is included in the unrestricted net assets in the statement of financial position.

The Authority is currently endeavouring to eliminate this accumulated deficit and return to a position which would enable it to more adequately fund its working capital requirements.

<u>Internal Restrictions</u>

The Board of Directors has internally restricted $14,771 ($13,869 in 2017) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $124,233 ($110,553 in 2017). These are Board restricted community based health promotion projects and recruitment initiatives. The Authority is in compliance with these restrictions.

14. Net Assets - Internal Restrictions and External Restrictions (continued)

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Authority, including accumulated interest. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated. The Authority is in compliance with these restrictions.

15. Financial Risk Management

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

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

Accounts Receivable

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Patients/residents	$ 44,607	$ 73,820	$ 52,525	$ 388,010	$ 558,962
Trade receivables	255,983	101,615	48,643	1,897,234	2,303,475
Miscellaneous	559,665	240,293	48,902	1,323,635	2,172,495
GST receivable	702,750	-	-	-	702,750
	1,563,005	415,728	150,070	3,608,879	5,737,682
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(127,459)	(127,459)
Trade receivables	-	-	-	(230,444)	(230,444)
Miscellaneous	-	-	-	(29,944)	(29,944)
Total	$ 1,563,005	$ 415,728	$ 150,070	$ 3,221,032	$ 5,349,835

15. Financial Risk Management (continued)

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

Due from (to) Manitoba Health, Seniors and Active Living

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Retroactive salary	$ 31,895	$ -	$ -	$ 63,790	$ 95,685
Other operations	1,166,369	-	-	-	1,166,369
Out of Globe 17/18	(1,671,959)	-	-	-	(1,671,959)
Safety and security	34,476	258,803	141,855	12,372	447,506
	$ (439,219)	$ 258,803	$ 141,855	$ 76,162	$ 37,601

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

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk. Its cash and short-term deposits are held in short-term or variable rate products and its exposure arising from its fixed rate long-term debt is not significant.

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Authority is not exposed to other price risk.

Fair Value

The carrying values of cash and term deposits, accounts receivable, amounts due from MHSAL, vacation entitlements receivable and retirement obligations receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

16. Allocated Expenditures

The Authority provides health care services to the residents of the Interlake-Eastern region of Manitoba across five main health sectors: Acute Care, Long-term Care, Home Care, Community and Mental Health Services and Emergency Response and Transportation. In the delivery of these services, a number of costs are incurred which are either directly attributable to the relevant sector, or of a general support nature. General support expenses include the following department and staffing costs are allocated to sectors based on estimated time spent: Maintenance, facility administrative support and support services management.

General Support Function	Allocated from General Support	Allocated to Health Sector: Acute	Long-term Care	Community
Maintenance	$ 3,671,176	$ 2,523,485	$ 1,147,691	$ -
Facility administrative support	1,952,899	1,054,636	871,476	26,787
Support services management	834,415	584,745	249,670	-
Total	$ 6,458,490	$ 4,162,866	$ 2,268,837	$ 26,787

17. Administrative Costs

The Canadian Institute of Health Information (CIHI) defines a standard set of guidelines for the classification and coding of financial and statistical information for use by all Canadian health service organizations. The Authority adheres to these coding guidelines.

Administrative costs include corporate operations (including hospitals, non-proprietary personal care homes and community health agencies), as well as patient care related functions such as infection control, patient relations and recruitment of health professionals.

The figures presented are based on data available at the time of publication. Restatements may be made in the subsequent year to reflect final data and changes in the CIHI definition, if any. The administrative cost percentage of total spending indicator (administrative costs as a percentage of total operating costs) adheres to the CIHI definitions.

Administrative costs (% of total)	**2018**	2017
Corporate operations	**3.11 %**	3.12 %
Patient care related functions	**0.65**	0.71
Human resources and recruitment functions	**1.92**	2.01
	5.68 %	5.84 %

18. Diagnostic Services of Manitoba

Effective April 1, 2017, the funding model related to Diagnostic Services of Manitoba (DSM) changed, whereby funding flowed directly from MHSAL to DSM rather than through the Authority. Global funding of $13,635,606 and retirement obligations payable of $760,766 were transferred to DSM. The sick leave liability was reduced by $154,546 which represented the amount payable to DSM at March 31, 2017.

19. Comparative Figures

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

Northern Regional Health Authority
Financial Statements
March 31, 2018

Management's Responsibility

To the Board of Directors of Northern Regional Health Authority:

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 for government not-for-profit organizations. 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 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 Audit Committee and management to discuss their audit findings.

June 20, 2018

Original Document Signed

Chief Executive Officer

Original Document Signed

Vice President, Corporate Services and Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of Northern Regional Health Authority :

We have audited the accompanying financial statements of Northern Regional Health Authority, which comprise the statement of financial position as at March 31, 2018, the statements of operations, deficiency in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Regional Health Authority as at March 31, 2018 and the results of its operations, changes in deficiency in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Winnipeg, Manitoba

MNP LLP

June 20, 2018

Chartered Professional Accountants

	2018	*2017*
Assets		
Current		
Cash	**6,017,730**	-
Accounts receivable *(Note 3)*	**4,627,155**	4,787,696
Due from Manitoba Health *(Note 4)*	**2,705,912**	9,021,057
Inventory	**947,883**	1,156,092
Prepaid expenses	**1,146,933**	976,506
Vacation entitlement receivable - Manitoba Health *(Note 5)*	**5,429,191**	5,429,191
	20,874,804	21,370,542
Capital assets *(Note 6)*	**114,242,127**	105,223,665
Pre-retirement receivable - Manitoba Health *(Note 5)*	**4,209,802**	4,209,802
	139,326,733	130,804,009

Continued on next page

Northern Regional Health Authority
Statement of Financial Position
As at March 31, 2018

	2018	*2017*
Liabilities		
Current		
Bank indebtedness *(Note 7)*	-	3,392,231
Line of credit *(Note 8)*	**28,683,677**	24,656,099
Accounts payable and accruals *(Note 9)*	**20,629,672**	17,427,922
Current portion of long-term debt *(Note 11)*	**392,794**	471,610
Accrued vacation entitlements	**9,958,107**	10,279,119
Deferred revenue *(Note 10)*	**1,878,017**	1,326,279
	61,542,267	57,553,260
Long-term debt *(Note 11)*	**1,854,689**	3,254,541
Sick leave benefit obligation *(Note 12)*	**1,788,352**	1,865,770
Due to Manitoba Health - pre-retirement obligation	**679,076**	-
Due to DSM - pre-retirement obligation	-	652,024
Accrued pre-retirement obligation *(Note 13)*	**9,765,675**	9,698,000
Deferred contributions related to expenses of future periods *(Note 2), (Note 14)*	**223,944**	383,537
Deferred contributions related to capital assets *(Note 15)*	**72,713,075**	66,567,219
	148,567,078	139,974,351
Deficiency in Net Assets		
Investment in capital assets *(Note 16)*	**10,597,892**	10,274,196
Externally restricted	**10,182**	10,182
Unrestricted	**(19,848,419)**	(19,454,720)
	(9,240,345)	(9,170,342)
	139,326,733	130,804,009

Approved on behalf of the Board

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The accompanying notes are an integral part of these financial statements

MNP LLP

Statement of Operations

For the year ended March 31, 2018

	2018	*2017*
Revenue		
Manitoba Health *(Note 17)*	**204,197,073**	217,593,103
Amortization of deferred contributions related to capital assets *(Note 15)*	**7,017,824**	6,846,967
Non-insured income	**6,465,071**	8,082,701
Other revenue	**5,532,392**	4,395,825
Northern patient transportation program recoveries	**5,330,476**	4,601,975
Government of Canada	**707,575**	474,772
Ancillary revenue	**2,325,343**	2,146,761
Total revenue	**231,575,754**	244,142,104
Expenses		
Acute care	**89,123,484**	107,093,884
Amortization of capital assets	**7,017,824**	6,846,967
Ancillary operations	**2,371,989**	2,360,620
Community based health	**21,687,329**	21,475,887
Community based home care	**7,647,210**	8,222,895
Community based mental health	**6,048,761**	4,980,157
Aging in place/long-term care	**16,867,868**	17,127,195
Land ambulance	**7,471,216**	7,035,051
Northern patient transportation	**21,515,971**	20,494,035
Medical remunerations	**36,188,871**	35,404,111
Unallocated regional health authority costs	**15,705,234**	16,541,206
Total expenses	**231,645,757**	247,582,008
Deficiency of revenue over expenses	**(70,003)**	(3,439,904)

Northern Regional Health Authority
Statement of Deficiency in Net Assets
For the year ended March 31, 2018

	Investment in capital assets	*Externally restricted*	*Unrestricted*	***2018***	*2017*
Net assets (deficiency in net assets), beginning of year	**10,274,196**	**10,182**	**(19,454,720)**	**(9,170,342)**	(5,730,438)
Deficiency of revenue over expenses	**-**	**-**	**(70,003)**	**(70,003)**	(3,439,904)
Net changes in investment in capital assets *(Note 16)*	**323,696**	**-**	**(323,696)**	**-**	-
Net assets (deficiency in net assets), end of year	**10,597,892**	**10,182**	**(19,848,419)**	**(9,240,345)**	(9,170,342)

Northern Regional Health Authority
Statement of Cash Flows
For the year ended March 31, 2018

	2018	*2017*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(70,003)**	(3,439,904)
Amortization of capital assets	**7,017,824**	6,846,967
Amortization of deferred contributions related to capital assets	**(7,017,824)**	(6,846,967)
Provision for bad debt	**3,980,987**	439,728
Deferred revenue recognized in income	**(2,325,343)**	(2,172,297)
	1,585,641	(5,172,473)
Changes in working capital accounts		
Accounts receivable	**(3,869,076)**	(2,098,174)
Inventory	**208,209**	155,773
Due from Manitoba Health	**6,315,145**	9,809,853
Prepaid expenses	**(170,427)**	267,176
Accounts payable and accruals	**3,250,381**	4,091,299
Accrued vacation entitlements	**(321,012)**	(202,604)
Deferred revenue	**2,877,080**	2,184,899
	9,875,941	9,035,749
Financing		
Net change in long-term debt	**(1,478,668)**	(411,542)
Change in pre-retirement obligation	**(584,349)**	89,332
Change in pre-retirement obligation - DSM	**679,076**	-
Receipt of deferred contributions	**13,004,087**	19,445,519
Change in sick leave benefit obligation	**(77,418)**	34,869
Change in line of credit	**4,027,578**	3,310,249
Change in bank indebtedness	**(3,392,231)**	(11,082,628)
	12,178,075	11,385,799
Capital activity		
Purchases of capital assets	**(16,036,286)**	(20,421,548)
Increase in cash resources	**6,017,730**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**6,017,730**	-

1. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

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 Youth Rehab Centre

Cash and cash equivalents

The Authority considers deposits in banks, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

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 purchase price, shipping, unrebated portion of goods and services tax, and provincial sales tax. Inventory is expensed when put into use.

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at the following rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Land improvements	*2.5%*
Buildings	*2.5%*
Computers	*20.0%*
Equipment	*10.0%*

No amortization is provided for construction in progress.

Long-lived assets

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

When the Organization 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.

Revenue recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

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, 2018.

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.

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

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.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Amortization of deferred contributions
Where a grant or other restricted contribution, other than endowment contributions, is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 revenue
Ancillary revenue comprises amounts received for preferred accommodations, non Manitoba Health activities and parking fees. Revenue is recognized when the service is provided.

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 assets.

The Authority's capital management policy is to meet capital needs with working capital advances from Manitoba Health and Healthy Living.

The Authority met its externally imposed capital requirements.

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

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

Employee future benefits

The Organization's employee future benefit program consists of a multiemployer defined benefit plan, as well as pre-retirement obligations and sick leave benefits obligation.

Multiemployer 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 $7,036,604 (2017 - $6,852,419) to the Plan.

During the year ended March 31, 2018, the Authority was made aware by HEPP that there were unremitted pension contributions related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Authority and HEPP have not accurately determined the amount due. It is expected that the amount, once finalized, will not be material to the financial statements.

1. Significant accounting policies *(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 (use of estimates)

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 revenues and expenses during the reporting period.

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

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.

Financial instruments

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

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

All 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 Organization 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 Organization 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, 2018 and 2017.

External restrictions

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the St. Paul Residents Trust Fund. Investment income from this fund is restricted for residents' expenses.

2. Transition to Public Sector Accounting Standards

The Authority currently prepares its financial statements in accordance with Public Sector Accounting Standards, using the 4200 series of standards applicable to Government Not-for-Profit Organizations. Effective April 1, 2018, the Authority will begin preparing its financial statements in accordance with Public Sector Accounting Standards without the 4200 series of standards, as directed by Manitoba Health. It is expected that this will result in material changes to the financial statements and their presentation, including the introduction of new statements that were not previously presented by the Authority. The Authority is currently assessing the impact of this change.

3. Accounts receivable

	2018	*2017*
Northern Patient Transportation Program receivables	**16,322,269**	14,565,133
GST rebates receivable	**364,820**	370,217
Patient and other receivables	**4,290,402**	3,574,877
Allowance for doubtful accounts - Northern Patient Transportation Program receivables	**(15,427,222)**	(12,307,818)
Allowance for doubtful accounts - patient and other receivables	**(923,114)**	(1,414,713)
	4,627,155	4,787,696

4. Due from Manitoba Health

	2018	*2017*
2017-2018 EMS Fee Reduction	**59,079**	-
2017-2018 Immunization Funding	**93,136**	-
2015-2016 HEPP COLA	**-**	49,696
2015-2016 MNU Retention Bonus Shortfall	**70,769**	70,769
2016-2017 Saskatchewan Health	**-**	3,567,950
2016-2017 EMS Additional Funding (Primary Care Paramedics – Devolution)	**-**	1,026,206
2017-2018 Saskatchewan Health FFGH Agreement	**285,911**	-
2017-2018 Hope North Funding Shortfall	**827,417**	-
2017-2018 Dialysis - Expansion Funding	**661,400**	-
2016-2017 Hope North Funding Shortfall	**-**	831,700
2016-2017 Dialysis - Expansion Funding	**708,200**	708,200
2016-2017 Funding Approval for 2008/09 RN (EP) Positions	**-**	265,281
2016-2017 NRB - MAHCP (Oct 2016-Mar 2017 Accrual)	**-**	640,212
2016-2017 NIRRA Funding Based on FTE Count - OOS	**-**	494,600
2016-2017 Universal Newborn Hearing Screening	**-**	190,385
2016-2017 Office of the Medical Director Funding - Quality Assurance Officer	**-**	42,329
2016-2017 Hope North	**-**	5,500
2016-2017 DSM Union Contract Ratification	**-**	913,613
2016-2017 DSM Rural DI Ultrasound	**-**	19,257
2016-2017 DSM CT Callback	**-**	16,266
2016-2017 DSM Digital Mammography	**-**	26,262
2016-2017 DSM HEPP COLA	**-**	6,047
2016-2017 DSM Year-end Settlement	**-**	146,784
	2,705,912	9,021,057

5. 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.

6. Capital assets

	Cost	***Accumulated amortization***	***2018 Net book value***
Land and land improvements	**761,178**	**370,888**	**390,290**
Buildings	**132,073,195**	**69,913,211**	**62,159,984**
Computers	**4,794,536**	**3,889,701**	**904,835**
Equipment	**48,791,752**	**31,022,778**	**17,768,974**
Construction in progress	**33,018,044**	**-**	**33,018,044**
	219,438,705	**105,196,578**	**114,242,127**

	Cost	*Accumulated amortization*	*2017 Net book value*
Land and land improvements	761,176	369,853	391,323
Buildings	118,854,136	65,935,381	52,918,755
Computers	4,677,513	3,552,539	1,124,974
Equipment	44,492,719	28,320,981	16,171,738
Construction in progress	34,616,875	-	34,616,875
	203,402,419	98,178,754	105,223,665

Construction in progress commitment

a. Flin Flon ER Development Project
A contract was signed with Fresh Projects in April 2016 for the construction of the Flin Flon Emergency Room with an estimated completion date of Fall 2018. Costs incurred to date for building and equipment are $19,699,097. Total projected cost is $24,572,980.

b. Construction in Progress
Other projects with total costs incurred to-date of $13,318,947 are in various stages of completion. Total projected costs for these projects are $20,022,160.

7. Cash/(bank indebtedness)

The Authority has an authorized operating line of credit of $9,400,000 bearing interest at the bank's prime rate minus 1.00% per annum (2017 - 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, 2018 the bank's prime rate was 3.45% (2017 - 2.70%). Cash/(bank indebtedness) is comprised of the following:

	2018	*2017*
Petty cash on hand and balances with banks	**6,017,730**	559,939
Operating line of credit balance	**-**	(3,952,170)
	6,017,730	(3,392,231)

8. Line of credit

The Authority maintains a line of credit facility to fund construction projects in progress. Upon completion of the construction projects in progress, the respective amounts will be converted to long-term debt. The amounts are due on demand and bear interest at the bank's prime rate minus 0.80% per annum (2017 - prime minus 0.80%). As at March 31, 2018 the bank's prime rate was 3.45% (2017 - 2.70%).

9. Accounts payable and accruals

	2018	*2017*
Accounts payable	**8,877,937**	8,071,101
Pension liability	**1,907,626**	990,021
Salaries and benefits	**9,844,109**	8,366,800
	20,629,672	17,427,922

10. Deferred revenue

Deferred revenue consists of Manitoba Health 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 the deferred revenue balance for the year is as follows:

	2017	*2016*
Balance, beginning of year	**1,326,279**	1,313,677
Funding received during the year	**3,890,192**	2,694,687
Amount recognized as revenue during the year	**(3,338,454)**	(2,682,085)
Balance, end of year	**1,878,017**	1,326,279

11. Long-term debt

	2018	2017
Manufacturer's Life Insurance Company loan, with monthly payments equal to the energy savings including interest at 6.30% per annum, expected to be paid out by September 2021	**665,154**	836,835
Term loans due to Royal Bank of Canada, with monthly payments between $835 and $10,250 including interest at the bank's prime rate less 0.80% per annum, due from June 2021 to June 2053, secured by certain equipment	**650,000**	1,873,178
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	**932,329**	1,016,138
	2,247,483	3,726,151
Less: current portion	**392,794**	471,610
	1,854,689	3,254,541

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2019	392,794
2020	407,941
2021	423,981
2022	300,609
2023	223,912

Interest on long-term debt amounted to $723,547 (2017 – $407,211) and is included in unallocated regional health authority costs on the statement of operations.

12. Sick leave benefit obligation

The Authority's sick leave benefit obligation is based on an actuarial report prepared as of March 31, 2018. 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, 2018:

	2018	2017
Sick leave benefit obligation, beginning of year	**2,300,799**	2,361,900
Current period service cost	**213,032**	221,307
Interest cost	**68,970**	68,000
Benefits paid	**(301,576)**	(336,437)
Actuarial (gain)/loss and other	**(138,207)**	(13,971)
Sick leave benefit obligation, end of year	**2,143,018**	2,300,799
Unamortized net actuarial loss	**(354,666)**	(435,029)
Sick leave benefit obligation, end of year	**1,788,352**	1,865,770

13. Accrued pre-retirement obligation

The Authority's pre-retirement obligation is based on an actuarial report prepared as of March 31, 2018. The valuation includes employees who qualify as at March 31, 2018, 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, 2018:

	2018	*2017*
Pre-retirement benefit obligation, beginning of year	**8,982,762**	8,812,000
Current period service cost	**772,288**	758,000
Interest cost	**285,371**	270,000
Benefits paid	**(854,129)**	(807,000)
Actuarial (gain)/loss and other	**65,189**	(50,238)
Pre-retirement benefit obligation, end of year	**9,251,481**	8,982,762
Unamortized net actuarial gain	**514,194**	715,238
Pre-retirement accrued benefit liability, end of year	**9,765,675**	9,698,000

The actuarial valuation was based on a number of assumptions about future events including a discount rate of 3.425% (2017 - 3.10%), a rate of salary increases of 3.50% (2017 - 3.50%) 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.

14. Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

Changes in the deferred contribution balance are as follows:

	2018	*2017*
Balance, beginning of year	**383,537**	383,537
Amount received during year	**93,136**	-
Less: Amounts recognized as revenue during the year	**(252,729)**	-
Balance, end of year	**223,944**	383,537

15. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2018	*2017*
Balance, beginning of year	**66,567,219**	53,968,906
Amount received during the year	**13,163,680**	19,445,280
Less: Amounts recognized as revenue during the year	**(7,017,824)**	(6,846,967)
Balance, end of year	**72,713,075**	66,567,219

16. Net assets invested in capital assets

	2018	*2017*
Net assets invested in capital assets are calculated as follows:		
Capital assets	**114,242,127**	105,223,665
Deferred contributions related to capital assets	**(72,713,075)**	(66,567,219)
Long-term debt	**(2,247,483)**	(3,726,151)
Line of credit	**(28,683,677)**	(24,656,099)
	10,597,892	10,274,196

Change in net assets invested in capital assets is calculated as follows:		
Amortization of deferred contributions related to capital assets	**7,017,824**	6,846,967
Amortization of capital assets	**(7,017,824)**	(6,846,967)
	-	-

Net changes in investment in capital assets		
Purchase of capital assets	**16,036,286**	20,421,548
Long term debt - net	**1,478,668**	411,543
Advances on line of credit	**(4,027,578)**	(3,310,249)
Manitoba Health - Capital asset funding	**(13,163,680)**	(19,445,280)
	323,696	(1,922,438)

17. Revenue from Manitoba Health

	2018	*2017*
Revenue as per Manitoba Health's funding document	**213,413,107**	231,500,899
Deduct:		
Payments on prior year receivables	**(6,527,584)**	(18,588,962)
Capital equipment funding	**(2,108,384)**	(1,199,493)
Nelson House PCH funding - flow through	**(1,472,779)**	(1,507,248)
Ancillary program	**(345,823)**	(352,348)
Ambulance	**(21,520)**	(210,937)
Interest funding (actual)	**(90,091)**	(510,978)
Other	**(6,532)**	(272,315)
Provincial Nursing Station - Transitional	**(219,210)**	(368,182)
CIHI Fees	**39,800**	40,172
EMS Fee Reduction and IFT	**(238,639)**	-
	(10,990,762)	(22,970,291)
Add: Accruals approved by Manitoba Health		
2017-2018 Hope North Funding Shortfall	**827,417**	-
2017-2018 Dialysis Expansion BTHC	**661,400**	-
2017-2018 Saskatchewan Health FFGH Agreement	**285,911**	-
2016-2017 Saskatchewan Health	**-**	3,567,950
2016-2017 EMS Additional Funding (Primary Care Paramedics – Devolution)	**-**	1,026,206
2016-2017 NYCS Mobile unit Budget	**-**	831,700
2016-2017 Dialysis - Expansion Funding	**-**	708,200
2016-2017 Funding Approval for 2008/09 RN (EP) Positions	**-**	265,282
2016-2017 NRB - MAHCP (Oct 2016-Mar 2017 Accrual)	**-**	640,212
2016-2017 NIRRA Funding Based on FTE Count - OOS	**-**	494,600
2016-2017 Universal Newborn Hearing Screening	**-**	190,385
2016-2017 Office of the Medical Director Funding - Quality Assurance Officer	**-**	42,329
2016-2017 Hope North	**-**	5,500
2015-2016 MNU Retention Funding Shortfall	**-**	70,769
2016-2017 DSM Union Contract Ratification	**-**	913,613
2016-2017 DSM Rural DI Ultrasound	**-**	19,257
2016-2017 DSM CT Callback	**-**	16,266
2016-2017 Immunization Funding	**-**	91,133
2016-2017 DSM Year End Settlement	**-**	146,784
2016-2017 DSM Digital Mammography	**-**	26,262
2016-2017 DSM HEPP COLA	**-**	6,047
	1,774,728	9,062,495
	204,197,073	217,593,103

18. 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 donated equipment valued at $73,165 (2017 - $33,117).

19. Commitments and contingencies

(i) The Organization has entered into various operating leases for rental units to assist with accommodation needs of the organization. The amounts payable over the next two years are as follows:

2019	242,076
2020	249,338
	491,414

(ii) The Authority is subject to individual legal actions arising in the normal course of operations. It is not expected that these legal actions will have a material adverse effect on the financial position or operations of the Authority.

Due to the dismissal of three senior executives in a previous period in the Burntwood RHA, litigation proceedings remain ongoing. The likelihood of financial implications, if any, are not determinable at this time.

(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, 2018.

(iv) During the year ended March 31, 2018, the Organization was made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years for the Organization. The amount of the liability is unknown as at March 31, 2018 as the Organization and HEPP have not accurately determined the amount due from the Organization to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

20. Financial instruments

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

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.

20. Financial instruments *(Continued from previous page)*

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 the receivable is spread among a large client base and geographic region and payment in full is typically collected when it is due. The Authority establishes an allowance for doubtful accounts 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.

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.

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, line of credit 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.

21. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2014, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2018, the Authority has no known contaminated sites or no known future potential contaminated sites.

22. Trusts under administration

At March 31, 2018, the balance of Resident trust funds held in trust is $75,391 (2017 - $71,037). These funds are not included in the balances of the Authority's financial statements.

23. Economic dependence

The Authority received approximately 88% (2017 - 89%) 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.

24. Contingent liabilities

In the normal conduct of operations, there are pending claims by and against the Organization. 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 Organization's financial position or results of operations.

Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2018

To the Board of Directors of Prairie Mountain Health:

Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian public sector accounting standards.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. 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 Audit Committee is appointed by the Board and has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Prairie Mountain Health to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Original Document Signed

Management

Original Document Signed

Management

Independent Auditors' Report

To the Board of Directors of Prairie Mountain Health:

We have audited the accompanying consolidated financial statements of Prairie Mountain Health, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prairie Mountain Health as at March 31, 2018 and the results of its operations (including remeasurement gains and losses), changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Brandon, Manitoba

June 26, 2018

MNP LLP
Chartered Professional Accountants

Prairie Mountain Health
Consolidated Statement of Financial Position
(in thousands of dollars)

As at March 31

		2018		2017
ASSETS				
Current				
Cash and cash equivalents	$	73,246	$	62,949
Short-term investments *(Note 7)*		3,429		2,450
Accounts receivable *(Note 4)*		4,946		5,530
Due from Manitoba Health *(Note 5)*		19,007		23,340
Current portion of loan receivable *(Note 6)*		33		32
Inventories held for use		4,951		5,031
Prepaid expenses		2,364		3,078
		107,976		102,410
Non-Current				
Due from Manitoba Health *(Note 5)*		21,559		23,141
Loan receivable *(Note 6)*		125		157
Investments *(Note 7)*		4,762		5,728
Capital assets *(Note 8)*		296,603		286,476
Other long term assets		282		-
		323,331		315,502
	$	**431,307**	$	417,912
LIABILITIES				
Current				
Demand loans *(Note 9)*	$	117	$	207
Accounts payable and accrued liabilities *(Note 10)*		36,697		40,330
Employee future benefits *(Note 11)*		34,014		34,047
Current portion of obligation under capital lease *(Note 13)*		396		511
Current portion of long-term debt *(Note 12)*		195		196
		71,419		75,291
Non-Current				
Employee future benefits *(Note 11)*		46,616		46,828
Obligation under capital lease *(Note 13)*		411		807
Long-term debt *(Note 12)*		540		735
		47,567		48,370
Deferred Contributions *(Note 14)*				
Expenses of future periods		20,848		14,713
Capital assets		284,370		274,675
		305,218		289,388
	$	**424,204**	$	413,049
Commitments and contingencies *(Note 20)*				
NET ASSETS				
Invested in capital assets *(Note 16)*		6,410		7,058
Internally restricted *(Note 17)*		5,314		5,289
Externally restricted *(Note 17)*		87		63
Unrestricted		(4,708)		(7,547)
		7,103		4,863
	$	**431,307**	$	417,912

Approved on behalf of the Board

Original Document Signed **Director** Original Document Signed **Director**

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

Prairie Mountain Health
Consolidated Statement of Operations
(in thousands of dollars)

For the year ended March 31

		2018	2017
REVENUE			
Manitoba Health operating income *(Note 18)*	**$**	527,407	$ 546,341
Authorized/residential charges		34,504	33,766
Amortization of deferred contributions - expenses of future periods *(Note 14)*		111	87
Amortization of deferred contributions - capital assets *(Note 14)*		17,113	16,908
Non-insured income		2,331	2,285
Ancillary revenue		3,344	3,313
Other income		13,261	15,376
Province of Manitoba		4,475	4,331
Investment income		992	743
		603,538	623,150
EXPENSES			
Acute care services		225,595	253,907
Personal care home services		141,625	141,018
Medical remuneration		43,514	43,029
Community based mental health services		24,164	24,696
Community based home care services		40,732	40,898
Community based health services		25,852	25,974
Emergency medical services		29,225	22,818
Regional undistributed costs		36,518	36,837
Amortization of capital assets		18,556	18,252
Future employee benefits		3,535	3,489
Therapy services		9,074	9,114
Ancillary expenses		2,882	2,998
		601,272	623,030
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	**$**	**2,266**	$ 120

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

Prairie Mountain Health
Consolidated Statement of Changes in Net Assets
(in thousands of dollars)

For the year ended March 31

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	**2018**
Balance beginning of year	**$ 7,058**	**$ 5,289**	**$ 63**	**$ (7,547)**	**$ 4,863**
Excess (Shortfall) of revenue over expenses	**(1,231)**	**583**	**-**	**2,914**	**2,266**
Transfer (to) from deferred contributions	**-**	**(4)**	**-**	**7**	**3**
Investment in capital assets	**583**	**(533)**	**-**	**(52)**	**(2)**
Change in fair value of investments	**-**	**(19)**	**-**	**-**	**(19)**
Internally/Externally restricted assets	**-**	**(2)**	**-**	**-**	**(2)**
Elderly Persons Housing adjustments	**-**	**-**	**24**	**(30)**	**(6)**
Transfer (to) from Non-Devolved Org.	**-**	**-**	**-**	**-**	**-**
Balance end of year	**$ 6,410**	**$ 5,314**	**$ 87**	**$ (4,708)**	**$ 7,103**

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	2017
Balance beginning of year	$ 8,047	$ 5,467	$ 112	$ (8,685)	$ 4,941
Excess (Shortfall) of revenue over expenses	(1,231)	406	-	945	120
Transfer (to) from deferred contributions	(221)	(120)	-	252	(89)
Investment in capital assets	348	(486)	-	140	2
Change in fair value of investments	-	(11)	-	(125)	(136)
Internally/Externally restricted assets	(3)	33	1	-	31
Elderly Persons Housing adjustments	-	-	(50)	(31)	(81)
Transfer (to) from Non-Devolved Org.	118	-	-	(43)	75
Balance end of year	$ 7,058	$ 5,289	$ 63	$ (7,547)	$ 4,863

Prairie Mountain Health
Consolidated Statement of Cash Flows
(in thousands of dollars)

For the year ended March 31

	2018	2017
OPERATING TRANSACTIONS		
Excess (Shortfall) of revenue over expenses	$ 2,266	$ 120
Adjustments to determine net cash provided by (used in) operating activities		
Gain/(loss) on disposal of capital assets	(21)	2
Amortization of capital assets	18,556	18,252
Amortization of deferred contributions	(17,224)	(16,995)
Change in deferred revenue	33,054	21,842
Changes in non-cash operating working capital items:		
Accounts receivable	584	193
Due from Manitoba Health	5,915	18,150
Loan receivable	31	31
Inventories held for use	80	(318)
Prepaid expenses	714	(248)
Other long term assets	(282)	-
Accounts payable and accrued liabilities	(3,633)	6,300
Employee future benefits	(245)	406
Net assets	(26)	(198)
	39,769	47,537
CAPITAL TRANSACTIONS		
Proceeds on sale of capital assets	13	21
Cash used to acquire capital assets	(28,675)	(21,313)
	(28,662)	(21,292)
INVESTING TRANSACTIONS		
Portfolio investment transactions	**(13)**	(19)
FINANCING TRANSACTIONS		
Repayment of loans and advances	**(797)**	(891)
NET CHANGE IN CASH	**10,297**	25,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**62,949**	37,614
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **73,246**	$ 62,949

Supplementary Information

	2018	2017
Interest received	$ 992	$ 743
Interest paid	102	137

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

Prairie Mountain Health

Consolidated Statement of Remeasurement Gains and Losses

(in thousands of dollars)

For the year ended March 31

	2018	2017
Accumulated remeasurement gains and (losses) at beginning of year	**$ 168**	$ 341
Unrealized gains (losses) attributable to:		
Portfolio investments	**(173)**	(173)
Accumulated remeasurement gains and (losses) at end of year	**$ (5)**	$ 168

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

1. Organization

On May 28, 2012, Regulation 63/2012 under the Regional Health Authorities Act (the "Act") was passed to amalgamate the Assiniboine Regional Health Authority, Brandon Regional Health Authority Inc. and Parkland Regional Health Authority Inc. and a new Region named the "Western Regional Health Authority" was established for the western Manitoba health region. On December 10, 2012, Regulation 151/2012 was passed under the "Act" changing the Region's name to Prairie Mountain Health. Prairie Mountain Health ("the Region", "PMH") commenced activity on April 1, 2012. The Region is involved in the provision of health care services to the western region of Manitoba. The Region is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Basis of accounting

In accordance with the requirements set out by the Chartered Professional Accountants of Canada, ("CPA"), the Region has prepared these financial statements using Canadian public sector accounting standards ("PSAS", "PSA"), including sections PS4200 to PS4270. The Region's first reporting period using public sector standards was for the year ended March 31, 2013.

3. Significant accounting policies

These financial statements have been prepared in accordance with the Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of reporting

The Region provides community health care services, acute health care services and long term care services through devolved and contract facilities. The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Baldur Health Centre
Benito Health Centre
Birtle Health Centre
Boissevain Health Centre
Boissevain-Westview Lodge
Brandon Regional Health Centre
Carberry Health Centre
Cartwright-Davidson Memorial Health Centre
Community and Home Care Health Services
Community Mental Health Services
Child and Adolescent Treatment Centre - Brandon
Dauphin & District Ambulance Service
Dauphin Regional Health Centre
Deloraine Health Centre
Deloraine-Bren Del Win Lodge
Elkhorn-Elkwood Manor
Erickson Health Centre
Fairview Personal Care Home
Gilbert Plains Health Centre
Glenboro Health Centre
Grandview Hospital District
Grandview Personal Care Home
Hamiota Health Centre
Hamiota Health Centre Lilac Residence (East Wing)
Hamiota Health Centre Lilac Residence (North Wing)
Hartney Health Centre
Killarney-Tri Lake Health Centre
McCreary/Alonsa Health Centre
Melita Health Centre
Minnedosa Health Centre
Minnedosa Personal Care Home
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Neepawa Health Centre
Neepawa-Country Meadows Personal Care Home
Oak Lake Ambulance
Pioneer Lodge Inc.
Reston Health Centre
Rideau Park Personal Care Home
Riverdale Personal Care Home Inc. Westwood Lodge
Rivers Health Centre
Roblin District Health Centre
Roblin & District Ambulance Service
Rossburn Health Centre
Russell Health Centre
Russell Personal Care Home
St. Paul's Personal Care Home
Ste. Rose Ambulance Service
Sandy Lake Personal Care Home
Shoal Lake-Strathclair Health Centre
Souris Health Centre
Swan Valley Ambulance Service
Swan Valley Health Centre
Swan Valley Lodge
Swan River Valley Personal Care Home
Tiger Hills Villa Inc.
Treherne-Tiger Hills Health Centre
Virden Health Centre
Virden-Sherwood Nursing Home
Virden-Westman Nursing Home
Waterhen Ambulance Service
Wawanesa Health Centre
Winnipegosis and District Ambulance Service
Emergency Medical Services –25 sites
Medical Transportation Coordination Centre (MTCC)

3. Significant accounting policies *(continued)*

(a) Basis of reporting (continued)

The Region also provides health care services, by means of operating agreements, through non-devolved facilities. The health care services provided are delivered under the control of the Region as the major funder. The financial position and results of operations of these related organizations have been consolidated in these financial statements. The following facilities are non-devolved:

Ste. Rose Health Centre
Winnipegosis General Hospital
Mossey River Personal Care Home Inc. – Winnipegosis
The Salvation Army Dinsdale Personal Care Home – Brandon

All significant inter-divisional transactions of non-devolved and contract facilities have been eliminated.

Funds paid to non-devolved facilities in accordance with their operating agreements that are not expended in the relevant fiscal year shall be deemed to be an operating surplus. Any operating surplus at year end shall be deducted from the non-devolved facilities' future payments, unless otherwise approved in writing by PMH. PMH shall not approve retention of surpluses that exceed two percent (2%) of total funding from PMH. PMH will not be responsible for any deficits incurred by the non-devolved facility in providing the required programs/services.

The Region also receives funding from the Brandon Regional Health Centre Foundation, the Fairview Foundation and Dauphin Hospital Foundation and other community foundations/auxiliaries which organize fundraising drives to raise funds for the use of the Region or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of its board of directors. As there is no control, significant influence or economic interest between the Region and the Foundations, no financial information regarding the foundations are reported or disclosed in the financial statements of the Region.

(b) Revenue recognition

The Region follows the deferral method of accounting for contributions which include donations and government grants.

Manitoba Health operating income
Under the Health Insurance Act and regulations thereto, the Region 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, 2018.

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 Region, or repaid to Manitoba Health. Under Manitoba Health policy the Region 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 Region, or repaid to Manitoba Health.

3. Significant accounting policies *(continued)*

(b) Revenue recognition *(continued)*

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Region. Any unapproved costs not paid by Manitoba Health are absorbed by the Region.

Amortization of deferred contributions
Where a grant or other restricted contribution, other than endowment contributions, is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Non-Insured income
Non-insured income 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.

Ancillary income
Ancillary income comprises amounts received for preferred accommodations, non Manitoba Health activities and parking fees. Revenue is recognized when the service is provided.

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

Investment income
Investment income comprises interest from cash, interest from fixed income investments, and realized gains and losses on the sale of investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(c) 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.

(d) Cash and cash equivalents

The Region considers deposits in banks, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

3. Significant accounting policies *(continued)*

(e) *Financial instruments*

Measurement of financial instruments
The Region initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transactions costs directly attributable to the instrument.

The Region subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the Statement of Remeasurement Gains and Losses in the period incurred.

The Region uses the following measurement classifications for its financial assets and financial liabilities:

Cash and cash equivalents	Amortized Cost
Accounts receivable	Amortized Cost
Due from Manitoba Health	Amortized Cost
Loan receivable	Cost
Investments	Fair Value
Accounts payable and accrued liabilities	Amortized Cost
Employee future benefits obligations	Amortized Cost

In accordance with Public Sector Accounting (PSA) standards adopted for April 1, 2011, the Region has elected to record investments at fair value, using market bid prices at year-end as a basis for valuation. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the consolidated statement of operations. Any discount or premium arising on purchase is amortized over the period of maturity in order to reflect a yield based on purchase costs and a carrying value of the amount expected to be realized at maturity. Interest earned on investments and gains or losses resulting from net settlements in the period are recorded in the Statement of Operations.

The Region uses the following classifications of fair value measurements for its portfolio investments:

Prices quoted in active markets	Level 1
Observable bid prices in the markets	Level 2
Source other than observable market	Level 3

Impairment
At the end of each reporting period, the Region assesses whether there are any indications that a financial asset may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Region, including but not limited to the following events: significant decline in fair market value, significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Region determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Region identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset in the cost or amortized cost category, it reduces the carrying amount of the asset to the highest of the following:

(i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
(ii) the amount that could be realized by selling the asset at the statement of financial position date; and
(iii) the amount the Region expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights

The carrying amount of the asset in the cost or amortized cost category is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

3. Significant accounting policies *(continued)*

(e) Financial instruments (continued)

When the extent of impairment of a previously written-down asset in the cost or amortized cost category decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of operations in the period the reversal occurs.

When the Region identifies a loss in value that is other than a temporary decline of a financial asset in the fair value category, the asset is written down to recognize the loss. The amount of the loss is recognized in the statement of operations and is not reversed if there is a subsequent increase in value.

Transaction costs
Transaction costs are added to the carrying value of items in the cost or amortized cost category when they are initially recognized, and expensed in the period incurred for items in the fair value category. Transaction costs include fees and commissions paid to agents, advisors, brokers and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Risk management
The Region is exposed to various risks through its financial instruments. The following analysis provides a measure of the Region's risk exposure and concentrations:

	Risks			
			Market risk	
Financial instruments	*Credit*	*Liquidity*	*Currency*	*Interest Rate*
Cash	X			X
Amounts receivable	X		X	
Accounts payable and accrued liabilities		X	X	

The Region manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Risk Management Policy. The objective of the policy is to reduce volatility in cash flow and earnings. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

The Region also has a specific Investment Policy that details the asset quality and proportion of fixed income and equity securities in which investments are made.

The Region does not use derivative financial instruments to manage its risks.

<u>Credit risk</u>

Credit risk arises from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Region could incur a financial loss. The Region's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the facilities it funds, minimizing credit risk. The Region's policy is to limit extending credit to individuals and has been proactive in the implementation of processes to accept prepayment for products and services.

Management regularly reviews the aging of accounts receivable balances. Amounts deemed uncollectible are written down to their expected realizable values, by making an allowance for doubtful accounts adjustment, as soon as the account is determined not to be fully collectible. The Region considers the following factors in determining uncollectability: age of the amount outstanding, knowledge gained surrounding change in economic circumstances of the third party, and the history of collectability based on the type of revenue stream.

Prior to authorizing the provision of a loan, the Region's management reviews the financial position of the potential loan recipient and considers current and historical evidence of cash flows and economic circumstances. It is not a policy of the

3. Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

Region to grant loans, however, special considerations are reviewed with the Board of Directors prior to a provision being granted. The Region's management regularly reviews loan balances and the principal and interest payments due to assess collectability and risk of loss. Valuation allowances are made when collection is in doubt. When there is sufficient evidence to support that an amount is uncollectible with no realistic prospect of recovery, a valuation allowance is recorded in order to reflect the loan, or class of loans, at the lower of cost and net recoverable value. Once all or part of a loan is written-off, it is not subsequently reversed. Interest is accrued on loans receivable to the extent it is deemed collectable.

Liquidity risk

Liquidity risk is the risk that the Region will not be able to meet a demand for cash or fund its obligations as they come due. The Region meets its liquidity requirements by anticipating investing and financing activities and holding assets that can be readily converted into cash. The Region has operating lines of credit available totaling $23,700,000 should it be required to meet temporary fluctuations in cash requirements. Lines of credit are approved by Manitoba Health and are in effect for the period ending March 31, 2018. The Region is not currently accessing the operating lines of credit.

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.

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

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 Region to interest rate risk arises from its interest bearing assets. The Region's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Region manages its exposure to the interest rate risk of its cash 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 cash do not have a significant impact on the Region's results of operations.

The primary objective of the Region with respect to its fixed income investments is to generate income and preserve capital. The Region manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

Changes to risk

There have been no changes to the Region's risk exposures from the prior year.

(f) Inventories held for use

Inventories consist 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 inventories includes purchase price, shipping, unrebated portion of goods and services tax, and provincial tax. Inventory is expensed when put into use.

3. Significant accounting policies *(continued)*

(g) Capital assets

Purchased capital assets are recorded at cost. The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Land is carried at cost or fair market value at the date of acquisition and is not amortized.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Contributed capital assets are recorded at fair value at the date of contribution.

The Region's objectives when managing capital assets are to safeguard its ability to operate as a going concern so it can continue to provide services to its members. An Annual Health Plan including an operating and capital budget is developed and monitored to ensure the Region's capital is maintained at an appropriate level. There were no changes in the Region's approach to capital management during the period.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses. Capital assets, excluding vehicles, are amortized on a straight-line basis over their estimated useful lives as follows:

Parking lots	8-15 years	Land improvements	15 years
Buildings and leasehold improvements	20-40 years	Building service equipment/equipment	4-20 years
Computer software and equipment	3-5 years		

Vehicles are amortized on a declining balance basis using 30% as the annual rate and are included in Building Service Equipment/Equipment.

(h) Foreign currency transactions

Monetary assets and liabilities of the Region which are denominated in foreign currencies are translated at year-end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains and losses are included in the consolidated statement of operations.

(i) Management estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, 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 use of significant estimates include useful life of capital assets, allowance for accounts deemed uncollectable and amounts recognized for employee benefit obligations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

(j) Related party disclosures

Effective April 1, 2017, the Region adopted the recommendations relating to PS2200 Related Party Disclosures, as set out in the Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated. This new section defines a related party and establishes disclosures required for related party transactions. There was no material impact on the consolidated financial statements of adopting the new section.

(in thousands of dollars)

4. Accounts receivable

The Region's exposure to credit risk for accounts receivable as at March 31 is as follows:

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2018
Patients/residents	$ 623	$ 420	$ 143	$ 3,352	**$ 4,538**
Trade receivables	1,555	478	62	599	**2,694**
GST receivable	279	250	195	28	**752**
PMH Foundations	-	-	-	27	**27**
Approved capital funding	47	-	-	-	**47**
Accrued Interest	51	-	-	-	**51**
	2,555	1,148	400	4,006	**8,109**
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(2,973)	**(2,973)**
Trade receivables				(190)	**(190)**
	$ 2,555	**$ 1,148**	**$ 400**	**$ 843**	**$ 4,946**

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2017
Patients/residents	$ 767	$ 493	$ 182	$ 2,984	$ 4,426
Trade receivables	2,097	279	196	700	3,272
GST receivable	295	190	3	27	515
PMH Foundations	24	-	-	-	24
Accrued Interest	62	-	-	-	62
	3,245	962	381	3,711	8,299
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(2,769)	(2,769)
	$ 3,245	$ 962	$ 381	$ 942	$ 5,530

5. Due from Manitoba Health

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

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2018
Retroactive salary increases	$ 24	$ -	$ -	$ 41	**$ 65**
Other operations	1,241	-	-	(241)	**1,000**
Out of Globe 2017/18	(3,884)	-	-	-	**(3,884)**
Out of Globe 2016/17	-	-	-	(23)	**(23)**
Approved capital funding	1,360	-	-	1,728	**3,088**
Vacation	-	-	-	18,114	**18,114**
Vacation-Non-Devolved Facilities	-	-	-	747	**747**
	(1,259)	**-**	**-**	**20,366**	**19,107**
Less: allowance for doubtful accounts	**(85)**	**-**	**-**	**(15)**	**(100)**
Current	**$ (1,344)**	**$ -**	**$ -**	**$ 20,351**	**$ 19,007**
Approved capital funding	-	-	-	623	**623**
Pre-retirement	-	-	-	20,109	**20,109**
Pre-retirement-Non-Devolved Facilities	-	-	-	827	**827**
Non-Current	**$ -**	**$ -**	**$ -**	**$ 21,559**	**$ 21,559**

(in thousands of dollars)

5. Due from Manitoba Health *(continued)*

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2017
Retroactive salary increases	$ 7,424	$ -	$ -	$ 305	$ 7,729
Other operations	2,407	526	356	302	3,591
Out of Globe 2015/16	-	-	-	(4,474)	(4,474)
Out of Globe 2016/17	(4,201)	-	-	-	(4,201)
Approved capital funding	1,048	-	-	893	1,941
Vacation	-	-	-	18,114	18,114
Vacation-Non-Devolved Facilities	-	-	-	747	747
	6,678	526	356	15,887	23,447
Less: allowance for doubtful accounts	(88)	(1)	(2)	(16)	(107)
Current	$ 6,590	$ 525	$ 354	$ 15,871	$ 23,340
Approved capital funding	-	-	-	1,208	1,208
Pre-retirement	-	-	-	21,106	21,106
Pre-retirement-Non-Devolved Facilities	-	-	-	827	827
Non-Current	$ -	$ -	$ -	$ 23,141	$ 23,141

6. Loan receivable

On August 31, 2009 the Region advanced the Brandon YMCA $320,000 to establish and operate a day care facility. The full term of the loan is thirteen (13) years. The terms of the agreement are set out that during the first three years from and after the advance date, the borrower pays interest only.

	2018	2017
The Brandon YMCA 3.5% compounded semi-annually repayable at $9,516 quarterly, including interest, with the first quarterly payment due Nov 30, 2012. Loan is secured by property, matures August 31, 2022	$ 158	$ 189
Less current portion	(33)	(32)
	$ 125	$ 157

Principal payments due in the next five years are as follows:	2019	$ 33
	2020	34
	2021	35
	2022	37
	2023	19

(in thousands of dollars)

7. Investments

	2018 Cost	2018 Fair Value	2017 Cost	2017 Fair Value
Various provincial, municipal and other bonds or debentures at interest rates from 1.11%-4.2%, maturing in 90 days or less	$ **1,246**	$ **1,240**	$ 1,464	$ 1,460
Provincial bond or debentures at an interest rate of 2.4%, maturing in 91 days to one year	**253**	**251**	988	970
Guaranteed investment certificate at an interest rate of 2.9%, maturing within one year	**20**	**20**	20	20
Bond pooled investments at interest rates from 0.1%-26.30%	**1,455**	**1,439**	-	-
Equity pooled investments	**478**	**479**	-	-
Current	**3,452**	**3,429**	2,472	2,450
Various provincial, municipal and other bonds or debentures at interest rates from 1.25%-8.1%, with varying maturities up to September 10, 2025	**3.997**	**3,931**	4,771	4,849
Government of Canada bonds at interest rates from 1.95%-8%, maturing June 1, 2029	**641**	**725**	641	753
Guaranteed investment certificates at interest rates from 2%-2.5% with varying maturities up to March 23, 2021	**80**	**80**	100	100
Investment in Tiger Hills Villa	**26**	**26**	26	26
Non-Current	**4,744**	**4,762**	5,538	5,728
	$ 8,196	**$ 8,191**	$ 8,010	$ 8,178

Investments primarily consist of bonds and guaranteed investment certificates (GIC's) with maturity dates of 12 months or greater from date of acquisition. Investments maturing within 12 months from the year-end date are classified as current. Investments are fixed income instruments issued or guaranteed by Canadian governments and corporations and include federal and provincial bonds, municipal bonds, corporate debentures and mortgage-backed securities, with a minimum A rating by an independent rating agency. Interest earned on investments ranges from 0.1%-26.3% paid semi-annually or quarterly.

8. Capital assets

2018

	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,571	$ -	$ 4,571
Land improvements	3,948	2,235	1,713
Buildings and leasehold improvements	392,700	178,078	214,622
Building service equipment/equipment	109,715	70,262	39,453
Assets under capital lease	3,793	2,204	1,589
Construction in progress	34,655	-	34,655
	$ 549,382	**$ 252,779**	**$ 296,603**

2017

	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,595	$ -	$ 4,595
Land improvements	3,516	1,965	1,551
Buildings and leasehold improvements	385,264	163,780	221,484
Building service equipment/equipment	95,541	60,002	35,539
Assets under capital lease	3,793	1,863	1,930
Construction in progress	21,377	-	21,377
	$ 514,086	$ 227,610	$ 286,476

(in thousands of dollars)

8. Capital assets *(continued)*

Construction in Progress Commitment

	Dauphin Emergency Expansion	Brandon Redevelopment	Dauphin MRI
Contractor	Horizon Builders Ltd.	Horizon Builders Ltd.	Con-Pro Industries
Date contract signed	December 2016	March 2016	March 2016
Estimated completion date	July 2019	May 2019	June 2019
Costs incurred to date for:			
Building	$ 9,085	$ 11,585	$ 4,239
Service equipment	-	210	533
Total costs incurred to date	**9,085**	**11,795**	**4,772**
Current year costs	6,876	4,999	654
Prior year costs	2,209	6,796	4,118
Total expected costs	$ 23,356	$ 16,883	$ 7,092

Other projects with total costs incurred to date of **$9,003** ($4,913 – 2017) are in various stages of completion. Total expected costs for these projects are $32,133.

9. Demand loans

The demand loans relate to Brandon Regional Health Centre Laundry capital purchases. Interest is paid monthly at prime less 1%.

10. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	$ 13,020	$ 17,391
Salary and payroll deductions payable	19,779	3,521
Pension payable	3,862	1,883
Accrued salaries	-	17,496
Accrued interest	36	39
	$ 36,697	$ 40,330

11. Employee future benefits

Employee future benefits include an accrued benefit obligation for vacation, pre-retirement, and sick leave benefits.

Vacation benefits obligation

The accrued benefit obligation for vacation benefits is valued using employee vacation banked balances at March 31 and salary rates. The total on the financial statements for vacation benefits at March 31, 2018 is **$34,014** ($34,047 – 2017) and is considered a short term obligation.

The long term portion of employee future benefits is made up of pre-retirement and sick leave benefits as follows:

(in thousands of dollars)

11. Employee future benefits *(continued)*

	2018	2017
Pre-retirement benefits obligation	$ 39,028	$ 39,535
Sick leave benefits obligation	7,588	7,293
	$ 46,616	$ 46,828

Pre-retirement benefits obligation

The accrued benefit obligation for pre-retirement benefits is actuarially determined using the projected unit credit service pro-rated on service actuarial cost method 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 nil for disability and employee mortality and withdrawal rates. The most recent actuarial report was prepared at March 31, 2018. The valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The accrued pre-retirement benefit obligation for March 31, 2018 is based on an extrapolation of that valuation.

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 Region's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

a) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for current active plan 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 Rule of 80 (where their age plus employment service totals 80)
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

b) The Region'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
   ii. two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

c) The Region'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 ten (10) or more years of accumulated service, up to a maximum of fifteen (15) week's pay.

The actuarial valuation was based on a number of assumptions about future events as follows:

	2018	2017
Discount rate - March 31	**3.425%**	3.0%
Rate of salary increase - April 1	**3.5%**	3.5%
EARSL - March 31 (in years)	**7.4**	7.4

Actuarial gains and losses can arise in a given year as a result of (a) the difference between the actual return on plan assets in that year and the expected return on plan assets for that year, (b) 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 (c) changes in actuarial assumptions. For the fiscal year beginning April 1, 2013, and 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 benefits plan amendments, are to be amortized into income over the expected average remaining service life (EARSL) of the related employee group. Prior to April 1, 2013 valuation, gains or losses have been recognized in the period they were incurred.

(in thousands of dollars)

11. Employee future benefits *(continued)*

The pre-retirement valuation includes employees who qualify at the fiscal year-end date 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 at March 31, 2018

Change in Benefit Obligation – Pre-retirement

	2018	2017
Pre-retirement benefit obligation, beginning of year	**$ 37.069**	$ 38,137
MTCC pre-retirement benefit obligation	180	-
Current period service cost	2,753	2,679
Interest cost	1,162	1,142
Benefits paid	(4,149)	(4,695)
Actuarial (gain)/loss	(3,161)	(194)
Pre-retirement benefit obligation, end of year	33,854	37,069
Unamortized net actuarial gain (loss)	5,174	2,466
Pre-retirement accrued benefit liability, end of year	**$ 39,028**	$ 39,535

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.

Sick leave benefits obligation

For the year ending March 31, 2013, the Region adopted accrual accounting for the sick leave plan according to Canadian public sector accounting standards section PS3255. Prior to that date the Region recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the statement of financial position. At the beginning of fiscal year April 1, 2011, a valuation of the Region's obligations for the accumulated sick leave banked 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 are as follows:

- Average employee daily wage
- Number of sick days used in the year
- Number of sick days earned in the year
- Excess days of used over earned
- Dollar value of the excess
- Number of unused sick days

Key assumptions used in the valuation were based on Management's best estimates. The valuation used the same assumptions about future events as was used for the pre-retirement valuation above. The following table presents information about the accrued sick leave benefit obligation, the change in value and the balance of the obligation:

Change in Benefit Obligation – Sick Leave

	2018	2017
Sick Leave benefit obligation, beginning of year	**$ 9,945**	$ 10,586
MTCC sick leave benefit obligation	61	-
Current period service cost	812	789
Interest cost	311	316
Expected benefits paid	(1,543)	(1,684)
Actuarial (gain)/loss	(939)	(62)
Sick Leave benefit obligation, end of year	8,647	9,945
Unamortized net actuarial gain (loss)	(1,059)	(2,652)
Sick Leave benefit liability, end of year	**$ 7,588**	$ 7,293

(in thousands of dollars)

12. Long-term debt

	2018	2017
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.86% to 6%, due from April 1, 2017 to March 1, 2018, with monthly payments of principal and interest from $.986 to $3, secured by buildings	$ -	$ 14
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from April 30, 2022 to December 31, 2023, with monthly payments of principal and interest from $5 to $6, secured by buildings	558	647
Mortgage payable to the Royal Bank of Canada at 5.00%, monthly payments of $9 principal and interest, due from February 15, 2018 to February 15, 2021, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	177	270
	735	931
Less: current portion	(195)	(196)
	$ 540	$ 735

Principal payments due in the next five years are as follows:	2019	$ 195
	2020	187
	2021	117
	2022	129
	2023	62
	Thereafter	45

13. Obligation under capital lease

	2018	2017
Royal Bank of Canada monthly payments including interest of $6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	$ 404	$ 476
Royal Bank of Canada monthly payments including interest of $27, bears interest at 3.41%, secured by the underlying equipment, expiring Feb 2018	403	713
Royal Bank of Canada monthly payments including interest of $8, bears interest at 3.54%, secured by the underlying equipment, expiring Feb 2018	-	87
Royal Bank of Canada monthly payments including interest of $10, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017	-	42
	807	1,318
Less: current portion	(396)	(511)
	$ 411	$ 807

Principal payments due in the next five years are as follows:	2019	$ 396
	2020	159
	2021	78
	2022	80
	2023	34
	Thereafter	60

(in thousands of dollars)

14. Deferred contributions

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2018	2017
Balance, beginning of year	$ 14,713	$ 13,688
Amount received during the year	11,202	8,697
Transferred to deferred contributions, capital assets	(2,929)	-
Transferred from MTCC	7,543	-
Capital asset purchases	(4,164)	(2,236)
Less: amounts amortized to revenue	(111)	(87)
Less: amounts recognized as revenue – programs	(4,754)	(5,347)
Less: amounts recognized as revenue – ancillary	(652)	(2)
	$ 20,848	$ 14,713

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount of grants, donations and debt financing received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ 274,675	$ 270,853
Amount received during the year	18,828	2,990
Transferred from deferred contributions, future expenses	2,929	-
Transferred from MTCC	1,038	-
Transfers (to) from Non-Devolved Facilities	-	(39)
Capital asset purchases	24,339	20,656
Less: amounts amortized to revenue, capital assets	(17,113)	(16,908)
Less: amounts recognized as revenue – programs	(389)	(409)
Less: amounts recognized as revenue - ancillary	(17)	(152)
Less: principal payments on long-term debt	(19,920)	(2,405)
Transfers (to) from Net Assets-Invested in Capital Assets	-	89
	$ 284,370	$ 274,675

The Region entered into long-term loan agreements with various financial institutions to provide debt financing. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2006 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2005. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Region has incorporated the following long-term debt balance as part of its deferred contributions, capital balance.

	2018	2017
Lines of Credit at prime less 1.05% per annum established via borrowing resolutions supported by letter of comfort from Manitoba Health	$ 40,168	$ 40,370
8% mortgage repayable monthly to Canada Mortgage and Housing Corporation with payments of principal and interest of $2, maturing April 2025, secured by buildings	145	160
1.31% mortgage repayable monthly to Canada Mortgage and Housing Corporation with payments of principal and interest of $14, maturing 2021, secured by buildings	589	748
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 5.75% to 10.50%, due from October 1, 2018 to May 1, 2029, with monthly payments of principal and interest from $1 to $27, secured by buildings	3,942	4,423
	$ 44,844	**$ 45,701**

(in thousands of dollars)

15. Pension plan

The majority of the employees of the Region 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 benefit 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 actual funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

On October 17, 2017 HEB Manitoba and the Board of the Healthcare Employees' Pension Plan (HEPP) announced changes designed to enhance the long term sustainability of the Plan's defined benefit commitment. There are transition rules for current members. Future members who begin employment after December 1, 2019 must be age 55 to retire and will not be eligible for supplementary or bridge benefits.

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, 2016 the Plan's going concern ratio was 101.3%.

During the year, the Region contributed **$25,698** ($24,316 – 2017) to the Pension Plan using contribution rates set out in the Plan as follows:

	2018	2017
Employee contributions		
% of Basic Annual Earnings below YMPE*	**8.9%**	8.9%
% of Basic Annual Earnings above YMPE	**10.5%**	10.5%
Employer contributions		
% of Basic Annual Earnings below YMPE	**8.9%**	8.9%
% of Basic Annual Earnings above YMPE	**10.5%**	10.5%

*(*YMPE – Yearly Maximum Pensionable Earnings)*

16. Invested in capital assets

Invested in capital assets represents all capital assets (including restricted capital assets) net of accumulated amortization and outstanding balances of debt related to the acquisition, construction or improvement of these assets.

	2018	2017
Capital Assets	$ 296,603	$ 286,476
Amounts financed by:		
Deferred contributions	(284,370)	(274,675)
Due from (to) operating account	(4,281)	(2,287)
Long term debt, bank advances and capital lease obligation	(1,542)	(2,456)
	$ 6,410	$ 7,058

(in thousands of dollars)

17. Restricted assets

Internally restricted
The Board of Directors has restricted net assets related to non Manitoba Health activities of **$5,314** ($5,289 - 2017). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases. Internally restricted net assets consist of donations, bequests, revenue from ancillary operations and other contributions.

Externally restricted
Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

18. Manitoba Health revenue

	2018	2017
Allocation per Funding Document	$ 529,607	$ 520,054
Add one time funding:		
Additional global	-	12,800
2015-16 global deficit	-	(543)
Salary and benefit settlements	(655)	7,493
Interfacility transfers, lifeflight and EMS revenue rate reduction	772	3,390
COLA Plan increases	-	2,765
Primary care/community programs improvement initiatives	431	645
Family physician stipends	326	324
Primary care nurses salaries and benefits	116	288
Provincial workplace injury reduction	216	192
Long service step	-	873
Emergency services billings	40	40
Diagnostic Services improvements	-	73
Various program improvement initiatives	(6)	181
Emergency Medical Services paramedics	21	270
Total funding approved by Manitoba Health	$ 530,868	$ 548,845
Add/(deduct):		
Fee for service income	4,781	5,076
Global medical remuneration year end settlement	(204)	(301)
Amounts recorded in deferred contributions	(4,294)	(3,257)
Medical remuneration non-global reconciliation	(3,744)	(4,022)
Total revenue from Manitoba Health	**$ 527,407**	$ 546,341

19. Capital disclosures

The Region operates a number of elderly persons housing facilities which are subject to capital requirements as part of Canada Mortgage and Housing Corporation ("CMHC") and Manitoba Housing. Under the terms of agreements with Manitoba Housing and CMHC, replacement reserve accounts are to be credited with amounts as determined in consultation with Manitoba Housing. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by Manitoba Housing or CMHC from time to time. The funds in the account may only be used as approved. Withdrawals are credited to interest first and then principal.

Pursuant to the operating agreements with Manitoba Housing for Riverdale Personal Care Home Inc. Westwood Lodge, Tiger Hills Villa Inc. and Hamiota District Health Centre Inc. Lilac Residence (North Wing) elderly persons housing facilities, on a cumulative basis for all Manitoba Housing properties, any excess subsidy funding provided to the Region is to be repaid. Where a cumulative deficiency exists for Manitoba Housing properties, the shortfall is the responsibility of Manitoba Housing subject to approval of project costs.

20. Commitments and contingences

(i) The Region has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2019	$ 2,054
2020	1,418
2021	481
2022	255
2023	54

(ii) The Region is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Region.

(iii) Effective January 1, 2003 the Region joined in the 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, 2018.

(iv) During the year ended March 31, 2018, the HEB Manitoba Data Integrity Project identified individual member pension contribution discrepancies. To resolve the contribution variances, the Required Contribution Project was introduced. Reconciliation of the contribution variances between the employer and HEB Manitoba records is ongoing. It is expected that the amount owing, once finalized, will not have a material adverse effect on the financial position of the Region.

21. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2015, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2018, the Region has no known contaminated sites or no known future potential contaminated sites.

22. Related party transactions

The Region provides community health services through operations directly owned by the Region as well as through other organizations and agencies via a variety of agreements (Notes 3(a), 3(b), 5 and 18). Transactions between the related parties are recorded at the exchange amount.

With the dissolution of the Regional Health Authorities of Manitoba (RHAM), Manitoba Health appointed PMH as the governing authority over the operations of the Medical Transportation Coordination Centre (MTCC) effective April 1, 2017. Therefore, on April 1, 2017 the assets and liabilities in the amount of $9,291 (in thousands) of MTCC were consolidated into the books and records of PMH and all future reporting of operational results will be part of the consolidated financial statement of PMH.

23. Trusts under administration

At March 31, the balance of funds held in trust are as follows:

	2018	2017
Resident trust funds	**$ 339**	$ 337

These funds are not included in the balances of the Region's financial statements.

(in thousands of dollars)

24. Disclosure of allocated expenses

Allocated expenses relate to expenses that have been assigned amongst programs where acute care and personal care homes share the same facility, and would not include all facilities under the Region. The portion of expense allocated is as follows:

	Acute	Personal Care Homes	Community	Total 2018	Total 2017
Administration	$ 937	$ 828	$ -	**$ 1,765**	$ 1,881
Food Services	3,661	13,189	77	**16,927**	16,921
Housekeeping	3,077	1,973	-	**5,050**	5,221
Laundry	1,759	1,486	-	**3,245**	3,245
Nursing	1,177	1,063	-	**2,240**	2,364
Plant Operations	5,235	1,383	-	**6,618**	6,806
Plant Maintenance	3,129	2,126	-	**5,255**	5,587
Balance, end of year	**$ 18,975**	**$ 22,048**	**$ 77**	**$ 41,100**	$ 42,025

25. Economic dependence

The Region received approximately 87% (88% - 2017) 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.

26. Subsequent events

Effective April 1, 2018, Prairie Mountain Health will be adopting the Canadian public sector accounting standards without sections PS4200 to PS4270 of the CPA Public Sector Accounting Handbook.

27. Comparative figures

Comparative figures have been restated to compare to current year results.

Non-consolidated Financial Statements of

Southern Health-Santé Sud

March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Southern Health-Santé Sud

We have audited the accompanying non-consolidated financial statements of Southern Health-Santé Sud, which comprise the non-consolidated statement of financial position as at March 31, 2018, and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Southern Health-Santé Sud as at March 31, 2018, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

June 28, 2018
Winnipeg, Manitoba

Southern Health-Santé Sud
Non-consolidated Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and short term investments	$ 49,356,175	$ 38,926,429
Accounts receivable, net (Note 4)	5,240,485	5,034,965
Accounts receivable - Manitoba Health, Seniors & Active Living (Note 5)	-	9,603,399
Accounts receivable - Foundations	275,375	254,126
Accounts receivable - Diagnostic Services of Manitoba	243,244	88,896
Inventories	1,362,446	1,375,513
Prepaid expenses	996,739	800,363
Due from Manitoba Health, Seniors & Active Living - vacation entitlements	8,839,967	8,839,967
	66,314,431	64,923,658
NON-CURRENT		
Due from Manitoba Health, Seniors & Active Living - retirement entitlements (Note 20)	10,118,174	11,463,152
Capital assets (Note 6)	204,587,527	199,821,774
	$ 281,020,132	$ 276,208,584
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	$ 15,503,095	$ 17,852,857
Accounts payable - Manitoba Health, Seniors & Active Living (Note 5)	824,842	-
Accounts payable - affiliated organizations	365,626	146,390
Accrued vacation benefit entitlements	18,278,219	19,126,892
Current portion of long term debt (Note 9)	825,079	1,850,901
	35,796,861	38,977,040
NON-CURRENT		
Accrued retirement entitlements	19,600,734	19,584,214
Due to affiliated organizations - retirement entitlements	2,999,570	2,997,275
Due to Diagnostic Services of Manitoba - benefit entitlements (Note 20)	-	1,549,916
Accrued sick leave benefit entitlements	7,284,221	7,104,280
Long term debt (Note 9)	41,269,420	50,529,465
	71,153,944	81,765,150
DEFERRED CONTRIBUTIONS (Note 10)		
Expenses of future periods	10,992,593	10,318,848
Capital assets	153,989,012	139,281,678
	164,981,605	149,600,526
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Invested in capital assets (Note 11)	8,504,016	8,159,731
Internally restricted (Note 12)	127,610	967,062
Unrestricted	456,096	(3,260,925)
	9,087,722	5,865,868
	$ 281,020,132	$ 276,208,584

APPROVED BY THE BOARD OF DIRECTORS

Original Document Signed ____________________ Director

Original Document Signed ____________________ Director

Southern Health-Santé Sud
Non-consolidated Statement of Operations
For the year ended March 31, 2018

		2018		2017
REVENUE				
Manitoba Health, Seniors & Active Living (Note 14)	$	**338,128,933**	$	351,684,978
Other Province of Manitoba		**1,226,240**		1,258,276
Government of Canada		**620,213**		586,281
Non-global patient and resident income		**13,599,825**		13,339,192
Other income		**13,768,236**		12,655,514
Amortization of deferred contributions - expenses of future periods (Note 10)		**3,749,149**		6,602,858
Amortization of deferred contributions - capital assets (Note 10)		**8,851,145**		7,966,150
Interest		**875,613**		507,422
Donations		**309,512**		311,416
Ancillary operations (Schedule 1a)		**2,792,170**		2,634,778
		383,921,036		397,546,865
EXPENSES				
Acute care services		**116,954,753**		116,652,673
Long term care services		**50,854,533**		51,357,429
Medical remuneration		**29,933,074**		29,919,681
Community based therapy services		**7,441,855**		6,809,306
Community based mental health services		**9,102,012**		9,105,752
Community based home care services		**42,380,514**		42,966,963
Community based health service		**21,683,206**		20,903,160
Emergency medical services		**19,151,451**		18,727,401
Diagnostic services		**2,831,004**		19,615,188
Regional health authority undistributed		**21,841,605**		22,326,668
Affiliated organizations		**44,024,439**		43,461,446
Interest on long term debt		**521,756**		483,931
Pre-retirement leave		**2,134,362**		2,102,000
Sick leave		**179,937**		240,978
Amortization of capital assets		**9,231,721**		8,328,487
Major repairs		**24,806**		81,654
Ancillary operations (Schedule 1a)		**2,590,456**		2,265,049
		380,881,484		395,347,766
EXCESS OF REVENUES OVER EXPENSES BEFORE ADJUSTMENTS	$	**3,039,552**	$	2,199,099
Adjustment for Sick Leave Liability for Diagnostic Services of Manitoba (Note 20)		**204,938**		-
EXCESS OF REVENUES OVER EXPENSES	$	**3,244,490**	$	2,199,099

Southern Health-Santé Sud
Non-consolidated Statement of Changes in Net Assets
March 31, 2018

	Invested in Capital Assets	Internally Restricted (Note 12)	Unrestricted	March 31, 2018 Total	March 31, 2017 Total
Balance, beginning of year	$ 8,159,731	$ 967,062	$ (3,260,925)	$ 5,865,868	$ 3,737,938
Excess (deficiency) of revenue over expenses	(491,292)	-	3,735,781	3,244,490	2,199,099
Repayment of non-Manitoba Health, Seniors & Active Living funded long term debt	212,568	-	(212,568)	-	-
Investment in capital assets	623,009	(540,942)	(82,067)	-	-
Changes to internally restricted funds	-	(298,510)	275,874	(22,636)	(71,169)
Balance, end of year	$ 8,504,016	$ 127,610	$ 456,096	$ 9,087,722	$ 5,865,868

Southern Health-Santé Sud
Non-consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	**3,244,490**	2,199,099
Items not affecting cash		
Amortization of capital assets	**9,378,268**	8,475,761
Amortization of deferred contributions related to expenses of future periods	**(4,213,843)**	(6,805,952)
Amortization of deferred contributions related to capital assets	**(8,886,976)**	(8,002,018)
	(478,061)	(4,133,110)
Changes in non-cash operating working capital items	**6,884,612**	2,969,770
(Decrease) increase in sick leave and retirement entitlements	**(6,182)**	602,154
	6,400,369	(561,186)
FINANCING ACTIVITIES		
Principal payments on non-MHSAL funded long term debt	**(212,568)**	(233,232)
Proceeds from issuance of new debt	**8,787,124**	29,117,891
Principal payments of MHSAL funded long term debt	**(18,860,423)**	(14,049,184)
Deferred contributions received related to expenses of future periods	**6,480,585**	8,632,166
Deferred contributions received related to capital assets	**22,828,394**	15,679,354
	19,023,112	39,146,995
INVESTING ACTIVITIES		
Purchase of capital assets	**(14,971,100)**	(33,011,649)
Change in net assets	**(22,636)**	(71,169)
	(14,993,736)	(33,082,818)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**10,429,746**	5,502,991
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**38,926,429**	33,423,438
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 49,356,175**	$ 38,926,429
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:		
Cash	**49,207,824**	38,779,513
Short term investments	**148,351**	146,916
	$ 49,356,175	$ 38,926,429

1. NATURE OF BUSINESS

Southern Health-Santé Sud ("the Region") was incorporated under the laws of Manitoba on May 30, 2012, as an amalgamation of the former Regional Health Region Central Manitoba Inc., and the former South Eastman Health/Santé Sud-Est Inc. The Region is principally involved in providing health care services to the southern and central regions of Manitoba. The Region is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. BASIS OF PRESENTATION

These financial statements reflect the operating results and financial position of the Region as at March 31, 2018. The assets, liabilities and operations of the following devolved organizations have been included in these financial statements:

Altona Community Memorial Health Centre	Emerson Health Centre
Bethesda Place	Gladstone Health Centre
Bethesda Regional Health Centre	Hôspital Ste-Anne Hospital
Boundary Trails Health Centre	Lions Prairie Manor
Boyne Lodge Personal Care Home	Lorne Memorial Hospital
Boyne Towers Elderly Persons Housing	MacGregor Health Centre
Carman Memorial Hospital	Morris General Hospital
Centennial Apartments Elderly Persons Housing	Pembina Manitou Health Centre
Centre de santé - Foyer Notre Dame	Portage District General Hospital
Centre de santé Notre Dame Health Centre	Red River Valley Lodge
Centre de santé St. Claude Health Centre	Regency House Elderly Persons Housing
Centre médico-social De Salaberry District Health Centre	Repos Jolys
Crescent Lodge Elderly Persons Housing	Rotary Park Elderly Persons Housing
Crisis Stabilization Unit	Third Crossing Manor
Douglas Campbell Lodge	Vita & District Health Centre
Eastview Place	Emergency Medical Services - 20 sites

The Region has elected to not consolidate the operating results and financial position of the nine affiliated organizations, over which the Region has a direct economic interest, rather the Region has elected to provide note disclosure of the contractual arrangements and summary financial information relating to following entities (see Note 19):

Eden Mental Health Centre	Rock Lake Health District
Menno Home for the Aged Inc. (PCH Division)	Salem Home Inc.
Niverville Heritage PCH Inc.	Tabor Home Inc.
Prairie View Lodge Inc.	Villa Youville Inc. - Nursing
Rest Haven Nursing Home	

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAS for Government NPOs) and reflect the following significant accounting policies:

a) Revenue recognition

The Region follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors & Active Living ("MHSAL"). 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 MHSAL with respect to the year ended March 31, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. A receivable and corresponding deferred contribution is recorded for capital assets that have been purchased for which external funding has been approved but not received as at the balance sheet date.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Contributed services

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

c) Inventories

Inventories are recorded at the cost, which is determined on the first-in, first-out basis.

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Region's ability to provide services, its carrying value is written down to its residual value.

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

Land improvements	10%
Buildings	2%
Building renovations and upgrades	5%
Leasehold improvements	5%
Building service equipment	5%
Major equipment	10%
Computers, software and automobiles	20%

Construction in progress is recorded at cost. When the specific project is completed and put into use, all capitalized costs are transferred to capital assets and subject to amortization.

e) Vacation pay

The Region records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding in the subsequent year.

f) Retirement entitlement obligations

The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for all employees, is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

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

The Region undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Region's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (3.10% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation at March 31, 2004 in the amount of $11,463,152 had been set up as a non-current receivable from the Province and includes $1,719,577 set aside for the affiliated organizations. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Region an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable may be paid by the Province when the Region requires the funding to discharge the related pre-retirement liabilities.

g) Sick Leave obligations

The Region undertook a valuation of the non-vesting sick leave entitlements. The significant assumptions adopted in measuring the Region's sick leave entitlements include a discount rate of 3.425% (3.10% in 2017), a rate of salary increase of 3.5% (3.5% in 2017) and an EARSL of 7.62 (7.62 in 2017).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas of key estimation include post-employment benefits, compensated absence liabilities and the allowance for doubtful accounts.

i) Long-lived Assets

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

j) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Region becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments, including cash, short term investments, accounts receivable, due from MHSAL, accounts payable and accrued liabilities and long term debt are measured at amortized cost.

Transaction costs related to financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Region recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

4. ACCOUNTS RECEIVABLE, NET

The Region's exposure to credit risk from accounts receivable as at March 31 is as follows:

	2018				
	0-30 Days	**31-60 Days**	**61-90 Days**	**91+ Days**	**Total**
Trade Receivables	**$ 1,374,566**	**$ 569,767**	**$ 130,010**	**$ 3,946,122**	**$ 6,020,465**
Resident Receivables	**82,996**	**20,003**	**7,668**	**66,532**	**177,199**
GST Receivable	**411,315**	**-**	**-**	**-**	**411,315**
Loan Receivable	**1,729,749**	**-**	**-**	**-**	**1,729,749**
Other Receivables	**326,584**	**1,477**	**161**	**2,484**	**330,706**
	3,925,210	**591,247**	**137,839**	**4,015,138**	**8,669,434**
Less allowance for doubtful accounts:					
Emergency medical services	**-**	**-**	**-**	**(2,265,444)**	**(2,265,444)**
Other	**-**	**-**	**-**	**(1,163,505)**	**(1,163,505)**
	-	**-**	**-**	**(3,428,949)**	**(3,428,949)**
	$ 3,925,210	**$ 591,247**	**$ 137,839**	**$ 586,189**	**$ 5,240,485**

	2017				
	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Trade Receivables	$ 1,150,672	$ 358,536	$ 126,836	$ 3,383,975	$ 5,020,019
Resident Receivables	8,879	7,431	8,793	65,587	90,691
GST Receivable	453,952	-	-	-	453,952
Loan Receivable	2,165,773	-	-	-	2,165,773
Other Receivables	65,322	-	-	-	65,322
	3,844,598	365,967	135,630	3,449,562	7,795,757
Less allowance for doubtful accounts:					
Emergency medical services	-	-	-	(1,843,409)	(1,843,409)
Other	-	-	-	(917,383)	(917,383)
	-	-	-	(2,760,792)	(2,760,792)
	$ 3,844,598	$ 365,967	$ 135,630	$ 688,770	$ 5,034,965

5. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH, SENIORS & ACTIVE LIVING

Accounts Receivable (Payable) - MHSAL includes the following:

	2018	2017
Current year's operating funding		
Medical year end payable	$ (2,673,684)	$ (2,331,838)
Tabor Home new facility capital operating funding	(800,000)	197,963
Targeted wait time volume funding	-	2,370,000
Inter Facility Transfers	-	1,219,066
Emergency Medical Services Fee Reduction recovery funding	138,170	16,608
Professional Technical contract funding	523,368	6,943,762
Immunization per dose funding	243,344	-
Emergency Medical Services Superintendents retro pay	263,529	-
HEPP COLA	-	95,883
Boundary Trails Health Centre Renal Program expansion	-	98,239
Niverville Workers' Compensation Board expenses reimbursement	-	22,117
Notre Dame Health Centre new facility capital operating funding	-	43,884
Inter-Professional Team Demonstration Initiative	110,021	24,542
Palliative Care Program Specialist & Assistant	-	53,780
Long Service Step contract funding	-	170,422
Other programs	71,907	22,952
	(2,123,345)	8,947,381
Approved capital projects	1,298,503	656,018
	$ (824,842)	$ 9,603,399

In Globe Funding

In Globe funding is funding provided by MHSAL for regional programs unless otherwise specified as Out of Globe funding. This may include volume changes, price increases and program expansion 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 covered by internal reallocations of global funding from MHSAL, own source revenues or additional global funding provided by MHSAL.

Any operating surplus greater than 2% of the budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to MHSAL until such time as MHSAL reviews the financial statements. At that time, MHSAL determines what portion of the approved surplus may be retained by the Region, or repaid to MHSAL.

Under MHSAL policy, the Region is responsible for In Globe deficits, unless otherwise approved by MHSAL.

Out of Globe Funding

Out of Globe funding is funding approved by MHSAL 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 MHSAL until such time as MHSAL reviews the financial statements. At that time, MHSAL determines what portion of the approved surplus may be retained by the Region or repaid to MHSAL.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from MHSAL until such time as MHSAL reviews the financial statements. At that time, MHSAL determines their final funding approvals which indicate the portion of the deficit that will be paid to the Region. Any unapproved costs not paid by MHSAL are the responsibility of the Region.

6. CAPITAL ASSETS

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,653,519	$ -	$ 1,653,519	$ 1,634,819
Land improvements	2,105,159	1,085,894	1,019,265	1,229,781
Buildings	229,417,815	69,382,586	160,035,229	107,605,632
Building renovations and upgrades	18,719,432	5,501,582	13,217,850	13,192,488
Leasehold improvements	836,376	115,149	721,227	763,046
Building service equipment	10,711,084	2,969,957	7,741,127	7,666,965
Major equipment	72,677,291	59,738,412	12,938,879	10,059,078
Computers, software and automobiles	11,472,555	9,942,643	1,529,912	2,974,519
Construction in progress	5,730,519	-	5,730,519	54,695,446
	$ 353,323,750	$ 148,736,223	$ 204,587,527	$ 199,821,774

Construction in Progress Commitments

The construction in progress amount is comprised of a number of projects with total costs incurred to date of $5,730,517 and are at various stages of completion. The total expected costs for these projects is $14,662,035.

During the year $20,852,675 and $37,901,295 related to the Centre de santé Notre Dame Centre and the Tabor Home Personal Care Home and Supportive Housing Unit respectively were transferred from construction in progress to buildings and equipment because these projects were completed in the 2018 fiscal year.

7. AVAILABLE CREDIT FACILITY

MHSAL has authorized the Region to set up a credit facility with the Region's financial institutions to finance operating requirements in the amount of $16,100,000, with an interest rate of prime minus 1.00%. The balance drawn at March 31, 2018 was $nil (2017 $nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable and accrued liabilities	$ **8,035,333**	$ 6,377,459
Salaries and benefits liability	**7,453,350**	11,458,988
Accrued interest	**14,412**	16,410
	$ **15,503,095**	$ 17,852,857

9. LONG TERM DEBT

	2018	2017
Capital loans where debt repayment has not yet started bearing interest at 2.45% (2017 - 1.70%). Principal and interest will be fully funded by MHSAL once debt repayment begins.	**38,103,506**	38,651,477
Capital loans payable in monthly principal payments of $36,105 bearing interest at 2.45% (2017 - 1.70%). Principal and interest fully funded by MHSAL.	**1,684,194**	10,973,928
CMHC mortgages payable in monthly blended installments of $28,952 bearing interest rates between 7.25% to 10.50% due dates from October 1, 2021 to July 1, 2028. Principal and interest fully funded by MHSAL.	**1,916,152**	2,151,746
CMHC mortgage payable in monthly blended installment of $13,768 bearing interest at 1.04% due June 1, 2020. Secured by land and building.	**367,268**	527,766
CMHC mortgage payable in monthly blended installment of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and building.	**23,378**	31,853
CMHC mortgage - paid in full during the year	**-**	2,408
CMHC mortgage - paid in full during the year	**-**	41,188
	42,094,498	52,380,366
Less: current portion	**825,079**	1,850,901
	$ **41,269,420**	$ 50,529,465

Estimated principal repayment requirements for the next five years and thereafter are as follows:

2019	825,079
2020	828,407
2021	694,226
2022	602,176
2023	248,625
Thereafter	38,895,985
	$ 42,094,498

10. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2018	2017
Balance, beginning of year	$ **10,318,848**	$ 9,942,310
Additional contributions received	**6,480,585**	8,632,166
Less amounts transferred to deferred contributions - capital assets	**(1,592,996)**	(1,449,676)
Less amounts amortized to revenue	**(3,749,149)**	(6,602,858)
Less amounts amortized to revenue - ancillary	**(464,695)**	(203,094)
	$ **10,992,593**	$ 10,318,848

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants, donations and other funding received for the purchase of capital assets, excluding debt financing. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ **139,281,678**	$ 132,334,282
Amounts transferred from deferred contributions - expenses of future periods	**1,592,996**	1,449,676
Additional contributions received related to:		
current year purchases	**3,967,971**	1,630,170
refinancing purchases of prior years	**16,977,744**	12,306,558
loan and mortgage payments	**1,882,679**	1,742,626
Less amounts amortized to revenue	**(8,851,145)**	(7,966,150)
Less amounts amortized to revenue - ancillary	**(35,831)**	(35,868)
Less deferred contributions transferred to affiliated organizations	**(827,080)**	(2,179,616)
	$ **153,989,012**	$ 139,281,678

11. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	$ **204,587,527**	$ 199,821,774
Amounts financed by:		
Deferred contributions	**(153,989,012)**	(139,281,678)
Long term debt	**(42,094,499)**	(52,380,365)
	$ **8,504,016**	$ 8,159,731

b) Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ **8,886,976**	$ 8,002,018
Amortization of capital assets	**(9,378,268)**	(8,475,761)
	(491,292)	(473,743)
Repayment of non-MHSAL funded long term debt	**212,568**	233,232
Purchase of capital assets	**14,971,100**	33,011,649
Less amount funded by:		
Long term debt	**(8,787,124)**	(29,117,891)
Deferred contributions	**(5,560,967)**	(3,079,845)
	623,009	813,912
	$ **344,285**	$ 573,401

12. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $127,610 (2017 - $967,062) in net assets to be used for the purchase of specified capital assets.

13. COMMITMENTS AND CONTINGENCIES

a) The Region is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Region may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2018.

c) The Region has signed various building lease agreements and its minimum aggregate lease payments over the next five years and thereafter are as follows:

2019	1,839,822
2020	1,189,676
2021	1,121,411
2022	898,953
2023	796,095
Thereafter	7,468,382
	$ 13,314,339

14. MANITOBA HEALTH, SENIORS & ACTIVE LIVING REVENUE

MHSAL revenue includes the following:

	2018	2017
Revenue as per final approved budget	**$ 341,184,468**	$ 339,623,383
Province of Manitoba capital costs	**(2,160,871)**	(1,944,008)
Amounts recorded as deferred contributions	**(47,332)**	(94,782)
	338,976,265	337,584,593
Current year's estimated out of globe amounts	**-**	(31,597)
One time operational funding - contract settlements	**-**	7,131,594
One time operational funding - wait list	**-**	2,370,000
One time operational funding - DSM Expenses		240,324
One time operational funding - one time operational relief	**1,286,000**	-
One time operational funding - new Tabor Home capital operating	**-**	197,963
One time operational funding - new Tabor Home capital operating payable	**(800,000)**	
One time operational funding - Niverville Heritage Life PCH Inc.	**-**	114,328
One time operational funding - EMS Inter-facility transfer	**-**	3,113,012
One time operational funding - medical remuneration	**(2,587,724)**	(2,331,838)
One time operational funding - EMS superintendent initial contract	**263,529**	-
One time operational funding - new Notre Dame Hospital capital operating	**-**	43,884
One time operational funding - primary care/MyHealth teams/nurse practitioners	**85,479**	526,357
One time operational funding - MyHealth teams surplus deferrals	**(316,789)**	-
One time operational funding - Dialysis Expansion	**-**	98,239
One time operational funding - HEPP Cost of Living adjustment	**-**	1,869,283
One time operational funding - Universal Newborn Hearing Screening	**-**	171,484
One time operational funding - immunization	**243,344**	211,953
One time operational funding - Bethesda primary care center	**65,727**	-
One time operational funding - EMS additional PCPs	**283,310**	-
One time operational funding - EMS billing rate reduction offset	**443,250**	16,608
One time operational funding - Tertiary care regional centres	**180,000**	180,000
One time operational funding - other	**6,543**	178,791
	$ 338,128,933	$ 351,684,978

15. RELATED PARTY AND ECONOMIC DEPENDENCE

The Region receives in excess of 85% of its total revenue from MHSAL and is economically dependent on MHSAL for its continued operations.

16. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Region has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because none of the large number of organizations that make up this group are controlled by the Region and the organizations are individually immaterial to the Region as a whole.

17. PENSION PLAN

Most of the employees of the Region are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the 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 benefit plan are not allocated to the individual entities within the related group. As a result, 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 the requirements of the Chartered Professional Accountants of Canada Handbook section PS3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.9% of basic annual earnings up to the Canada Pension Plan ceiling and 9.5% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

Effective April 1, 2014, contributions began to establish Cost of Living Adjustment funds ("COLA") for the pension plan. Active pension plan members and their employers each contribute 0.8% of pensionable earnings to the fund. Effective April 1, 2015, active pension plan members and their employers contribute 1.0% of pensionable earnings, with 90% of contributions going to the active members fund and 10% going to the retired members fund. COLA increases are done on an "ad hoc" basis and are not guaranteed. The first COLA was paid on January 1, 2018. Future COLAs, if granted, will be paid in January of the applicable year. The payments will be a lump sum.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the Region on behalf of its employees amounted to $17,023,000 (2017 - $14,657,000) for the pension plan and $1,858,000 (2017 - $1,799,000) for the COLA plan and are included in the statement of operations.

Some of the employees of the Region are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Region employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Region and its employees.

18. FINANCIAL INSTRUMENTS

The Region, through its financial assets and liabilities has exposure to various risks in the normal course of operations. The Region's objective in risk management is to optimize the risk return within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the organization's activities. The Region's risk management strategies are unchanged from the previous year. The following analysis provides a measurement of those risks at March 31, 2018.

Credit Risk

The Region's principal financial assets, which are subject to credit risk are cash and accounts receivable.

Credit risk is the risk that the Region will incur a loss due to the failure by its debtors to meet their contractual obligations. The Region's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the balance sheet are net of allowance of doubtful accounts in the amount of $3,428,948 (2017 - $2,760,792) estimated by the management based on previous experience and its assessment of the current economic environment. The credit risk on cash is limited because the counterparties are primarily chartered banks with a high credit rating assigned by national credit-rating agencies.

The carrying amounts of these financial assets on the balance sheet represent the Region's maximum credit exposure at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that the Region will not be able to meet its obligations as they come due. The Region maintains adequate levels of working capital to ensure all its obligations can be met when they come due.

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Region is exposed to interest rate risk on its short term investments and certain long term debt. A 1% change in the prevailing interest rates has a nominal impact on the interest expense reported by the Region.

Foreign Exchange Risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Region is not exposed to significant foreign exchange rate risk as virtually all of its financial instruments are denominated in Canadian dollars and the number of transactions undertaken in a foreign currency is minimal.

19. AFFILIATED ORGANIZATIONS

Through various agreements and other arrangements the Region has an economic interest in nine affiliated organizations which are contracted to provide health care services within the geographic area under the mandate of the Region. The Region does not directly control these affiliated organizations through an ability to control the board or similar means, rather the Region has a direct economic interest in these affiliated organizations by virtue of these facilities holding and managing resources as an extension of the mandate of the Region. Under various arrangements, the health care services provided by the affiliated organizations are delivered under the control of the Region as the majority funder.

These affiliated organizations include: Eden Mental Health Centre, Menno Home for the Aged Inc. (Personal Care Home Division), Niverville Heritage PCH Inc., Prairie View Lodge Inc., Rest Haven Nursing Home (A division of Rest Haven Nursing Home of Steinbach Inc.), Rock Lake Health District, Salem Home Inc., Tabor Home Inc. and Villa Youville Inc. - Nursing. These entities are incorporated under the Corporations Act of Manitoba and are registered charities under the Income Tax Act and as such are exempt from income taxes.

The Region has not consolidated the operating results and financial position of these affiliated organizations in these financial statements, rather has elected to report its economic interest in these affiliated organizations through note disclosure.

These affiliated organizations are classified as not-for-profit organizations in the private sector and as such have adopted Part III – Accounting Standards for Not-for-Profit Organizations as their accounting framework. Under this accounting framework these affiliated organizations have not recognized a liability for accrued sick leave which does not vest.

A summary of the financial statements of these affiliated organizations is presented below.

Financial Position

	2018			2017		
	Total Assets	**Total Liabilities**	**Net Assets**	**Total Assets**	**Total Liabilities**	**Net Assets**
Eden Mental Health Centre	**$ 2,262,106**	**$ 2,770,027**	**$ (507,921)**	$ 2,420,031	$ 2,865,820	$ (445,789)
Menno Home for the Aged Inc. (PCH Division)	**3,513,037**	**3,355,919**	**157,118**	3,621,765	3,480,368	141,397
Niverville Heritage PCH Inc.	**12,832,122**	**13,698,248**	**(866,126)**	13,605,119	13,978,206	(373,087)
Prairie View Lodge Inc.	**1,141,737**	**1,014,657**	**127,080**	1,217,808	1,095,482	122,326
Rest Haven Nursing Home	**6,370,754**	**5,871,911**	**498,843**	6,551,826	6,171,685	380,141
Rock Lake Health District	**3,155,496**	**2,527,610**	**627,886**	2,681,652	2,107,808	573,844
Salem Home Inc.	**9,549,396**	**8,503,064**	**1,046,332**	9,621,392	8,853,559	767,833
Tabor Home Inc.	**2,748,764**	**2,186,718**	**562,046**	3,467,718	2,985,351	482,367
Villa Youville Inc. - Nursing	**7,152,277**	**7,044,240**	**108,037**	7,308,766	7,311,108	(2,342)
	$ 48,725,689	**$ 46,972,394**	**$ 1,753,295**	$ 50,496,077	$ 48,849,387	$ 1,646,690

Results of Operations and Cash Flows

	2018					
	Revenue	**Expenses**	**Surplus / Deficit**	**Cash Flow from Operations**	**Cash Flow from Financing Activities**	**Cash Flow from Investing Activities**
Eden Mental Health Centre	**$ 9,116,961**	**$ 9,179,093**	**$ (62,132)**	**$ (50,749)**	**$ 53,454**	**$ (51,701)**
Menno Home for the Aged Inc. (PCH Division)	**3,599,375**	**3,583,654**	**15,721**	**(15,007)**	**145,385**	**(131,655)**
Niverville Heritage PCH Inc.	**7,761,735**	**8,254,776**	**(493,041)**	**355,259**	**(214,214)**	**(95,874)**
Prairie View Lodge Inc.	**1,595,676**	**1,590,921**	**4,755**	**(41,483)**	**16,750**	**(26,866)**
Rest Haven Nursing Home	**5,473,885**	**5,355,183**	**118,702**	**268,818**	**17,848**	**4,152**
Rock Lake Health District	**7,254,441**	**7,200,399**	**54,042**	**8,391**	**663,751**	**(670,463)**
Salem Home Inc.	**12,528,900**	**12,250,401**	**278,499**	**417,753**	**39,248**	**(158,243)**
Tabor Home Inc.	**6,352,094**	**6,272,415**	**79,679**	**(838,845)**	**59,015**	**83,342**
Villa Youville Inc. - Nursing	**6,005,526**	**5,895,147**	**110,379**	**54,148**	**24,568**	**79,825**
	$ 59,688,593	**$ 59,581,989**	**$ 106,604**	**$ 158,285**	**$ 805,805**	**$ (967,483)**

	2017					
	Revenue	**Expenses**	**Surplus / Deficit**	**Cash Flow from Operations**	**Cash Flow from Financing Activities**	**Cash Flow from Investing Activities**
Eden Mental Health Centre	$ 9,591,839	$ 9,514,643	$ 77,196	$ (6,482)	$ 46,722	$ (39,231)
Menno Home for the Aged Inc. (PCH Division)	3,678,331	3,694,606	(16,275)	48,653	1,134,427	(968,711)
Niverville Heritage PCH Inc.	7,622,335	7,725,498	(103,163)	427,730	(434,017)	(72,980)
Prairie View Lodge Inc.	1,603,931	1,609,633	(5,702)	(4,287)	167,929	(171,186)
Rest Haven Nursing Home	5,498,480	5,493,745	4,735	28,283	977,932	(969,765)
Rock Lake Health District	7,119,133	7,036,764	82,369	63,342	104,959	(99,958)
Salem Home Inc.	12,659,352	12,433,815	225,537	430,668	306,170	(342,681)
Tabor Home Inc.	5,381,049	5,170,626	210,423	527,223	612,788	(80,487)
Villa Youville Inc. - Nursing	5,997,820	5,958,067	39,753	113,266	(7,513)	(598)
	$ 59,152,270	$ 58,637,397	$ 514,873	$ 1,628,396	$ 2,909,397	$ (2,745,597)

20. Diagnostic Services of Manitoba - Shared Health Services of Manitoba

Effective for the 2017-18 fiscal year, MHSAL approved a change in the global funding model to fund Diagnostic Services of Manitoba (DSM) directly instead of funding DSM indirectly through the Region. Therefore, on April 1, 2017 global funding of $17,266,092 was transferred from the Region to DSM. On April 1, 2018 DSM officially became part of Shared Health Services of Manitoba (SHSM). The Region continues to purchase supplies on behalf of DSM/SHSM and invoices for the full cost recovery of same to DSM/SHSM.

With respect to the transfer of global funding dollars to DSM effective April 1, 2017, it was agreed by all regions that each region would transfer to DMS a portion of the non-current receivable due from the Province for retirement entitlements. The amount to be transferred was to equal the retirement entitlements liability related to the DSM employees that had been recorded by the respective region as at March 31, 2017. Therefore effective April 1, 2017 the Region transferred $1,344,978 of the receivable from the Province to DSM and reduced the amount owing to DSM for benefit entitlements by this same amount resulting in this obligation being nil at March 31, 2018. After the transfer was recorded, the balance of the non-current receivable from the Province for retirement entitlements at March 31, 2018 is $10,118,174 and includes $1,719,577 which has been set aside for affiliated organizations.

Also with respect to the transfer of global funding dollars to DSM effective April 1, 2017, it was agreed by all regions that each region would write off the payable related to DSM sick leave determined as at March 31, 2017. Therefore in the current year the Region reversed its payable obligation to DSM for sick leave in the amount of $204,938 and recorded a one time gain for this same amount.

21. FUTURE CHANGE IN ACCOUNTING FRAMEWORK

Along with other Health Delivery organizations in the Province, effective April 1, 2018, the Region will convert to Public Sector Accounting Standards (PSAS) without the 4200 Series. The impact of this change in accounting framework is still being determined but it is expected to be significant. The change will be implemented retrospectively.

22. MANITOBA HOUSING INCOME RECONCILIATION

Schedule 1b has been prepared for Manitoba Housing and has been audited to the Region's materiality level.

23. COMPARATIVE FIGURES

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

Southern Health-Santé Sud **Schedule 1a**
Statement of Operations - Ancillary Operations
For the year ended March 31, 2018

	Elderly Person's Housing (Schedule 1b)	Handivan	Retail Pharmacy	Other	**2018**	2017
REVENUE						
Outside sources	$ 1,206,118	$ 36,524	$ 1,049,002	$ -	**$ 2,291,644**	$ 2,395,816
Amortization of deferred contributions - Future Periods	464,695	-	-	-	**464,695**	203,094
Amortization of deferred contributions - Capital	19,040	16,791	-	-	**35,831**	35,868
	1,689,853	53,315	1,049,002	-	**2,792,170**	2,634,778
EXPENSES						
Operating	1,562,825	34,181	838,396	1,622	**2,437,025**	2,104,628
Amortization of capital assets	111,758	34,788	-	-	**146,545**	147,274
Interest on long term debt	6,886	-	-	-	**6,886**	10,317
Major repairs	-	-	-	-	**-**	2,830
	1,681,469	68,970	838,396	1,622	**2,590,456**	2,265,049
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 8,384	$ (15,654)	$ 210,607	$ (1,622)	**$ 201,714**	$ 369,729

Southern Health-Santé Sud **Schedule 1b**
Statement of Operations - Elderly Person's Housing
For the year ended March 31, 2018

	Regency House	Rotary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	2018	2017
REVENUE							
Rental Income	$ 404,287	$ 255,436	$ 66,118	$ 178,342	$ 189,915	$ 1,094,097	$ 1,035,158
MHRC Subsidy	65,130	2,691	-	12,608	12,500	92,930	100,806
Amortization of deferred contributions - Capital	7,791	-	-	584	10,665	19,040	19,077
Amortization of deferred contributions - Future Periods	35,436	69,305	1,370	39,694	318,888	464,695	203,094
Other	6,513	5,355	2,631	1,641	2,952	19,091	16,328
	519,157	332,787	70,119	232,869	534,920	1,689,853	1,374,463
EXPENSES							
Purchased Services	24,805	24,805	10,032	15,048	3,959	78,649	79,758
Interdepartmental Services	10,500	16,550	5,200	5,950	33,701	71,901	63,600
Salaries and Benefits	-	-	-	-	18,753	18,753	24,465
Mortgage Interest	4,578	2,111	13	184	-	6,886	10,317
Property Taxes	34,503	14,703	6,005	18,706	16,483	90,400	87,382
Insurance	5,100	3,000	1,000	4,100	5,000	18,200	18,200
Major repairs	-	-	-	-	-	-	2,831
Maintenance	47,732	43,407	5,428	15,482	14,527	126,577	138,405
Reserve for Major Repairs	97,936	161,405	14,870	80,894	533,688	888,795	388,993
Electricity	60,880	32,521	13,021	32,697	34,067	173,186	153,360
Natural Gas	-	5,137	-	-	4,208	9,344	12,637
Water and Sewer	17,177	22,818	2,687	6,960	6,349	55,992	48,966
Professional Fees - Audit	1,100	1,100	1,100	1,100	1,100	5,500	4,000
Telephone	4,582	2,165	-	-	2,262	9,009	8,064
Supplies	2,560	4,253	50	1,193	8,463	16,519	11,594
Amortization of capital assets - Land Improvements	1,558	-	-	-	611	2,169	2,169
Amortization of capital assets - Building	55,246	-	-	19,745	20,733	95,723	96,451
Amortization of capital assets - Equipment	5,030	-	-	-	8,835	13,865	13,865
	373,287	333,975	59,406	202,059	712,740	1,681,469	1,165,058
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 145,870	$ (1,188)	$ 10,713	$ 30,810	(177,820)	$ 8,384	$ 209,405
Manitoba Housing Income Reconciliation: (Note 21)							
Principal payments on mortgage	$ (160,498)	$ (8,475)	$ (2,408)	$ (41,187)	$ -	$ (212,568)	$ (233,232)
Depreciation land improvements	1,558	-	-	-	611	2,169	2,169
Depreciation buildings	55,246	-	-	19,745	20,733	95,723	96,452
Depreciation equipment	5,030	-	-	-	8,835	13,865	13,865
Amortization of deferred contributions	(43,227)	(69,305)	(1,370)	(40,278)	(329,553)	(483,735)	(222,171)
(Loss) / Income for Manitoba Housing Purposes	$ 3,977	$ (78,968)	$ 6,936	$ (30,910)	$ (477,194)	$ (576,163)	$ (133,512)
ACCUMULATED (DEFICIT) / SURPLUS	$ 118,381	$ 128,821	$ (69,333)	$ 10,531	$ (148,994)	$ 39,404	$ 31,021
Reserve for Major Repairs Balance	$ 53,648	$ 64,956	$ 36,411	$ 53,563	$ 7	$ 208,586	$ 224,747

Winnipeg Regional Health Authority
Office régional de la santé de Winnipeg

Consolidated Financial Statements of the

WINNIPEG REGIONAL HEALTH AUTHORITY

March 31, 2018

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Winnipeg Regional Health Authority. The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as issued by the Public Sector Accounting Board. Of necessity, the consolidated financial statements include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Ernst & Young LLP provides an independent audit of the consolidated financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the consolidated financial statements prepared by management.

Original Document Signed	Original Document Signed
Réal Cloutier	Shelley Hopkins, CPA, CMA
Interim President & Chief Executive Officer	Chief Financial Officer

Independent auditors' report

To the Directors of the
Winnipeg Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Winnipeg Regional Health Authority** [the "Authority"], which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **Winnipeg Regional Health Authority** as at March 31, 2018, and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
June 28, 2018

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31
(in thousands of dollars)

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 76,559**	$ 64,960
Accounts receivable (Note 5)	**106,742**	154,002
Inventory	**45,937**	48,549
Prepaid expenses	**18,003**	18,199
Investments (Note 8)	**9,220**	12,791
Employee benefits recoverable from Manitoba Health, Seniors and Active Living (Note 6)	**78,957**	78,957
	335,418	377,458
CAPITAL ASSETS (Notes 7 and 12)	**1,760,447**	1,788,342
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health, Seniors and Active Living (Note 18)	**74,415**	82,499
Investments (Note 8)	**26,503**	21,122
	$ 2,196,783	$ 2,269,421
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET LIABILITIES		
CURRENT		
Bank indebtedness (Note 12)	**$ 94,347**	$ 119,426
Accounts payable and accrued liabilities (Notes 9 and 11)	**181,216**	231,060
Deferred contributions, future expenses (Note 10)	**42,928**	41,375
Employee benefits payable (Note 6)	**128,535**	128,593
Current portion of long-term debt (Note 12)	**28,859**	31,836
	475,885	552,290
NON-CURRENT		
Long-term debt (Note 12)	**28,252**	29,259
Employee future benefits payable (Note 18)	**218,515**	220,761
Deferred contributions, capital (Note 13)	**1,498,231**	1,492,856
	1,744,998	1,742,876
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET LIABILITIES	**(20,808)**	(21,234)
ACCUMULATED REMEASUREMENT LOSSES	**(3,292)**	(4,511)
	$ 2,196,783	$ 2,269,421

The accompanying notes and schedules are an integral part of the consolidated financial statements.

Original Document Signed
. . . . Karen Dunlop, RN
Chair, Board of Directors

Original Document Signed
. . . . Derek Johannson
Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations

For the year ended March 31
(in thousands of dollars)

	2018	2017
REVENUE		
Manitoba Health, Seniors and Active Living operating income	**$ 2,719,942**	$ 2,791,575
Separately funded primary health programs	**4,852**	5,751
Patient and resident income	**48,353**	43,055
Recoveries from external sources	**54,221**	50,053
Investment income	**275**	200
Other income	**7,248**	8,453
Amortization of deferred contributions, capital	**100,612**	102,256
Recognition of deferred contributions, future expenses	**15,283**	26,156
	2,950,786	3,027,499
EXPENSES		
Direct operations	**2,444,186**	2,539,815
Interest	**944**	956
Amortization of capital assets	**105,968**	108,720
	2,551,098	2,649,491
FACILITY FUNDING		
Long term care facility funding	**307,099**	310,698
Community health agency funding	**53,367**	51,513
Adult day care facility funding	**2,828**	3,013
Long term care community therapy services	**1,054**	1,258
GRANT FUNDING		
Grants to facilities and agencies	**45,051**	46,598
	2,960,497	3,062,571
OPERATING DEFICIT	**(9,711)**	(35,072)
NON-INSURED SERVICES		
Non-insured services income	**68,550**	67,181
Non-insured services expenses	**58,419**	60,671
NON-INSURED SERVICES SURPLUS	**10,131**	6,510
SURPLUS (DEFICIT) FOR THE YEAR	**$ 420**	$ (28,562)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31
(in thousands of dollars)

	2018				
	Unrestricted net assets	**Investment in capital assets**	**Internally restricted net assets (Note 14)**	**Endowment accounts**	**Total**
Balance, beginning of year	**$ (239,097)**	**$ 184,408**	**$ 31,283**	**$ 2,172**	**$ (21,234)**
Surplus (deficit) for the year	**14,560**	**(14,645)**	**505**	**-**	**420**
Purchase of capital assets, net	**(13,290)**	**13,947**	**(657)**	**-**	**-**
Net asset restrictions	**(1,252)**	**-**	**1,252**	**-**	**-**
Endowments received	**-**	**-**	**-**	**6**	**6**
Balance, end of year	**$ (239,079)**	**$ 183,710**	**$ 32,383**	**$ 2,178**	**$ (20,808)**

	2017				
	Unrestricted net assets	Investment in capital assets	Internally restricted net assets (Note 14)	Endowment accounts	Total
Balance, beginning of year	$ (198,786)	$ 178,110	$ 25,832	$ 2,163	$ 7,319
Surplus (deficit) for the year	(20,459)	(14,397)	6,294	-	(28,562)
Purchase of capital assets, net	(17,704)	20,695	(2,991)	-	-
Net asset restrictions	(2,148)	-	2,148	-	-
Endowments received	-	-	-	9	9
Balance, end of year	$ (239,097)	$ 184,408	$ 31,283	$ 2,172	$ (21,234)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31
(in thousands of dollars)

	2018	2017
Accumulated remeasurement losses at beginning of year	**$ (4,511)**	$ (6,278)
Unrealized gains (losses) attributable to:		
Derivative – interest rate swap (Note 11)	**1,656**	1,531
Investments	**(437)**	227
Realized gains reclassified to statement of operations		
Investments	**-**	9
Net remeasurement gain for the year	**1,219**	1,767
Accumulated remeasurement losses at end of year	**$ (3,292)**	$ (4,511)

The accompanying notes and schedules are an integral part of the consolidated financial statements.

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows
For the year ended March 31
(in thousands of dollars)

	2018	2017
OPERATING ACTIVITIES		
Surplus (deficit) for the year	$ 420	$ (28,562)
Items not affecting cash		
Amortization of capital assets	114,011	117,357
Amortization of deferred contributions, capital	(102,703)	(104,454)
Recognition of deferred contributions, future expenses	(15,695)	(26,426)
Net change in employee benefits	(2,304)	2,522
	(6,271)	(39,563)
Net change in non-cash operating working capital balances	9,534	50,888
Deferred contributions received, future expenses	17,248	14,646
	20,511	25,971
FINANCING ACTIVITIES		
Deferred contributions, capital received	108,078	126,699
Payment of line of credit	(25,079)	(7,787)
Long-term debt repayments	(3,984)	(4,423)
	79,015	114,489
CAPITAL ACTIVITIES		
Purchase of capital assets	(86,116)	(141,245)
	(86,116)	(141,245)
INVESTING ACTIVITIES		
(Increase) decrease in investments, net	(1,810)	362
	(1,810)	362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,600	(423)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,960	65,383
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 76,559	$ 64,960

The accompanying notes and schedules are an integral part of the consolidated financial statements.

1. NATURE OF BUSINESS

*The Winnipeg Regional Health Authority (the "*Authority" or *"WRHA") was established as of* May 28, 2012 under the Regional Health Authorities Act, as the successor to the Winnipeg Regional Health Authority established on December 1, 1999.

The Authority provides community health services, long term care services and acute care services. In addition, the Authority provides information technology services to all regional health authorities in Manitoba, Diagnostic Services of Manitoba, CancerCare Manitoba, the Addictions Foundation of Manitoba, as well as health care providers and their colleges and associations through its operations of Manitoba eHealth.

The scope of the Authority's operations is classified into these three distinct segments:

i. Direct operations – provided through:
   - Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Manitoba eHealth services, Long Term Care services (Middlechurch Home of Winnipeg and Riverpark Gardens sites), Acute Care services (Churchill Health Centre, Deer Lodge Centre, Grace General Hospital, Health Sciences Centre, Pan Am Clinic, and Victoria General Hospital sites), and Medical Remuneration.
   - Community Hospitals (Concordia Hospital, Seven Oaks General Hospital) – by means of agreements to further regionalization and operating agreements.
   - Other Hospitals (Misericordia Health Centre, Riverview Health Centre, St. Boniface General Hospital), Volunteer Enterprises of the Health Sciences Centre Inc. ("VENT") and Manitoba Adolescent Treatment Centre ("MATC") – by means of operating agreements.

ii. Long term care and community health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.

iii. Other health services – provided through various agencies by means of grant funding mechanisms.

The Authority is a not-for-profit organization. Under the *Income Tax Act* (Canada), the Authority is exempt from income taxes, provided certain requirements of the *Income Tax Act* (Canada) are met.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

The following Public Sector Accounting Standards ("PSAS") took effect April 1, 2017: Related Party Disclosures ("PSAS 2200"), Assets ("PSAS 3210"), Contingent Assets ("PSAS 3320"), Contractual Rights ("PSAS 3380") and Inter-entity Transactions ("PSAS 3420").

The Authority reviewed PSAS 3210, PSAS 3320 and PSAS 3380 and found that no additional recognition or disclosure was required in the financial statements for the year ended March 31, 2018. The Authority reviewed PSAS 2200 and PSAS 3420 and found that no additional recognition of amounts in the financial statements for the year ended March 31, 2018 was required; however, the Authority added disclosure in accordance with these sections (Note 17).

3. FUTURE ACCOUNTING POLICY CHANGES

a) Adoption of PSAS without sections 4200 – 4270

The Province of Manitoba has directed the Authority to change its basis of accounting from the Canadian PSAS for Government Not-For-Profit Organizations ("PSAS for GNFPOs"), which includes sections PSAS 4200 – PSAS 4270 to PSAS without sections PSAS 4200 – PSAS 4270 for the fiscal year beginning April 1, 2018. The most significant changes expected as a result of adopting this basis of accounting include:

- Deferred contributions, capital. Capital contributions from the Province of Manitoba will be recognized as revenue in the year that the asset is acquired or constructed. Currently, the Authority recognizes a deferred contribution liability in the year an asset is acquired and that liability is amortized and revenue is recognized over the useful life of the acquired or constructed asset.
- Deferred contributions, future expenses. When the Authority receives one-time funding for multi-year operating purposes, any unspent funds at the end of a fiscal year will be recognized as unearned revenue in the consolidated statement of financial position.
- Financial statement presentation:
  - The Authority's budget will be presented on the consolidated statement of operations along with current year and comparative year actual amounts.
  - The consolidated statement of financial position will present 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 consolidated statement of net assets will be replaced by the consolidated statement of net debt, which presents the activity during the year that contributed to the change in the net debt position on the consolidated statement of financial position.

b) Standard effective April 1, 2018

During the previous year, the Authority undertook a review of PSAS 3430 – Restructuring Transactions, which takes effect April 1, 2018. The Authority's preliminary assessment of the impact of this section is that the creation of Shared Health Inc. ("Shared Health") and transfer of operations from the WRHA to Shared Health (Note 20) will be in the scope of this standard. The full impact of applying this standard to the Shared Health/WRHA reorganization is unknown at this time as the specific operations to be transferred from the WRHA to Shared Health has not been finalized as at March 31, 2018. Assessment of the impact of this section will be finalized by March 31, 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards including PSAS for GNFPO.

a) Controlled entities

The Authority consolidates organizations involved in the delivery of health care services that it controls through the ability to determine the strategic operating, capital, investing and financial policies. Controlled organizations not directly involved in the delivery of health care services are not consolidated (Note 17).

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iii. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

iv. Endowment contributions requiring the externally restricted contribution be maintained in perpetuity – recognized as direct increase to net assets.

Non-insured services income is recognized when services are rendered.

Investment income, including realized gains and losses, is recorded as revenue when earned. Investment income from endowment net assets is recognized (a) as revenue when earned if no external restriction exists; (b) as revenue in the year in which the related expenses are incurred if an external restriction on the use of investment income exists; or (c) is added to endowment net assets if external restriction requires investment income to be held in perpetuity.

c) 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.

d) Inventory

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

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis at the following annual rates:

Buildings	2% - 10%
Buildings under capital lease	over the life of the lease
Furniture and equipment	4% - 33%
Computer hardware and software	10% - 33%
Leasehold improvements	over the life of the lease

Interest on the debt associated with construction in progress projects is capitalized as incurred.

f) Employee future benefits

The Authority accrues its obligations under employee benefit plans and the related costs. The Authority 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 Authority has insufficient information to apply defined benefit plan accounting.

Other defined benefit plans

The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected unit credit service prorated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains 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 Authority'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.

g) Endowment net assets

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

h) Use of estimates

The preparation of consolidated financial statements in conformity with PSAS for GNFPO 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Authority is funded by the Province of Manitoba using Manitoba Health, Seniors and Active Living ("Manitoba Health") funding mechanisms. These consolidated financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2018.

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

Other amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

i) Financial instruments

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

Fair value

The fair value category includes derivatives and investments.

Derivatives and investments are measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented in the consolidated statement of remeasurement gains and losses. In the year of settlement or disposal, the gains or losses are reclassified to the consolidated statement of operations.

The Authority 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 and losses and recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the writedown in the consolidated statement of operations is not reversed until the investment is sold.

(in thousands of dollars)

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 consolidated statement of operations. If the loss in value subsequently reverses, the writedown in the consolidated statement of operations is not reversed.

5. ACCOUNTS RECEIVABLE

	2018	2017
Manitoba Health – operating, capital and fee for service	**$ 61,272**	$ 106,737
Other Province of Manitoba departments	**2,366**	2,613
Facility advances and receivables	**5,665**	7,292
Patient-related and other	**51,337**	44,574
Allowance for doubtful accounts	**(13,898)**	(7,214)
	$ 106,742	$ 154,002

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

	Total	Current	31 - 60 days	61 - 90 days	>91 days
Patient-related and other	$ 51,337	$ 33,357	$ 2,264	$ 1,500	$ 14,216
Other Province of Manitoba departments	2,366	451	9	-	1,906
Facility advances and receivables	5,665	35	-	-	5,630
Gross receivables	59,368	33,843	2,273	1,500	21,752
Manitoba Health (See below)	61,272				
Allowance for doubtful accounts	(13,898)	(634)	(163)	(422)	(12,679)
Net receivables	$ 106,742	$ 33,209	$ 2,110	$ 1,078	$ 9,073

Manitoba Health receivables by funding year as at March 31, 2018 are as follows:

	Total	2017/18	2016/17	2015/16	2014/15 and prior
Manitoba Health – operating, capital and fee for service	$ 61,272	$ 40,698	$ 16,589	$ 1,773	$ 2,212

(in thousands of dollars)

Aging of accounts receivable as at March 31, 2017 is as follows:

		Total		Current		31 - 60 days		61 - 90 days		>91 days
Patient-related and other	$	44,574	$	21,080	$	3,041	$	1,685	$	18,768
Other Province of Manitoba departments		2,613		2,613		-		-		-
Facility advances and receivables		7,292		-		160		-		7,132
Gross receivables		54,479		23,693		3,201		1,685		25,900
Manitoba Health (See below)		106,737								
Allowance for doubtful accounts		(7,214)		-		-		-		(7,214)
Net receivables	$	154,002	$	23,693	$	3,201	$	1,685	$	18,686

Manitoba Health receivables by funding year as at March 31, 2017 are as follows:

	Total	2016/17	2015/16	2014/15	2013/14 and prior
Manitoba Health – operating, capital and fee for service	$106,737	$75,513	$19,328	$7,196	$4,700

As at March 31, 2018, there are significant amounts owing to the Authority that are past due. The majority of these amounts are from Manitoba Health and the Authority's experience is that these will be collected. None of these amounts are impaired.

6. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004, changes in the liability related to employee benefits were recoverable from Manitoba Health. The amount of funding that will be provided by Manitoba Health for employee benefits has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable of $78,957 on the consolidated statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province of Manitoba. Any changes from the March 31, 2004 liability amount are reflected in the consolidated statement of operations.

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

		2018		2017
Balance, beginning of year	**$**	**128,593**	$	121,299
Increase (decrease) in vacation/overtime/ statutory holiday entitlements		**(58)**		7,294
Balance, end of year	**$**	**128,535**	$	128,593

(in thousands of dollars)

7. CAPITAL ASSETS

	2018		
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 20,206**	**$ -**	**$ 20,206**
Buildings	**1,434,798**	**(644,840)**	**789,958**
Buildings under capital lease	**16,690**	**(2,121)**	**14,569**
Furniture and equipment	**1,023,103**	**(887,623)**	**135,480**
Computer hardware and software	**364,910**	**(214,950)**	**149,960**
Leasehold improvements	**146,887**	**(49,718)**	**97,169**
Construction in progress	**553,105**	**-**	**553,105**
	$ 3,559,699	**$ (1,799,252)**	**$ 1,760,447**

	2017		
	Cost	Accumulated amortization	Net book value
Land	$ 20,206	$ -	$ 20,206
Buildings	1,417,421	(607,982)	809,439
Buildings under capital lease	16,690	(1,704)	14,986
Furniture and equipment	1,003,972	(853,585)	150,387
Computer hardware and software	340,052	(182,286)	157,766
Leasehold improvements	145,332	(43,167)	102,165
Construction in progress	533,393	-	533,393
	$ 3,477,066	$ (1,688,724)	$ 1,788,342

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $1,566 (2017 - $2,657).

(in thousands of dollars)

8. INVESTMENTS

	Fair value hierarchy level		2018		2017
Investments at fair value					
Money market investments	**Level 2**	**$**	**3,584**	$	1,897
Government bonds	**Level 2**		**4,296**		4,128
Principal protected notes	**Level 2**		**3,820**		4,070
Corporate bonds	**Level 2**		**12,405**		11,136
Guaranteed Investment Certificates ("GICs")	**Level 2**		**11,686**		12,735
			35,791		33,966
Less: amounts included with accrued interest			**(68)**		(53)
			35,723		33,913
Less: amounts maturing/redeemable within one year, included in current assets			**(9,220)**		(12,791)
		$	**26,503**	$	21,122

The fair value hierarchy level is provided to present the degree of objectivity of the fair values of the investment portfolio. The levels are defined as follows:

Level 1: Unadjusted quoted prices in an active market for an identical asset or liability
Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Authority's total investment income is $1,347 (2017 - $1,233), which includes $275 (2017 - $200) in direct operations and $1,072 (2017 - $1,033) included in non-insured services income.

None of the above investments are considered impaired, and no writedown was recorded during the year as there were no declines in the values of these investments that were concluded to be other than a temporary decline in value.

The Authority manages the liquidity risk associated with its investments by limiting the types of eligible investments. At the time of purchase, corporate bonds and government bonds are limited to a rating of A or higher and money market investments are limited to R1 or better.

(in thousands of dollars)

The Authority is exposed to the effects of future changes in the prevailing level of interest rates. Changes in the market interest rates have a direct effect on the fair value of the Authority's investments. The Authority mitigates the interest rate risk exposure of its Principal protected notes, Government and Corporate bonds and GICs by staggering maturity dates. As at March 31, 2018, the maturity dates are as follows:

	Principal protected notes	Government	Corporate	GICs	Effective yield
Within 1 year	$ 1,270	$ -	$ 1,788	$ 2,578	1.71%
2 to 5 years	2,067	4,014	8,973	9,047	2.35%
5 to 10 years	483	254	1,638	-	2.19%
Over 10 years	-	27	-	-	5.74%
	$ 3,820	$ 4,295	$ 12,399	$ 11,625	

Money market investments are not exposed to significant interest rate risk due to the short-term maturity of these investments.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable and accrued liabilities	**$ 123,723**	$ 167,146
Accounts payable to Manitoba Health	**3,615**	10,512
Accrued salaries	**42,294**	41,476
Holdbacks on construction contracts	**11,584**	11,926
	$ 181,216	$ 231,060

(in thousands of dollars)

10. DEFERRED CONTRIBUTIONS, FUTURE EXPENSES

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses not yet incurred. The recognition of deferred contributions, future expenses is recorded as revenue in the consolidated statement of operations.

		2018		2017
Funding provided by Manitoba Health	**$**	**7,569**	$	3,385
Funding provided by other sources		**35,359**		37,990
Deferred contributions, future expenses	**$**	**42,928**	$	41,375

		2018		2017
Balance, beginning of year	**$**	**41,375**	$	56,955
Amount received during the year		**17,248**		14,646
Transferred to deferred contributions, capital		**-**		(3,800)
Less: amount recognized as revenue – programs		**(15,283)**		(26,156)
Less: amount recognized as revenue – non-insured services		**(412)**		(270)
Balance, end of year	**$**	**42,928**	$	41,375

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into interest rate swaps to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for each of the Emily Street Parkade ("Emily") and Tecumseh Street Parkade ("Tecumseh") at the Health Sciences Centre. These interest rate swaps relate to banker's acceptances (listed in Note 12), which are automatically renewed monthly until the end of the swap agreement.

The notional amount of the Emily swap at March 31, 2018 is $nil (2017 - $323); this swap matured on July 23, 2017 and had a fixed rate of 4.105%. The fair value of this swap as at March 31, 2017 was $(2), resulting in a derivative liability of $2 included in accounts payable and accrued liabilities.

The notional amount of the Tecumseh swap at March 31, 2018 is $27,886 (2017 - $29,177) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(3,438) (2017 - $(5,094)), resulting in a derivative liability of $3,438 (2017 - $5,094) included in accounts payable and accrued liabilities.

The counterparty to this contract is a major Canadian financial institution. The Authority does not anticipate any material adverse effect on its consolidated financial position resulting from the involvement in this type of contract, nor does it anticipate non-performance by the counterparty given their high credit rating.

(in thousands of dollars)

12. LONG-TERM DEBT

		2018		2017
1.720% banker's acceptance, maturing April 15, 2018 Health Sciences Centre Tecumseh Street Parkade (Note 11)	**$**	**27,886**	$	29,177
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $92		**15,884**		16,046
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments $48 St. Boniface General Hospital Atrium		**12,098**		12,367
7.38% mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition and Food Services		**772**		2,532
1.405% banker's acceptance, matured July 23, 2017 Health Sciences Centre Emily Street Parkade (Note 11)		**-**		323
Prime minus 0.65% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot		**471**		584
5.75% mortgage payable, matured March 31, 2018 Monthly principal and interest payments $3 Middlechurch		**-**		66
		57,111		61,095
Less: amounts due within one year, included in current liabilities		**(28,859)**		(31,836)
	$	**28,252**	$	29,259

The Health Sciences Centre Tecumseh Street Parkade loan has been collateralized by the Tecumseh Street Parkade, which at March 31, 2018 had a net book value of $31,370 (2017 - $32,785). The Health Sciences Centre Emily Street Parkade loan has been collateralized by the Emily Street Parkade, which at March 31, 2018 had a net book value of $3,389 (2017 - $3,749). The assigned results of the HSC Business and Innovative Services have also been secured against both of the parkade loans.

The St. Boniface General Hospital Atrium loan maturing on October 30, 2024 is collateralized by an assignment of existing and future leases and rents related to the St. Boniface General Hospital Atrium. In accordance with the terms of the loan agreement, the St. Boniface General Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any associated building or land without the lender's consent.

The Grace General Hospital Ancillary parking lot loan has been collateralized by the revenue from the Grace General Hospital Ancillary parking lot.

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which, as at March 31, 2018, amount to $131,500 (2017 - $132,000). As at March 31, 2018, $94,347 is being utilized (2017 - $119,426).

(in thousands of dollars)

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

	Bank loans	Capital lease
2018/19	$ 29,042	$ 201
2019/20	393	213
2020/21	405	226
2021/22	415	240
2022/23	52	257
Thereafter	10,920	14,747
	$ 41,227	$ 15,884

13. DEFERRED CONTRIBUTIONS, CAPITAL

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the consolidated statement of operations.

	2018	2017
Balance, beginning of year	**$ 1,492,856**	$ 1,466,811
Amount received during the year	**108,078**	126,699
Transferred from deferred contributions, future expenses	**-**	3,800
Less: amount amortized to revenue – programs	**(100,612)**	(102,256)
Less: amount amortized to revenue – non-insured services	**(2,091)**	(2,198)
Balance, end of year	**$ 1,498,231**	$ 1,492,856

The Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority incorporated the long-term debt balance of $164,553 (2017 - $152,432) as part of its deferred contributions, capital balance.

(in thousands of dollars)

14. INTERNALLY RESTRICTED NET ASSETS

Annually, the Board of Directors determines the amount, if any, to be transferred between unrestricted and internally restricted net assets. Internally restricted net assets include amounts set aside by the Authority and its consolidated entities for the following purposes:

	2018	2017
Laundry Capital Assets	**$ 2,954**	$ 2,306
Concordia Capital Assets	**664**	664
Deer Lodge Capital Assets	**281**	281
Grace Capital Assets	**3,400**	3,351
Victoria Capital Assets	**329**	329
Seven Oaks Ancillaries and Wellness Institute	**4,812**	5,081
Health Sciences Centre Internally Restricted	**7,538**	6,559
Riverview Internally Restricted	**4,218**	4,119
Middlechurch	**206**	206
Misericordia Ancillary Fund	**307**	930
St. Boniface Internally Restricted	**7,674**	7,456
Total	**$ 32,383**	$ 31,283

15. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

b) As at March 31, 2018, the Authority had agreements to lease various premises occupied by the Authority, as well as commitments to lease various equipment. Lease payments for the next five years are as follows:

	Premises	Equipment
2018/19	$ 24,988	$ 4,917
2019/20	24,337	4,153
2020/21	23,649	2,961
2021/22	23,185	1,480
2022/23	23,621	96
	$ 119,780	$ 13,607

c) As at March 31, 2018, the Authority had capital commitments of approximately $14,370 (2017 - $9,293) and equipment purchase commitments of approximately $1,776 (2017 - $10,166).

d) During the 2017/2018 fiscal year, the Authority was made aware by HEB Manitoba (“HEB”) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (“HEPP”) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Authority and HEB have not accurately determined the amount due from the Authority to HEB. It is expected that the amount, once finalized, will not be material to the consolidated financial statements of the Authority.

16. HEALTHCARE INSURANCE RECIPROCAL OF CANADA

On July 1, 1987, a group of health care organizations (“subscribers”) formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a reciprocal pursuant to provincial *Insurance Acts*, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

17. RELATED PARTIES

a) Key management personnel

The Authority undertakes an annual review to identify all of its related parties, including key management personnel, who are the individuals having authority and responsibility for planning, directing and controlling the activities of the entity. The key management personnel of the WRHA include members of the Board of Directors and Senior Management of the Authority. 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 Authority. If a conflict exists, the Authority quantifies the transactions and discloses as required. There were no related party transactions with key management personnel during the year ended March 31, 2018 that required disclosure.

b) Entities under common control

The Authority enters into funding arrangements either to receive or provide funding from/to other entities within the Province of Manitoba Government Reporting Entity. These entities are considered related parties as they and the WRHA are under the common control of the Province of Manitoba. The funding received or provided is recognized on an accrual basis at the exchange value of the funding transferred between the entities.

c) Related entities

The Authority provides community health services through operations directly owned by the Authority, as well as through other organizations and agencies via a variety of agreements (Note 1). Transactions between the related entities are recorded at the exchange amount.

The Authority is the majority funder of the Community Hospitals, the Other Hospitals and MATC, which act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Community Hospitals', the Other Hospitals', MATC's, and VENT's services and purposes are integrated with that of the Authority such that they and the Authority have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Community Hospitals, Other Hospitals and MATC, the Authority has the ability to determine their strategic operating, capital, investing and financing policies.

The controlled Community Hospitals, Other Hospitals, MATC, and VENT have been consolidated into the Authority's consolidated financial statements due to the nature of the agreements in existence, while the controlled Seven Oaks General Hospital Foundation Inc. and St. Boniface General Auxiliary Inc. have not been consolidated since they are not directly involved in the delivery of health care services. Note 17(c)i. provides a financial summary of these controlled non-consolidated entities.

For accounting purposes the relationships with these organizations and agencies are as follows:

i. Controlled entities

The Community Hospitals, Other Hospitals, MATC and VENT are controlled and have been consolidated into the Authority's consolidated financial statements.

The consolidated entities within the Authority exercise control over the following entities by virtue of their ability to determine their operating, investing, or financing policies. The following entities are controlled, but not consolidated:

Seven Oaks General Hospital Foundation Inc.
St. Boniface General Auxiliary Inc.

These entities were incorporated under the *Corporations Act* of Manitoba, are registered charities for the purposes of the *Income Tax Act* (Canada) and, accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

(in thousands of dollars)

A financial summary of these entities is as follows:

Financial Position	**2018**	2017
Total assets	**$ 2,620**	$ 2,201
Total liabilities	**97**	133
Total net assets	**$ 2,523**	$ 2,068
Results of Operations		
Total revenue	**$ 1,557**	$ 1,416
Total expenses	**1,128**	1,098
Surplus from operations	**$ 429**	$ 318
Cash Flows		
Used in operating activities	**$ 330**	$ 426
Provided by financing, capital and investing activities	**4**	952
Increase in cash	**$ 334**	$ 1,378

During the year, the controlled and not consolidated entities contributed $nil (2017 - $224) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with the listed entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $18 (2017 - $88) receivable from and $nil (2017 - $nil) payable to the entities above.

ii. Significant influence

The consolidated entities within the Authority exercise significant influence over a number of hospital foundations and other similar organizations by virtue of their ability to affect the entities' strategic operating, investing, and financing policies. These entities were incorporated under the *Corporations Act* of Manitoba, are registered charities for the purposes of the *Income Tax Act* (Canada) and, accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

During the year, these entities contributed $7,533 (2017 - $7,984) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with the above entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $904 (2017 - $1,965) receivable from and $nil (2017 - $2) payable to the entities above.

(in thousands of dollars)

iii. Economic interest

The consolidated entities within the Authority have an economic interest in a number of charitable organizations that support a hospital by virtue of the organizations holding resources that must be used to produce revenue for the consolidated entities within the Authority.

During the year, these entities contributed $4,581 (2017 - $3,041) to various facilities within the Authority. The Authority incurred expenses of $nil (2017 - $nil) with these entities. As at March 31, 2018, various facilities within the Authority had aggregate amounts of $75 (2017 - $23) receivable from and $nil (2017 - $nil) payable to these entities.

In addition to these entities, the Authority has an economic interest in proprietary and non-proprietary personal care homes and community health agencies. Funding is provided to these entities through service purchase agreements to deliver service on behalf of the Authority. As at March 31, 2018, the Authority had aggregate amounts of $nil (2017 - $nil) receivable from and $29,462 (2017 - $33,487) payable to proprietary and non-proprietary personal care homes and community health agencies.

18. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

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 a formula (dependent on the agreement/policy applicable to the employee).

The most recent valuation of the obligation was performed as at December 31, 2014, projected to March 31, 2015. The March 31, 2018 amounts are based on an extrapolation of the data used in the December 31, 2014 valuation. The next full valuation will be completed as at December 31, 2018 projected to March 31, 2019.

Information about the Authority's accrued retirement benefit plan as at March 31 is as follows:

	2018	2017
Accrued benefit obligation	**$ 169,884**	$ 181,777
Funded status – plan deficit	**$ (169,884)**	$ (181,777)
Unamortized net actuarial gain	**(19,732)**	(8,798)
Accrued benefit liability	**$ (189,616)**	$ (190,575)

(in thousands of dollars)

The change in the Authority's accrued retirement benefit plan consists of the following:

	2018	2017
Accrued benefit liability – beginning of year	**$ (190,575)**	$ (192,493)
In-year (expense)	**(15,540)**	(14,480)
Benefits paid	**16,499**	16,378
Accrued benefit liability – end of year	**$ (189,616)**	$ (190,575)

The expense related to the Authority's accrued retirement benefit plans consists of the following:

	2018	2017
Current service cost	**$ 11,970**	$ 11,725
Amortization of actuarial gain	**(1,658)**	(2,308)
Interest cost	**5,228**	5,063
	$ 15,540	$ 14,480

The significant actuarial assumptions adopted for measuring the Authority's accrued benefit obligations are as follows:

	2018	2017
Discount rate	**3.425%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.5 Yrs**	7.5 Yrs

The significant actuarial assumptions adopted in measuring the Authority's expense for the retirement benefit plan are as follows:

	2018	2017
Discount rate	**3.10%**	3.00%
Salary escalation	**3.50%**	3.50%

The amount of funding that will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable of $74,415 (2017 – $82,499) on the consolidated statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province of Manitoba. The change in this liability during the year is the result of the transfer of operations, including employees and the related assets and liabilities to Diagnostic Services of Manitoba. Any changes from the March 31, 2004 liability amount are reflected in the consolidated statement of operations.

(in thousands of dollars)

b) Pension plans

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer, defined benefit, highest consecutive average earnings, contributory pension plan available to all eligible employees. The Authority is a Signatory Board and Settlor of the Plan. All of the relevant financial information is contained within the financial information of the Plan.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $103,048 (2017 - $104,736) and are included as an expense in the consolidated statement of operations.

The most recent valuation for financial reporting purposes completed by the Plan as at December 31, 2017 disclosed total actuarial value of assets of $7,418,720 with total actuarial liabilities of $7,001,533, resulting in a surplus of $417,187.

Some employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the consolidated financial statements relating to the effects of participating in this plan by the Authority and its employees. During the year, the Authority expensed contributions of $600 (2017 - $688) to this plan.

Some employees are eligible for membership in the multi-employer City of Winnipeg Employees' Benefits Program, which includes the Civic Employees' Pension Plan. The Civic Employees' Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $2,266 (2017 - $2,040) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2016 disclosed total actuarial value of assets of $4,659,794 with total actuarial liabilities of $4,459,115, resulting in a surplus of $200,679.

Some employees are eligible for membership in the multi-employer Home Care Workers' Benefit Trust, which includes the Manitoba Home Care Pension Plan. The Manitoba Home Care Pension Plan is a defined contribution pension plan. During the year, the Authority expensed contributions of $2,127 (2017 - $1,865) to this plan.

c) Sick leave liability

The Authority provides sick leave benefits that accumulate, but do not vest.

Information about the Authority's sick leave liability as at March 31 is as follows:

		2018		2017
Accrued benefit obligation	**$**	**23,756**	$	26,858
Funded status – plan deficit	**$**	**(23,756)**	$	(26,858)
Unamortized net actuarial gain		**(5,143)**		(3,328)
Accrued benefit liability	**$**	**(28,899)**	$	(30,186)

(in thousands of dollars)

The change in the Authority's sick leave liability consists of the following:

		2018		2017
Accrued benefit liability – beginning of year	**$**	**(30,186)**	$	(33,040)
In-year expense		**(2,704)**		(1,533)
Benefits paid		**3,991**		4,387
Accrued benefit liability – end of year	**$**	**(28,899)**	$	(30,186)

The expense related to the Authority's sick leave liability consists of the following:

		2018		2017
Current service cost	**$**	**2,642**	$	2,585
Amortization of actuarial gain		**(791)**		(1,905)
Interest cost		**853**		853
	$	**2,704**	$	1,533

The significant actuarial assumptions adopted for measuring the Authority's sick leave liability are as follows:

	2018	2017
Discount rate	**3.425%**	3.10%
Salary escalation	**3.50%**	3.50%
Expected average remaining service life	**7.5 Yrs**	7.5 Yrs

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

	2018	2017
Discount rate	**3.10%**	3.00%
Salary escalation	**3.50%**	3.50%

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Authority is exposed to various financial risks through transactions in financial instruments.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority is exposed to credit risk in connection with its accounts receivable, interest rate swap, and investment activities.

The Authority's accounts receivable consist mostly of amounts due from the Government of Manitoba and from the facilities that it funds, minimizing credit risk. These receivable balances are monitored on an ongoing basis. An impairment allowance is set up based on the Authority's judgment on a case-by-case basis. There are no significant amounts that are past due or impaired.

The Authority's credit risk associated with an interest rate swap is minimized by entering into an agreement with a major Canadian financial institution.

With respect to credit risk arising from investment activities, the Authority manages this risk by developing an investment policy that establishes criteria for the selection of investments that include benchmarks for the creditworthiness of entities.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures, and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the change in market prices. Market risk comprises three types of risk: interest rate risk, liquidity risk, foreign exchange risk and other price risk.

The Authority is exposed to market risks through the derivative instruments entered into. The Authority uses derivative instruments only for risk management purposes and not for generating trading profit. As such, any change in cash flows associated with derivative instruments due to their exposure to market risks is designed to be offset by changes in cash flows related to the risk being hedged.

Interest rate risk

Interest rate risk includes the risk arising from fluctuations in short-term interest rates and the volatility of those rates on the issuance of floating rate debt. The Authority is exposed to interest rate risk with respect to its investments because the fair value will fluctuate due to changes in market interest rates. In addition, the Authority is exposed to interest rate risk with respect to its long-term debt because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which changes from time to time.

The Authority uses derivative instruments to manage exposure to changes in interest rates. The Authority's objective for holding these derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of this exposure.

The Authority has entered into an interest rate swap to manage the interest rate cash flow exposure associated with a proportion of total debt that is subject to variable rates. The contracts have an effect of converting the floating rate of interest to a fixed rate.

Under the swap, the Authority has agreed with other parties to exchange, at specified intervals, the difference between fixed-rate contracts and floating-rate interest amounts calculated by reference to the agreed notional amounts, as well as amounts reflecting the amortization of principal amounts.

The fair value of the bond portfolio is also subject to changes in the interest rate. The bonds held as investments have interest rates ranging from 2.3% to 5.7%, and maturities from April 16, 2018 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $102 (2017 - $545) on net assets and accumulated remeasurement gains or losses.

The interest payments on the variable rate long-term debt are subject to changes in the interest rate. A 1% change in the interest rate would result in an impact of $284 (2017 - $313) on interest expense on the consolidated statement of operations.

Offsetting the change on the variable rates of the Tecumseh and Emily Street Parkades is the interest rate swap. A 1% increase in interest rates, with all other variables held constant, would result in an estimated impact of $2,557 (2017 - $2,180) on net assets and accumulated remeasurement gains or losses.

Liquidity Risk

The Authority is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Authority manages its liquidity risk by monitoring cash requirements through cash forecasts to ensure sufficient resources are available to meet its obligations.

The maturities of financial liabilities are provided in the notes to the consolidated financial statements related to these liabilities.

Foreign exchange and other price risk

The Authority has minimal exposure to foreign exchange risk and other price risk.

20. SUBSEQUENT EVENT

Shared Health, a provincial organization, was established to support a centralized and better-connected provincial health planning process; and develop a provincial clinical and preventative services plan, effective April 1, 2018,. The organization will also provide coordinated clinical and business support to the Province of Manitoba’s regional health authorities. Preliminary plans include the centralization of services in the areas of contracting and procurement of supplies and equipment, capital planning, communications, food distribution, laundry services, clinical engineering services, accounting and legal services. The Authority will be transferring to Shared Health a significant number of services that are contemplated to be in the scope of Shared Health; however, the exact timing and magnitude of services, funding, and net assets to be transferred are not known at this time.

21. COMPARATIVE FIGURES

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

Financial Statements of

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place
Personal Care Home)

March 31, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of 3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home)

We have audited the accompanying financial statements of Calvary Place Personal Care Home, which comprise the statement of financial position as at March 31, 2018 and the statement of operations and changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calvary Place Personal Care Home as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 25, 2018
Winnipeg, Manitoba

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Operations and Changes in Net Assets
Year Ended March 31, 2018

	2018	2017
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 5,866,379**	$ 5,960,230
Residential charge	**1,997,938**	1,957,315
Amortization of deferred contributions - property	**320,564**	263,811
Other income	**37,324**	20,376
	8,222,205	8,201,732
EXPENSES		
Salaries	**5,213,945**	5,138,141
Employee benefits	**965,850**	1,029,043
Payroll tax	**109,433**	108,984
Incontinence supplies	**53,922**	47,440
Medical and surgical supplies	**60,029**	67,166
Bad debt expense	**16,950**	-
Operating - Schedule	**923,910**	921,587
Physical plant - Schedule	**329,641**	304,554
Amortization of fixed assets	**320,564**	263,811
Administration - Schedule	**92,579**	98,136
Nursing - Schedule	**148,844**	217,001
	8,235,667	8,195,863
(DEFICIENCY) EXCESS OF INCOME OVER EXPENSES BEFORE THE FOLLOWING:	**(13,462)**	5,869
Recognition of Activity Fund contributions	**-**	176,809
Gift to Heritage Benevolent Association Inc. (Note 9)	**-**	(176,809)
(DEFICIENCY) EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**(13,462)**	5,869
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**553,068**	547,199
UNRESTRICTED NET ASSETS, END OF YEAR	**$ 539,606**	$ 553,068

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash	$	**982,142**	$	880,308
Accounts receivable		**258,692**		238,886
GST recoverable		**5,948**		7,127
Supplies		**25,761**		25,914
Prepaid expenses		**9,227**		8,209
Due from Manitoba Health - vacation pay		**228,184**		228,184
		1,509,954		1,388,628
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS		**633,698**		614,213
FIXED ASSETS (Note 3)		**5,485,969**		5,806,533
TRUST AND ACTIVITY FUND ASSETS		**22,401**		5,129
	$	**7,652,022**	$	7,814,503
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 4)	$	**789,763**	$	660,587
Government remittances payable		**64,929**		59,761
Due to Winnipeg Regional Health Authority		**115,656**		115,212
		970,348		835,560
PRE-RETIREMENT ENTITLEMENTS		**633,698**		614,213
DEFERRED CONTRIBUTIONS (Note 5)		**5,485,969**		5,806,533
TRUST AND ACTIVITY FUND LIABILITIES		**22,401**		5,129
		7,112,416		7,261,435
CONTINGENCY (Note 6)				
NET ASSETS				
Unrestricted		**539,606**		553,068
	$	**7,652,022**	$	7,814,503

APPROVED BY THE BOARD

Original Document Signed .... Director

Original Document Signed .... Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
(Deficiency) excess of income over expenses	$ (13,462)	$ 5,869
Items not affecting cash		
Amortization of fixed assets	320,564	263,811
Amortization of deferred contributions - property	(320,564)	(263,811)
	(13,462)	5,869
Changes in non-cash operating working capital items		
Accounts receivable	(19,806)	196,710
GST recoverable	1,179	311
Supplies	153	(2,319)
Prepaid expenses	(1,018)	4,089
Due from Manitoba Health - pre-retirement entitlements	(19,485)	(23,213)
Accounts payable and accrued liabilities	129,176	(130,205)
Government remittances payable	5,168	36,567
Due to Winnipeg Regional Health Authority	444	38,366
Pre-retirement entitlements	19,485	23,213
	101,834	149,388
FINANCING ACTIVITY		
Deferred contributions received	-	27,178
INVESTING ACTIVITY		
Fixed asset purchases	-	(27,178)
NET INCREASE IN CASH POSITION	101,834	149,388
CASH POSITION, BEGINNING OF YEAR	880,308	730,920
CASH POSITION, END OF YEAR	$ 982,142	$ 880,308

1. ORGANIZATION

3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) was incorporated on August 20, 1998 and commenced active operations on January 24, 2000. The Personal Care Home is overseen by a Board of Directors pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes. The Personal Care Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies of the Personal Care Home:

a) Revenue recognition

The Personal Care Home follows the deferral method of accounting for contributions which include donations and government grants.

The Personal Care Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions and residential charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related fixed assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fixed assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution.

Fixed assets are amortized on a straight-line basis over the following estimated useful lives:

Building	40 years
Computer equipment and software	5 years
RDF equipment	5 – 7 years
Nursing equipment	7 years
Furniture	15 years
Major equipment	5 – 25 years

c) Retirement entitlement obligation

The Personal Care Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

- Have ten years of service and have reached the age of 55, or
- Qualify for the “eighty” rule which is calculated by adding the number of years of service to the age of the employee, or
- Retire at or after age 65, or
- Terminate employment at any time due to permanent disability.

The Personal Care Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. A long-term receivable has also been recorded in the same amount at yearend to represent the funding commitment for these retirement entitlements from Manitoba Health.

d) Due from Manitoba Health – vacation pay

Until the fiscal year ended March 31, 2004, funding for vacation entitlements was provided by the Winnipeg Regional Health Authority in the period in which expenditures were made. Accordingly, the cost of the accrued vacation pay at March 31, 2004 was accrued to enable an appropriate matching of expenses with income secured at that date. For the year ended March 31, 2005 and onwards Manitoba Health is no longer funding this liability and the change in the current year liability is recorded as a charge against current year operations. The receivable from Manitoba Health includes only the accrued liability to March 31, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, pre-retirement entitlements, and the estimated useful life of fixed assets. Actual results could differ from these estimates.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Personal Care Home becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Personal Care Home recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

3. FIXED ASSETS

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 424,712**	**$ -**	**$ 424,712**	$ 424,712
Building	**8,849,815**	**3,932,360**	**4,917,455**	5,138,700
Computer equipment and software	**24,905**	**24,905**	**-**	-
RDF equipment	**300,947**	**300,947**	**-**	-
Nursing equipment	**275,638**	**211,580**	**64,058**	96,828
Furniture	**628,386**	**602,929**	**25,457**	67,350
Major equipment	**242,014**	**187,727**	**54,287**	78,943
	$10,746,417	**$ 5,260,448**	**$ 5,485,969**	$ 5,806,533

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018		2017
Trade	**$**	**209,288**	$	143,056
Wages		**100,577**		84,972
Accrued vacation pay		**479,898**		432,559
	$	**789,763**	$	660,587

5. DEFERRED CONTRIBUTIONS

The deferred contributions balance at the end of the year relates to fixed assets and represents the unamortized amount and unspent amount of funding received for repayment of the principal portion on the long-term debt. These contributions were received from Heritage Benevolent Association Inc. and Manitoba Health.

		2018		2017
Balance, beginning of year	**$**	**5,806,533**	$	6,043,166
Contributions		**-**		27,178
Amortization		**(320,564)**		(263,811)
Balance, end of year	**$**	**5,485,969**	$	5,806,533

6. CONTINGENCY

The Personal Care Home is responsible for any in-globe deficits but may unconditionally retain the greater of 50% of its operating surplus and 2% of the global budget indicated in its funding letter from Winnipeg Regional Health Authority. The actual amount of the settlement is determined after a review of the details by Winnipeg Regional Health Authority and negotiation with the Personal Care Home.

If deficits are incurred, additional funding may be provided by Winnipeg Regional Health Authority for expenses not initially included in the budget.

7. PENSION PLAN

Substantially all employees of the Personal Care Home are members of the Health Employees Pension Plan (the “Plan”) which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of 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 benefit plan are not allocated to the individual entities within the related group. As a result, 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 the requirements of the CICA Handbook section 3461.

The Personal Care Home’s liability under the pension plan is limited to the contributions required during the year under the respective agreements. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $407,009 (2017 - $435,677) and are included in the statement of operations.

During the 2017/18 fiscal year, Calvary Place Personal Care Home was made aware by HEB Manitoba (“HEB”) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Personal Care Home and HEB have not accurately determined the amount due from the Personal Care Home to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Personal Care Home.

8. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Personal Care Home’s cash flows, financial position and revenue. The Personal Care Home does not use derivative instruments to reduce exposure to interest risk.

9. RELATED PARTY TRANSACTION

In the prior year, the Board of Directors approved the gifting of $176,809 from the Activity Fund to the Heritage Benevolent Association Inc., a related sponsoring organization that shares the same Board of Directors as the Personal Care Home.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedules of Operating, Physical Plant, Administration and Nursing Expenses
Year Ended March 31, 2018

	2018	2017
OPERATING EXPENSES		
Food	**$ 794,128**	$ 791,999
Other supplies and expenses	**49,622**	44,444
Purchased services	**80,160**	85,144
	$ 923,910	$ 921,587
PHYSICAL PLANT EXPENSES		
Heat, light and power	**$ 116,876**	$ 103,019
Insurance and property taxes	**101,791**	98,645
Repairs and maintenance	**54,880**	61,461
Water	**56,094**	41,429
	$ 329,641	$ 304,554
ADMINISTRATION EXPENSES		
Membership fees	**$ 3,491**	$ 4,756
Postage and delivery	**2,658**	2,633
Printing, stationery and office supplies	**14,889**	24,801
Professional fees	**52,639**	49,216
Sundry	**4,955**	2,181
Telephone and fax	**13,572**	12,509
Travel and education	**375**	2,040
	$ 92,579	$ 98,136
NURSING EXPENSES		
Companion regular	**$ 269**	$ 4,039
One on one care	**107,401**	183,920
Oxygen	**300**	1,387
Travel - ambulance, stretcher, taxi	**40,874**	27,655
	$ 148,844	$ 217,001

Combined Financial Statements of

ACTIONMARGUERITE (SAINT-BONIFACE) INC.,

ACTIONMARGUERITE (SAINT-VITAL) INC. AND

ACTIONMARGUERITE (ST. JOSEPH) INC.

Year ended March 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Member of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and Actionmarguerite (St. Joseph) Inc.

We have audited the accompanying combined financial statements of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and Actionmarguerite (St. Joseph) Inc., which comprise the combined statement of financial position as at March 31, 2018, the combined statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and Actionmarguerite (St. Joseph) Inc. as at March 31, 2018, and its combined results of operations and its combined cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 15, 2018

Winnipeg, Canada

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 6,272,797	$ 6,016,725
Accounts receivable (note 15)	860,419	1,018,549
Employee benefits recoverable from Winnipeg Regional health Authority (note 3)	1,458,347	1,458,347
Receivable from Winnipeg Regional Health Authority (note 4)	2,750,675	2,274,653
Current portion of long-term receivable from Winnipeg Regional Health Authority (note 6)	263,724	233,025
Inventory	153,015	151,587
Prepaid expenses	147,756	105,079
	11,906,733	11,257,965
Investments (note 5)	1,652,554	1,694,509
Long-term receivables from Winnipeg Regional Health Authority (note 6)	1,913,300	1,488,318
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 3)	4,191,979	4,199,209
Capital assets (note 7)	22,140,867	21,907,212
Leasehold estate (note 8)	42,471	45,805
Other assets	1,000	1,000
	$ 41,848,904	$ 40,594,018

	2018	2017

Liabilities, Deferred Contributions and Fund Balances

	2018	2017
Current liabilities:		
Bank indebtedness (note 9)	$ 530,644	$ 265,877
Accounts payable	2,221,825	861,332
Accrued liabilities	4,084,939	5,117,737
Advances from Winnipeg Regional Health Authority (note 10)	1,485,679	1,485,679
Current portion of long-term debt (note 11)	466,317	403,939
	8,789,404	8,134,564
Employee future benefits (note 3)	4,573,197	4,580,427
Long-term debt (note 11)	3,252,784	3,308,598
	7,825,981	7,889,025
	16,615,385	16,023,589
Deferred contributions for (note 12):		
Expenses of future periods	27,918	26,701
Capital assets	17,382,991	17,566,308
	17,410,909	17,593,009
Fund balances:		
Capital Fund (note 13)	3,536,195	2,903,284
Operating Fund	(308,760)	(308,768)
Internally Restricted Fund (note 14)	4,595,175	4,382,904
	7,822,610	6,977,420
Contingency (note 16)		
	$ 41,848,904	$ 40,594,018

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:

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Exhibit 2

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2018 Total	2017 Total
Revenue:						
Winnipeg Regional Health Authority	$ 36,532,975	$ –	$ –	$ –	$ 36,532,975	$ 36,722,466
Resident and service fees	10,662,188	–	–	–	10,662,188	10,481,557
	47,195,163	–	–	–	47,195,163	47,204,023
Amortization of deferred contributions (note 12)	–	–	–	1,378,487	1,378,487	1,347,986
Offset income:						
Cafeteria	154,314	–	–	–	154,314	144,203
Interest	5,052	–	155,159	–	160,211	102,129
Donations	71,284	–	111,551	–	182,835	175,285
Fundraisers	–	–	1,928	–	1,928	2,323
Parking	148,981	–	–	–	148,981	149,366
Grants	5,414	–	–	–	5,414	5,879
Recoveries:						
General	382,015	–	–	–	382,015	386,074
Other	(246,258)	–	–	–	(246,258)	662,078
Ancillary operations (note 12)	–	2,529	1,263	–	3,792	3,776
	520,802	2,529	269,901	–	793,232	1,631,113
	47,715,965	2,529	269,901	1,378,487	49,366,882	50,183,122
Expenses:						
Amortization	–	–	–	1,695,319	1,695,319	1,595,810
Salaries and wages	33,357,861	–	3,155	–	33,361,016	33,720,160
Employee benefits	7,419,739	–	–	–	7,419,739	7,576,888
Other supplies and expenses	913,985	–	14,511	–	928,496	902,917
Medical and surgical supplies	546,498	–	–	–	546,498	520,459
Drugs	19,751	–	–	–	19,751	25,065
Food costs	1,595,021	–	–	–	1,595,021	1,660,536
Utilities	871,999	–	–	–	871,999	850,626
Telephone and sundry	166,579	–	–	–	166,579	163,848
Travel	359,969	–	–	–	359,969	371,883
Professional and other fees	136,428	–	12,553	–	148,981	317,276
Advertising and public relations	11,763	–	–	–	11,763	24,056
Insurance	120,587	–	–	–	120,587	113,299
Equipment	429,033	–	–	–	429,033	417,878
Buildings and grounds	646,316	–		–	646,316	815,852
Interest	196,833	–	–	–	196,833	214,032
Ancillary operations	–	2,529	1,263	–	3,792	3,776
	46,792,362	2,529	31,482	1,695,319	48,521,692	49,294,361
Excess (deficiency) of revenue over expenses before the undernoted	923,603	–	238,419	(316,832)	845,190	888,761
Winnipeg Regional Health Authority prior year adjustments	–	–	–	–	–	(61,381)
Winnipeg Regional Health Authority employee future benefits receivable (note 3)	(7,230)	–	–	–	(7,230)	129,527
Employee future benefits (note 3)	7,230	–	–	–	7,230	(129,527)
Excess (deficiency) of revenue over expenses	$ 923,603	$ –	$ 238,419	$ (316,832)	$ 845,190	$ 827,380

See accompanying notes to combined financial statements.

Exhibit 3

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2018 Total	2017 Total
Fund balance, beginning of year	$ (308,768)	$ –	$ 4,382,904	$ 2,903,284	$ 6,977,420	$ 6,150,040
Excess (deficiency) of revenue over expenses	923,603	–	238,419	(316,832)	845,190	827,380
Transfer to Capital Fund for additions to capital assets	(492,546)	–	(457,197)	949,743	–	–
Transfer of Personal Care Home Program surplus	(348,833)	–	348,833	–	–	–
Transfer of Adult Day Program surplus	(10,014)	–	10,014	–	–	–
Transfer of Supportive Housing Program surplus	(72,202)	–	72,202	–	–	–
Fund balances, end of year	$ (308,760)	$ –	$ 4,595,175	$ 3,536,195	$ 7,822,610	$ 6,977,420

See accompanying notes to combined financial statements.

Exhibit 4

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 845,190	$ 827,380
Adjustments for:		
Amortization of capital assets	1,695,319	1,595,810
Amortization of deferred contributions related to capital assets	(1,378,487)	(1,347,986)
Changes in the following:		
Construction holdback held in trust	–	97,665
Accounts receivable	158,130	(431,807)
Receivable from Winnipeg Regional Health Authority	(476,022)	2,226,193
Inventory	(1,428)	(17,107)
Prepaid expenses	(42,677)	4,493
Accounts payable	1,360,493	139,503
Accrued liabilities	(1,032,798)	301,501
Advances from Winnipeg Regional health Authority	–	384,323
Net increase in deferred contributions related to future periods	1,217	147
	1,128,937	3,780,115
Investing activities:		
Investments	41,955	(1,294,509)
Long-term receivables from Winnipeg Regional Health Authority	(696,381)	(187,231)
Repayments of long-term receivables from Winnipeg Regional Health Authority	240,700	276,368
	(413,726)	(1,205,372)
Capital activities:		
Additions to capital assets	(1,925,640)	(1,114,178)
Financing activities:		
Increase in bank indebtedness	264,767	177,231
Increase in deferred contributions related to capital assets	1,195,170	923,666
Repayments on bank loan	–	(19,013)
Proceeds from long-term debt	449,840	–
Repayments of long-term debt principal	(443,276)	(424,558)
	1,466,501	657,326
Increase in cash and cash equivalents	256,072	2,117,891
Cash and cash equivalents, beginning of year	6,016,725	3,898,834
Cash and cash equivalents, end of year	$ 6,272,797	$ 6,016,725
Cash and cash equivalents is comprised of the following:		
Cash	$ 4,537,366	$ 3,481,294
Cash equivalents	1,735,431	2,535,431
Cash and cash equivalents, end of year	$ 6,272,797	$ 6,016,725

See accompanying notes to combined financial statements.

General:

Actionmarguerite (Saint-Boniface) Inc. (Saint-Boniface) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operated under the name Centre Taché Centre. The articles were amended on June 1, 2011 to change the name of the corporation to Actionmarguerite (Saint-Boniface) Inc.

Actionmarguerite (Saint-Vital) Inc. (Saint-Vital) was incorporated on January 22, 1976 under the laws of Manitoba as Foyer St. Boniface Inc. - St. Boniface Home Inc. and subsequently changed its name to Foyer Valade Inc. in 1988 to coincide with the relocation of the facility to River Road. The articles were amended on June 1, 2011 to change the name of the corporation to Actionmarguerite (Saint-Vital) Inc.

Actionmarguerite (St. Joseph) Inc. (St. Joseph) was incorporated on October 29, 1987 under the laws of Manitoba. The articles were amended on August 24, 2017 to change the name of the corporation to Actionmarguerite (St. Joseph) Inc.

Saint-Boniface functions as a bilingual long-term care facility and also provides a respite program, Adult Day Program and provides care services for the Supportive Housing Program. Saint-Vital functions as a long-term care facility mandated by the Provincial Government to provide services to French speaking residents. St. Joseph functions as a long-term care facility. Saint-Boniface, Saint-Vital and St. Joseph have a common Board of Directors (the Board) and have the same Member, Catholic Health Corporation of Manitoba.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

These combined financial statements represent an aggregation of the financial statements of Saint-Boniface, Saint-Vital and St. Joseph (together, the Corporations), which are under common control. All significant inter-company balances and transactions have been eliminated.

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1. Significant accounting policies (continued):

(b) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporations' capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporations' ancillary activities are recorded in the Ancillary Operations Fund.

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Expenditures of donations require the approval of the Board of Directors. Other withdrawals from the Internally Restricted Fund require the approval of the Member of the Corporations.

All other assets, liabilities, revenues and expenses are reported in the Operating Fund. Cumulative operating deficits in the Corporations are retained in the Operating Fund. The deficiency in the Operating Fund balance at March 31, 2018 and 2017 relates to St. Joseph.

(c) Revenue recognition:

The Corporations are funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with Service Purchase Agreements. The Service Purchase Agreements for the Adult Day Program and the Personal Care Home Program for the Corporations expired March 31, 2015, however it continues to be in effect until a new agreement is finalized.

As the care provider for the Supportive Housing Program at Chez Nous and Windsor Park Place, funding is received from the WRHA in accordance with a Service Purchase Agreement which expired on September 30, 2013, however it continues to be in effect until a new agreement is finalized. Operating grants are recorded as revenue in the period to which they relate.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

The Corporations follow the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is recognized on an accrual basis and is allocated to the appropriate category in the Internally Restricted Fund.

Volunteers are an integral part of carrying out the activities of the Corporations. These contributed services are not recognized in the combined financial statements because of the difficulty in determining their fair value.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term deposits which are highly liquid with original maturities of less than three months.

(e) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreements, annual operating deficits are the responsibility of the Corporations. For the Personal Care Home Program and Adult Day Program, annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporations. Those surpluses that are retained by the Corporations are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

1. Significant accounting policies (continued):

(f) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal. Amortization of work in progress commences when construction of the related asset is completed and the asset is used in the operations of the Corporations.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Rate
Land improvements	5%
Buildings	2%
Equipment and building service equipment and software licenses and fees	6 ¼% to 20%

(g) Leasehold estate:

The value to the leasehold estate is being amortized against the deferred contribution to which it relates on a straight-line basis over the 60 year period of the lease.

(h) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporations have elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statements of operations.

The Corporations did not incur any significant remeasurement gains and losses during the year ended March 31, 2018 (2017 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in the financial statements.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

All financial instruments recognized at fair value in the combined financial statements are classified as Level 1 in the fair value hierarchy.

(i) Inventory:

Inventory is valued at the lower of cost and replacement cost.

1. Significant accounting policies (continued):

(j) Employee benefits:

The Corporations record a provision for employee benefits comprised of accrued vacation. A further provision for employee future pre-retirement benefits, being an actuarial estimate of the Corporations' obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. The cost of the Corporations' employee pre-retirement benefits is accrued as earned based on an actuarial estimation. The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

(k) Income taxes:

The Corporations are registered charities within the meaning of the *Income Tax Act* and therefore are exempt from income taxes under Section 149(1) of the Act.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and employee future benefits. Actual results could differ from those estimates.

2. Accounting policy changes:

On April 1, 2017, the Corporations adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the Corporations and did not result in any adjustments to the financial statements as at April 1, 2017.

3. Employee benefits:

(a) Employee future benefits:

Employee future benefits consist of:

	2018	2017
Pre-retirement benefits	$ 3,569,263	$ 3,707,834
Accumulated non-vested sick leave benefits	1,003,934	872,593
	$ 4,573,197	$ 4,580,427

The Corporations maintain an employee pre-retirement benefits plan for substantially all of their employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporations' future pre-retirement benefits obligation include mortality and withdrawal rates, a discount rate of 3.43 percent (2017 - 3.10 percent), a rate of salary increase of nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2017 - 3.50 percent) plus an age-related merit/promotion scale.

Information about the Corporations' pre-retirement benefits plan is as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	$ 3,707,834	$ 3,591,254
Current benefit cost	263,790	513,903
Interest	105,879	106,000
Benefits paid	(490,442)	(486,323)
Balance, end of year	3,587,061	3,724,834
Amortized actuarial loss	(17,798)	(17,000)
Pre-retirement benefits	$ 3,569,263	$ 3,707,834

3. Employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the combined statements of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The decrease recorded in fiscal 2018 was $138,571 (2017 - increase of $116,580) and is recorded in the combined statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2018 aggregates $3,188,045 (2017 - $3,326,616) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2017 - 100 percent) of actual pre-retirement benefits paid during the year.

The Corporations provide accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Corporations' accumulated non-vested sick leave benefits include a discount rate of 3.43 percent (2017 - 3.10 percent) and a rate of salary increase of nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2017 - 3.50 percent) plus an age-related merit/promotion scale.

A recoverable from the WRHA of $1,003,934 (2017 - $872,593) for the accumulated non-vested sick leave benefits has been recorded in the combined statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase recorded in 2018 was $131,341 (2017 - $12,947) and is recorded in the combined statement of operations.

3. Employee benefits (continued):

(b) Accrued vacation benefits:

The cost of the Corporations' vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the combined statement of financial position. The vacation benefits liability at March 31, 2018 is $2,291,017 (2017 - $2,408,049).

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of $1,458,347 as included on the combined statement of financial position. The employee benefits recoverable from the WRHA are maintained at the value of the vacation benefits liability at March 31, 2004.

4. Receivable from Winnipeg Regional Health Authority:

	Saint-Boniface	Saint-Vital	St. Joseph	2018 Combined	2017 Combined
Receivable:					
Prior years'	$ 1,827,166	$ 328,411	$ 347,407	$ 2,502,984	$ 2,072,823
Resident charges	53,360	60,291	19,046	132,697	39,195
Salaries and benefits	560,607	165,584	126,445	852,636	796,562
Employee pre-retirement benefits	47,017	2,729	16,028	65,774	111,119
Other	114,845	45,154	60,905	220,904	196,095
	2,602,995	602,169	569,831	3,774,995	3,215,794
Payable:					
Prior years'	653,600	165,007	154,804	973,411	402,685
Resident charges-resident fees	–	–	–	–	467,340
Salaries and benefits	38,862	–	–	38,862	–
Interest	3,591	1,420	270	5,281	3,952
Other	6,728	–	38	6,766	67,164
	702,781	166,427	155,112	1,024,320	941,141
	$ 1,900,214	$ 435,742	$ 414,719	$ 2,750,675	$ 2,274,653

Over/under funding occurs when non-global items (including resident fees revenue and interest expense) are over/under the amounts budgeted by the WRHA. Over/under funded amounts are payable to/receivable from the WRHA.

5. Investments:

At March 31, 2018, the Corporations have invested in a government investment certificate of $400,000 (2017 - $400,000) which is interest bearing at 2.10 percent (2017 - 2.10 percent) and matures November 30, 2018 (2017 - November 30, 2018).

Pursuant to an agreement with The Winnipeg Foundation, the Corporations receives investment income earned based on a flat percentage to a maximum of 5 percent of the average market value of the investments under administration for the previous 12 quarters. The market value of the investment with The Winnipeg Foundation at March 31, 2018 is $1,252,554 (2017 - $1,294,509).

6. Long-term receivables from Winnipeg Regional Health Authority:

	2018	2017
Sprinkler system upgrade (Saint-Boniface)	$ 125,402	$ 160,382
Nurse call system upgrade Project 1 (Saint-Boniface)	59,615	75,635
Nurse call system upgrade Project 2 (Saint-Boniface)	99,303	–
Replacement of windows and bricks (Saint-Boniface)	244,124	296,408
Replacement of generator (Saint-Boniface)	370,899	419,799
Roof replacement Project 1 (Saint-Boniface)	232,809	263,529
Roof replacement Project 2 (Saint-Boniface)	234,582	–
Tub replacement and renovations (Saint-Vital)	148,609	168,229
Roof replacement (Saint-Vital)	119,629	135,409
Roof replacement Phase 2 (Saint-Vital)	179,555	187,231
Roof replacement Phase 3 (Saint-Vital)	362,497	–
Flooring replacement (St. Joseph)	–	14,721
	2,177,024	1,721,343
Current portion	263,724	233,025
	$ 1,913,300	$ 1,488,318

The Corporations have eleven long-term receivables from WRHA relating to capital projects. The long-term receivables require aggregate monthly principal payments of $21,977 plus interest at prime less 0.25 percent and mature between December 31, 2021 and November 1, 2027.

7. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 193,965	$ –	$ 193,965	$ 193,965
Land improvements	693,892	552,720	141,172	148,055
Buildings	35,191,914	18,960,918	16,230,996	16,566,872
Building service equipment	3,524,566	1,889,904	1,634,662	1,746,850
Equipment	10,073,212	7,237,185	2,836,027	2,868,762
Software licences and fees	550,471	433,138	117,333	144,192
Work in progress	986,712	–	986,712	238,516
	$ 51,214,732	$ 29,073,865	$ 22,140,867	$ 21,907,212

8. Leasehold estate:

The original building located at 185 Despins Street operated by Saint-Boniface is situated on property leased from Despins Charities Inc., a corporation with the same Member as the Corporations, at a rental of $1 per annum. The 60 year lease expires December 31, 2030. The land is held as a leasehold estate registered under the Real Property Act in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor.

The 1971 estimated fair market value of the economic rent of the leasehold estate was $16,500 per annum, based on an appraisal made by E. Karl Farstad & Associates Ltd. as of January 17, 1972. The discounted present value of such rental over the 60 year period is estimated to be $200,000 using an interest factor of 8 ¼ percent per annum. The $200,000 discounted present value of the lease was recorded in the accounts at December 31, 1971 as an asset with an offsetting credit to deferred contributions to recognize the value of the donation of the leasehold estate made by Taché Hospital for Chronic and Geriatric Patients.

The addition to the original building is situated on two properties leased from Despins Charities Inc. and the Catholic Health Corporation of Manitoba (CHCM), the Member of the Corporations, at a rental of $2 per annum. The leases expire December 31, 2030. The land is held as a leasehold estate registered under the Real Property Act in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of these additional leases is reflected in the combined financial statements.

Saint-Boniface also leases additional property from Despins Charities Inc. at a rental of $1 per annum. No economic value of this additional lease is reflected in the combined financial statements.

8. Leasehold estate (continued):

The building located at 450 River Road operated by Saint-Vital is situated on property leased from Despins Charities Inc. at a rental of $1 per annum. The sixty year lease expires June 30, 2046. The land is held as a leasehold estate registered under *The Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of this lease is reflected in the combined financial statements.

9. Bank indebtedness:

At March 31, 2018, the Corporations had authorized lines of credit of $2,427,748 (2017 - $2,135,363) of which $530,644 (2017 - $265,877) was used to finance the following projects:

	2018		2017	
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Operating lines of credit	$ 1,750,000	$ –	$ 1,850,000	$ –
Nurse Call (Saint-Boniface)	165,213	99,302	–	–
38 bed addition (Saint-Vital)	90,000	68,845	90,000	78,646
Roof replacement Phase 2 (Saint-Vital)	–	–	195,363	187,231
Roof replacement Phase 3 (Saint-Vital)	422,535	362,497	–	–
	$ 2,427,748	$ 530,644	$ 2,135,363	$ 265,877

The lines of credit bear interest at the bank's prime rate less 0.25 percent per annum except for $250,000 which bears interest at the bank's prime rate less 0.75 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. The line of credit for the 38 bed addition is guaranteed by Fondation Actionmarguerite Foundation Inc., a corporation with the same Member as the Corporations.

10. Advances from Winnipeg Regional Health Authority:

At March 31, 2018, to offset related funding commitments outstanding from prior year receivables, funding advances from the WRHA aggregated $1,485,679 (2017 - $1,485,679). These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Long-term debt:

	2018	2017
Term loan on flooring replacement, payable in monthly principal payments of $2,945 plus interest at prime less 0.75%, due August 31, 2017	$ –	$ 14,721
Long-term financing on nurse call system upgrade, payable in monthly principal payments of $1,340 plus interest at prime less 0.25%, due December 31, 2021	59,615	75,635
Long-term financing on sprinkler system upgrade, payable in monthly principal payments of $2,794 plus interest at prime less 0.25%, due March 31, 2022	125,402	160,382
Long-term financing on replacement of windows and bricks, payable in monthly principal payments of $4,357 plus interest at prime less 0.25%, due December 31, 2022	244,124	296,408
Long-term financing on replacement of generator, payable in monthly principal payments of $4,075 plus interest at prime less 0.25%, due November 15, 2025	370,899	419,799
Long-term financing on roof replacement, payable in monthly principal payments of $2,560 plus interest at prime less 0.25%, due November 15, 2025	232,809	263,529
Long-term financing on tub replacement and renovations, payable in monthly principal payments of $1,635 plus interest at prime less 0.25%, due November 15, 2025	148,609	168,229
Long-term financing on roof replacement, payable in monthly principal payments of $1,315 plus interest at prime less 0.25%, due November 15, 2025	119,629	135,409
First mortgage on 1978 construction, payable in monthly blended payments of $13,375, due April 1, 2023. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,248,984	1,320,145
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	743,370	858,280
Long-term financing on roof replacement, payable in monthly principal payments of $1,630 plus interest at prime less 0.25%, due November 1, 2027	179,555	–
Long-term financing on roof replacement, payable in monthly principal payments of $2,155 plus interest at prime less 0.25%, due November 1, 2027	246,105	–
	3,719,101	3,712,537
Current portion	466,317	403,939
	$ 3,252,784	$ 3,308,598

11. Long-term debt (continued):

The long-term financing loans, supported by Manitoba Health and WRHA, are payable to Caisse Financial Group. Both mortgages are payable to the Canada Mortgage and Housing Corporation.

Principal repayments required over the next five years and thereafter are as follows:

2019	$ 466,317
2020	484,326
2021	503,961
2022	506,386
2023	480,418
Thereafter	1,277,693
	$ 3,719,101

12. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for resident programs.

	2018	2017
Balance, beginning of year	$ 26,701	$ 26,554
Add amount received related to future periods	3,746	3,061
Less amount recognized as revenue in the year	(2,529)	(2,914)
Balance, end of year	$ 27,918	$ 26,701

12. Deferred contributions (continued):

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the combined statement of operations.

	2018	2017
Balance, beginning of year	$ 17,566,308	$ 17,990,628
Additional contributions received	1,195,170	923,666
Less amounts amortized to revenue	(1,378,487)	(1,347,986)
Balance, end of year	$ 17,382,991	$ 17,566,308

The balance of unamortized capital contributions related to capital assets consists of the following:

	2018	2017
Unamortized capital contributions used to purchase assets	$ 16,585,939	$ 16,792,657
Unspent contributions:		
Equipment reserve	527,687	527,687
Major repairs	252,113	228,383
Donations	14,687	14,552
Cash equivalents	2,565	3,029
	$ 17,382,991	$ 17,566,308

On February 28, 2007, the Province of Manitoba approved the consolidation of $5,200,000 of the Corporations' borrowings with its Department of Finance. The advance has been recorded as a deferred contribution.

The advance received is governed by a promissory note payable to the Province of Manitoba which bears interest at 5.1 percent and requires monthly principal payments of $21,667 plus interest. At March 31, 2018, the outstanding principal balance on the note was $2,318,334 (2017 - $2,578,334). No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

13. Capital Fund:

	2018	2017
Capital assets	$ 22,140,867	$ 21,907,212
Leasehold estate	42,471	45,805
	22,183,338	21,953,017
Amount financed by:		
Deferred contributions	(16,585,939)	(16,792,657)
Mortgages	(1,992,359)	(2,178,430)
Line of credit	(68,845)	(78,646)
	$ 3,536,195	$ 2,903,284

14. Internally Restricted Fund:

	2018	2017
To be expended only with the approval of the Member of the Corporation	$ 4,041,817	$ 3,926,890
Other internal projects	553,358	456,014
	$ 4,595,175	$ 4,382,904

15. Related party transactions:

During the year ended March 31, 2018, Fondation Actionmarguerite Foundation Inc., provided donations of $117,531 (2017 - $103,565) to Saint-Boniface and Saint-Vital.

During the year ended March 31, 2018, Friends of St. Joseph's Inc., an entity with the same Member as St Joseph, made donations to St. Joseph of $56,580 (2017 - $157,288). Of these donations, nil (2017 - $110,000) have been recorded in deferred contributions related to capital assets. At March 31, 2018, St Joseph had a receivable from Friends of St. Joseph's Inc. of $66,059 (2017 - $34,288).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. Employee pension plan:

During the year, the Corporations contributed $2,491,633 (2017 - $2,496,366) on behalf of its eligible employees who are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporations are accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

The most recent actuarial valuation of the plan as at December 31, 2016, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis, but is required to fund on a going concern basis. The going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. On April 1, 2018 employer contribution rates remained at 8.9 percent (2017 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2017 - 10.5 percent) on earnings in excess of YMPE.

During the year, the Corporations were made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Corporations and HEPP have not accurately determined the amount due from the Corporations to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the Corporations.

17. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporations are exposed to credit risk with respect to accounts receivable, employee benefit recoverable from Winnipeg Regional Health Authority, receivable from Winnipeg Regional Health Authority, long-term receivables from Winnipeg Regional Health Authority, future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and cash and cash equivalents.

The Corporations assess, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporations at March 31, 2018 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the combined statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the combined statement of operations. There was no allowance for doubtful accounts at March 31, 2018 and 2017. As at March 31, 2018 and 2017, there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporations will be unable to fulfill their obligations on a timely basis or at a reasonable cost. The Corporations manages their liquidity risk by monitoring their operating requirements. The Corporations prepare budgets and cash forecasts to ensure they have sufficient funds to fulfill their obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of bank indebtedness and long-term debt are disclosed in note 9 and 11, respectively.

There have been no significant changes to the liquidity risk exposure from 2017.

17. Financial risks and concentration of credit risk (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporations to cash flow interest rate risk. The Corporations are exposed to this risk on its variable interest long-term financing loans.

The Corporations are also exposed to fair value risk on their fixed-rate instruments including long-term receivables from Winnipeg Regional Health Authority and mortgages payable.

There has been no change to the interest rate risk exposure from 2017.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Schedule of Combined Statement of Operations - Operating Fund

Year ended March 31, 2018

	PCH Program St. Joseph	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2018 Total	2017 Total
Revenue:							
Winnipeg Regional Health Authority	$ 5,429,123	$ 8,047,900	$ 21,846,861	$ 406,483	$ 802,608	$ 36,532,975	$ 36,722,466
Resident and service fees	1,888,169	2,975,455	5,320,853	84,173	393,538	10,662,188	10,481,557
	7,317,292	11,023,355	27,167,714	490, 656	1,196,146	47,195,163	47,204,023
Offset income:							
Cafeteria	4,237	41,161	108,916	–	–	154,314	144,203
Interest	–	1,575	3,477	–	–	5,052	3,169
Donations	57,555	5,817	7,912	–	–	71,284	62,735
Parking	22,396	41,117	81,959	–	3,509	148,981	149,366
Shared Services	24,363	62,475	973,405	–	29,926	1,090,169	1,154,350
Grants	500	4,214	700	–	–	5,414	5,879
Recoveries:							
General	27,914	56,891	243,102	–	–	327,907	331,965
Other	–	(138,953)	(107,405)	–	100	(246,258)	662,078
	136,965	74,297	1,312,066	–	33,535	1,556,863	2,513,745
	7,454,257	11,097,652	28,479,780	490,656	1,229,681	48,752,026	49,717,768
Expenses:							
Salaries and wages	5,223,253	7,890,797	20,245,858	230,274	803,740	34,393,922	34,816,801
Employee benefits	1,198,429	1,722,937	4,322,006	32,683	143,684	7,419,739	7,576,888
Other supplies and expenses	166,535	226,466	493,341	11,206	16,437	913,985	896,148
Medical and surgical supplies	102,879	124,275	319,344	–	–	546,498	520,459
Drugs	8,780	3,201	7,770	–	–	19,751	25,065
Food costs	291,036	382,261	709,936	38,175	173,613	1,595,021	1,660,536
Utilities	146,677	230,582	494,740	–	–	871,999	850,626
Telephone and sundry	32,907	29,969	99,367	1,633	2,703	166,579	163,848
Travel	34,527	76,707	95,304	151,853	1,578	359,969	371,883
Professional and other fees	61,815	(17,700)	91,917	40	356	136,428	317,276
Advertising and public relations	76	99	10,944	–	644	11,763	24,056
Insurance	24,084	36,089	60,414	–	–	120,587	113,299
Equipment	47,869	110,804	259,433	3,332	7,595	429,033	417,878
Buildings and grounds	101,542	242,321	301,908	–	545	646,316	765,602
Interest	58	10,588	186,187	–	–	196,833	214,032
	7,440,467	11,069,396	27,698,469	469,196	1,150,895	47,828,423	48,734,397
Excess (deficiency) of revenue over expenses before the undernoted	13,790	28,256	781,311	21,460	78,786	923,603	983,371
Prior year adjustments	–	–	–	–	–	–	(5,607)
Winnipeg Regional Health Authority employee future benefits receivable	(603)	41,625	(48,252)	–	–	(7,230)	129,527
Employee future benefits	603	(41,625)	48,252	–	–	7,230	(129,527)
Excess (deficiency) of revenue over expenses	13,790	28,256	781,311	21,460	78,786	923,603	977,764
Transfer to Capital Fund for additions to capital assets	(13,782)	(11,470)	(449,264)	(11,446)	(6,584)	(492,546)	(372,320)
Program surplus (deficit)	$ 8	$ 16,786	$ 332,047	$ 10,014	$ 72,202	$ 431,057	$ 605,444

Shared services: Saint-Boniface, Saint-Vital and St. Joseph have an agreement to share the cost of specific employee services based on the time spent on each program. Revenue and expenses related to shared services have been eliminated in the Combined Statement of Operations.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Financial Statements
For the year ended March 31, 2018

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the accompanying financial statements of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 30, 2018

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

March 31	2018	2017
Assets		
Current Assets		
Cash and bank	$ 717,241	$ 627,582
Restricted cash and cash equivalents	10,375	10,284
Accounts receivable (Note 2)	148,402	69,516
Due from related parties (Note 3)	86,124	51,509
Inventories	57,500	57,500
Prepaid expenses	16,266	19,175
Vacation entitlement receivable (Note 4)	497,632	497,632
	1,533,540	1,333,198
Retirement obligations asset (Note 12)	843,078	898,602
Capital assets (Note 5)	1,463,321	1,716,013
	$ 3,839,939	$ 3,947,813
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 553,186	$ 527,386
Accrued vacation entitlements (Note 4)	640,412	588,568
Due to related parties (Note 3)	56,767	36,967
Unspent funding (Note 7)	175,854	155,628
	1,426,219	1,308,549
Accrued retirement obligations (Note 12)	670,809	726,304
Deferred contributions (Note 8)	1,116,305	1,369,006
	3,213,333	3,403,859
Commitments and contingencies (Note 9)		
Net Assets		
Invested in capital assets	274,401	290,773
Unrestricted net assets	352,205	253,181
	626,606	543,954
	$ 3,839,939	$ 3,947,813

Approved by the board:

Original Document Signed Director

Original Document Signed Director chair

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations and Changes in Net Assets

For the year ended March 31	2018	2017
Revenue		
Winnipeg Regional Health Authority	**$ 7,591,154**	$ 7,815,591
Residential charges	**2,938,251**	2,868,763
Other income (Page 19)	**152,958**	167,897
	10,682,363	10,852,251
Expenses		
Drugs and medical supplies	**100,184**	110,673
Food	**421,832**	419,213
Health and education tax levy	**150,694**	151,145
Interest	**15,931**	23,758
Medical remuneration	**19,594**	19,698
Other supplies and expenses	**793,887**	722,596
Salaries and benefits	**8,764,564**	8,866,259
Utilities and taxes	**333,025**	317,482
	10,599,711	10,630,824
Excess of revenue over expenses before amortization	**82,652**	221,427
Amortization		
Deferred contributions (Note 8)	**344,751**	299,224
Capital assets (Note 5)	**(344,751)**	(425,108)
	-	(125,884)
Excess of revenue over expenses	**82,652**	95,543
Net assets, beginning of year	**543,954**	448,411
Net assets, end of year	**$ 626,606**	$ 543,954

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Cash Flows

For the year ended March 31		2018		2017
Cash Provided by (used in):				
Cash Flows from Operating Activities				
Excess of revenue over expenses	$	82,652	$	95,543
Adjustments for non-cash items				
Amortization of capital assets		344,751		425,108
Change in pre-retirement entitlement receivable		(55,495)		(46,695)
Change in accrued pre-retirement entitlement		55,495		46,695
Net decrease in deferred contributions		(252,701)		(122,218)
		174,702		398,433
Changes in non-cash working capital (Note 10)		7,078		314,132
Net cash provided by operating activities		181,780		712,565
Cash Flows from Investing Activities				
Purchase of capital assets		(92,030)		(176,746)
Net cash flows used in investing activities		(92,030)		(176,746)
Increase in cash and cash equivalents		89,750		535,819
Cash and cash equivalents, beginning of year		637,866		102,047
Cash and cash equivalents, end of year	$	727,616	$	637,866
Represented by:				
Cash and bank	$	717,241	$	627,582
Restricted cash and cash equivalents		10,375		10,284
	$	727,616	$	637,866

For the year ended March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Bethania Mennonite Personal Care Home, Inc. (the "Home") is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home 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. Bethania, a Mennonite Organization, provides compassionate, outstanding long term care and affordable housing for seniors.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Mennonite Memorial Foundation Inc.

These financial statements present the financial position and results of operations of the personal care home operated as Bethania Mennonite Personal Care Home, Inc. As such, the financial statements for the year ended March 31, 2018 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc, an organization related by common control.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) - Part III of the CPA Canada Handbook.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree. The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

1. **Nature of Operations and Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Measurement uncertainty exists in the amortization of assets and deferred contributions over the estimated useful lives of the assets and WRHA receivables since year end reconciliations have not been conducted for several previous years.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Employee Future Benefits

The organization maintains a multi-employer pension for its personnel. The expense for this plan is equal to the organization's required contribution for the year.

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

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

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

Land improvements	4-6.7%
Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent assets segregated for use for replacement reserves or debenture repayment reserves with a maturity of less than 3 months.

2. Accounts Receivable

	2018	2017
Receivable from residents	$ 22,980	$ 46,974
Winnipeg Regional Health Authority	37,312	-
Other	9,324	6,823
GST rebate receivable	21,161	15,719
Manitoba Hydro rebate	57,625	-
	$ 148,402	$ 69,516

3. Due from (to) Related Parties

	2018	2017
285 Pembina Inc.	$ **7,328**	$ 4,613
ArlingtonHaus Inc.	**4,842**	2,912
Autumn House	**3,733**	82
Bethania Mennonite Memorial Foundation Inc.	**9,192**	13,624
BethaniaHaus Inc.	**7,832**	2,274
KingsfordHaus Inc.	**3,572**	57
Pembina Place Mennonite Personal Care Home, Inc.	**49,625**	27,947
	$ **86,124**	$ 51,509
Bethania Housing & Projects Inc.	$ **(56,767)**	$ (36,967)

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

During the year, the Home had the following transactions with related organizations:

	2018	2017
Salary costs paid on behalf of and recovered from related parties	$ **716,251**	$ 648,910
Salary and IT expenses charged by related party	**312,542**	308,123
Maintenance fee recovery	**25,373**	29,156

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All parties are related by common control.

4. Accrued Vacation Entitlements

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

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

	2018	2017
Balance, beginning of year	$ 497,632	$ 497,632
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 497,632	$ 497,632

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

	2018	2017
Balance, beginning of year	$ 588,568	$ 585,335
Net change in accrued vacation entitlements	51,844	3,233
Balance, end of year	$ 640,412	$ 588,568

5. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**340,263**	340,263	340,263
Building	**5,295,756**	**4,894,046**	5,295,756	4,715,886
Computer equipment	**337,093**	**337,093**	337,093	337,093
Furniture, fixtures and equipment	**5,280,421**	**4,234,537**	5,188,363	4,067,947
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 11,269,260	**$ 9,805,939**	$ 11,177,202	$ 9,461,189
Net book value		**$ 1,463,321**		$ 1,716,013

Amortization of capital assets for the year ended March 31, 2018 is $344,751 ($425,108 in 2017).

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade accounts payable	**$ 109,302**	$ 101,795
Accrued liabilities	**58,316**	67,154
Salaries and employee benefits payable	**206,861**	146,939
Winnipeg Regional Health Authority	**-**	109,204
Government remittances payable	**178,707**	102,294
	$ 553,186	$ 527,386

7. Unspent Funding

	2018	2017
Unspent Equipment Funding		
Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.		
Balance, beginning of year	$ 56,234	$ 72,446
Contributions - Winnipeg Regional Health Authority	-	-
Interest allocation	92	77
Reversal to deferred contributions - capital asset purchases and adjustments	16,289	(16,289)
	72,615	56,234
Unspent Major Repairs Funding		
Unspent major repairs funding related to equipment repairs represent the unspent amount of funding received for the replacement of equipment. Major repairs funding is not recorded as revenue in the statement of operations.		
Balance, beginning of year	78,346	63,923
Contributions - Winnipeg Regional Health Authority	14,423	14,423
Interest allocation	-	-
Transfer to deferred contributions - capital asset purchases	(12,090)	-
Balance, end of year	80,679	78,346
Insurance Reserve		
Balance, beginning of year	21,048	19,536
Contributions - Winnipeg Regional Health Authority	1,512	1,512
Balance, end of year	22,560	21,048
Total unspent funding	$ 175,854	$ 155,628

8. Deferred Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contribution balance are as follows:

	2018	2017
Balance, beginning of year	$ 1,369,006	$ 1,491,224
Funding for principal repayments on debenture	-	97,560
Transfer from replacement reserves	-	-
Long-term debt principal reductions	-	(97,077)
Capital assets acquisitions from WRHA	92,050	176,523
Amounts amortized to revenue	(344,751)	(299,224)
Balance, end of year	$ 1,116,305	$ 1,369,006

The long-term debt that has been incorporated in deferred contributions includes the following:

	2018	2017
Royal Bank Loan - interest at 3.95%, requiring monthly principal and interest payments of $2,361 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	$ 99,636	$ 129,179
Royal Bank Loan - interest at 3.95%, requiring monthly principal and interest payments of $2,361 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	95,312	124,119
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	132,898	183,364
	$ 327,846	$ 436,662

9. Commitments and Contingencies

a) Bethania Mennonite Personal Care Home, Inc. has signed a borrowing resolution covering capital expenditures of $2,575,090 for Pembina Place Mennonite Personal Care Home Inc. The borrowing resolution is secured by a letter of comfort from Manitoba Health.

b) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2018, management believes the Home has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

c) On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018. The Home is a named insured under the WRHA policy with HIROC.

10. Changes in Non-cash Working Capital

	2018	2017
Accounts receivable	$ (78,886)	$ 450,744
Prepaid expenses	2,909	1,889
Due from (to) related parties	(14,815)	18,166
Accounts payable and accrued liabilities	25,800	(159,623)
Accrued vacation payable	51,844	3,233
Unspent funding	20,226	(277)
	$ 7,078	$ 314,132

11. Bank Indebtedness

The Home has a line of credit with The Royal Bank to a maximum of $500,000 which carries an interest rate of Royal Bank prime (effective rate of 3.45% at March 31, 2018). The line of credit is secured by a general assignment of accounts receivable. The line of credit was unutilized as at March 31, 2018.

12. Employee Future Benefits

a) Accrued Retirement Obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (3.35% in 2017) and a rate of salary increase of 3.50% (3.50% in 2017) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation. Employee future benefits recoverable from:

	2018	2017
Manitoba Health	**$ 652,360**	$ 652,360
Winnipeg Regional Health Authority	**190,718**	246,242
	$ 843,078	$ 898,602

12. Employee Future Benefits (continued)

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

	2018	2017
Balance, beginning of year	$ 726,304	$ 772,999
Net change in pre-retirement entitlements	(55,495)	(46,695)
Balance, end of year	$ 670,809	$ 726,304

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2016 indicates the plan is in a deficit. The board of the Plan continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $485,243 ($494,390 in 2017) and are included in the statement of operations.

13. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) is recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

14. Economic Dependence

The Home is economically dependent upon government and other agencies for funding its operations.

15. Comparative Figures

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

16. Financial Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home'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 Home's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Home to credit risk consist principally of accounts receivable, related party receivable, vacation entitlements receivable, and retirement obligations receivable.

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

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Home is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Home is exposed to liquidity risk due to its working capital deficiency noted in previous years.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information - Other Income

For the year ended March 31		2018		2017
BethaniaHaus meal recoveries	$	**9,102**	$	13,979
Dietary recoveries		**27,639**		33,197
Shared service recoveries		**35,120**		36,292
Other recoveries and miscellaneous		**81,097**		84,429
	$	**152,958**	$	167,897

Financial Statements of

CLINIQUE YOUVILLE CLINIC INC.

Year ended March 31, 2018

KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

Telephone (204) 957-1770
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INDEPENDENT AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the accompanying financial statements of Clinique Youville Clinic Inc., which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clinique Youville Clinic Inc. as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 12, 2018

Winnipeg, Canada

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2018, with comparative information for 2017

		2018		2017
Assets				
Current assets:				
Cash	$	619,496	$	713,151
Short-term investments		566,016		556,598
Accounts receivable		7,415		7,334
Receivable from Winnipeg Regional Health Authority (note 2)		28,680		76,918
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3[a])		125,848		125,848
Prepaid expenses		37,444		36,340
		1,384,899		1,516,189
Capital assets (note 4)		53,277		52,821
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority [notes 3(b) and 3(c)]		252,084		268,211
	$	1,690,260	$	1,837,221
Liabilities, Deferred Contributions and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities (note 3[a])	$	324,611	$	496,639
Future employee pre-retirement benefits payable (note 3[b])		248,245		266,635
Sick leave benefits payable (note 3[c])		41,980		39,717
		614,836		802,991
Deferred contributions for (note 5):				
Future expense		291,067		237,605
Capital assets		45,488		49,972
		336,555		287,577
Fund balances:				
Unrestricted:				
Operations		169,813		217,328
Internally restricted		561,267		526,476
Capital fund		7,789		2,849
		738,869		746,653
Commitments (note 8)				
Contingency (note 9)				
	$	1,690,260	$	1,837,221

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Original Document Signed

Date June 12/2018

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted					
	Operations	Ancillary Programs	Internally Restricted	Capital Fund	2018 Total	2017 Total
Revenue:						
Winnipeg Regional Health Authority	$ 2,799,500	$ –	$ –	$ –	$ 2,799,500	$ 2,885,537
Other	77,281	1,479	–	–	78,760	78,505
Insurance recoveries	8,544	–	–	–	8,544	8,084
Amortization of deferred contributions related to capital assets (note 5[b])	–	–	–	14,484	14,484	16,193
Interest and donations	–	–	41,545	–	41,545	6,072
Communication and Special Projects	–	–	–	–	–	4,500
Diabetes Cardiac Initiative	–	580	–	–	580	11,338
Healthy Baby Program	–	39,183	–	–	39,183	40,137
Intergenerational Community Outreach	–	629	–	–	629	488
Mindfulness	–	8,738	–	–	8,738	474
Mothers and Daughters in Touch	–	9,376	–	–	9,376	11,792
Nobody’s Perfect Special Projects	–	61,249	–	–	61,249	5,757
Nobody’s Perfect Program	–	88,553	–	–	88,553	84,771
Nutrition Programs	–	830	–	–	830	1,093
Pathways	–	3,794	–	–	3,794	2,769
Seniors on the Move	–	–	–	–	–	133
Student Volunteers	–	20	–	–	20	130
Teen Clinic Volunteer Funding	–	1,982	–	–	1,982	6,913
Young Adult Type 1	–	4,303	–	–	4,303	2,754
	2,885,325	220,716	41,545	14,484	3,162,070	3,167,440
Expenses:						
Amortization of capital assets	–	–	–	16,298	16,298	17,489
Salaries and benefits	2,379,398	139,858	–	–	2,519,256	2,520,836
Building, equipment and maintenance	432,010	7,965	–	–	439,975	451,091
Printing, stationery and telephone	45,737	24,835	–	–	70,572	60,550
Supplies and services	66,238	44,249	–	–	110,487	104,758
Clinical supplies	9,457	3,809	–	–	13,266	27,582
	2,932,840	220,716	–	16,298	3,169,854	3,182,306
Excess (deficiency) of revenue over expenses before the undernoted	(47,515)	–	41,545	(1,814)	(7,784)	(14,866)
Winnipeg Regional Health Authority revenue (expense):						
Future employee pre-retirement benefits revenue	(18,390)	–	–	–	(18,390)	11,000
Future employee pre-retirement benefits	18,390		–	–	18,390	(11,000)
Excess (deficiency) of revenue over expenses	(47,515)	–	41,545	(1,814)	(7,784)	(14,866)
Fund balances, beginning of year	217,328	–	526,476	2,849	746,653	761,519
Interfund transfer	–	–	(6,754)	6,754	–	–
Fund balances, end of year	$ 169,813	$ –	$ 561,267	$ 7,789	$ 738,869	$ 746,653

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Deficiency of revenue over expenses	$ (7,784)	$ (14,866)
Items not involving cash:		
Amortization of capital assets	16,298	17,489
Amortization of deferred contributions related to capital assets	(14,484)	(16,193)
Change in non-cash working capital balances:		
Accounts receivable	(81)	1,683
Receivable from Winnipeg Regional Health Authority	48,238	198,820
Prepaid expenses	(1,104)	4,331
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority	16,127	(26,754)
Accounts payable and accrued liabilities	(172,028)	122,657
Future employee pre-retirement benefits payable	(18,390)	15,018
Sick leave benefits payable	2,263	11,736
Deferred contributions received related to future expense	274,178	261,664
Deferred contributions recognized as revenue in the year	(220,716)	(173,074)
	(77,483)	402,511
Capital activities:		
Purchase of capital assets	(16,754)	(5,370)
Deferred contributions received or receivable related to capital assets	10,000	5,370
	(6,754)	–
Investing activities:		
Investment in GIC	(9,418)	(9,139)
Increase (decrease) in cash	(93,655)	393,372
Cash, beginning of year	713,151	319,779
Cash, end of year	$ 619,496	$ 713,151

See accompanying notes to financial statements.

General:

The corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.
- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.
- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women’s health services; as well as a community health information line.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The corporation follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. **Significant accounting policies (continued):**

Externally restricted contributions are recorded as deferred contributions and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Volunteers are an integral part of carrying out the activities of the corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

(b) Operating deficits or surpluses:

The corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The corporation's Service Purchase Agreement with the WRHA continues in effect until March 31, 2023 subject to certain provisions.

In accordance with the terms and conditions of the Service Purchase Agreement between the corporation and the WRHA, annual operating deficits are the responsibility of the corporation. The corporation may retain the greater of 50 percent of the annual operating surplus related to insured services and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the corporation are subject to review by the WRHA and adjustments recorded in the period they are communicated to the corporation. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

The corporation reports the Operations and Ancillary Programs separately in the Unrestricted Fund.

Revenue and expenses related to patient care program delivery are reported within the Operations Program.

The Ancillary Program includes revenue and expenses related to grant and donation funding used for purposes as designated by the donor, grantor, or other contributor. The use of the funds includes support for research, education, and clinical program activities. Surplus from the Ancillary Program is transferred to the Internally Restricted Fund once the programs are complete.

1. Significant accounting policies (continued):

The Internally Restricted Fund represents funds received through donations and interest income. All expenditures from this fund require the approval of the Board of Directors.

The Capital Fund reports the revenue and expenses related to capital asset equipment and construction projects. Funding for capital assets purchased with internally designated funds is recorded as an inter-fund transfer.

(d) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The corporation has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The corporation did not incur any remeasurement gains and losses during the year ended March 31, 2018 (2017 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

1. **Significant accounting policies (continued):**

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(e) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

(f) Future employee benefits:

The cost of the corporation’s employee retirement benefits is accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The accumulated non-vested sick leave liability is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

1. **Significant accounting policies (continued):**

(g) Employee benefits:

The cost of the corporation's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. WRHA provides funding for a portion of vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

(h) Income taxes:

The corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable, capital assets and obligations related to employee future benefits and amounts deferred for future program expenses. Actual results could differ from those estimates.

(j) Accounting changes:

On April 1, 2017, the corporation adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the corporation and did not result in any adjustments to the financial statements as at April 1, 2017.

2. Receivable from Winnipeg Regional Health Authority:

The details of receivable from WRHA are as follows:

	2018	2017
Union increases	$ 5,326	$ 43,851
Pension contribution increases	17,650	17,650
Healthcare spending account	5,704	10,047
Basic equipment funding	–	5,370
	$ 28,680	$ 76,918

During the year, the corporation was informed by the WRHA that deficit funding it had previously received in the amount of approximately $108,000 related to the 2016 fiscal year, was now repayable. Funding received and revenue recorded in fiscal 2018 was therefore reduced by this amount.

3. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2018, accounts payable and accrued liabilities includes employee benefits payable of $176,925 (2017 - $162,122).

During fiscal 2008, the WRHA confirmed that it will fund a portion of these employee benefits, which is limited to the amount estimated at March 31, 2004. Accordingly, the corporation has recorded a recoverable in the amount of $125,848, representing amounts due from WRHA, and reflects the estimated liability for accumulated employee benefits at that date. Each year thereafter, the corporation is expected to fund the change in the liability from annual funding provided by the WRHA.

3. Employee benefit plans (continued):

(b) Future employee pre-retirement benefits:

The corporation maintains an employee pre-retirement benefits plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the corporation's pre-retirement benefit plan obligations include mortality and withdrawal rates, a discount rate of 3.43 percent (2017 - 3.10 percent) and a rate of salary increase of nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2017 - 3.5 percent) plus an age related merit/promotion scale.

Information about the corporation's pre-retirement benefit plan obligations are as follows:

	2018	2017
Benefit plan obligations:		
Balance, beginning of year	$ 266,635	$ 251,617
Current service cost	9,261	13,018
Interest cost	2,791	2,000
Benefits paid	(29,974)	–
Balance, end of year	248,713	266,635
Unamortized actuarial loss	(468)	–
Benefit plan obligations, end of year	$ 248,245	$ 266,635

3. Employee benefit plans (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004 and was recorded as a long-term receivable on the statement of financial position.

In addition, during fiscal 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $22,708.

The amount recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability since 2007, which include an interest component. The decrease recorded in fiscal 2018 was $18,390 (2017 - $15,018 increase) recorded as revenue in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2018 aggregates $210,104 (2017 - $228,494) and has no specified terms of repayment.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Cash funding provided by the WRHA for 2018 was 100 percent (2017 - 100 percent) of actual pre-retirement benefits paid, if any.

(c) Accrued sick-leave entitlement:

The corporation provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the corporation's accumulated non-vested sick leave benefits include a discount rate of 3.43 percent (2017 - 3.10 percent) and a rate of salary increase of 3.50 percent (2017 - 3.0 percent).

A recoverable amount from the WRHA of $41,980 (2017 - $39,717) for the accumulated non-vested sick leave benefits has been recorded on the statement of financial position and has no specified terms of repayment. The recoverable amount has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase/decrease recorded in 2018 was $2,263 (2017 - $11,736 increase) and is recorded in the statement of operations.

4. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and fixtures	$ 206,625	$ 188,913	$ 17,712	$ 22,141
Computer equipment	362,996	328,351	34,645	29,147
Leasehold improvements	430,399	429,479	920	1,533
	$ 1,000,020	$ 946,743	$ 53,277	$ 52,821

5. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2018	2017
Balance, beginning of year	$ 237,605	$ 149,015
Add amount received related to future periods	274,178	261,664
Less amount recognized as revenue in the year	(220,716)	(173,074)
Balance, end of year	$ 291,067	$ 237,605

The amount of deferred contributions recognized as revenue during the year is recorded in the statement of operations in ancillary programs.

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Capital Fund in the statement of operations.

	2018	2017
Balance, beginning of year	$ 49,972	$ 60,795
Additional contributions received or receivable	10,000	5,370
Less amounts amortized to revenue	(14,484)	(16,193)
Balance, end of year	$ 45,488	$ 49,972

6. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The most recent funding actuarial valuation of the plan as at December 31, 2016, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

During the year, the Corporation contributed $175,574 (2017 - $165,402) on behalf of its employees. Contribution rates for the Corporation remain unchanged from the previous year at 8.9 percent (2017 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2017 - 10.5 percent) on earnings in excess of the YMPE.

7. Related party transactions:

From Youville's inception in 1983 to March 31, 2018, the Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,499,026 to Clinique Youville Clinic Inc. The Grey Nuns did not make any contributions during the years ended March 31, 2018 and 2017.

During the year, the Catholic Health Corporation of Manitoba contributed $13,000 (2017 - nil) which is recorded in interest and donations in the statement of operations.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through August 2018 and January 2020, respectively, as per the following schedule:

Fiscal:		
2019	$	160,667
2020		102,500

9. Contingency:

During the year ended March 31, 2018, the WRHA was made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years for the WRHA and its related facilities, including the corporation. The amount of liability is unknown as at March 31, 2018 as WRHA and HEPP have not accurately determined the amount due from the WRHA and its related facilities, including the corporation, to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the corporation.

10. Financial risks:

The corporation has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The corporation is exposed to credit risk with respect to its accounts receivable, receivable from WRHA, cash and short-term investments.

The corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the corporation at March 31, 2018 is the carrying value of these assets.

At March 31, 2018, all accounts receivable were current. There were no amounts past due.

There have been no significant changes to the credit risk exposure from 2017.

10. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The corporation manages liquidity risk by monitoring its operating requirements. The corporation prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2019.

There have been no significant changes to the liquidity risk exposure from 2017.

DONWOOD MANOR PERSONAL CARE HOME INC.

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

MARCH 31, 2018

FORT GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS
Business Advisors • Tax • Audit

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Donwood Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of Donwood Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Donwood Manor Personal Care Home Inc. as at March 31, 2018 and results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter
The financial statements for Donwood Manor Personal Care Home Inc., for the year ended March 31, 2017 were audited by another Chartered Professional Accountant firm, which expressed an unqualified opinion on those statements dated June 1, 2017.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 11, 2018

DONWOOD MANOR PERSONAL CARE HOME INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

ASSETS

		2018	2017
CURRENT ASSETS			
Resident trust bank	$	45,676	38,865
Accounts receivable (Note 3)		69,916	40,194
Due from Winnipeg Regional Health Authority ("WRHA") (Note 8)		72,297	11,080
Prepaid expenses		17,097	24,955
Inventories		39,467	51,545
Due from related parties (Note 4)		183,385	197,633
Vacation entitlements receivable (Note 5)		273,524	273,524
		701,362	637,796
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (Note 14)		506,315	613,296
RESTRICTED DEPOSITS			
Expenses of future periods		76,035	72,209
CAPITAL ASSETS (Note 6)		4,792,831	4,866,607
	$	6,076,543	6,189,908

LIABILITIES

		2018	2017
CURRENT LIABILITIES			
Bank indebtedness (Note 7)	$	110,371	181,948
Accounts payable and accruals		505,428	543,047
Resident trust account		19,905	23,535
Accrued vacation entitlements (Note 5)		415,190	408,324
Current portion of long-term debt (Note 9)		137,726	166,623
		1,188,620	1,323,477
LONG-TERM DEBT (Note 9)		302,186	117,759
DEFERRED CONTRIBUTIONS (Note10)			
Expenses of future periods		45,543	41,919
Capital assets		4,244,187	4,455,134
ACCRUED RETIREMENT OBLIGATIONS (Note14)		506,315	613,296
		6,286,851	6,551,585
COMMITMENTS AND CONTINGENCIES (Note 12)			

NET ASSETS

		2018	2017
DEFICIENCY IN NET ASSETS			
Unrestricted net deficiency		(336,538)	(488,768)
Invested in capital assets (Note 11)		126,230	127,091
		(210,308)	(361,677)
	$	6,076,543	6,189,908

Approved on behalf of the Board

Original Document Signed
Director

Original Document Signed
Director

DONWOOD MANOR PERSONAL CARE HOME INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
Winnipeg Regional Health Authority (Note 13)	$ 6,103,531	6,249,817	6,400,501
Residential charges	2,350,704	2,369,448	2,290,027
Amortization of deferred contributions related to capital assets (Note 10)	-	353,097	349,580
Recoveries	570,205	617,852	450,019
Contributed services - value in kind (Note 2 (e))	-	53,299	54,462
Interest income	-	199	1,279
Other income	12,000	29,107	17,309
	9,036,440	9,672,819	9,563,177
EXPENSES			
Operating (Schedule)	8,874,838	9,114,193	9,246,256
Amortization of capital assets	-	353,958	350,441
Contributed services (Note 2 (e))	-	53,299	54,462
	8,874,838	9,521,450	9,651,159
EXCESS OF (DEFICIENCY) REVENUE OVER EXPENSES BEFORE OTHER ITEMS	161,602	151,369	(87,982)
OTHER ITEMS			
WRHA funding accrued	-	(106,981)	(64,037)
Liability for the year	-	106,981	64,037
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 161,602	151,369	(87,982)

DONWOOD MANOR PERSONAL CARE HOME INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	2018
NET ASSETS (DEFICIT), beginning of year	$ 127,091	(488,768)	(361,677)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(861)	152,230	151,369
NET ASSETS (DEFICIT), end of year	$ 126,230	(336,538)	(210,308)

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	2017
NET ASSETS (DEFICIT), beginning of year	$ 107,434	(381,129)	(273,695)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(861)	(87,121)	(87,982)
NET CHANGES IN INVESTED CAPITAL ASSETS (Note 11)	20,518	(20,518)	-
NET ASSETS (DEFICIT), end of year	$ 127,091	(488,768)	(361,677)

DONWOOD MANOR PERSONAL CARE HOME INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018

		2018	2017
OPERATING ACTIVITIES			
Excess (deficiency) of revenue over expenses	$	151,369	(87,982)
Adjustments for Non-Cash Items:			
Amortization of capital assets		353,958	350,441
Amortization of deferred contributions - Capital Assets		(353,097)	(349,580)
		152,230	(87,121)
Changes in non-cash working capital balances:			
Accounts receivable		(29,722)	35,757
Due from WRHA		(61,217)	289,330
Prepaid expenses		7,858	1,717
Inventories		12,078	4,888
Vacation entitlements receivable		-	(333)
Accounts payable and accrued liabilities		(37,619)	34,687
Vacation entitlements accrued		6,866	(42,489)
		50,474	323,557
FINANCING ACTIVITIES			
Change in bank indebtedness, net		(71,577)	(45,981)
Proceeds from deferred contributions		136,640	118,285
Proceeds from (repayment of) long-term debt		155,530	(79,822)
Deferred contributions - expenses of future periods, net		3,624	21,601
		224,217	14,083
INVESTING ACTIVITIES			
(Advances) collection of amounts due from related parties, net		14,248	(182,480)
Acquisition of capital assets		(274,672)	(53,649)
Decrease in resident trust account, net		(3,630)	(1,439)
Increase in resident trust bank, net		(6,811)	(9,237)
Increase in restricted deposits - expenses of future periods, net		(3,826)	(3,714)
		(274,691)	(250,519)
NET CHANGE IN CASH		-	-
CASH, BEGINNING OF YEAR		-	-
CASH, END OF YEAR	$	-	-

DONWOOD MANOR PERSONAL CARE HOME INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

1. ACCOUNTING ENTITY

Donwood Manor Personal Care Home Inc. (the "Home") changed its name effective June 3, 1997. Previously it was known as the Mennonite Brethren Geriatric Association of Metro Winnipeg Inc., which was incorporated on February 13, 1969. The Home continues to provide residential care and has retained its registration as a charitable organization.

Effective April 1, 1999, government funding is primarily provided by the Winnipeg Regional Health Authority (the "WHRA") through a service purchase agreement. The WRHA is responsible for the overall planning and integration of services to the region and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

The Home is a member of the Donwood Group of Companies (the "Group") which operates under the control of a common Board of Directors and provides long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is the Donwood Manor Foundation Inc. and its related entities, Valhalla Cove Inc. and Donwood Management Inc. by virtue of overlapping board membership and management.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Home will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations. The financial statements include the following significant accounting policies:

(a) Revenue recognition

The Home follows the deferral method of accounting for contributions for contributions which include donations and government grants.

Under the *Health Insurance Act* and regulations thereto, the Home is funded primarily through the WRHA by the Province of Manitoba in accordance with budget arrangement established by the WRHA. 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 discussions with the WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

i) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

ii) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year or 2% of the global budget indicated in its funding letter from the WRHA for any such fiscal year. Any surplus beyond the foregoing levels shall be repaid to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Revenue recognition (Continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided if collection is reasonably assured.

(b) Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

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

	Method	Rate
Buildings	Straight line	40 years
Furniture and equipment	Straight line	5 - 10 years

(c) Financial instruments

The Home's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Home's financial instruments consist of bank indebtedness, accounts receivable, due from Winnipeg Regional Health Authority, vacation entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, and long-term debt.

Transaction costs for the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home'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 Home's activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

(e) Contributed services

A substantial number of volunteers contribute a significant amount of volunteer time each year. The fair value of the hours provided to the Home have been estimated by Management and recorded in the statement of operations.

(f) Employee future benefits

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

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation entitlements and accrued retirement obligations. Actual results could differ from these estimates.

(h) Credit risk

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

3. ACCOUNTS RECEIVABLE

	2018	2017
Receivable (advance payments) from residents	$ (4,361)	4,124
Accounts receivable	13,076	9,670
GST rebate receivable	61,201	26,400
	$ 69,916	40,194

4. DUE FROM (TO) RELATED PARTIES

	2018	2017
Due from Donwood Manor EPH Inc.	$ (8,824)	20,907
Due from Donwood South Inc.	4,408	3,739
Due from Donwood Manor Foundation Inc.	(37,531)	34,826
Due from Valhalla Cove Inc.	5,942	2,224
Due from Donwood Management Inc.	205,904	127,235
Due from Winnipeg Condominium Corporation No. 297	13,486	8,702
	$ 183,385	197,633

Amounts due from related parties are unsecured and non-interest bearing with no specific terms of repayment.

Administrative salaries allocations of $197,549 (2017 - $168,626) and information technology costs of $6,480 (2017 - $6,480) have been charged to other related Donwood companies. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

5. ACCRUED VACATION ENTITLEMENTS

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004, changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004, all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels.

6. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 15,000	-	15,000	-
Buildings	9,476,211	5,375,352	9,476,211	5,163,166
Furniture and equipment	2,627,963	1,950,991	2,347,782	1,809,220
	$ 12,119,174	7,326,343	11,838,993	6,972,386
Net book value	$ 4,792,831		4,866,607	

7. BANK INDEBTEDNESS

As at March 31, 2018, the Home has accessed $nil (2017 - $104,341) of its approved line of credit of $500,000 with the Royal Bank of Canada with the remaining indebtedness balance being outstanding cheques in excess of outstanding deposits and other cash balances. The line of credit is secured by a general assignment of book debts and bears interest at prime.

8. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	2018	2017
2013/2014 funding adjustment	$ 11,335	11,335
2014/2015 funding adjustment	69,753	69,753
2015/2016 funding adjustment	(201,931)	(201,931)
2016/2017 funding adjustment	17,237	131,923
2017/2018 funding adjustment	175,903	-
	$ 72,297	11,080

9. LONG-TERM DEBT

	2018	2017
Generator loan	$ 78,298	123,958
Fire panel replacement	243,856	-
CMHC loan	117,758	160,424
	439,912	284,382
Less: current portion	(137,726)	(166,623)
	$ 302,186	117,759

The generator loan bears interest at prime less 0.5% and is repayable in monthly payments of $3,805 plus interest and matures January 1, 2019. This loan is renewed annually and has been classified as current.

The fire panel replacement loan bears interest at prime plus 1.28% and is repayable in monthly payments of $2,065 plus interest and matures March 1, 2028.

The CMHC loan bears interest at 7.875%, is repayable in monthly blended payments of $4,469 and matures August 1, 2020.

Principal repayments over the next five years are expected to be as follows:

2019	$ 137,726
2020	63,596
2021	36,711
2022	15,365
2023	16,109
Thereafter	170,405
	$ 439,912

10. DEFERRED CONTRIBUTIONS

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and equipment replacement.

	2018	2017
Balance, beginning of year	$ 41,919	20,318
Add: amount received during the year	3,624	21,601
Balance, end of year	$ 45,543	41,919

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ 4,455,134	4,686,429
Add: Winnipeg Regional Health Authority contributions	142,150	118,285
Less: amounts amortized to revenue	(353,097)	(349,580)
Balance, end of year	$ 4,244,187	4,455,134

11. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 4,792,831	4,866,607
Less: amounts financed by deferred contributions	(4,244,187)	(4,455,134)
Less: amounts financed by long-term debt	(439,912)	(284,382)
Funds received in excess of capital assets acquired	17,498	-
	$ 126,230	127,091

Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred contributions	$ 353,097	349,580
Amortization of capital assets	(353,958)	(350,441)
Capital assets self-funded by the Home	-	20,518
Amounts repaid during the year	88,326	85,154
Mortgage repayments funded by WRHA	(88,326)	(85,154)
	$ (861)	19,657

12. COMMITMENTS AND CONTINGENCIES

a) The nature of the Home's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2018, management believes the Home has valid defenses and appropriate insurance coverage in place or has made sufficient provision for any uninsured payments to be made. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

The Home is a named insured under the WRHA policy with HIROC.

13. REVENUE FROM THE WINNIPEG REGIONAL HEALTH AUTHORITY

WRHA revenue per final funding report	$ 6,450,484
Add:	
Constant care	26,561
Nursing	3,049
Facility support	9,681
Health care spending account	23,821
Current change in pre-retirement liability	(106,980)
Pension plan cost of living adjustment	57,906
	14,038
Less:	
Principal repayment	(88,322)
Interest repayment	(1,338)
Reserve for major repairs	(3,624)
Reserve for insurance	(1,512)
Operating advance	(100,000)
Miscellaneous	(1,165)
Residential charges repayable	(18,744)
	(214,705)
Revenue from WRHA	$ 6,249,817

14. EMPLOYEE FUTURE BENEFITS

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

a) has 10 years service and has reached the age of 55
b) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
c) retires at or after age 65

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include retirement, termination, and mortality rates, a discount rate of 3.25% (2017 - 3.05%) and a rate of salary increase of 3.50% (2017 - 3.50%) plus age related merit/promotion scale with a provision for disability.

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

Commencing in 2006/2007, The WRHA assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2018	2017
Employee future benefits are recoverable from:		
Manitoba Health	$ 372,737	372,737
WRHA	133,578	240,559
	$ 506,315	613,296

Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan" or "HEPP") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death that provides the highest earnings.

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

14. EMPLOYEE FUTURE BENEFITS (Continued)

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2016 indicates that the plan's assets exceed its estimated liabilities and therefore the Plan is in a surplus position. However, the valuation also indicates that a solvency deficiency does exist for the Plan. The Manitoba Pension Commission confirmed that the Plan does not have to fund the solvency deficiency, but has to monitor and disclose this deficiency as well as continue to perform solvency valuations. The HEPP board continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long term.

The Home has fully met its obligations and has fully paid the required premiums. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $485,227 (2017 - $514,745) and are included in the statement of operations.

15. CONTINGENT LIABILITY

During the 2018 fiscal year, the Home was made aware by HEB Manitoba (“HEB”) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (the "Plan" or "HEPP") related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Home and HEB have not accurately determined the amount due from the Home to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Home.

16. FUNDING OF FUTURE EMPLOYEE BENEFITS

Effective April 1, 2004, Manitoba Health directed all health care facilities (including non-profit personal care Homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of these future employee benefits would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007-2012, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA. For the fiscal year ending March 31, 2018, the unfunded portion of future employee benefits amounts to $Nil (2017 - $Nil).

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care Homes (including Donwood Manor PCH).

17. CAPITAL MANAGEMENT

The Home considers its capital to include its Unrestricted Net Assets and Invested in Capital Assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

As a not-for-profit entity, the Home's operations are reliant on revenues generated annually. The Home has accumulated a deficit over its history, which are included in the unrestricted net assets in the statement of financial position.

The Home is currently endeavoring to eliminate this accumulated deficit and return to a position which would enable it to more adequately fund its working capital requirements.

18. FINANCIAL RISK MANAGEMENT

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Organization'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 Home's activities.

Credit risk

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

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

	2018	2017
Accounts receivable	$ 8,715	13,794
Due from related parties	183,385	197,633
Due from the WRHA	72,297	11,080
Vacation entitlements receivable	273,524	273,524
Retirement obligations receivable	506,315	613,296
	$ 1,044,236	1,109,327

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

Due from related parties: The Home is not exposed to significant credit risk as these receivables are spread over several entities, all of which generate cash flows from active operations.

Due from the WRHA, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

18. FINANCIAL RISK MANAGEMENT (Continued)

Market risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

Foreign exchange risk

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency is minimal.

DONWOOD MANOR PERSONAL CARE HOME INC.
SCHEDULE OF OPERATING COSTS
YEAR ENDED MARCH 31, 2018

	BUDGET (Unaudited)	2018	2017
Salaries			
Nursing salaries	$ 4,191,220	4,411,575	4,559,412
Special services	190,542	220,564	200,604
General services	1,735,167	1,794,763	1,809,291
Employee Benefits			
Canada Pension Plan	303,201	266,620	272,582
Employment Insurance	154,401	131,342	149,951
Registered pension	555,740	485,227	514,745
Health and education levy	132,019	140,946	141,990
Workers Compensation Insurance	77,383	84,853	84,477
Dental plan insurance	40,452	42,729	38,425
Group Life Insurance	50,721	13,120	13,270
Group health care	40,458	52,087	49,502
Disability and rehabilitation	140,316	112,868	116,787
Employee Assistance Program	7,781	30,234	28,918
Pre-retirement leave	-	8,787	53,736
Medical Supplies			
Medical / surgical supplies	53,760	71,455	58,217
Incontinence supplies	58,500	61,766	61,715
Hygiene supplies	10,000	11,711	14,149
Drugs, pharmaceutical supplies	756	424	2,957
Other supplies and expenses	-	5,561	13,629
Resident transportation	15,900	15,728	21,235
Recreation therapy / volunteer	8,196	9,240	8,354
Food services supplies	507,005	464,917	405,948
Laundry and linen supplies	21,156	19,005	21,755
Housekeeping supplies	27,008	36,053	32,146
Physical Plant			
Natural gas	65,000	45,885	46,297
Water and sewer	49,500	56,080	57,191
Electricity	95,680	114,745	112,308
Insurance - property	20,500	22,241	19,703
Property taxes	42,545	48,136	47,803
Security and fire	15,000	16,804	25,687
Maintenance	100,929	135,984	114,196
Insurance - liability	4,000	6,080	7,698
Professional fees	29,996	31,898	24,520
IT expenses	57,406	38,221	26,371
Bank charges and interest	7,000	11,918	9,065
Consulting	-	20,827	-
Office and miscellaneous expenses	65,600	73,799	81,622
	$ 8,874,838	9,114,193	9,246,256

Financial Statements of

EDEN MENTAL HEALTH CENTRE

March 31, 2018

Deloitte LLP
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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Eden Mental Health Centre

We have audited the accompanying financial statements of Eden Mental Health Centre, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Eden Mental Health Centre as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

July 25, 2018
Winnipeg, Manitoba

EDEN MENTAL HEALTH CENTRE
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	**$ 52,443**	$ 101,439
Accounts receivable	**98,322**	83,795
Inventory	**53,990**	53,990
Prepaid expenses	**18,735**	19,298
Due from Southern Health-Santé Sud (Note 5)	**-**	58,331
Vacation entitlement receivable (Note 3)	**268,606**	268,606
	492,096	585,459
CAPITAL ASSETS (NOTE 4)	**1,334,063**	1,383,090
DUE FROM SOUTHERN HEALTH-SANTÉ SUD PRE-RETIREMENT ENTITLEMENT (NOTE 3)	**435,937**	443,304
RESTRICTED ASSETS	**10**	8,178
	$ 2,262,106	$ 2,420,031
LIABILITIES		
CURRENT		
Bank indebtedness	**$ 617,649**	$ 626,772
Accounts payable and accrued liabilities	**376,506**	456,467
Due to Southern Health-Santé Sud (Note 5)	**15,520**	-
Accrued vacation entitlements (Note 3)	**409,985**	408,766
	1,419,660	1,492,005
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (NOTE 6)	**914,430**	930,511
PRE-RETIREMENT ENTITLEMENT (NOTE 3)	**435,937**	443,304
	2,770,027	2,865,820
CONTINGENCIES (NOTE 11)		
NET ASSETS		
Invested in Capital Assets (Note 7)	**419,633**	452,579
Internally Restricted	**522**	522
Unrestricted	**(928,076)**	(898,890)
	(507,921)	(445,789)
	$ 2,262,106	$ 2,420,031

APPROVED BY THE DIRECTORS

Original Document Signed Director Original Document Signed Director

EDEN MENTAL HEALTH CENTRE
Statement of Operations
Year Ended March 31, 2018

	2018	2017
REVENUE		
Southern Health-Santé Sud (Note 8)	**$ 8,564,989**	$ 8,969,178
Interest income	**1,012**	1,009
Other income	**28,456**	30,317
Pharmacy income	**447,614**	517,408
Amortization of deferred contributions	**69,535**	68,750
Parking recovery	**5,355**	5,177
	9,116,961	9,591,839
EXPENSES		
Administration	**672,848**	689,211
Amortization	**108,896**	112,642
Dietary	**312,910**	358,774
Housekeeping	**171,389**	169,476
Medical records	**297,378**	278,132
Nursing department	**2,848,840**	2,847,454
Occupational therapy	**97,781**	95,512
Pharmacy - in patient	**51,667**	233,663
Pharmacy - out patient	**306,060**	365,551
Plant maintenance	**200,901**	212,259
Pre-retirement leave	**65,133**	38,696
Psychiatric clinic	**2,364,457**	2,437,507
Psychogeriatric	**192,735**	199,493
Social work	**1,488,098**	1,476,273
	9,179,093	9,514,643
(DEFICIENCY) EXCESS OF EXPENSES OVER REVENUE	**$ (62,132)**	$ 77,196

EDEN MENTAL HEALTH CENTRE
Statement of Changes in Net Assets
Year Ended March 31, 2018

	2018			
	Invested in Capital Assets	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**$ 452,579**	**$ 522**	**$ (898,890)**	**$ (445,789)**
Deficiency of revenue over expenses	**(39,361)**	**-**	**(22,771)**	**(62,132)**
Investment in capital assets	**6,415**	**-**	**(6,415)**	**-**
Balance, end of year	**$ 419,633**	**$ 522**	**$ (928,076)**	**$ (507,921)**

	2017			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	$ 489,975	$ 522	$ (1,013,482)	$ (522,985)
Excess (deficiency) of revenue over expenses	(43,892)	-	121,088	77,196
Investment in capital assets	6,496	-	(6,496)	-
Balance, end of year	$ 452,579	$ 522	$ (898,890)	$ (445,789)

EDEN MENTAL HEALTH CENTRE

Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	**(62,132)**	77,196
Items not affecting cash:		
Amortization of deferred contributions	**(69,535)**	(68,750)
Amortization expense	**108,896**	112,642
	(22,771)	121,088
Changes in non-cash working capital balances:		
Accounts receivable	**(14,527)**	(23,979)
Inventory	**-**	(11,998)
Prepaid expenses	**563**	5,541
Change in bank indebtedness	**(9,123)**	180,747
Accounts payable and accrued liabilities	**(79,961)**	86,865
Due to (from) Southern Regional Health Authority	**73,851**	(395,007)
Accrued vacation entitlements	**1,219**	30,261
	(50,749)	(6,482)
FINANCING ACTIVITY		
Deferred contributions received - capital assets	**53,454**	46,722
	53,454	46,722
INVESTING ACTIVITIES		
Purchase of capital assets	**(59,869)**	(53,218)
Change in restricted assets	**8,168**	13,987
	(51,701)	(39,231)
(DECREASE) INCREASE IN CASH POSITION	**(48,996)**	1,009
CASH POSITION, BEGINNING OF YEAR	**101,439**	100,430
CASH POSITION, END OF YEAR	**52,443**	101,439

1. NATURE OF BUSINESS

Eden Mental Health Centre (the "Facility") was incorporated under the Manitoba Corporations Act in 1957. The Facility operates a community psychiatric clinic, acute care hospital and related rehabilitation programs for people of Manitoba with mental health issues. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through the Southern Health–Santé Sud (“SHSS”). Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by the SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet 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, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Pharmacy sales are recognized at the point of sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Inventory*

Carrying value is determined at the lower of cost and net realizable value with cost determined on a first-in, first-out basis. Net realizable value is the estimated selling price less the costs necessary to make the sale.

c) *Contributed services*

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

d) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to residual value.

Capital assets are amortized on a declining balance basis following the year of acquisition using the following annual rates:

Buildings	5%
Computer equipment	20%
Equipment	10%
Leasehold improvements	10%
Land improvements	10%
Vehicles	30%

e) *Pre-Retirement entitlement obligation*

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) *Internally restricted net assets*

The Internally restricted net assets are internally restricted for the use of the volunteer program.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

h) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

i) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	2018	2017
Vacation entitlement receivable	**$ 268,606**	$ 268,606
Pre-retirement entitlement receivable	**435,937**	443,304

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of $268,606 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlements. Accrued vacation entitlements, totalling $409,985 (2017 – $408,766), also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2018 in the amount of $435,937 (2017 – $443,304) has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004 and has been updated annually since then. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities.

3. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES (continued)

The significant actuarial assumptions adopted in measuring the Facility's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (3.10% in 2017) and a rate of salary increase of 3.50% (3.50% in 2017) plus age related merit / promotion scale with actuarial derived provisions for disability.

4. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 2,031**	**$ -**	**$ 2,031**	$ 2,031
Buildings	**2,385,236**	**1,598,023**	**787,213**	828,645
Computer equipment	**282,752**	**216,363**	**66,389**	81,770
Equipment	**1,226,622**	**927,315**	**299,307**	270,510
Leasehold improvements	**407,541**	**240,979**	**166,562**	185,069
Land improvements	**47,587**	**38,519**	**9,068**	10,076
Vehicles	**5,871**	**2,378**	**3,493**	4,990
	$ 4,357,640	**$ 3,023,577**	**$ 1,334,063**	$ 1,383,090

5. DUE (TO) FROM SOUTHERN HEALTH–SANTÉ SUD

	2018	2017
Balance, beginning of year	**$ 58,331**	$ (336,676)
SHSS budget funding adjustment	**(19,812)**	229,268
Staffing items	**89,248**	35,506
Miscellaneous funding adjustments	**43,657**	42,771
Out-of-globe adjustments	**(189,954)**	64,344
Other	**3,010**	23,118
	$ (15,520)	$ 58,331

6. DEFERRED CONTRIBUTIONS

	2018	2017
Related to capital assets		
Balance, beginning of year	**$ 930,511**	$ 952,539
Add: additional contributions received	**53,454**	46,722
Less: amounts amortized to revenue	**(69,535)**	(68,750)
	$ 914,430	$ 930,511

7. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	**$ 1,334,063**	$ 1,383,090
Less: amounts financed by deferred contributions	**(914,430)**	(930,511)
	$ 419,633	$ 452,579

b) Changes in net assets invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred contributions related to capital assets	**$ 69,535**	$ 68,750
Less: amortization expense	**(108,896)**	(112,642)
	(39,361)	(43,892)
Purchase of capital assets	**59,869**	53,218
Amounts funded by deferred contributions	**53,454**	(46,722)
	6,416	6,496
	$ (32,945)	$ (37,396)

8. SOUTHERN HEALTH–SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

	2018	2017
Revenue per final budget	**$ 8,618,998**	$8,803,439
Current year end estimated – non-global amount	**43,657**	64,344
Other year end adjustments	**3,040**	76,124
One time funding	**(189,954)**	12,490
Staffing items	**89,248**	12,781
	$ 8,564,989	$8,969,178

Amounts recoverable or payable are based on RHA funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

9. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of 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 benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Chartered Professional Accountants of Canada Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $374,712 (2017 - $329,826) and are included in the statement of operations.

10. BANK INDEBTEDNESS

The Facility has an available line of credit of $750,000 which is secured by a general security agreement. Interest is calculated at the bank's prime rate, payable monthly and due on demand.

11. CONTINGENCIES

The Facility is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Facility may be subjected to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2018.

12. ECONOMIC DEPENDENCE

The Facility receives in excess of 90% of its total revenue from SHSS and is economically dependent on SHSS for its continued operations.

13. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

Financial Statements of

FRED DOUGLAS PERSONAL CARE HOME,

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Year ended March 31, 2018

KPMG LLP
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Winnipeg MB
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the accompanying financial statements of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 20, 2018

Winnipeg, Canada

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash (note 2)	$ 78,721	$ 488,143
Accounts receivable (note 3)	642,697	399,881
Inventories and prepaid expenses	41,585	33,735
Employee benefits recoverable from Winnipeg Regional Health Authority (note 11[iii])	355,603	355,603
Short-term investments (note 4)	209,576	56,051
Receivable from related entities (note 5)	33,926	28,885
	1,362,108	1,362,298
Investments (note 4)	219,884	367,347
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 11[i])	1,154,244	1,078,618
Capital assets (note 6)	3,469,289	3,694,768
	$ 6,205,525	$ 6,503,031

	2018	2017

Liabilities, Deferred Contributions and Net Assets

	2018	2017
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,133,196	$ 1,082,712
Current portion of long-term debt (note 7)	35,144	114,422
	1,168,340	1,197,134
Long-term debt (note 7)	45,236	–
Employee future benefits (note 11[i])	1,127,262	1,051,636
Deferred contributions (note 8):		
Donations	10,935	14,936
Expenses of future periods	20,502	18,990
Capital assets	2,532,185	2,707,181
Equipment reserve	37,734	37,734
Reserve for major repairs	365,653	354,622
	2,967,009	3,133,463
Net assets:		
Unrestricted	40,954	247,633
Invested in capital assets (note 9)	856,724	873,165
	897,678	1,120,798
Contingency (note 11(ii))		
Commitment (note 12)		
	$ 6,205,525	$ 6,503,031

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed
Larry Beeston, Director

Original Document Signed
Bruce Faurschou, Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 7,556,700	$ 7,410,553
Winnipeg Regional Health Authority - Adult Day Program	198,179	223,002
Resident charges	2,439,497	2,434,812
Participant charges - Adult Day Program	52,166	37,044
Donations and grants	16,201	11,543
Amortization of deferred contributions (note 8[c] and [e])	282,743	245,228
	10,545,486	10,362,182
Other income:		
Ancillary	4,332	2,055
Investment	2,837	4,902
Cafeteria	47,803	51,586
Other	31,956	26,643
	86,928	85,186
Total revenue	10,632,414	10,447,368
Expenses:		
Operating (schedule)	10,318,577	9,899,622
Adult Day Program	252,942	264,279
Amortization of capital assets	259,015	261,253
	10,830,534	10,425,154
Excess (deficiency) of revenue over expenses before the undernoted	(198,120)	22,214
Employee future benefits adjustment (note 11)	(75,626)	(43,453)
Funding for employee future benefits (note 11)	75,626	43,453
Excess (deficiency) of revenue over expenses	$ (198,120)	$ 22,214

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Invested in capital assets	2018 Total	2017 Total
Net assets, beginning of year	$ 247,633	$ 873,165	$ 1,120,798	$ 1,498,584
Excess (deficiency) of revenue over expenses	(182,095)	(16,025)	(198,120)	22,214
Transfer for bank financing payments	(34,042)	34,042	–	–
Transfer of funds related to prior years' capital asset additions	34,458	(34,458)	–	–
Transfer to Fred Douglas Society Inc. (note 10)	(25,000)	–	(25,000)	(400,000)
Net assets, end of year	$ 40,954	$ 856,724	$ 897,678	$ 1,120,798

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (198,120)	$ 22,214
Items not involving cash:		
Amortization of capital assets	259,015	261,253
Amortization of deferred contributions related to capital assets	(242,990)	(245,228)
Change in non-cash operating working capital:		
Restricted cash	(7,279)	(55,866)
Accounts receivable	(242,816)	294,109
Inventories and prepaid expenses	(7,850)	(5,767)
Accounts payable and accrued liabilities	50,484	104,304
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	8,542	58,529
	(381,014)	433,548
Capital activities:		
Purchase of capital assets	(33,536)	(30,871)
Deferred contributions received for capital assets and equipment reserves	67,994	64,831
	34,458	33,960
Investing activities:		
Increase in investments	(6,062)	(214,005)
Change in receivable from related entities	(5,041)	(2,799)
Transfer of unrestricted net assets to Fred Douglas Society Inc.	(25,000)	(400,000)
	(36,103)	(616,804)
Financing activities:		
Repayment of long-term debt	(34,042)	(64,995)
Decrease in cash	(416,701)	(214,291)
Cash, beginning of year	179,671	393,962
Cash (bank indebtedness), end of year (note 2)	$ (237,030)	$ 179,671

See accompanying notes to financial statements.

General:

Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a 136-bed personal care home and 90-space adult day program in Winnipeg, Manitoba. Fred Douglas Society Inc. is an outreach ministry of the United Church of Canada.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. (the Society) (unaudited) have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding. The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement (SPA). Operating grants are recorded as revenue in the period to which they relate. The Division's SPA with the WRHA expired March 31, 2015, however an extension to the agreement expiring June 30, 2018 has been agreed to between the Division and the WRHA.

In accordance with the terms and conditions of the SPA, the operating surplus the Division may retain is the greater of 50 percent of the operating surplus and 2 percent of the global budget as provided by WRHA, in any fiscal year. The remaining operating surplus of the Division in any fiscal year is repayable to the WRHA. Annual operating deficits are the responsibility of the Division.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Investment income includes interest income and realized investment gains and losses.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Division determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 and 10 years

(e) Employee future benefits:

The cost of the Division's employee future pre-retirement benefits is accrued as earned based on an actuarial estimation. The estimation of future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring the Division's employee future pre-retirement benefits include mortality and withdrawal rates, a discount rate of 3.43 percent (2017 - 3.10 percent), a rate of salary increase of nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2017 - 3.50 percent) plus an age-related merit/promotion scale.

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

(f) Contributed services:

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

1. Significant accounting policies (continued):

(g) Income taxes:

The Society and as such the Division is exempt from tax under Section 149 of the *Income Tax Act.*

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual results could differ from those estimates.

(i) Changes in accounting policies:

On April 1, 2017, the Division adopted Canadian public sector accounting standards PS 2200 *Related party disclosures*, PS 3420 *Inter-entity transactions*, PS 3210 *Assets*, PS 3320 *Contingent assets*, and PS 3380 *Contractual rights*. The adoption of these standards did not have a material impact on the financial statements.

2. Cash:

	2018	2017
Cash (bank indebtedness) - unrestricted	$ (237,030)	$ 179,671
Restricted cash	315,751	308,472
	$ 78,721	$ 488,143

Restricted cash, along with restricted investments disclosed in note 4, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs.

The Division has a demand revolving credit facility with a maximum limit of $500,000 (2017 - $500,000). The operating credit line bears interest at prime rate plus 1 percent (2017 - prime rate plus 1 percent). The facility is secured by a general security agreement and a first charge collateral mortgage against property of the Society. At March 31, 2018, the Division has utilized $119,112 of this facility (2017 - nil).

3. Accounts receivable:

	2018	2017
Accounts receivable	$ 44,122	$ 28,445
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	18,446	94,874
MGEU contract increases	144,252	122,488
MNU contract increases	5,911	3,066
Group health benefit funding	85,276	55,557
Resident charges	57,835	(76,629)
Capital funding	178,904	20,652
Pension increase funding	78,872	78,872
Other	29,079	72,556
	598,575	371,436
	$ 642,697	$ 399,881

The aging of the receivable from Winnipeg Regional Health Authority is as follows:

	2018	2017
2011	$ 2,580	$ 2,580
2012	5,002	5,002
2013	4,195	4,195
2014	2,568	2,568
2015	–	46,264
2016	45,626	45,626
2017	145,092	265,201
2018	393,512	–
	$ 598,575	$ 371,436

4. Investments:

	2018		2017	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Government investment certificates	1.85%	$ 367,333	1.94%	$ 423,398
Money market fund		62,127		–
		429,460		423,398
Current portion, shown as short-term investments		(209,576)		(56,051)
		$ 219,884		$ 367,347

The government investment certificates mature during fiscal years 2019 to 2022.

4. Investments (continued):

The allocation of investments between unrestricted and restricted is as follows:

	2018	2017
Unrestricted investments	$ 310,387	$ 305,588
Restricted investments	119,073	117,810
	$ 429,460	$ 423,398

5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2018	2017
Fred Douglas Heritage House Inc.	$ 8,625	$ 8,994
Fred Douglas Foundation, Inc.	367	1,497
Fred Douglas Apartments	15,754	11,492
Fred Douglas Courts	9,180	7,840
6032281 Manitoba Association Inc.	–	(158)
Fred Douglas Society Inc.	–	(780)
	$ 33,926	$ 28,885

Fred Douglas Heritage House Inc. is an organization controlled by the Society. 6032281 Manitoba Association Inc. is a wholly-owned subsidiary of Fred Douglas Heritage House Inc. Fred Douglas Apartments and Fred Douglas Courts are divisions of the Society. Fred Douglas Foundation, Inc. is an organization over which the Society exercises significant influence. The receivable from/payable to these entities are non-interest bearing, with no fixed terms of repayment and are unsecured. Subsequent to March 31, 2018, all receivable balances from related entities have been received in full.

6. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,751,074	6,782,458	2,968,616	3,108,946
Furniture and equipment	2,645,310	2,161,774	483,536	568,685
	$ 12,413,521	$ 8,944,232	$ 3,469,289	$ 3,694,768

7. Long-term debt:

	2018	2017
3.44% (2017 - 3.10%) mortgage, Assiniboine Credit Union, payable $3,095 monthly including principal and interest, maturing January 25, 2020	$ 80,380	$ 114,422
Current portion of long-term debt	35,144	114,422
	$ 45,236	$ –

The Assiniboine Credit Union mortgage is secured as disclosed in note 2 for the demand revolving credit facility.

Principal due annually until maturity is as follows:

2019	$ 35,144
2020	45,236

8. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2018	2017
Balance, beginning of year	$ 14,936	$ 8,703
Contributions received	6,534	13,875
Amounts recognized as revenue in the year	(10,535)	(7,642)
Balance, end of year	$ 10,935	$ 14,936

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles and claims.

	2018	2017
Balance, beginning of year	$ 18,990	$ 17,478
Contributions received	1,512	1,512
Balance, end of year	$ 20,502	$ 18,990

8. Deferred contributions (continued):

(c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2018	2017
Balance, beginning of year	$ 2,707,181	$ 2,887,578
Transfer from deferred contributions - equipment reserve	22,615	27,867
Contributions received	45,379	36,964
Amounts amortized to revenue in the year	(242,990)	(245,228)
Balance, end of year	$ 2,532,185	$ 2,707,181

(d) Equipment reserve:

Deferred contributions related to equipment reserve represent unspent contributions for the future purchase of capital assets. When the capital assets are purchased, an equivalent amount is transferred from this reserve to the deferred contributions related to capital assets.

	2018	2017
Balance, beginning of year	$ 37,734	$ 37,734
Contributions received	22,615	27,867
Transfer to deferred contributions - capital assets	(22,615)	(27,867)
Balance, end of year	$ 37,734	$ 37,734

8. Deferred contributions (continued):

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2018	2017
Balance, beginning of year	$ 354,622	$ 303,838
Contributions received	50,784	50,784
Amounts amortized to revenue in the year	(39,753)	–
Balance, end of year	$ 365,653	$ 354,622

9. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 3,469,289	$ 3,694,768
Deferred contributions - capital assets	(2,532,185)	(2,707,181)
Long-term debt	(80,380)	(114,422)
	$ 856,724	$ 873,165

10. Related party transactions:

During the year, the Division received $8,230 (2017 - $3,402) in funding for improvements and resident services and $2,613 in funding for capital assets from Fred Douglas Foundation, Inc.

During the year, the Division contributed $25,000 (2017 - $400,000) of its unrestricted net assets to the Society.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

11. Employee future benefits and employee benefits:

(i) Employee future benefits consists of:

		2018		2017
Pre-retirement benefits	$	786,247	$	761,542
Accumulated non-vested sick leave benefits		341,015		290,094
	$	1,127,262	$	1,051,636

The Division participates in an employee future pre-retirement benefits plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

Information about the Division's pre-retirement benefits plan is as follows:

		2018		2017
Accrued benefit obligation:				
Balance, beginning of year	$	761,542	$	755,056
Current benefit cost		58,648		57,000
Interest		23,598		22,000
Amortized actuarial gain		(3,968)		(8,182)
Benefits paid		(53,573)		(64,332)
Liability for benefits	$	786,247	$	761,542

11. Employee future benefits and employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement obligation at March 31, 2005, and was recorded as a long-term receivable on the statement of financial position.

The receivable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The increase in fiscal 2018 was $24,705 (2017 - $6,485) and is recorded in the statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2018 aggregates $813,229 (2017 - $788,523) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2017 - 100 percent) of actual pre-retirement benefits paid during the year.

The Division provides accumulating sick leave benefits to substantially all of its employees. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Division's accumulated non-vested sick leave benefits include a discount rate of 3.43 percent (2017 - 3.10 percent) and a rate of salary increase of 3.5 percent (2017 - 3.50 percent).

A recoverable from the WRHA of $341,015 (2017 - $290,095) for the accumulated non-vested sick leave benefits has been recorded in the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase recorded in 2018 was $50,921 (2017 - $36,968) and is recorded in the statement of operations.

(ii) During the year, the Division contributed $533,451 (2017 - $524,022) on behalf of its eligible employees who are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

11. Employee future benefits and employee benefits (continued):

The most recent actuarial valuation of the plan as at December 31, 2016, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis, but is required to fund on a going concern basis. The going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. On April 1, 2017 employer contribution rates remained at 8.9 percent (2017 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2017 - 10.5 percent) on earnings in excess of YMPE.

During the year, HEPP notified member organizations, including the Division, that there were unremitted pension contributions associated with HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Division and HEPP have not accurately determined the amount due from the Division to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the Division.

(iii) The cost of the Division's vacation benefits is accrued when the benefits are earned by the employees and is included in accounts payable and accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2018 is $546,809 (2017 - $537,038).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $355,603 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

12. Commitment:

For fiscal 2019, the Division has a service purchase agreement for the adult day program for annual transportation service of approximately $89,000.

13. Financial risks:

The Division is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Division to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

Liquidity risk is the risk that the Division will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Division manages its liquidity risk by monitoring its operating requirements. The Division prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Division is exposed to credit risk with respect to accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, employee future benefits recoverable from Winnipeg Regional Health Authority and investments.

There has been no change to the above noted risk exposures from 2017.

14. Trusts under administration:

At March 31, 2018, the balance of funds held in trust on behalf of the residents who reside at the Division was $24,051 (2016 - $21,747).

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Nursing services:		
Medical supplies and services	$ 71,637	$ 72,878
Resident transportation	39,650	33,103
Incontinence supplies	94,327	71,830
Nursing administration	19,572	18,264
	225,186	196,075
Resident services:		
Activities	11,205	13,224
Other	2,945	3,958
	14,150	17,182
General administration:		
Advertising	692	1,510
Audit and professional fees	88,089	116,502
Bank charges and interest	2,633	811
Bonding and insurance	7,395	5,386
Data processing and communications	55,345	60,845
Delivery and courier	543	426
Equipment lease and maintenance	19,412	21,417
Meetings and miscellaneous	611	989
Licenses and membership fees	879	4,984
Postage	1,610	1,227
Printing, stationery and office supplies	12,033	11,957
Staff and resident events and appreciation	8,499	11,970
Travel	1,455	1,074
	199,196	239,098
Dietary:		
Food	344,564	344,432
Glassware and cutlery	–	1,986
Supplies	25,394	27,560
	369,958	373,978
Laundry:		
Supplies	5,439	4,987
Linen:		
Supplies and service	89,072	90,453
Housekeeping:		
Supplies	61,944	49,245
Carried forward	964,945	971,018

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Brought forward	$ 964,945	$ 971,018
Physical plant:		
Operations:		
Electricity	100,717	97,713
Natural gas	37,841	37,759
Insurance	44,345	44,345
Taxes	62,171	90,102
Water	102,401	86,863
Maintenance and repairs:		
Buildings and grounds	344,373	155,649
Equipment	23,900	22,733
Other	9,579	9,818
Bank loan interest	–	402
Interest on bank financing	3,082	4,058
	728,409	549,442
Salaries:		
Nursing	5,284,431	4,966,638
Administration	385,305	405,386
Resident services	234,767	252,043
Dietary	582,671	579,170
Support services	524,333	533,555
Employee benefits	1,606,044	1,630,056
Accrued vacation	7,672	12,314
	8,625,223	8,379,162
Total operating expenses	$ 10,318,577	$ 9,899,622

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND

INDEPENDENT AUDITOR'S REPORT

COMBINED FINANCIAL STATEMENTS

MARCH 31, 2018

HOLY FAMILY HOME

NOTICE OF RELEASE

THE ACCOMPANYING FINANCIAL STATEMENTS OF THE HOLY FAMILY HOME FOR THE YEAR ENDED MARCH 31, 2018 AND THE AUDITORS' REPORT TO THE HOLY FAMILY HOME BOARD WERE APPROVED AND ACCEPTED BY THE HOLY FAMILY HOME BOARD AT THE ANNUAL MEETING OF JUNE 25, 2018.

Original Document Signed
(Chairperson of the Holy Family Home Board)

Original Document Signed
(Chairperson of the Finance and Audit Committee)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Holy Family Home, Inc. and
The Advisory Council of
Sisters Servants of Mary Immaculate

We have audited the accompanying combined financial statements of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund, which comprise the combined statement of financial position as at March 31, 2018, and the combined statements of operations, combined changes in net assets, and combined cash flow for the year then ended, and a combined summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management using basis of accounting described in Note 2(a).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these combined financial statements in accordance with the basis of accounting as described in Note 2(a), and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the combined financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these combined financial statements present fairly, in all material respects, the financial position of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2018, and its combined results of operations and cash flow for the year then ended in accordance with the basis of accounting described in Note 2(a).

Basis of Accounting and Restriction on Distribution
Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the management of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to report to the Winnipeg Regional Health Authority (WRHA). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to comply with the requirements of its WRHA funding agreement, and should not be distributed to parties other than the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund and the WRHA.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 25, 2018

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2018 TOTAL	2017 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 1,343,690	3,603,241	4,946,931	3,470,911
Accounts receivable	243,077	-	243,077	241,661
Due from WRHA (Note 2(b))	1,832,886	-	1,832,886	1,828,448
Due from WRHA - Accrued vacation pay (Note 4)	719,492	-	719,492	719,492
Due from SSMI Plant Fund	93,623	-	93,623	164,656
Inventory	77,938	-	77,938	69,897
Prepaid expenses	13,153	-	13,153	12,928
	4,323,859	3,603,241	7,927,100	6,507,993
DUE FROM WRHA - PRE-RETIREMENT LEAVE (Note 4)	1,379,212	-	1,379,212	1,425,936
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	-	41,328,332	41,328,332	20,543,031
	$ 5,703,071	44,931,573	50,634,644	28,476,960

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2018 TOTAL	2017 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 2,721,138	1,833,062	4,554,200	3,439,891
GST payable	-	445,022	445,022	1,139
Accrued vacation pay (Note 4)	1,105,381	-	1,105,381	1,063,454
Demand loans (Note 11)	-	31,455,939	31,455,939	10,460,643
Current portion of long-term debt (Note 6)	-	163,635	163,635	204,490
Due to Holy Family Home, Inc.	-	93,623	93,623	164,656
Due (from) to SSMI Works (Note 10)	(148,998)	2,365,035	2,216,037	2,378,949
	3,677,521	36,356,316	40,033,837	17,713,222
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	1,649,526	-	1,649,526	1,696,250
LONG-TERM DEBT (Note 6)	-	1,743,427	1,743,427	1,905,231
DEFERRED CONTRIBUTIONS				
Deferred capital contributions (Notes 2(d) and 7)	-	1,016,846	1,016,846	1,052,308
Deferred contributions for major building repairs (Notes 2(d) and 8)	-	161,481	161,481	213,280
	-	1,178,327	1,178,327	1,265,588
NET ASSETS				
Internally restricted	16,707	-	16,707	16,707
Invested in tangible capital assets	-	6,655,545	6,655,545	6,330,764
Unrestricted				
Unfunded employee future benefits (Note 4(d))	(656,203)	-	(656,203)	(614,276)
Unrestricted	1,015,520	(1,002,042)	13,478	163,474
	376,024	5,653,503	6,029,527	5,896,669
	$ 5,703,071	44,931,573	50,634,644	28,476,960

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	2018	2017
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 12)	$ 14,542,581	14,703,064
Resident/ participant charges	5,200,823	5,082,301
	19,743,404	19,785,365
Offset income		
Dietary	72,225	77,247
Investment income (Note 9)	30,862	21,327
Amortization of deferred capital contributions (Note 7)	186,569	154,433
Recognition of deferred contributions for major building repairs (Note 8)	74,935	-
Debt servicing funding	257,829	244,144
Miscellaneous	188,135	147,249
	810,555	644,400
	20,553,959	20,429,765
EXPENSES		
Salaries and benefits		
Nursing	11,845,407	11,819,936
Special	1,162,929	1,184,131
General	3,698,096	3,650,289
	16,706,432	16,654,356
Nursing services	417,639	477,296
Special services	47,291	50,638
General administration	465,044	438,537
Dietary	924,405	893,900
Laundry and linen	215,176	222,327
Housekeeping	54,435	52,115
Physical plant	990,822	920,922
Debt structure and amortization (Notes 5 and 6)	593,873	561,442
Bad debts	15,926	-
	20,431,043	20,271,533
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	122,916	158,232
OTHER ITEMS		
Pre-retirement leave funded	55,392	173,019
Pre-retirement leave expense	(171,057)	(172,750)
Unfunded employee future benefits (Note 4)	(41,927)	33,682
	(157,592)	33,951
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	(34,676)	192,183
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 12)	252,169	269,160
Participant charges	54,135	38,046
Salaries and benefits	(142,994)	(133,865)
General administration	(102,637)	(102,681)
Dietary	(8,929)	(8,713)
	51,744	61,947
EXCESS OF REVENUE OVER EXPENSES	$ 17,068	254,130

HOLY FAMILY HOME, INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	2018						
	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	(614,276)	848,553	(685,079)	(450,802)	16,707	6,330,764	5,896,669
Excess (deficiency) of revenue over expenses	(41,927)	51,177	16,201	25,451	-	(8,383)	17,068
Pre-retirement leave remeasurement	-	115,790	-	115,790	-	-	115,790
Transfer from SSMI Plant Fund Unrestricted Net Assets	-	-	(333,164)	(333,164)	-	333,164	-
BALANCE, END OF YEAR	$ (656,203)	1,015,520	(1,002,042)	(642,725)	16,707	6,655,545	6,029,527

	2017						
	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUBTOTAL	INTERNALLY RESTRICTED	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	$ (647,958)	632,690	(225,021)	(240,289)	16,707	1,076,390	852,808
Excess (deficiency) of revenue over expenses	33,682	216,132	11,834	261,648	-	(7,518)	254,130
Pre-retirement leave remeasurement	-	(269)	-	(269)	-	-	(269)
Transfer from SSMI (Note 14)	-	-	-	-	4,790,000	-	4,790,000
Transfer from SSMI Plant Fund Unrestricted Net Assets	-	-	(471,892)	(471,892)	-	471,892	-
Transfer (Note 14)	-	-	-	-	(4,790,000)	4,790,000	-
BALANCE, END OF YEAR	$ (614,276)	848,553	(685,079)	(450,802)	16,707	6,330,764	5,896,669

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 17,068	254,130
Add non-cash item(s):		
Amortization of tangible capital assets	452,781	406,095
Amortization of deferred capital contributions	(186,569)	(154,433)
Recognition of deferred contributions for major building repairs	(74,935)	-
	208,345	505,792
Change in non-cash working capital:		
Accounts receivable	(1,416)	(147,442)
Due from WRHA	(4,438)	924,465
Due from WRHA - Accrued vacation pay and pre-retirement leave	46,724	168,750
Inventory	(8,041)	(291)
Prepaid expenses	(225)	(383)
Accounts payable and accrued liabilities	1,114,309	1,658,292
GST payable	443,883	(647)
Accrued vacation pay and pre-retirement leave	(4,797)	(202,433)
	1,794,344	2,906,103
INVESTING ACTIVITIES		
Purchase and construction of tangible capital assets	(21,238,082)	(11,860,036)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(202,659)	(191,604)
Increase in demand loans	20,995,296	5,851,469
Additions of externally restricted fund balances - reserves	23,136	23,136
Deferred capital contributions	151,107	96,015
Pre-retirement leave remeasurement	115,790	(269)
Due to (from) related parties	(162,912)	398,516
Transfers from (to) related parties	-	4,790,000
	20,919,758	10,967,263
INCREASE IN CASH	1,476,020	2,013,330
CASH, BEGINNING OF YEAR	3,470,911	1,457,581
CASH, END OF YEAR	$ 4,946,931	3,470,911

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

1. ACCOUNTING ENTITIES

Holy Family Home, Inc. (HFH) was incorporated by a Special Act of the Province of Manitoba on May 6, 1963. HFH is sponsored, owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFH within the motto of the Sisters "To Serve is to Love".

The Ukrainian Catholic Congregation of Sister Servants of Mary Immaculate (SSMI) is a Federally incorporated religious organization operating as a not-for-profit organization and as a registered charity under the Income Tax Act. The SSMI Plant Fund records the major tangible capital assets less the related debt and the equity belonging to SSMI in Winnipeg, Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Accounting Framework

These combined financial statements are in accordance with Canadian accounting standards for not-for-profit organizations except for the application of CPA Canada Handbook Section 4450, paragraph 14 which requires an organization to either consolidate in its financial statements all entities under its control or provide disclosure in the notes to the financial statements of the total assets, liabilities, net assets, revenues, expenses, and cash flows from operating, financing, and investing activities reported in the period along with disclosure of details of any restrictions, by major category, on the resources of the controlled organizations and disclosure of the significant differences in accounting policies from those followed by the reporting organizations. These combined financial statements only report on the assets, liabilities, net assets, revenues, expenses and cash flows of Holy Family Home, Inc. and SSMI Plant Fund and do not include the total assets, liabilities, net assets, revenues, expenses and cash flows of all entities controlled by Sisters Servants of Mary Immaculate.

(b) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from WRHA and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to WRHA. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Winnipeg Regional Health Authority Funding (Continued)

The WRHA performs a final review of HFH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFH's audited financial statements up to and including March 31, 2004. The WRHA is currently working on year end settlements up to March 31, 2014 which are expected to be completed in 2018/19.

(c) Tangible Capital Assets

Tangible capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 to 65 years. Building renovations are amortized over the remaining useful life of the related building.

Assets under development or construction are not amortized until available for use.

(d) Deferred Contributions

Deferred contributions received for the funding and acquisition of tangible capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related tangible capital asset.

Deferred contributions received for major building repairs represent unspent balances of amounts funded for future expenditures. These deferred contributions are utilized for expenditures approved by the WRHA.

(e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

(f) Revenue Recognition

HFH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Restricted contributions include lump sum payments received to fund tangible capital assets purchases which are recognized as deferred capital contributions. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured. Unrestricted contributions include debt servicing funding which is recognized as revenue in the period received.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

Financial instruments held by the organization include cash, accounts receivable, accrued interest receivable, investments, accounts payable and accrued liabilities, demand loans, and long-term debt. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

(h) Accounting estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include the useful life of tangible capital assets and amounts payable for services not billed yet at the time these financial statements were approved. Actual results may differ from estimates.

3. CASH

	Total 2018	Total 2017
Home		
Holy Family Home, Inc.	$ 1,343,690	1,713,292
Plant Fund		
SSMI Plant fund	1,470,517	881,960
Major building repairs reserve fund	150,494	127,358
Equipment amortization fund	22,503	22,503
Construction accounts	1,959,728	725,798
	3,603,242	1,757,619
	$ 4,946,932	3,470,911

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2017	Vacation pay	$ 719,492	1,063,454	(343,962)
	Pre-retirement leave	1,425,936	1,696,250	(270,314)
		$ 2,145,428	2,759,704	(614,276)
March 31, 2018	Vacation pay	$ 719,492	1,105,381	(385,889)
	Pre-retirement leave	1,379,212	1,649,526	(270,314)
		$ 2,098,704	2,754,907	(656,203)

(a) Vacation Pay Receivable/ Payable

HFH has a receivable from the WRHA for vacation pay of $719,492 which was capped in 2003/04. Effective for the fiscal year 2004/2005, Manitoba Health has directed that healthcare facilities may no longer accrue as a receivable, the revenue equivalent to the change on the vacation pay liability. As a result of the above, the unfunded portion of the liability for the current fiscal year was $385,899 (2017 - $343,962).

(b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,379,212 (2017 - $1,425,936) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years 2006/2007 to 2017/2018. For the 2004/2005 and 2005/2006 fiscal years, Manitoba Health directed that healthcare facilities were not allowed to accrue as a receivable, the revenue equivalent to the change in the retirement entitlement obligation liability.

(c) Pre-retirement Leave Payable

HFH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty. HFH has recorded an accrual based upon an actuarial valuation at March 31, 2018 of $1,649,526 (2017 - $1,696,250) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2018, HFH paid out retirement allowances to their employees in the amount of $102,116 (2017 - $231,361) in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2018 was $270,314 (2017 - $270,314).

(d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which includes Vacation Pay) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the Service Purchase Agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat. Secondly, in keeping with the terms of the Service Purchase Agreement, future employee benefits should be recognized, both as a liability and as a receivable.

(d) Unfunded Employee Future Benefits (continued)

The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable. HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements. In 2017/18, the unfunded employee future benefits increased by $41,927 (decrease in 2017 - $33,682).

5. TANGIBLE CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 457,512	-	457,512	-
Building - Phase I	1,616,588	1,516,029	1,616,588	1,482,893
Building - Phase II	3,957,077	2,918,547	3,957,077	2,879,634
Building - Phase V	1,621,247	1,374,536	1,621,247	1,304,047
Building - Phase VI	37,081,552	-	16,110,525	-
Building - Link	1,500,962	964,916	1,500,962	943,474
Building - Canopy	-	-	70,161	62,845
Building Improvements	1,910,917	566,594	1,721,756	487,555
Equipment	3,266,148	2,785,623	3,188,254	2,583,177
Equipment - Phase I	350,892	350,892	350,892	350,892
Equipment - Link	95,483	95,483	95,483	95,483
Religious Mosaic and Icons	42,574	-	42,574	-
	$ 51,900,952	10,572,620	30,733,031	10,190,000
Net book value	$41,328,332		20,543,031	

Building – Phase VI is in the construction phase with an estimated total cost of $68,352,043. The balance included in tangible capital assets represents the accumulated costs incurred to date. Amortization will not commence until the construction of the building is complete.

Total amortization expensed in the statement of operations is $452,781 (2017- $406,095).

6. LONG-TERM DEBT

	2018	2017
Toronto Dominion Bank due January 1, 2019, prime plus 0.50%, repayable in monthly installments of $1,850 plus interest. Accrued interest $45 (2017 - $116).	$ 19,195	41,395
Toronto Dominion Bank due September 30, 2020, prime plus 0.50%, repayable in monthly installments of $1,830 plus interest. Accrued interest $132 (2017 - $181).	54,025	74,155
CMHC Mortgage due in 2021, 6.875%, repayable in monthly installments of $7,707 including principal and interest, secured by mortgage on Phase I land and building. Accrued interest $1,335 (2017 - $2,203).	244,120	317,336
CMHC Mortgage due in 2028, 10.00%, repayable in monthly installments of $20,630 including principal, interest and subsidy of $3,853 monthly, secured by mortgage on Phase II land and building. Accrued interest $12,811 (2017 - $14,391).	1,589,722	1,676,835
	1,907,062	2,109,721
Less: current portion	163,635	204,490
	$ 1,743,427	1,905,231

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2019	$ 163,635
	2020	154,629
	2021	146,537
	2022	59,789
	2023	66,050
	Thereafter	1,316,422
		$ 1,907,062

Total interest expensed in the statement of operations is $141,092 (2017 - $155,347).

7. DEFERRED CAPITAL CONTRIBUTIONS

	Funds for Future Capital Purchases	Tangible Capital Assets	2018 Total	2017 Total
BALANCE, BEGINNING OF YEAR	$ 25,415	1,026,893	1,052,308	1,110,726
Add: Deferred contributions - WRHA	-	76,107	76,107	96,015
Bockstael Construction funding	-	75,000	75,000	-
	25,415	1,178,000	1,203,415	1,206,741
Deduct: Amortization of deferred contributions	-	186,569	186,569	154,433
BALANCE, END OF YEAR	$ 25,415	991,431	1,016,846	1,052,308

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2018 Total	2017 Total
BALANCE, BEGINNING OF YEAR	$ 91,270	122,010	213,280	190,144
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
	99,406	137,010	236,416	213,280
Deduct: Recognition of deferred contributions	-	74,935	74,935	-
Deduct: Transfer to deferred capital contributions	-	-	-	-
BALANCE, END OF YEAR	$ 99,406	62,075	161,481	213,280

9. INVESTMENT INCOME

	2018	2017
Holy Family Home, Inc. investment income	$ 14,661	9,493
SSMI Plant Fund investment income	16,201	11,834
	$ 30,862	21,327

10. RELATED PARTY TRANSACTIONS

Holy Family Home, Inc. (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate because they are all under common ownership and control of SSMI. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties. Any outstanding balances due to (from) the related parties are non-interest bearing, unsecured and due on demand.

Holy Family Home, Inc. charged the Sisters Servants of Mary Immaculate Special Purpose Trust Fund fees in the amount of $25,000 (2017 - $31,528) for accounting support services. These transactions are at the the exchange amount, which is the amount agreed upon by both parties.

Holy Family Home, Inc. charges the Sisters Servants of Mary Immaculate Seniors Tower Fund an annual fee of $41,000 in 2018 (2017 - $41,000) for administration and caretaking services. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

The Sisters Servants of Mary Immaculate SSMI Operations Fund owns a telephone system which it leases to Holy Family Home, Inc. for $12,000 (2017 - $12,000) per annum. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

During the prior year, a transfer from the Sisters Servants of Mary Immaculate SSMI Building Expansion Fund was made for $4,790,000 to fund the Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund's portion of the construction costs for the building - phase VI.

11. DEMAND LOANS

The organization has established lines of credit totalling $533,138 from the Carpathia Credit Union for previously self-funded building improvements. The lines of credit are due on demand, bear interest at the Bank of Canada's overnight rate plus 1.35%, and are secured by credit agreements signed by the organization in the amount of $533,138 and letters of comfort from Manitoba Health in the amount of $533,138.

The organization also established an operating loan of $61,965,780 from The Toronto-Dominion Bank to finance the new building construction (Phase VI) at the Home. The operating loan bears interest at the prime rate - .9%, and is secured by an assignment of money under specified contract relating to borrowings for the construction costs as authorized under the Letter of Comfort from Manitoba Health and Healthy Living.

At March 31, the organization has utilized its credit facilities as follows:

	2018	2017
Toronto Dominion Bank operating loan bearing interest at prime - .9% for purpose of the Phase VI building construction project (bed additions)	$31,160,302	10,111,098
Carpathia Credit Union line of credit, bearing interest at 2.60%, for purpose of boiler replacement.	164,230	193,282
Carpathia Credit Union line of credit, bearing interest at 2.60%, for purpose of roof replacement.	131,407	156,263
	$31,455,939	10,460,643

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2018	2017
Total funds received during year	$15,220,318	16,553,304
Add:		
Residential charges top-up	16,406	47,093
Change in accounts receivable balance	4,437	(924,465)
Miscellaneous	3,777	565
	15,244,938	15,676,497
Deduct:		
Loan funding deferred	257,829	244,144
Pre-retirement leave funded	55,392	173,019
Change in pre-retirement leave	46,724	168,750
Capital funding deferred	67,107	95,224
Major reserves funding deferred	23,136	23,136
	450,188	704,273
	$14,794,750	14,972,224

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING (Continued)

Funding broken down as follows:		
Resident Services	$14,542,581	14,703,064
Adult Day Care	252,169	269,160
	$14,794,750	14,972,224

13. FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities, accrued vacation pay and pre-retirement leave, and long-term debt. Accounts payable and accrued liabilities are paid in the normal course of business and except under certain exceptions, no later than one month.

The organization's approach to managing liquidity risk is to manage its cashflow to ensure it will always have sufficient liquidity to meet liabilities when due. At March 31, 2018, the organization has a cash balance of $4,946,931.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable and amounts due from WRHA.

Management manages credit risk associated with accounts receivable and amounts due from WRHA by regularly pursuing collections and annually confirming amounts due from WRHA.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its Toronto Dominion Bank loan being at a variable rate.

Management mitigates interest rate risk on its investments by locking in to term deposits at guaranteed rates of return and varying maturity dates. Interest rate risk on other long-term debt is mitigated by the debt being at fixed rates for the remainder of their terms.

14. TRANSFER OF NET ASSETS

During the prior year, SSMI Building Expansion Fund transferred $4,790,000 to internally restricted SSMI Plant Fund assets as part of SSMI's contribution to the Building Phase VI capital project. These funds were then transferred from internally restricted SSMI Plant Fund net assets to SSMI Plant Fund net assets invested in capital assets. This transfer represents a self-funded purchase of tangible capital assets for the Building Phast VI project.

15. PENSION PLAN

Substantially all of the employees of the organization are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan" or "HEPP") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2016 indicates that the plan's assets exceed its estimated liabilities and therefore the Plan is in a surplus position. However, the valuation also indicates that a solvency deficiency does exist for the Plan. The Manitoba Pension Commission confirmed that the Plan does not have to fund the solvency deficiency, but has to monitor and disclose this deficiency as well as continue to perform solvency valuations. The HEPP board continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long term.

The organization has fully met its obligations and has fully paid the required premiums. Contributions to the plan made during the year by the organization on behalf of its employees amounted to $1,067,296 (2017 - $1,054,545) and are included in the statement of operations.

16. CONTINGENT LIABILITY

The WRHA has communicated with the organization that it may be contingently liable to pay additional pension contributions to Healthcare Employees Pension Plan - Manitoba (HEPP). The Winnipeg Regional Health Authority (WRHA) and HEPP are currently in negotiation to determine what amount, if any, the organization would be liable. No amount has been determined as of the date of the audit report. It is expected that the amount, once finalized, will not be material to the financial statements of the organization.

HOPE CENTRE HEALTH CARE INC.

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

MARCH 31, 2018

FORT GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS
Business Advisors • Tax • Audit

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Winnipeg, Manitoba R3C 1E2
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Hope Centre Health Care Inc.:

We have audited the accompanying financial statements of Hope Centre Health Care Inc., which comprise the statements of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Hope Centre Health Care Inc. as at March 31, 2018, and the results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The prior year's financial statements were audited by another Chartered Professional Accountant firm, whose independent auditors' report was dated July 18, 2017.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 20, 2018

HOPE CENTRE HEALTH CARE INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

		2018	2017
ASSETS			
CURRENT ASSETS			
Cash	$	-	30,620
Accounts receivable (Note 3)		315,615	306,177
Prepaid expenses		2,695	4,783
		318,310	341,580
TANGIBLE CAPITAL ASSETS (Note 4)		34,252	32,000
	$	352,562	373,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank overdraft	$	26,658	-
Bank indebtedness (Note 5)		65,000	63,750
Accounts payable and accrued liabilities (Note 6)		11,310	6,924
Surplus payable - WRHA		20,708	20,708
Advance payable - WRHA		35,000	-
		158,676	91,382
NET ASSETS			
Unrestricted net assets (Note 7)		159,634	250,198
Invested in capital assets		34,252	32,000
		193,886	282,198
	$	352,562	373,580

APPROVED BY:

Original Document Signed **Board Chairperson**

Original Document Signed **Executive Director**

HOPE CENTRE HEALTH CARE INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	2018	2017
REVENUE		
Medical health - WRHA	$ 1,133,217	1,185,448
Medical receipts - Province of Manitoba	2,919	7,265
Interest	217	199
	1,136,353	1,192,912
EXPENSES (Schedule 1)		
Administration	97,438	93,093
Primary health care	988,095	951,153
Occupancy	94,550	104,249
	1,180,083	1,148,495
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE REVENUE ADJUSTMENTS	(43,730)	44,417
REVENUE ADJUSTMENTS		
Revenue adjustment for current year - WRHA funding	-	(20,708)
Revenue adjustment for prior years - WRHA funding	(44,582)	45,065
	(44,582)	24,357
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (88,312)	68,774

HOPE CENTRE HEALTH CARE INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	UNRESTRICTED FUND	INVESTED IN CAPITAL ASSETS	2018	2017
NET ASSETS, BEGINNING OF YEAR	$ 250,198	32,000	282,198	213,424
Excess (deficiency) of revenue over expenses	(88,312)	-	(88,312)	68,774
Additions to tangible capital assets	(2,649)	2,649	-	-
Amortization of tangible capital assets	397	(397)	-	-
NET ASSETS, END OF YEAR	$ 159,634	34,252	193,886	282,198

HOPE CENTRE HEALTH CARE INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ (88,312)	68,774
Add non-cash item(s):		
Amortization	397	1,250
	(87,915)	70,024
Change in non-cash working capital:		
Accounts receivable	(9,438)	(33,340)
Prepaid expenses	2,088	(1,783)
Accounts payable and accrued liabilities	4,386	(3,140)
Surplus payable - WRHA	-	2,650
Advance repayable - WRHA	35,000	-
	(55,879)	34,411
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(2,649)	-
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	1,250	(23,250)
INCREASE (DECREASE) IN CASH	(57,278)	11,161
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	30,620	19,459
CASH (BANK OVERDRAFT), END OF YEAR	$ (26,658)	30,620

HOPE CENTRE HEALTH CARE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

1. ACCOUNTING ENTITY

Hope Centre Health Care Inc. (the "Organization") was incorporated on December 22, 1982 under the Manitoba Corporations Act as a not-for-profit organization and is exempt from the income tax act as a registered charity under the Income Tax Act.

Hope Centre Health Care Inc. is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

The Organization is committed to providing a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God worthy of a competent standard of care rendered with respect, dignity and compassion.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

(a) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at the fair value at the date of contribution if fair value can be reasonably estimated. Amortization is provided on the straight-line basis over the estimated useful lives of the tangible capital assets at the following rates:

Building and improvements	20 years
Equipment	3 1/2 years
Furniture and fixtures	5 years

Additions are amortized at one-half of the above rates in the year of purchase.

(b) Revenue Recognition

The Organization accounts for its revenue under the deferral method, whereby restricted contributions are recognized in the year that the related expenditures are incurred.

The Province of Manitoba and the Winnipeg Regional Health Authority provide funding to the Organization based on their assessment of the Organization's annual operating budgets and on approved capital expenditures. Periodically, they review actual operating results and process adjustments to amounts previously provided. The Organization accounts for these adjustments as a credit or charge to operations in the year that they are determined.

(c) Accounting Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include accounts receivable, amounts payable for services not billed yet at the time these financial statements were approved and useful life of tangible capital assets. Actual results may differ from estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments

Financial instruments held by the organization include cash (bank overdraft), accounts receivable, accounts payable and accrued liabilities, and bank indebtedness. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. ACCOUNTS RECEIVABLE

	2018	2017
Due from Winnipeg Regional Health Authority	$ 312,407	303,714
GST	3,208	2,463
	$ 315,615	306,177

4. TANGIBLE CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 32,000	-	32,000	-
Building and improvements	73,213	73,213	73,213	73,213
Equipment	50,556	48,304	47,907	47,907
Furniture and fixtures	50,898	50,898	50,898	50,898
	$ 206,667	172,415	204,018	172,018
Net book value	$ 34,252		32,000	

5. BANK INDEBTEDNESS

The Organization has an operating line of credit facility with the Royal Bank of Canada to a maximum of $65,000 (2017 - $63,750), bearing interest at a rate of 5.45%. Interest is payable monthly, and the principal balance fluctuates as funds are required for operations, or as funds are available from operations to pay down the principle balance. The operating line of credit facility is secured by a general security agreement covering all assets.

6. ACCOUNTS PAYABLE

	2018	2017
Trade accounts payable	$ 8,745	4,000
Staff fund	2,564	2,924
	$ 11,309	6,924

HOPE CENTRE HEALTH CARE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

7. UNRESTRICTED NET ASSETS

A portion of unrestricted net assets includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and the conditions of the relevant agreements.

8. COMMITMENTS

The organization has a commitment for the rental of its operating facility at 240 Powers Street in Winnipeg, Manitoba until April 30, 2021 with total annual lease payments as follows:

2019	$	46,092
2020		45,634
2021		46,095

9. ECONOMIC DEPENDENCE

The Organization is dependent on support from the Winnipeg Regional Health Authority and the Province of Manitoba to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

10. RISK MANAGEMENT

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its bank indebtedness.

(b) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The organization's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

(c) Credit Risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable. Credit risk is mitigated as the majority of receivables are due from the Province of Manitoba and the Winnipeg Regional Health Authority.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

SCHEDULE 1

HOPE CENTRE HEALTH CARE INC.
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31, 2018

	2018	2017
ADMINISTRATION		
Bank charges and interest	$ 5,768	5,663
Computer maintenance	4,728	490
Insurance	7,455	4,235
Professional fees	5,755	8,773
Salaries and benefits	73,732	73,932
	97,438	93,093
PRIMARY HEALTH CARE		
Auto allowance	2,119	4,412
Communications	7,463	8,079
Postage	1,820	1,523
Professional fees	10,267	1,379
Program supplies	31,446	30,078
Program equipment	7,696	10,678
Public relations	8,228	5,910
Salaries - benefits	120,242	121,261
Salaries - health care	527,333	506,451
Salaries - physician	271,481	261,382
	988,095	951,153
OCCUPANCY		
Amortization	397	1,250
Cleaning - janitorial	21,248	22,368
Cleaning - supplies	5,048	4,942
Property maintenance	11,321	12,716
Property taxes	1,975	1,974
Rental - 240 Powers Street (Note 7)	41,443	48,439
Utilities	13,118	12,560
	94,550	104,249
	$ 1,180,083	1,148,495

Klinic Incorporated
(Operating as Klinic Community Health Centre)
Financial Statements

March 31, 2018

booke
& partners

500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
Fax: (204) 284-7105
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Independent Auditors' Report

To the Members of
Klinic Incorporated

We have audited the accompanying financial statements of Klinic Incorporated, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Klinic Incorporated as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 30, 2018

Chartered Professional Accountants

Klinic Incorporated
Statement of Financial Position

March 31					**2018**	2017
	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**Total**	Total
Assets						
Current						
Cash (Note 3)	$ 816,457	$ -	$ -	$ 751,539	**$ 1,567,996**	$ 352,909
Cash in trust - external projects (Notes 3 and 4)	46,202	-	-	-	**46,202**	48,340
Receivables (Note 5)	847,474	-	-	-	**847,474**	1,389,226
Prepaid expenses	25,784	-	-	-	**25,784**	14,400
Assets held for sale (Note 8)	-	48,626	-	-	**48,626**	751,026
	1,735,917	48,626	-	751,539	**2,536,082**	2,555,901
Interfund balances (Note 6)	(155,474)	695,556	-	(540,082)	**-**	-
Pre-retirement leave receivable from Winnipeg Regional Health Authority	531,466	-	-	-	**531,466**	609,258
Capital assets (Note 7)	11,410	4,930,915	-	-	**4,942,325**	5,164,548
	$ 2,123,319	$ 5,675,097	$ -	$ 211,457	**$ 8,009,873**	$ 8,329,707
Liabilities						
Current						
Payables and accruals (Note 9)	$ 1,254,821	$ -	$ -	$ -	**$ 1,254,821**	$ 1,387,709
Deferred revenue (Note 10)	203,974	-	-	-	**203,974**	741,801
Current portion of mortgage payable (Note 11)	-	252,579	-	-	**252,579**	255,063
Funds in trust - external projects (Note 4)	46,202	-	-	-	**46,202**	48,340
	1,504,997	252,579	-	-	**1,757,576**	2,432,913
Deferred revenue (Note 10)	-	88,786	-	-	**88,786**	98,271
Mortgage payable (Note 11)	-	4,133,221	-	-	**4,133,221**	4,381,714
Pre-retirement leave (Note 12)	1,044,580	-	-	-	**1,044,580**	1,154,337
	2,549,577	4,474,586	-	-	**7,024,163**	8,067,235
Fund balances						
Invested in capital assets	-	1,200,511	-	-	**1,200,511**	575,399
Unrestricted - retainable	(426,258)	-	-	211,457	**(214,801)**	(312,927)
	(426,258)	1,200,511	-	211,457	**985,710**	262,472
	$ 2,123,319	$ 5,675,097	$ -	$ 211,457	**$ 8,009,873**	$ 8,329,707

Contingent liability (Notes 14)

Approved by the Board

Original Document Signed Director

Original Document Signed Director

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Operations

Year Ended March 31 — **2018** / 2017

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**Total** (2018)	Total (2017) (Note 16)
Revenues						
Grants and other revenue (Page 16)	$11,114,193	$ -	$ -	$ -	**$11,114,193**	$11,079,752
Donations	-	-	-	11,191	**11,191**	16,385
Interest	-	-	-	2,451	**2,451**	2,537
Rent	-	161,970	-	-	**161,970**	107,000
Gain on sale of capital asset	-	-	3,047	-	**3,047**	-
Amortization of deferred revenues (Note 10)	-	9,485	577,630	-	**587,115**	7,339
	11,114,193	171,455	580,677	13,642	**11,879,967**	11,213,013
Expenses						
Expenditures (Page 16)	10,778,699	-	-	-	**10,778,699**	11,036,695
Amortization	25,226	237,793	-	-	**263,019**	111,111
Special projects	-	-	-	7,952	**7,952**	3,934
Mortgage interest	-	139,024	-	-	**139,024**	34,275
	10,803,925	376,817	-	7,952	**11,188,694**	11,186,015
Excess (deficiency) of revenues over expenses from operations	310,268	(205,362)	580,677	5,690	**691,273**	26,998
Pre-retirement leave (Note 12)	31,965	-	-	-	**31,965**	(14,143)
Excess (deficiency) of revenues over expenses	$ 342,233	$ (205,362)	$ 580,677	$ 5,690	**$ 723,238**	$ 12,855

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2018 Total**	2017 Total
Fund balances, beginning of year	$ (587,707)	$ 450,626	$ 193,786	$ 205,767	**$ 262,472**	$ 249,617
Excess (deficiency) of revenues over expenses	342,233	(205,362)	580,677	5,690	**723,238**	12,855
Transfer to Operating Fund to repay outstanding interfund balances	78,907	-	(78,907)	-	**-**	-
Transfer to Capital Asset Fund for capital asset transactions	(259,691)	259,691	-	-	**-**	-
Transfer of proceeds from the sale of Wilson House to Capital Asset Fund	-	695,556	(695,556)	-	-	-
Fund balances, end of year	$ (426,258)	$ 1,200,511	$ -	$ 211,457	**$ 985,710**	$ 262,472

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Cash Flows

March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2018 Total**	2017 (Note 16) Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 9,544,233	$ -	$ -	$ -	**$ 9,544,233**	$ 8,429,046
Province of Manitoba	1,494,871	-	-	-	**1,494,871**	1,524,740
Government of Canada	60,248	-	-	-	**60,248**	114,939
University of Winnipeg	141,870	-	-	-	**141,870**	186,589
Workshops and honorariums	40,825	-	-	-	**40,825**	53,724
Donations	16,994	-	-	11,191	**28,185**	36,711
External projects	175,012	-	-	-	**175,012**	163,814
Interest	4,934	-	-	2,451	**7,385**	3,785
Other sources	519,792	-	-	-	**519,792**	620,896
Cash paid for:						
Human resources and benefits	(10,120,391)	-	-	-	**(10,120,391)**	(9,975,325)
Materials and services	(945,013)	-	-	(7,952)	**(952,965)**	(977,472)
External projects	(170,311)	-	-	-	**(170,311)**	(162,669)
Interest	-	-	-	-	**-**	(2,204)
	763,064	-	-	5,690	**768,754**	16,574
Cash flows from investing activities						
Purchase of capital assets	(9,137)	(14,194)	-	-	**(23,331)**	(5,160,936)
Proceeds on sale of capital assets	-	-	695,556	-	**695,556**	-
Net cash used in investing activities	(9,137)	(14,194)	695,556	-	**672,225**	(5,160,936)
Cash flows from financing activities						
Rent	-	161,970	-	-	**161,970**	107,000
Materials and services	-	-	-	-	**-**	(1,734)
Proceeds on mortgage payable	-	-	-	-	**-**	4,700,000
Payments on mortgage payable	-	(390,000)	-	-	**(390,000)**	(97,500)
Net cash used in financing activities	-	(228,030)	-	-	**(228,030)**	4,707,766
Net (decrease) increase in cash	753,927	(242,224)	695,556	5,690	**1,212,949**	(436,596)
Cash, beginning of year	351,532	-	-	49,717	**401,249**	837,845
Interfund adjustments	(242,800)	242,224	(695,556)	696,132	**-**	-
Cash, end of year (Note 3)	$ 862,659	$ -	$ -	$ 751,539	**$ 1,614,198**	$ 401,249

See accompanying notes to the financial statements.

1. Purpose of the organization

Klinic Incorporated (the organization) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling, public education and training for the Province of Manitoba.

The organization is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets (including computer equipment), liabilities, revenues and expenses related to the organization's activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization’s capital assets (excluding computer equipment).

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization’s building at 545 Broadway, known as The Wilson House. The Wilson House was disposed of in the current year.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The organization follows the deferral method of accounting for contributions.

Unrestricted contributions, consisting of grants, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to the programs are recognized as revenue in the year in which the related expenses are incurred.

Workshops and fundraising revenue are recognized as revenue in the appropriate fund when the event is held.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased property and equipment are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated residual value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer equipment	3 years	straight-line
Computer equipment under capital lease	3 years	straight-line
Capital Asset Fund		
Building	20 years	straight-line
Furniture and equipment	10 - 20 years	straight-line
Website	10 years	straight-line

e) Pre-retirement leave benefits

The cost of the organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.25% (2017 - 3.1%), a rate of salary increase of 3.5% (2017 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) External projects

External projects are sponsored by the organization and directed by third party organizations. The organization provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funds in trust - external projects.

2. Summary of significant accounting policies - continued

g) Allocation of expenses

The organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

h) Accounting estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

i) Financial instruments

The organization recognizes its financial instruments when the organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

It is management's opinion that the organization is not exposed to significant credit, currency, interest rate, liquidity, market or price risk arising from its financial instruments.

3. Cash

	2018	2017
Operating Fund		
Cash and short-term investments	**$ 816,457**	$ 303,192
Cash in trust - external projects	**46,202**	48,340
	862,659	351,532
Donation Fund	**751,539**	49,717
	$ 1,614,198	$ 401,249

The organization has available an operating line of credit with an authorized limit of $25,000 (2017 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2018 (2017 - $NIL). Of the $751,539 in the Donation Fund cash, $695,556 is owed to the Capital Fund.

4. Cash in trust - external projects

Funds in trust for external projects is as follows:

	2018	2017
Manitoba Public Health Association	**$ 13,126**	$ 13,761
Communities 4 Families - Downtown Parent Coalition	**12,935**	19,344
West Central Community Guide	**2**	2
Manitoba Network for Suicide Prevention	**3,433**	3,433
Wellness Committee	**6,450**	2,605
Trauma Forum	**8,162**	8,217
Male Childhood Abuse Workshop	**669**	669
Take Back the Night	**1,425**	309
	$ 46,202	$ 48,340

5. Receivables

	2018	2017
Winnipeg Regional Health Authority	**$ 427,321**	$ 1,013,139
Other	**420,153**	376,087
	$ 847,474	$ 1,389,226

6. Interfund balances

The interfund balances are non interest bearing and have no fixed terms of repayment.

7. Capital assets

2018

	Cost	**Accumulated Amortization**	**Net Book Value**
Operating Fund			
Computer equipment	**$ 202,711**	**$ 191,301**	**$ 11,410**
Capital Asset Fund			
Land	**763,130**	**-**	**763,130**
Building	**4,375,450**	**308,917**	**4,066,533**
Furniture and equipment	**372,847**	**298,031**	**74,816**
Website	**35,284**	**8,848**	**26,436**
	5,546,711	**615,796**	**4,930,915**
	$ 5,749,422	**$ 807,097**	**$ 4,942,325**

2017

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 193,574	$ 166,074	$ 27,500
Capital Asset Fund			
Land	763,130	-	763,130
Building	4,361,256	90,500	4,270,756
Furniture and equipment	373,923	300,135	73,788
Website	35,284	5,910	29,374
	5,533,593	396,545	4,373,918
	$ 5,727,167	$ 562,619	$ 5,164,548

8. Assets held for sale

2018

	Cost	**Accumulated Amortization**	**Net Book Value**
Capital Asset Fund			
Building	**$ 2,418,749**	**$ 2,370,123**	**$ 48,626**

2017

	Cost	Accumulated Amortization	Net Book Value
Capital Asset Fund			
Building	$ 2,418,749	$ 2,370,123	$ 48,626
Wilson House Fund			
Land	160,500	-	160,500
Building	1,354,146	812,246	541,900
	1,514,646	812,246	702,400
	$ 3,933,395	$ 3,182,369	$ 751,026

In 2018, the organization initiated the process of selling 870 Portage Avenue. As of the date of these financial statements, no offer has been accepted to purchase the building. As a result, no amortization has been recognized in these financial statements.

9. Payables

	2018	2017
Other	**$ 1,202,498**	$ 1,387,709
Winnipeg Regional Health Authority	**52,323**	-
	$ 1,254,821	$ 1,387,709

10. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted funding that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2018	2017
Beginning balance	**$ 164,171**	$ 230,692
Less: amounts recognized as revenue during the year	**(17,858)**	(90,565)
Add: amounts received related to next year	**57,661**	24,044
	$ 203,974	$ 164,171

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

	2018	2017
Beginning balance	**$ 98,271**	$ 70,810
Less: amounts recognized as revenue during the year:		
Province of Manitoba	**(2,709)**	(2,709)
Winnipeg Regional Health Authority	**(6,776)**	(4,630)
	(9,485)	(7,339)
Add: contributions	**-**	34,800
	$ 88,786	$ 98,271

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

	2018	2017
Beginning balance	**$ 577,630**	$ 577,630
Less: amounts recognized as revenue during the year	**(577,630)**	-
	$ -	$ 577,630

Deferred revenue reported in the Capital Asset Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

As Wilson House was sold in the current year, the remaining amount of deferred revenue has been recognized as revenue in these financial statements.

11. Mortgage payable

	2018	2017
Assiniboine Credit Union - 870 Portage Avenue Monthly payments of $10,000, bearing interest at Prime plus 0.25%, secured by a promissory note, a registered multi-purpose first real property mortgage over 870 Portage Avenue, registered general assignment of rents and leases over 870 Portage Avenue and an insurance waiver, maturing October 2032	**$ 1,356,309**	$ 1,430,497
Assiniboine Credit Union - 167 Sherbrook Street Monthly payments of $22,500, bearing interest at 3%, secured by a promissory note, a registered multi-purpose first mortgage over 167 Sherbrook, registered general assignment of rents and leases over 167 Sherbrook and an insurance waiver, maturing December 2019	**3,029,491**	3,206,280
	4,385,800	4,636,777
Less: current portion	**252,579**	255,063
	$ 4,133,221	$ 4,381,714

All advances are further secured by a general security agreement providing first charge over all assets of the organization and an assignment of fire and theft insurance.

Approximate future minimum mortgage payments in the next five years are as follows:

2019	$ 252,579
2020	260,774
2021	269,238
2022	277,979
2023	287,006
	$ 1,347,576

12. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	**2018**	2017
Opening balance	**$ 1,154,337**	$ 1,103,000
(Decrease) increase in obligation	**(109,757)**	51,337
Ending balance	**$ 1,044,580**	$ 1,154,337

Pre-retirement leave

Current year retirement benefits paid	**$ (141,779)**	$ (79,899)
Current year recovery		
WRHA	**141,779**	64,041
Province of Manitoba - Family Services	**-**	15,858
Decrease (increase) in obligation	**109,757**	(51,337)
(Decrease) increase in receivable	**(77,792)**	37,194
	$ 31,965	$ (14,143)

13. Pension

Effective June 1, 2003, the organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $694,123 (2017 - $669,520) was expensed for the purpose of the Plan.

Prior to June 1, 2003 the organization had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

14. Contingent liability

During the 2017/18 fiscal year, the organization was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the organization and HEB have not accurately determined the amount due from the organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the organization.

15. Economic dependence

The volume of financial activity undertaken by the organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

16. Comparative figures

In the prior year, it was announced by Klinic's Executive Director to funders, including Manitoba Healthy Seniors and Active Living and Manitoba Education and Training, that the Teen Talk program would transfer operations to Sexuality Education Resource Centre Manitoba Inc. and as such, was recorded as a discontinued operation in the organization's financial statements. During the current year, the financial transfer was formally terminated because the Teen Talk program remained with the organization. The comparative figures have been updated to reflect this change.

Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Teen Talk	Klinic Student Health Services	Rural Farm	Dream Catcher	GLBTT	Choices	2018 Total	2017 (Note 16) Total
Revenues									
Grants									
Winnipeg Regional Health Authority									
Fixed payments	$ 8,607,553	$ 227,446	$ -	$ -	$ -	$ -	$ -	$ 8,834,999	$ 8,563,019
Other funding	35,109	-	-	47,513	8,944	3,449	-	95,015	84,170
Province of Manitoba									
Health, Healthy Living and Seniors	424,012	231,241	-	297,000	47,000	-	-	999,253	1,054,721
Children and Youth Opportunities	-	270,343	-	-	-	-	100,600	370,943	388,923
Education and Training	-	15,000	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	87,500	-	-	-	-	-	-	87,500	87,500
Manitoba Justice	22,000	30,000	-	-	-	-	-	52,000	-
Government of Canada									
Canada Drug Strategy	-	-	-	-	-	-	-	-	32,575
Public Health Agency Canada	-	115,610	-	-	-	-	-	115,610	49,855
First Nations and Inuit Health	-	-	-	-	-	-	-	-	25,000
Status of Women	-	-	-	-	-	-	-	-	29,316
Workers Compensation Board	55,000	-	-	-	-	-	-	55,000	55,000
Winnipeg Foundation	-	-	-	-	-	-	-	-	400
University of Winnipeg	-	-	154,509	-	-	-	-	154,509	153,677
Other	297,376	-	-	1,228	33	-	-	298,637	475,705
Workshops	23,052	-	-	-	-	-	-	23,052	58,799
Donations	5,269	-	-	2,396	15	-	61	7,741	4,844
Interest	4,934	-	-	-	-	-	-	4,934	1,248
Total revenues	9,561,805	889,640	154,509	348,137	55,992	3,449	100,661	11,114,193	11,079,752
Expenditures									
Salaries	6,126,606	647,342	122,360	290,002	57,931	-	82,554	7,326,795	7,382,789
Medical remuneration	1,034,165	-	-	-	-	-	-	1,034,165	1,103,745
Benefits and payroll tax (Note 13)	1,313,773	140,724	22,585	57,865	15,193	-	15,805	1,565,945	1,549,696
Food and dietary supplies	33,003	960	-	512	1,251	-	-	35,726	39,202
Housekeeping	20,057	-	-	-	-	-	-	20,057	17,934
Medical supplies	28,267	-	8,937	-	-	-	-	37,204	43,327
Office supplies	149,511	14,097	192	9,481	1,937	-	1,475	176,693	222,555
Other	156,019	78,922	-	16,025	4,442	350	827	256,585	282,780
Professional fees	43,952	-	-	-	-	-	-	43,952	103,085
Rent	1,008	-	-	16,546	-	-	-	17,554	16,581
Repairs and maintenance	119,069	1,720	435	725	-	-	-	121,949	137,194
Pharmacy and drugs	5,974	-	-	-	-	3,099	-	9,073	8,186
Reproductive health supplies	49,658	5,875	-	-	-	-	-	55,533	48,213
Utilities and property taxes	68,210	-	-	-	-	-	-	68,210	72,932
Volunteer services	7,310	-	-	-	-	-	-	7,310	6,742
Website	1,948	-	-	-	-	-	-	1,948	-
Total expenditures	9,158,530	889,640	154,509	391,156	80,754	3,449	100,661	10,778,699	11,034,961
Excess (deficiency) of revenues over expenditures from operations	$ 403,275	$ -	$ -	$ (43,019)	$ (24,762)	$ -	$ -	$ 335,494	$ 44,791

LHC PERSONAL CARE HOME INC.

Financial Statements

March 31, 2018

CRAIG & ROSS
CHARTERED PROFESSIONAL ACCOUNTANTS

September 20, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of LHC Personal Care Home Inc.

We have audited the accompanying financial statements of LHC Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHC Personal Care Home Inc. as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Craig & Ross

Chartered Professional Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
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LHC PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	$ 1,086,906	$ 826,914
Accounts receivable - residents	488	4,621
Accounts receivable - other	14,260	8,077
Prepaid expenses	5,536	11,714
Vacation entitlement receivable *(Note 4)*	138,650	138,650
	1,245,840	989,976
PRE-RETIREMENT ENTITLEMENT RECEIVABLE *(Note 4)*	208,278	208,278
CAPITAL ASSETS *(Note 5)*	7,305,584	7,649,367
RESTRICTED CASH - RESIDENT TRUST	21,577	13,075
RESTRICTED CASH - RESERVE FUND	201,201	194,987
	$ 8,982,480	$ 9,055,683
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 52,402	$ 86,148
Accrued vacation, statutory and overtime	390,032	392,886
Due to related party *(Note 7)*	336,983	3,021
Due to Winnipeg Regional Health Authority *(Note 3)*	179,535	270,856
	958,952	752,911
RESIDENT TRUST PAYABLE	15,302	13,075
ACCRUED PRE-RETIREMENT ENTITLEMENT *(Note 4)*	228,825	228,825
DEFERRED CONTRIBUTIONS *(Note 9)*	6,446,323	6,782,426
	7,649,402	7,777,237
NET ASSETS	1,333,078	1,278,446
	$ 8,982,480	$ 9,055,683

ON BEHALF OF THE BOARD

Original Document Signed *Director*

Original Document Signed *Director*

LHC PERSONAL CARE HOME INC.
Statement of Operations
Year Ended March 31, 2018

	2018	2017
REVENUES		
Winnipeg Regional Health Authority	$ 6,122,130	$ 6,222,538
Resident charges	2,347,258	2,341,072
Other	31,610	32,785
	8,500,998	8,596,395
EXPENDITURES		
Accrued vacation, statutory and overtime	(2,854)	(6,223)
Electricity	159,070	159,369
Health and education levy	114,655	114,035
Insurance	18,973	21,256
Medical remuneration	19,572	19,320
Medical supplies and equipment	126,112	140,570
Natural gas	33,366	39,115
Operational supplies and services	186,370	187,810
Other employee benefits	951,985	949,908
Other nursing expenses	7,339	6,657
Plant maintenance	179,372	165,661
Pre-retirement payout	-	11,272
Professional fees	28,173	19,061
Property taxes	87,703	87,421
Purchased meals *(Note 7)*	1,033,288	1,011,984
Resident travel	2,898	22,042
Salaries	5,368,169	5,321,878
Water and waste	69,724	59,386
Workers Compensation premiums	62,451	73,402
	8,446,366	8,403,924
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS	54,632	192,471
OTHER ITEMS		
Amortization of capital assets	(369,560)	(441,656)
Amortization of deferred contributions	369,560	441,656
Change in pre-retirement obligation	-	(21,825)
	-	(21,825)
EXCESS OF REVENUES OVER EXPENDITURES	$ 54,632	$ 170,646

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	**$ 1,278,446**	$ 1,107,800
EXCESS OF REVENUES OVER EXPENDITURES	**54,632**	170,646
NET ASSETS - END OF YEAR	**$ 1,333,078**	$ 1,278,446

LHC PERSONAL CARE HOME INC.
Statement of Cash Flow
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenditures	$ 54,632	$ 170,646
Items not affecting cash:		
Amortization of capital assets	369,560	441,656
Change in deferred contributions	(336,103)	(394,605)
	88,089	217,697
Changes in non-cash working capital:		
Accounts receivable	(2,050)	11,146
Prepaid expenses	6,178	8,965
Pre-retirement entitlement receivable	-	(21,825)
Accounts payable and accrued liabilities	(33,746)	5,692
Accrued vacation, statutory and overtime	(2,854)	(6,223)
Accrued pre-retirement entitlement	-	21,825
	(32,472)	19,580
Cash flow from operating activities	55,617	237,277
INVESTING ACTIVITY		
Purchase of capital assets	(25,777)	(39,371)
FINANCING ACTIVITIES		
Advances from (to) related party	333,962	(44,610)
Advances from (repayments to) Winnipeg Regional Health Authority	(91,321)	286,174
Increase (decrease) in resident trust payable	2,227	38
Increase (decrease) in restricted funds	(14,716)	(7,718)
Cash flow from financing activities	230,152	233,884
INCREASE IN CASH FLOW	259,992	431,790
CASH - BEGINNING OF YEAR	826,914	395,124
CASH - END OF YEAR	$ 1,086,906	$ 826,914
CASH CONSISTS OF:		
Cash	$ 1,086,906	$ 826,914

1. ENTITY DEFINITION

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Organization is principally involved in providing licensed personal care services to 116 residents, operating under a services purchase agreement with the Winnipeg Regional Health Authority ("WRHA"). As the entity is a not-for-profit organization, it is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. There has been no change in this risk assessment from the prior year.

The Organization's financial instruments consist of cash, accounts receivable, due to related party, vacation entitlement receivable, pre-retirement entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, due to WRHA, and accrued pre-retirement entitlement.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs and replacement of furniture and equipment are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its net realizable value.

Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land improvements	10%	straight-line method
Buildings	2.5%	straight-line method
Computer hardware and software	33%	straight-line method
Furniture, fixtures and equipment	10%	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

LHC Personal Care Home Inc. follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Organization is funded primarily by the WRHA in accordance with budget arrangements established by the Province of Manitoba. 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding may be made by the WRHA after completion of their review of the Organization's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

1. Deficits - The WRHA shall not be responsible for past or future deficits of the Organization providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Organization other than those set forth in the service purchase agreement.

2. Surpluses - The Organization may unconditionally retain the greater of 50% of its insured services supplied in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions and pledges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions and pledges restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

The operations of the Organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and is therefore not reflected in these financial statements.

Employee future benefits

Substantially all of the employees of the Organization are members of a defined benefit pension plan as described in note 10. As it is a multi-employer plan, insufficient information is available to account for the plan using defined benefit plan accounting standards. Therefore, the plan is accounted for using defined contribution plan accounting standards.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. DUE TO WINNIPEG REGIONAL HEALTH AUTHORITY

	2018	2017
Bridge funding	**$ (300,000)**	$ (300,000)
0.25 % Funding reduction	**(20,375)**	-
COLA increases	**48,332**	59,104
Dialysis transporting funding	**690**	1,281
Education reimbursement	**550**	550
Flooring project	**71,254**	65,176
Health spending account	**64,344**	41,137
Maxi 500 2pt loop power base	**7,091**	-
Maternity leave top-up	**4,252**	1,128
Medical director fee increase	**264**	264
Non-union D&R funding increase	**36,000**	27,000
Pre-retirement payout	**39,779**	39,779
Quadrant payroll software	**28,869**	28,869
Sit to stand trainer/bariatric sling	**5,624**	-
Residential charges	**(182,110)**	(237,948)
Tub project	**-**	2,804
Washer/Labour	**15,901**	-
	$ (179,535)	$ (270,856)

4. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WRHA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the benefits recoverable and payable are classified as long-term debt whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations is capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the Organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. The accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

5. CAPITAL ASSETS

	2018		2017	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Land	**$ 189,282**	**$ -**	$ 189,282	$ -
Land improvements	**17,289**	**17,289**	17,289	17,289
Buildings	**12,324,767**	**5,544,527**	12,324,767	5,236,335
Computer hardware and software	**155,134**	**155,134**	155,134	155,134
Furniture, fixtures and equipment	**1,675,207**	**1,339,145**	1,649,430	1,277,777
	$ 14,361,679	**$ 7,056,095**	$ 14,335,902	$ 6,686,535
Net book value	**$ 7,305,584**		$ 7,649,367	

6. BANK INDEBTEDNESS

The Organization has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the Organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand.

7. RELATED PARTY

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral rôle in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services. Dietary meal costs are charged based on a rate per resident meal day.

The identified related parties are governed by a common Board of Directors.

The following is a summary of the Organization's related party transactions:

	2018	2017
Related party transactions		
Lions Manor		
Dietary meal costs	**$ 1,033,288**	$ 1,011,984

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to related party		
Lions Manor	**$ 336,983**	$ 3,021

Advances from a related party are unsecured, non-interest bearing, due on demand, and have no set repayment terms.

8. CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2018, no litigation is in process. With respect to potential claims at March 31, 2018, management believes that the Organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

9. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2018	2017
Deferred contributions		
Balance - beginning of year	**$ 6,587,439**	$ 6,989,724
Transfers from equipment funding	**25,777**	39,371
Less: amounts amortized to revenue	**(369,560)**	(441,656)
Balance - end of year	**6,243,656**	6,587,439

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

	2018	2017
Deferred contributions - major repairs		
Balance - beginning of year	**105,167**	97,487
Contributions - Winnipeg Regional Health Authority	**7,680**	7,680
Balance - end of year	**112,847**	105,167

Unspent equipment funding represents the unspent amount of funding received for the replacement of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2018	2017
Deferred contributions - equipment funding		
Balance - beginning of year	**89,820**	89,820
Contributions - Winnipeg Regional Health Authority	**25,777**	39,371
Purchases	**(25,777)**	(39,371)
Balance - end of year	**89,820**	89,820
Total deferred contributions balance	**$ 6,446,323**	$ 6,782,426

10. PENSION PLAN

Substantially all of the employees of the Organization are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent available audited financial statements of the Plan as at December 31, 2015 indicates the Plan is in a deficit position. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to $423,277 (2017 - $412,845) and are included in the consolidated statement of operations.

11. ECONOMIC DEPENDENCE

The Organization is economically dependent upon the Province of Manitoba for funding its operations.

LUTHER HOME CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2018

CRAIG & ROSS
CHARTERED PROFESSIONAL ACCOUNTANTS

May 24, 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of the Luther Home Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Luther Home Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Note 3 indicates that the Corporation follows certain accounting policies that are not in accordance with Canadian accounting standards for not-for-profit organizations in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation. The effect of these departures from Canadian accounting standards for not-for-profit organizations materially impact capital assets and operating expenses of the Corporation but would not have a pervasive impact on the financial statements as a whole.

Qualified Opinion

In our opinion, except for the effects of following certain accounting policies as disclosed in Note 3 in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation, the financial statements present fairly, in all material respects, the financial position of Luther Home Corporation as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Craig & Ross

Chartered Professional Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424

LUTHER HOME CORPORATION

Statement of Financial Position

March 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash and marketable securities *(Note 4)*	**$**	**699,168**	$	946,337
Accounts receivable		**183,953**		100,468
Prepaid expenses		**10,143**		19,199
Inventory		**24,760**		27,544
		918,024		1,093,548
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 5)*		**515,546**		580,407
CAPITAL ASSETS *(Note 6)*		**5,447,411**		5,384,342
	$	**6,880,981**	$	7,058,297
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued expenses	**$**	**891,667**	$	919,014
Current portion of long-term debt *(Note 7)*		**140,716**		131,206
		1,032,383		1,050,220
Term loans due on demand *(Note 7)*		**487,312**		379,378
		1,519,695		1,429,598
ACCRUED BENEFIT ENTITLEMENT		**494,274**		559,135
LONG-TERM DEBT *(Note 7)*		**1,499,453**		1,640,974
SUBSIDY SURPLUS RESERVE		**82,004**		81,039
REPLACEMENT RESERVE *(Note 8)*		**341,545**		212,487
DEFERRED CONTRIBUTIONS				
Capital assets		**1,210,617**		1,157,189
		5,147,588		5,080,422
NET ASSETS				
Unrestricted		**1,459,797**		1,562,013
Internally restricted - Sterkell		**-**		134,635
Internally restricted - Christ Lutheran Church		**260,951**		257,879
Internally restricted - Memorial Fund *(Note 9)*		**12,645**		23,348
		1,733,393		1,977,875
	$	**6,880,981**	$	7,058,297

APPROVED ON BEHALF OF THE BOARD

Original Document Signed *Director*

Original Document Signed *Director*

LUTHER HOME CORPORATION

Statement of Operations

Year Ended March 31, 2018

	2018	2017
REVENUE		
Long-term care *(Schedule 1)*	$ 6,211,916	$ 6,301,623
1080 Powers *(Schedule 2)*	550,403	540,837
1084 Powers *(Schedule 3)*	367,925	354,363
364 Leila *(Schedule 4)*	9,500	8,100
Adult Day Program *(Schedule 5)*	138,879	144,672
Home Care Program *(Schedule 6)*	332,688	332,688
Management Services *(Schedule 7)*	5,943	4,208
Memorial Fund *(Schedule 8)*	32,117	44,733
Donation Fund - Sterkell	-	1,157
Donation Fund - Christ Lutheran Church	3,072	1,764
	7,652,443	7,734,145
EXPENSES		
Long-term care *(Schedule 1)*	6,316,479	6,317,689
1080 Powers *(Schedule 2)*	515,403	505,837
1084 Powers *(Schedule 3)*	254,692	257,249
364 Leila *(Schedule 4)*	15,970	40,212
Adult Day Program *(Schedule 5)*	137,967	145,209
Home Care Program *(Schedule 6)*	328,946	332,417
Management Services *(Schedule 7)*	13,230	12,524
Memorial Fund *(Schedule 8)*	42,820	34,087
Donation Fund - Sterkell	134,635	34,589
	7,760,142	7,679,813
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ALLOCATION	(107,698)	54,332
ALLOCATION TO REPLACEMENT RESERVE	135,776	135,776
ALLOCATION TO INSURANCE DEDUCTIBLE RESERVE	1,008	1,008
DEFICIENCY OF REVENUE OVER EXPENSES	$ (244,482)	$ (82,452)

LUTHER HOME CORPORATION

Statement of Cash Flow

Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ **(244,482)**	$ (82,452)
Adjustments for:		
Allocation to replacement reserve	**130,023**	135,776
Amortization of capital assets	**315,594**	320,027
Amortization of deferred contributions related to capital assets	**(81,208)**	(89,258)
	119,927	284,093
Adjustments for changes in non-cash working capital:		
Accounts receivable	**(83,485)**	418,675
Inventories	**2,784**	(834)
Prepaid expenses	**9,056**	(562)
Accounts payable and accrued expenses	**(27,347)**	9,104
Accrued benefit entitlement	**(64,861)**	3,135
Cash flow from (used by) operating activities	**(43,926)**	713,611
INVESTING ACTIVITY		
Purchase of capital assets	**(378,664)**	(13,981)
Cash flow used by investing activities	**(378,664)**	(13,981)
FINANCING ACTIVITIES		
Due from Winnipeg Regional Health Authority	**64,861**	(3,135)
Change in deferred contributions	**134,636**	(63,480)
Proceeds from term loans	**225,000**	-
Repayment of term loans	**(132,013)**	(155,714)
Repayment of long-term debt	**(117,063)**	(120,633)
Cash flow from (used by) financing activities	**175,421**	(342,962)
INCREASE (DECREASE) IN CASH FLOW	**(247,169)**	356,668
CASH - BEGINNING OF YEAR	**946,337**	589,669
CASH - END OF YEAR	$ **699,168**	$ 946,337

LUTHER HOME CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2018

	Sterkell	Christ Lutheran Church	Memorial Fund	Unrestricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	$ 134,635	$ 257,879	$ 23,348	$ 1,562,013	$ 1,977,875	$ 2,060,327
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(134,635)	3,072	(10,703)	(102,216)	(244,482)	(82,452)
NET ASSETS - END OF YEAR	$ -	$ 260,951	$ 12,645	$ 1,459,797	$ 1,733,393	$ 1,977,875

1. INCORPORATION AND OPERATIONS

Luther Home Corporation (the "Corporation") was incorporated on May 25, 1968 as a not-for-profit organization without share capital. The mission of the Corporation is to minister with love and compassion to the physical, mental, spiritual and social needs of persons requiring care within their facility and surrounding community.

Luther Home Corporation consists of four properties: 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street and 364 Leila Avenue.

The property at 1081 Andrews Street is a long-term care facility. The property at 1080 Powers Street is a subsidized senior housing project. The property at 1084 Powers Street is a subsidized senior housing project. The property at 364 Leila Avenue was a group home for mentally challenged individuals which ceased operation on April 18, 2016.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations (ASNPO), except as disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), except as explained below, in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation (MHRC).

The specific accounting policies that differ from the Canadian accounting standards for not-for-profit organizations (ASNPO) include the following:

(a) Amortization for the building, furniture and equipment at 1080 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from MHRC. No amortization is charged on other capital assets. Donated capital assets are not amortized.

(b) Capital assets purchased from the Replacement Reserve are charged against Replacement Reserve account, rather than being capitalized on the statement of financial position and amortized over these estimated useful lives; and

(c) A reserve for future capital replacement is appropriated annually from operations.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue recognized for donated assets is deferred when the donated asset is received and recognized in each period to the extent of the amortization expense on the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization, except as required under the operating agreement with MHRC for 1080 Powers Street, is based on the estimated useful lives of capital assets.

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

Capital assets

Capital assets are recorded at cost, less any related grants. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings – 1081 Andrews Street	20 and 50 years
Automotive – 1081 Andrews Street	8 years
Real time locating system – computer	4 years
Computer and system software – 1081 Andrews Street	4 years
Furniture, equipment and improvements – 1081 Andrews Street	10 and 20 years
Real time locating system	10 years
Buildings – 364 Leila	40 years
Furniture and fixtures – 364 Leila	10 years

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets *(continued)*

The Corporation performs impairment testing on capital assets whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

For 1080 Powers Street, amortization is provided on the building, furniture and equipment purchased from loans by MHRC at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Corporation is registered as a not-for-profit organization, and as such, it is exempt from income taxes under Section 149 of the Income Tax Act.

Replacement reserve

In accordance with the guidelines established by MHRC, Winnipeg Regional Health Authority (WRHA) and Canada Mortgage and Housing Corporation (CMHC), a replacement reserve liability has been established. The replacement reserve is funded from the Corporation's operations through an annual allocation to the reserve. The amount to be allocated is the amount set out in the corresponding budget or another amount approved by the Corporation.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized at the same rate as related assets are amortized.

Inventory

Inventory held for consumption in the production process of goods to be distributed are recognized at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Accrued benefit entitlement

1081 Andrews Street has a contractual commitment to pay out to employees four days per year of service upon retirement if they comply with the following conditions:

(a) have ten years of service and have reached the age of 55; or
(b) qualify for the "80" rule which is calculated by adding the number of years of service to the age of the employee; or
(c) retire at or after the age of 65; or
(d) terminate employment at any time due to permanent disability.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accrued benefit entitlement *(continued)*

The Corporation has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the WRHA up to a pre-determined percentage.

Internally restricted net assets

The Corporation has restricted donations in the Memorial Fund and two Donation Funds. These funds may be designated for specific projects to enhance the care of residents of the Corporation.

Financial instruments

Financial instruments consist of cash and marketable securities, accounts receivable, accounts payable and accrued expenses, subsidy due to MHRC, term loans due on demand and long-term debt.

All financial instruments are initially recorded at fair value and are subsequently reported at amortized cost.

Transaction costs on all financial instruments are expensed as incurred.

It is management's opinion that the Corporation is not exposed to any significant currency, or credit risk arising from these financial instruments.

4. CASH AND MARKETABLE SECURITIES

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 2.05% at year end. Restricted cash and marketable securities are amounts allocated to reserve and trust accounts that are subject to restrictions.

	2018	2017
Cash and marketable securities, restricted	**$ 423,549**	$ 293,525
Cash and marketable securities, unrestricted	**275,619**	652,812
	$ 699,168	$ 946,337

5. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

	2018	2017
Vacation entitlement	**$ 133,100**	$ 133,100
Pre-retirement entitlement	**382,446**	447,307
	$ 515,546	$ 580,407

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the change in the pre-retirement entitlement. For the period April 1, 2006 to March 31, 2018, the WRHA fully funded the change in the pre-retirement entitlement.

6. CAPITAL ASSETS

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land – 1081 Andrews St.	**$ 51,952**	**$ -**	$ 51,952	$ -
Buildings – 1081 Andrews St.	**3,169,008**	**1,653,569**	3,169,008	1,551,920
Automotive – 1081 Andrews St.	**74,399**	**71,099**	74,399	71,099
Real time locating system – computer	**16,461**	**14,679**	16,461	12,897
Computer and system software – 1081 Andrews St.	**221,710**	**202,362**	221,710	192,687
Furniture, equipment and improvements – 1081 Andrews St.	**2,972,873**	**2,401,092**	2,966,113	2,299,894
Real time locating system	**167,863**	**167,863**	167,863	167,863
Buildings – 364 Leila Ave	**229,430**	**118,236**	229,430	112,855
Furniture and fixtures – 364 Leila Ave.	**24,404**	**24,404**	24,404	24,404
Land, building and equipment – 1080 Powers St.	**3,074,992**	**903,072**	3,074,992	807,166
Land, building and equipment – 1084 Powers St.	**2,297,031**	**1,296,336**	1,925,129	1,296,336
	$ 12,300,123	**$ 6,852,712**	$ 11,921461	$ 6,537,119
Net book value	**$ 5,447,411**		$ 5,384,342	

7. LONG-TERM DEBT

	2018	2017
Mortgage loan with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387, including interest and secured by the land and building at 1080 Powers Street, due July 1, 2027.	$ **1,567,283**	$ 1,663,188
Mortgage loan with CMHC, bearing interest at 6.875% per annum, repayable in monthly instalments of $3,532, including interest and secured by the land and building at 1081 Andrews Street, due January 1, 2020.	**72,886**	108,992
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $3,750, secured by assignment of proceeds of the reserve fund for 1084 Powers, due February 1, 2023.	**217,500**	-
Term demand loan with Bank of Montreal, bearing interest at prime plus .75% repayable in monthly principal payments of $1,975, secured by assignment of proceeds of the contract with the WRHA for the emergency generator, due March 1, 2020.	**49,134**	72,834
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, secured by assignments of proceeds of the contract with the WRHA for the boiler replacements, due September 1, 2023.	**127,311**	160,430
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, for renovations at 1084 Powers Street, due September 1, 2017.	**-**	19,758
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, for roof replacement at 1080 Powers Street, due January 1, 2021.	**93,367**	126,356
	2,127,481	2,151,558
Less: Term loans due on demand	**487,312**	379,378
Less: Current portion of long-term debt	**140,716**	131,206
	$ **1,499,453**	$ 1,640,974

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2019	$ **141,000**
2020	**152,000**
2021	**127,000**
2022	**139,000**
2023	**153,000**

8. REPLACEMENT RESERVE

1081 Andrews Street

Under the terms of the agreement with the WRHA, the replacement reserve account was credited in the amount of $4,776 (2017 - $4,776). These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by WRHA from time to time. The use of the funds in the account may require approval by the WHRA.

1080 Powers Street

Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of $35,000 (2017 - $35,000) annually until it accumulates $525,000 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by MHRC from time to time. The funds in the account may only be used as approved by MHRC. Withdrawals are credited to interest first and then principal.

9. INTERNALLY RESTRICTED FUNDS

During the 2013 fiscal year, the Board of Directors approved using the Memorial Fund to fund the deficiency of revenue of expenses of the operations of the Chaplaincy Services (Schedule 8) in the amount of $17,538. For the current year, a deficit on the operations of the Chaplaincy Services in the amount of $10,704 was transferred from the Memorial Fund.

During 2014/2015, a donation was received from the Christ Lutheran Church, with specific conditions on the use of the donated funds.

10. PROVINCIAL HOME CARE

1084 Powers Street received $332,688 (2017 - $332,688) from the WRHA – Home Care Division during the current year as a reimbursement of staff salaries and benefits paid.

11. ECONOMIC DEPENDENCE

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of the total revenue, 72% (2017 – 70%) is from these organizations.

12. PENSION PLAN

Substantially all of the employees of the Home are members of The Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years that provide the highest earnings, prior to retirement, termination or death. Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates in consultation with its actuaries. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $380,766 (2017 - $373,510). This amount was determined by contributing 8.9% of eligible salaries up to $55,300 and 10.5% of the portion of salaries in excess of $55,300 and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2017, indicates the Plan is fully funded.

13. FINANCIAL INSTRUMENT RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, Luther Home manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its variable rate loans.

14. CONTINGENT LIABILITY

During the current fiscal year, the Corporation was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan ("HEPP") related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Corporation and HEB have not accurately determined the amount due from the Corporation to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Corporation.

LUTHER HOME CORPORATION

Schedule 1

Statement of Operations
Long-Term Care

Year Ended March 31, 2018

	2018			2017
	Operating	**Capital**	**Total**	
REVENUE FROM RESIDENT SERVICES				
Winnipeg Regional Health Authority	$ **4,337,500**	$ **100,033**	$ **4,437,533**	$ 4,498,535
Amortization of deferred contributions	**-**	**81,208**	**81,208**	89,258
Residential charges	**1,342,287**	**-**	**1,342,287**	1,365,259
	5,679,787	**181,241**	**5,861,028**	5,953,052
OFFSET REVENUES				
Dietetics	**141,991**	**-**	**141,991**	134,721
Parking	**12,676**	**-**	**12,676**	12,445
Project maintenance	**154,214**	**-**	**154,214**	154,200
Other	**42,008**	**-**	**42,008**	47,205
	350,888	**-**	**350,888**	348,571
	6,030,675	**181,241**	**6,211,916**	6,301,623
EXPENSES				
Administration	**88,707**	**-**	**88,707**	84,502
Amortization of capital assets	**-**	**214,311**	**214,311**	227,600
Benefit bank value change - vacation	**15,576**	**-**	**15,576**	(4,445)
Benefit bank value change - preretirement	**(64,861)**	**-**	**(64,861)**	3,135
Food	**271,232**	**-**	**271,232**	260,987
Interest on long-term debt	**-**	**13,798**	**13,798**	17,844
Maintenance and repairs	**68,285**	**-**	**68,285**	61,940
Medical supplies	**104,831**	**-**	**104,831**	97,437
Other supplies and expenses	**142,500**	**-**	**142,500**	145,202
Pre-retirement leave	**85,704**	**-**	**85,704**	54,831
Purchased services	**20,457**	**-**	**20,457**	23,298
Salaries, benefits and payroll levy	**5,212,218**	**-**	**5,212,218**	5,204,631
Utilities	**143,721**	**-**	**143,721**	140,727
	6,088,370	**228,109**	**6,316,479**	6,317,689
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ALLOCATION	**(58,185)**	**(46,868)**	**(104,562)**	(16,066)
ALLOCATION TO REPLACEMENT RESERVE	**-**	**4,776**	**4,776**	4,776
ALLOCATION TO INSURANCE DEDUCTIBLE RESERVE	**-**	**1,008**	**1,008**	1,008
DEFICIENCY OF REVENUE OVER EXPENSES	$ **(58,185)**	$ **(52,652)**	$ **(110,346)**	$ (21,850)

LUTHER HOME CORPORATION

Schedule 2

Statement of Operations
1080 Powers St.

Year Ended March 31, 2018

		2018		2017
REVENUE				
Manitoba Housing Renewal Corporation - subsidy	$	**290,702**	$	284,079
Manitoba Housing Renewal Corporation - other		**624**		5,014
Rental revenue		**235,592**		226,652
Cablevision		**16,992**		16,740
Other		**6,493**		8,352
		550,403		540,837
EXPENSES				
Administration		**32,346**		32,310
Amortization of capital assets		**95,907**		86,886
Bed bug treatment and prevention		**4,100**		4,794
Cablevision		**16,771**		16,505
Electricity		**52,585**		48,730
Insurance		**6,484**		6,246
Interest on long-term debt		**160,742**		169,761
Interest on long-term debt - roof replacement		**4,221**		4,963
Repairs and maintenance		**83,321**		81,219
Natural gas		**8,842**		8,317
Property taxes		**28,054**		27,431
Water		**22,030**		18,675
		515,403		505,837
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE		**35,000**		35,000
ALLOCATION TO REPLACEMENT RESERVE		**35,000**		35,000
EXCESS OF REVENUE OVER EXPENSES	$	**-**	$	-

LUTHER HOME CORPORATION

Schedule 3

Statement of Operations
1084 Powers St.

Year Ended March 31, 2018

	2018	2017
REVENUE		
Rental revenue	$ **354,680**	$ 340,881
Other	**13,245**	13,482
	367,925	354,363
EXPENSES		
Administration	**39,000**	39,000
Cablevision	**16,030**	20,554
Electricity	**28,329**	27,468
Insurance	**9,511**	9,365
Interest on long-term debt	**2,172**	1,418
Janitorial services	**17,333**	18,575
Maintenance and repairs	**71,219**	72,613
Natural gas	**10,463**	13,669
Other supplies and expenses	**1,011**	1,568
Professional fees	**3,546**	3,510
Property taxes	**34,971**	34,528
Water	**21,107**	14,981
	254,692	257,249
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	**113,233**	97,114
ALLOCATION TO REPLACEMENT RESERVE	**96,000**	96,000
EXCESS OF REVENUE OVER EXPENSES	$ **17,233**	$ 1,114

LUTHER HOME CORPORATION

Schedule 4

Statement of Operations
364 Leila Ave.

Year Ended March 31, 2018

	2018	2017
REVENUE		
Rental Income	$ **9,500**	$ -
Province of Manitoba - residential support program	-	6,196
Province of Manitoba - residential support program - Extra staffing	-	1,904
	9,500	8,100
EXPENSES		
Amortization of capital assets	**5,376**	5,541
Electricity	**1,066**	1,721
Insurance	**826**	912
Janitorial services	**329**	9
Maintenance and repairs	**2,428**	3,378
Natural gas	**210**	669
Professional fees	-	3,826
Property taxes	**5,263**	5,299
Salaries, benefits and payroll levy	-	17,690
Telephone	-	840
Water	**472**	327
	15,970	40,212
DEFICIENCY OF REVENUE OVER EXPENSES	$ **(6,470)**	$ (32,112)

LUTHER HOME CORPORATION

Schedule 5

Statement of Operations
Adult Day Program

Year Ended March 31, 2018

		2018		2017
REVENUE				
Winnipeg Regional Health Authority	**$**	**114,600**	$	126,504
Participant charges		**24,279**		18,168
		138,879		144,672
EXPENSES				
Other supplies and expenses		**16,843**		16,683
Salaries, benefits and payroll levy		**57,398**		64,415
Travel		**63,726**		64,111
		137,967		145,209
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$**	**912**	$	(537)

LUTHER HOME CORPORATION

Schedule 6

Statement of Operations
Home Care Program

Year Ended March 31, 2018

	2018	2017
REVENUE		
Winnipeg Regional Health Authority	**$ 332,688**	$ 332,688
EXPENSES		
Other expenses	**14,400**	14,400
Salaries, benefits and payroll levy	**314,546**	318,017
	328,946	332,417
EXCESS OF REVENUE OVER EXPENSES	**$ 3,742**	$ 271

LUTHER HOME CORPORATION

Schedule 7

Statement of Operations
Management Services

Year Ended March 31, 2018

		2018		2017
REVENUE				
Other	**$**	**5,943**	$	4,208
EXPENSES				
Board expenses		**2,368**		1,895
Education		**-**		1,050
Miscellaneous		**859**		547
Scholarship		**500**		500
Staff appreciation		**7,176**		6,848
Tenant and staff gifts		**2,328**		1,684
		13,230		12,524
DEFICIENCY OF REVENUE OVER EXPENSES	**$**	**(7,287)**	$	(8,316)

LUTHER HOME CORPORATION

Schedule 8

Statement of Operations
Memorial Fund

Year Ended March 31, 2018

	2018	2017
REVENUE		
General contributions	**$ 32,117**	$ 44,733
EXPENSES		
Miscellaneous	**-**	45
Spiritual care	**42,820**	34,042
	42,820	34,087
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ (10,703)**	$ 10,646

LUTHER HOME CORPORATION

Schedule 9

Supplementary Information

Year Ended March 31, 2018

	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
REPLACEMENT RESERVE					
RESERVE FOR CAPITAL ASSETS					
Opening balance	$ 977	$ 114,689	$ 66,279	$ 8,975	$ 190,920
Current allocation	12,832	35,000	96,000	-	143,832
Interest earned	12	1,366	790	-	2,168
Current expenditures	-	(10,027)	(9,593)	(594)	(20,214)
Ending balance	13,821	141,028	153,476	8,381	316,706
RESERVE FOR MAJOR REPAIRS					
Opening balance	9,471	-	-	-	9,471
Current allocation	4,776	-	-	-	4,776
Interest earned	113	-	-	-	113
Current expenditures	(2,625)	-	-	-	(2,625)
Ending balance	11,735	-	-	-	11,735
RESERVE FOR INSURANCE DEDUCTIBLE					
Opening balance	12,096	-	-	-	12,096
Current allocation	1,008	-	-	-	1,008
Ending balance	13,104	-	-	-	13,104
TOTAL	$ 38,660	$ 141,028	$ 153,476	$ 8,381	$ 341,545
CAPITAL ASSETS AND ACCUMULATED DEPRECIATION					
CAPITAL ASSETS					
Opening balance	$ 6,667,506	$ 3,074,992	$ 1,925,129	$ 253,835	$ 11,921,462
Additions	6,464	-	372,198	-	378,662
Ending balance	6,673,970	3,074,992	1,925,129	253,835	12,300,124
ACCUMULATED DEPRECIATION					
Opening balance	4,296,358	807,167	1,296,335	137,260	6,537,120
Current year depreciation	214,312	95,906	-	5,375	315,593
Ending balance	4,510,670	903,073	1,296,335	142,635	6,852,713
NET BOOK VALUE	$ 2,163,300	$ 2,171,919	$ 628,794	$ 111,200	$ 5,447,411
SUBSIDY SURPLUS					
Opening balance	$ -	$ -	$ 81,038	$ -	$ 81,038
Interest earned	-	-	966	-	966
Ending balance	$ -	$ -	$ 82,004	$ -	$ 82,004
LONG-TERM DEBT					
Opening balance	$ 342,256	$ 1,789,545	$ 19,757	$ -	$ 2,151,558
Additional loan	-	-	225,000	-	225,000
Principal payment	(92,926)	(128,894)	(27,257)	-	(249,077)
Ending balance	249,330	1,660,651	217,500	-	2,127,481
Less: Current portion and term loans due on demand	(212,550)	(197,978)	(217,500)	-	(628,028)
	$ 36,780	$ 1,462,673	$ -	$ -	$ 1,499,453

Combined Statement of Revenues and Expenses

Year Ended March 31, 2018

	2018														2017
	Long-Term Care (Operating)	Long-Term Care (Capital)	Total (Long-Term Care)	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Adult Day Program	Home Care Program	Management Services	Total (Operations)	Memorial Fund (Restricted)	Donation Sterkell (Restricted)	Donation Christ Lutheran (Restricted)	Total	Total
REVENUE															
Regional Health Authority	$ 4,337,500	100,033	4,437,533	-	-	-	114,600	332,688	-	4,884,821	-	-	-	$ 4,884,821	$ 4,957,727
Manitoba Housing	-	-	-	291,326	-	-	-	-	-	291,326	-	-	-	291,326	289,093
Residential support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,100
Rental	1,342,287	-	1,342,287	235,592	354,680	9,500	24,279	-	-	1,966,338	-	-	-	1,966,338	1,950,960
Amortization	-	81,208	81,208	-	-	-	-	-	-	81,208	-	-	-	81,208	89,258
Other	350,888		350,888	23,485	13,245	-	-	-	5,943	393,561	32,117	-	3,072	428,750	439,007
	6,030,675	181,241	6,211,916	550,403	367,925	9,500	138,879	332,688	5,943	7,617,254	32,117	-	3,072	7,652,443	7,734,145
EXPENSES															
Amortization	-	214,311	214,311	95,907	-	5,376	-	-	-	315,594	-	-	-	315,594	320,027
Benefit bank change - vacation	15,576	-	15,576	-	-	-	-	-	-	15,576	-	-	-	15,576	(4,445)
Benefit bank change -	-	-													
preretirement	(64,861)	-	(64,861)	-	-	-	-	-	-	(64,861)	-	-	-	(64,861)	3,135
Interest on long-term debt	-	13,798	13,798	164,963	2,172	-	-	-	-	180,933	-	-	-	180,933	193,986
Other	675,555	-	675,555	136,538	127,260	2,757	80,569	14,400	13,230	1,050,309	-	134,635	-	1,184,944	1,064,370
Purchased services	20,457	-	20,457	-	3,546	-	-	-	-	24,003	-	-	-	24,003	30,634
Pre-retirement leave	85,704	-	85,704	-	-	-	-	-	-	85,704	-	-	-	85,704	54,831
Utilities	143,721	-	143,721	117,995	104,381	7,837	-	-	-	373,934	-	-	-	373,934	359,905
Salaries, benefits, levy	5,212,218	-	5,212,218	-	17,333	-	57,398	314,546	-	5,601,495	42,820	-	-	5,644,315	5,657,370
	6,088,370	228,109	6,316,479	515,403	254,692	15,970	137,967	328,946	13,230	7,582,687	42,820	134,635	-	7,760,142	7,679,813
EXCESS (DEFICIENCY)	(57,694)	(46,868)	(104,562)	35,000	113,233	(6,470)	912	3,742	(7,287)	34,568	(10,703)	(134,635)	3,072	(107,698)	54,332
ALLOCATION TO															
INSURANCE DEDUCTIBLE	-	1,008	1,008	-	-	-	-	-	-	1,008	-	-	-	1,008	1,008
REPLACEMENT RESERVE	-	4,776	4,776	35,000	96,000	-	-	-	-	135,776	-	-	-	135,776	135,776
EXCESS (DEFICIENCY)	$ (57,694)	(52,652)	(110,346)	-	17,233	(6,470)	912	3,742	(7,287)	(102,216)	(10,703)	(134,635)	3,072	$ (244,482)	$ (82,452)

Main Street Project, Inc.
Financial Statements
March 31, 2018

500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

Independent Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the accompanying financial statements of Main Street Project, Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditors' Report - continued

Basis for Qualified Opinion
Note 2(e) describes the amortization policy for property and equipment and states that the building at 71 Martha Street is being amortized at a rate equal to the reduction of the mortgage principal for the year. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations.

Qualified Opinion
In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Main Street Project, Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
June 19, 2018

Chartered Professional Accountants

Main Street Project, Inc.
Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash and term deposits	**$ 585,798**	$ 385,869
Receivables, net of allowance (Note 4)	**445,043**	352,810
Prepaids and deposits	**26,258**	7,310
Funds held in trust (Note 3)	**6,953**	8,353
	1,064,052	754,342
Property and equipment (Note 5)	**830,779**	630,895
Restricted funds (Note 10)	**468,845**	452,879
	$ 2,363,676	$ 1,838,116

	2018	2017
Liabilities		
Current		
Payables and accruals	**$ 546,392**	$ 549,331
Funds held in trust (Note 3)	**6,953**	8,353
Deferred contributions (Note 7)	**342,281**	151,527
Current portion of long-term debt (Note 8)	**30,324**	28,239
Current portion of capital lease (Note 9)	**20,000**	-
	945,950	737,450
Deferred contributions for property and equipment (Note 6)	**271,501**	99,703
Long-term debt (Note 8)	**515,955**	546,929
Obligation under capital lease (Note 9)	**61,667**	-
	1,795,073	1,384,082
Fund Balances		
Operating	**168,426**	46,223
Restricted (Note 10)	**468,845**	452,879
Capital	**(68,668)**	(45,068)
	568,603	454,034
	$ 2,363,676	$ 1,838,116

Commitments (Note 11)

Approved by the Board

Original Document Signed Director   Original Document Signed Director

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Operations

Year Ended March 31

	Operating Fund	Restricted Funds (Note 10)	Capital Fund	**2018 Total**	2017 (Note 17) Total
Revenues					
Grants	$4,641,525	$ 1,008	$ 46,192	**$4,688,725**	$4,849,757
Per diem payments	1,008,413	9,800	-	**1,018,213**	988,103
Development - donations	165,066	-	-	**165,066**	81,193
Van Patrol - donations	-	-	-	**-**	31,807
Loan forgiveness and MHRC subsidy (Note 8)	25,875	-	68,150	**94,025**	76,250
	5,840,879	10,808	114,342	**5,966,029**	6,027,110
Expenses					
Advertising	15,324	-	-	**15,324**	10,777
Amortization	-	-	125,533	**125,533**	104,873
Bad debt	33,007	-	-	**33,007**	-
Board	23,943	-	-	**23,943**	8,851
Cleaning and staff supplies	54,477	-	-	**54,477**	73,379
Client and medical supplies	46,922	-	-	**46,922**	32,881
Development	128,942	-	-	**128,942**	18,207
Food	243,300	-	-	**243,300**	352,255
Insurance	20,039	-	-	**20,039**	18,283
Minor furniture & equipment	52,353	-	-	**52,353**	12,084
Mortgage interest	-	-	39,790	**39,790**	41,740
Office	46,874	-	-	**46,874**	34,810
Professional fees	144,328	-	-	**144,328**	117,748
Program	15,144	-	-	**15,144**	1,661
Property tax	19,935	-	-	**19,935**	19,677
Rent	77,246	-	-	**77,246**	54,691
Repairs, maintenance, and replacements	93,182	-	-	**93,182**	73,979
Staff training	11,457	-	-	**11,457**	9,342
Telephone and internet	57,217	-	-	**57,217**	56,656
Travel	16,708	-	-	**16,708**	16,066
Utilities	116,767	-	-	**116,767**	121,149
Wages and benefits	4,520,122	-	-	**4,520,122**	5,178,055
	5,737,287	-	165,323	**5,902,610**	6,357,164
Excess (deficiency) of revenues over expenses before other items	103,592	10,808	(50,981)	**63,419**	(330,054)
Other items					
Winnipeg Regional Health Authority	42,640	-	-	**42,640**	-
Interest income (Note 15)	3,986	694	-	**4,680**	6,001
Unrealized gain on investments	-	2,630	-	**2,630**	22,060
Miscellaneous and other	1,200	-	-	**1,200**	321
	47,826	3,324	-	**51,150**	28,382
Excess (deficiency) of revenues over expenses	$ 151,418	$ 14,132	$ (50,981)	**$ 114,569**	$ (301,672)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Changes in Fund Balances

Year Ended March 31

	Operating Fund	Restricted Funds (Note 10)	Capital Fund	**2018 Total**	2017 Total
Fund balances, beginning of year	$ 46,223	$ 452,879	$ (45,068)	**$ 454,034**	$ 755,706
Excess (deficiency) of revenues over expenses	151,418	14,132	(50,981)	**114,569**	(301,672)
Interfund transfers (Note 10)	(29,215)	1,834	27,381	**-**	-
Fund balances, end of year	$ 168,426	$ 468,845	$ (68,668)	**$ 568,603**	$ 454,034

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Cash Flows

Year Ended March 31	2018	2017
Cash derived from (applied to)		
Operating		
Excess (deficiency) of revenues over expenses	$ 114,569	$ (301,672)
Amortization of property and equipment	125,533	104,873
Amortization of deferred contributions for property and equipment	(46,192)	(27,238)
Unrealized gain on investments	(2,630)	(22,060)
	191,280	(246,097)
Change in non-cash operating working capital		
Receivables	(92,233)	158,564
Prepaids	(18,948)	9,444
Payables and accruals	(2,939)	(405,666)
Deferred contributions	190,754	141,599
	267,914	(342,156)
Financing		
Reduction of long-term debt	(28,889)	(26,951)
Proceeds of capital lease obligation	107,000	-
Repayment of capital lease obligation	(25,333)	-
	52,778	(26,951)
Investing		
Purchase of property and equipment	(325,417)	(67,938)
(Increase) decrease in restricted funds	(13,336)	65,294
Grants received towards purchase of property and equipment	217,990	27,050
	(120,763)	24,406
Net increase (decrease) in cash	199,929	(344,701)
Cash		
Beginning of year	385,869	730,570
End of year	$ 585,798	$ 385,869

See accompanying notes to the financial statements.

1. Nature of operations

Main Street Project, Inc. (the organization) exists to provide shelter and access to services that meet the day-to-day needs of all people who are homeless or under-housed including those with chronic addictions and related health issues. The organization is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's property and equipment.

b) Revenue recognition

Restricted amounts are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted amounts are recognized as revenue when earned and collection is reasonably assured.

c) Investments

Investments are initially and subsequently measured at fair value. Changes in fair values are recognized in the statement of operations in the period incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in net income in the period incurred.

2. Significant accounting policies (continued)

d) Contributed goods and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor cost of these contributed goods and services are recognized in these financial statements.

e) Property and equipment

Purchased property and equipment are recorded in the Capital Fund at cost. Contributed property and equipment are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha Street building (as required by Manitoba Housing and Renewal Corporation) as follows:

Building - 71 Martha Street		annual mortgage principal reduction
Buildings - 75 and 77 Martha Street	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

Contributions towards the purchase of property and equipment are deferred and amortized over the same basis as the underlying asset.

f) Financial instruments

The organization recognizes its financial instruments when the organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

It is management's opinion that the organization is not exposed to significant credit, currency, interest rate, price, liquidity, or market risks arising from its financial instruments.

g) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Funds held in trust

In September 2000, the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused. Funds held on behalf of clients as at March 31, 2018 was $2,418 (2017 - $3,818).

Funds held in trust of $4,535 (2017 - $4,535) relate the the organization's social club.

4. Receivables

	2018	2017
Winnipeg Regional Health Authority	**$ -**	$ 10,000
City of Winnipeg Police Services	**101,116**	101,220
Province of Manitoba	**210,492**	192,951
Manitoba Housing and Renewal Corporation	**2,600**	-
Homelessness Partnership Strategy	**108,355**	-
Funds recoverable	**10,000**	10,000
City of Winnipeg	**24,000**	24,000
Goods and Services Tax recoverable	**12,820**	8,149
Employee loans	**12,233**	-
Downtown BIZ	**-**	8,750
Other	**6,434**	7,740
	488,050	362,810
Less: allowance for doubtful accounts	**(43,007)**	(10,000)
	$ 445,043	$ 352,810

5. Property and equipment

	Cost	Accumulated Amortization	**2018 Net Book Value**	2017 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha Street	554,295	338,755	**215,540**	243,728
Buildings - 75 and 77 Martha Street	508,090	263,050	**245,040**	170,134
Furniture and equipment	763,838	612,214	**151,624**	167,234
Vehicles	123,042	48,177	**74,865**	2,389
Equipment under capital lease	107,000	10,700	**96,300**	-
	$ 2,103,675	$ 1,272,896	**$ 830,779**	$ 630,895

Amortization expense of $125,533 (2017 - $104,873) is included in expenses of the Capital Fund.

6. Deferred contributions for property and equipment

Deferred contributions for the purchase of property and equipment of $271,501 (2017 - $99,703) represent grants received for furniture and equipment, vehicles and building renovations. These grants are amortized over the life of the respective asset in the Capital Fund within the statement of operations of the Capital Fund.

7. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2018	2017
Deferred contributions, beginning of year	**$ 151,527**	$ 9,928
Add: amount received in current year	**190,754**	453,662
Less: amount recognized as revenue in the current year	**-**	(312,063)
Deferred contributions, end of year	**$ 342,281**	$ 151,527

8. Long-term debt

	2018	2017
MHRC first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7.25% per annum, due April 1, 2028.	**$ 543,829**	$ 572,018
Manitoba Housing, economic stimulus forgivable loan, maturing November 1, 2021.	**2,450**	3,150
	546,279	575,168
Less: current portion	**(30,324)**	(28,239)
	$ 515,955	$ 546,929

The mortgage is secured by a general security agreement over the building.

The organization receives an annual subsidy from Manitoba Housing and Renewal Corporation (MHRC) to fund property taxes and mortgage principal and interest payments related to 71 Martha Street. In 2018, a subsidy of $7,400 (2017 - $7,400) has been recognized as revenue of the Operating Fund and $68,150 (2017 - $68,150) has been recognized as revenue of the Capital Fund.

Mortgage interest of $39,790 (2017 - $41,740) is included in expenses of the Capital Fund for Mainstay - Residential Component.

In a prior year, under the terms of the Financial Assistance Agreement, MHRC provided economic stimulus funding to Main Street Project, Inc. in the amount of $7,000 as a forgivable loan. The loan is to be amortized over 10 years from the date of the final advance. In the event the organization discontinues providing affordable housing prior to the maturity date, the unearned portion of the loan will become immediately due and payable.

8. Long-term debt (continued)

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2019	$ 30,324
2020	32,562
2021	34,966
2022	37,547
2023	40,318

9. Obligation under capital lease

	2018	2017
Capital lease contract with equipment pledged as security, repayable in monthly installments of $1,667 plus GST with no imputed interest with a maturity date of April 1, 2022	**$ 81,667**	$ -
Less: current portion	**(20,000)**	-
	$ 61,667	$ -

Estimated minimum lease payments are as follows:

2019	$ 20,000
2020	20,000
2021	20,000
2022	20,000
2023	1,667
Total	$ 81,667

10. Restricted funds

Externally Restricted Funds

	Insurance Reserve	Replacement Reserve	**2018 Total**	2017 Total
Balance, beginning of year	$ 16,146	$ 126,285	**$ 142,431**	$ 128,579
Excess of revenues over expenses	1,013	9,875	**10,888**	13,852
Transfer from Operating Fund	6	844	**850**	-
Balance, end of year	$ 17,165	$ 137,004	**$ 154,169**	$ 142,431

Internally Restricted Funds

	Donations Reserve	Capital Asset Reserve	**2018 Total**	2017 Total
Balance, beginning of year	$ 263,125	$ 47,323	**$ 310,448**	$ 367,534
Excess of revenues over expenses	3,244	-	**3,244**	25,017
Transfer to Operating Fund	984	-	**984**	(82,103)
Balance, end of year	$ 267,353	$ 47,323	**$ 314,676**	$ 310,448

	2018	2017
Externally and internally restricted funds balance, end of year	**$ 468,845**	$ 452,879

Restricted funds consist of cash, investments, and amounts due to/from the Operating Fund.

During the year, the board approved a transfer from the Operating Fund to the Capital Fund to fund the purchases of capital assets net of grants received of $27,381 (2017 - $40,888).

During the year, the board approved a transfer from the Operating Fund to the Insurance, Replacement and Donations Reserves for $6, $844, and $984 respectively.

Restricted funds are comprised of the following:

	2018	2017
Cash and high interest savings	**$ 319,077**	$ 305,826
Term deposits	**50,248**	50,163
Investment in equities	**99,520**	96,890
	$ 468,845	$ 452,879

10. Restricted funds (continued)

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purpose of funding future major repairs to the building.

Donations Reserve

The Donations Reserve comprises donations and related interest internally restricted by the Board of Directors. The funds in the reserve are designated for the needs of clients which are not budgeted.

Capital Asset Reserve

The Capital Asset Reserve comprises funds that have been internally restricted by the Board of Directors to cover potential future property and equipment expenditures not including major repairs to the building.

11. Commitments

The organization is committed to monthly lease payments of $4,113 for office space at 661 Main Street expiring May 31, 2021.

Additionally, the organization is committed to monthly lease payments related to certain vehicles and equipment. The lease repayments for the next 4 years are as follows:

2019	$ 8,973
2020	8,973
2021	8,973
2022	4,455

12. Contingency

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover a portion of the global surplus realized in funded programs.

Any amount repayable or recoverable from WRHA is subject to analysis and negotiations. As the amount cannot be reasonably estimated, no liability or receivable has been recorded. Any amount repayable or recoverable will be accounted for when the amount is determined by WRHA.

13. Pension Plan

The organization contributes to the Community Agencies Benefit Plans (the Plan), formerly the United Way Agencies' Employee Benefit Plan, which is a multi-employer defined benefit pension plan. The Board of Trustees for this plan are responsible for the management of the Plan. During fiscal 2010, it was determined that the Plan had a significant funding deficiency.

In 2011, the Province of Manitoba committed to provide annual on-going funding assistance to the member agencies in exchange for the preservation of the Plan as a defined benefit pension plan. The funding to be provided by the Province of Manitoba represents the additional cost of the employer portion of the increase in pension contributions required by the Pension Regulator to fund the deficit. During 2012, the Province of Manitoba agreed to fund the cost of the increase in required pension contributions to 2020.

During the year, $208,302 (2017 - $222,693) was expensed for the purpose of the Plan.

14. Economic dependence

The volume of financial activity undertaken by Main Street Project, Inc. with its main funding bodies is of sufficient magnitude that discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

15. Endowment fund

An endowment fund has been established at the Winnipeg Foundation in the name of the organization. At March 31, 2018, the value of the fund is $35,731. Only the interest earned from the fund is distributed to the organization with no restrictions as to the usage.

16. Subsequent event

Subsequent to year-end, the organization signed an offer to purchase the land and premises of 180 Logan Avenue, 623 Main Street, 637 Main Street and 643 Main Street in Winnipeg, Manitoba. The offer for $2,600,000 plus GST is contingent on the organization obtaining financing by August 2018.

17. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation. The changes do not affect prior year earnings.

Main Street Project, Inc.
Schedule of Detoxification Centre Program

Year Ended March 31	2018	2017
Revenues		
Grant		
Winnipeg Regional Health Authority (Note 12)	**$ 1,287,840**	$ 1,673,748
Deferred contributions recognized (Note 7)	**-**	49,890
	1,287,840	1,723,638
Expenses		
Advertising	**5,216**	2,827
Board	**14,003**	2,535
Cleaning and staff supplies	**11,858**	23,005
Client and medical supplies	**5,613**	7,312
Food	**42,340**	97,485
Insurance	**3,674**	4,293
Minor furniture and equipment	**25,370**	584
Office	**10,334**	9,120
Professional fees	**58,227**	31,769
Program	**6,871**	98
Property taxes	**4,901**	3,683
Rent	**16,759**	11,602
Repairs, maintenance and replacements	**37,926**	21,241
Staff training	**1,986**	2,539
Telephone and internet	**9,785**	13,767
Travel	**2,569**	1,582
Utilities	**34,100**	33,770
Wages and benefits	**887,075**	1,456,426
	1,178,607	1,723,638
Excess of revenues over expenses (Note 12)	**$ 109,233**	$ -

Main Street Project, Inc.
Schedule of Intoxicated Persons Detention Area (I.P.D.A.) Program

Year Ended March 31	2018	2017
Revenues		
Per diems		
City of Winnipeg Police Services	**$ 675,264**	$ 664,500
Expenses		
Advertising	**520**	1,182
Board	**1,362**	1,119
Cleaning and staff supplies	**16,051**	17,901
Client and medical supplies	**1,985**	3,741
Food	**11,553**	17,196
Insurance	**1,139**	1,369
Minor furniture and equipment	**4,635**	3,937
Office	**3,982**	7,062
Professional fees	**10,362**	22,090
Programs	**905**	-
Property taxes	**2,826**	3,683
Rent	**9,594**	6,720
Repairs, maintenance and replacements	**7,124**	8,643
Staff training	**1,440**	1,493
Telephone and internet	**3,055**	3,885
Travel	**1,686**	3,460
Utilities	**16,761**	17,745
Wages and benefits	**612,593**	724,986
	707,573	846,212
Deficiency of revenues over expenses	**$ (32,309)**	$ (181,712)

Main Street Project, Inc.
Schedule of Mainstay (Residential Component) Program

Year Ended March 31	2018	2017
Revenues		
Grants		
Winnipeg Regional Health Authority	$ 25,680	$ 27,147
Deferred contributions recognized (Note 7)	-	33,524
Per diems		
Province of Manitoba	82,392	77,204
Other	14,972	17,660
Manitoba Housing and Renewal Corporation		
Property taxes subsidy	7,400	7,400
Subsidy	17,775	-
	148,219	162,935
Expenses		
Advertising	13	-
Bad debt expense	9,096	-
Board	-	295
Cleaning and staff supplies	4,553	6,325
Insurance	704	1,312
Minor furniture and equipment	220	-
Office	819	291
Professional fees	6,785	4,341
Property taxes	7,400	7,400
Rent	2,570	545
Repairs, maintenance and replacements	17,824	21,495
Staff training	856	223
Telephone and internet	914	708
Utilities	45,509	46,066
Wages and benefits	50,956	73,934
	148,219	162,935
Excess of revenues over expenses	$ -	$ -

Main Street Project, Inc.
Schedule of Mainstay (Client Services) Program

Year Ended March 31		**2018**	2017 (Note 17)
Revenues			
Grants			
City of Winnipeg		**$ 96,000**	$ 96,000
Winnipeg Regional Health Authority		**264,240**	278,896
Deferred contributions recognized (Note 7)		**-**	86,066
Per diems			
Province of Manitoba		**221,157**	211,542
Other		**24,428**	17,196
Manitoba Housing and Renewal Corporation loan forgiveness (Note 8)		**700**	700
		606,525	690,400
Expenses			
Advertising		**831**	1,219
Bad debt expense		**23,911**	-
Board		**27**	997
Cleaning and staff supplies		**1,583**	6,492
Client and medical supplies		**10,094**	4,336
Food		**40,293**	87,994
Insurance		**2,693**	1,039
Minor furniture and equipment		**5,064**	515
Office		**4,328**	4,068
Professional fees		**10,484**	11,452
Program		**1,587**	421
Rent		**7,855**	6,336
Repairs, maintenance and replacements		**3,165**	3,012
Staff training		**346**	525
Telephone and internet		**5,340**	6,560
Travel		**2,280**	1,499
Utilities		**-**	617
Wages and benefits		**486,644**	553,318
		606,525	690,400
Excess of revenues over expenses		**$ -**	$ -

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Van Patrol Program

Year Ended March 31	2018	2017
Revenues		
Grant		
Homelessness Partnering Strategy	**$ 104,595**	$ -
Donations	**-**	31,807
Expenses		
Advertising	**699**	-
Board	**721**	-
Cleaning and staff supplies	**3,072**	-
Food	**6,980**	156
Insurance	**795**	469
Minor furniture and equipment	**3,009**	-
Office	**8,161**	227
Professional fees	**6,507**	611
Property tax	**600**	-
Rent	**3,085**	1,132
Repairs, maintenance and replacements	**590**	709
Staff training	**368**	-
Telephone and internet	**3,334**	-
Travel	**2,052**	909
Utilities	**115**	-
Wages and benefits	**64,507**	27,594
	104,595	31,807
Excess of revenues over expenses	**$ -**	$ -

Main Street Project, Inc.
Schedule of Shelter Program
Year Ended March 31

	2018	2017
Revenues		
Grants		
Manitoba Housing and Renewal Corporation	**$ 356,800**	$ 356,800
Winnipeg Regional Health Authority	**420,480**	-
Deferred contributions recognized (Note 7)	**-**	57,233
	777,280	414,033
Expenses		
Advertising	**2,032**	618
Board	**2,118**	559
Cleaning and staff supplies	**10,131**	9,936
Client and medical supplies	**25,190**	13,354
Food	**14,357**	22,623
Insurance	**1,503**	687
Minor furniture and equipment	**5,049**	5,149
Office	**5,219**	2,222
Professional fees	**10,794**	3,549
Program	**1,183**	-
Property tax	**2,975**	3,683
Rent	**9,637**	4,400
Repairs, maintenance and replacements	**14,435**	12,032
Staff training	**3,360**	1,180
Telephone and internet	**4,537**	4,478
Travel	**1,074**	1,245
Utilities	**14,613**	12,616
Wages and benefits	**649,073**	315,702
	777,280	414,033
Excess of revenues over expenses	**$ -**	$ -

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Project Break Away Program

Year Ended March 31	2018	2017 (Note 17)
Revenues		
Grants		
United Way	$ 148,940	$ 78,854
Manitoba Housing and Renewal Corporation	176,000	176,000
	324,940	254,854
Expenses		
Advertising	1,003	1,550
Board	886	474
Cleaning and staff supplies	600	245
Food	99	7
Insurance	3,689	3,564
Minor furniture and equipment	992	-
Office	1,851	3,160
Professional fees	6,501	5,336
Program	21	-
Property tax	1,233	860
Rent	6,108	8,363
Repairs, maintenance and replacements	1,548	1,840
Staff training	797	457
Telephone and internet	4,359	4,601
Travel	3,102	3,485
Utilities	2,137	5,858
Wages and benefits	290,014	289,934
	324,940	329,734
Deficiency of revenues over expenses	$ -	$ (74,880)

Main Street Project, Inc.
Schedule of Outreach Mentor Program

Year Ended March 31	**2018**	2017
Revenues		
Grants		
Manitoba Housing and Renewal Corporation	**$ 102,000**	$ 102,000
Downtown BIZ	**-**	35,000
Deferred contributions recognized (Note 7)	**-**	3,477
	102,000	140,477
Expenses		
Advertising	**-**	339
Board	**-**	165
Cleaning and staff supplies	**-**	123
Insurance	**-**	1,003
Office	**-**	1,180
Programs	**-**	607
Professional fees	**-**	2,337
Property tax	**-**	368
Rent	**-**	730
Repairs, maintenance and replacements	**-**	1,259
Staff training	**-**	218
Telephone and internet	**-**	2,572
Travel	**-**	1,006
Utilities	**-**	2,993
Wages and benefits	**102,000**	125,577
	102,000	140,477
Excess of revenues over expenses	**$ -**	$ -

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of The Bell Hotel

Year Ended March 31	2018	2017
Revenues		
Grants		
Winnipeg Regional Health Authority	**$ 830,208**	$ 772,674
Expenses		
Advertising	**2,569**	1,469
Board	**2,322**	1,288
Cleaning and staff supplies	**1,864**	3,268
Client and medical supplies	**483**	712
Food	**8,155**	5,751
Insurance	**2,768**	2,175
Minor furniture and equipment	**1,420**	562
Office	**5,000**	2,293
Professional fees	**15,487**	19,806
Program	**960**	453
Rent	**10,293**	7,861
Repairs, maintenance and replacements	**3,806**	1,139
Staff training	**1,446**	2,223
Telephone and internet	**17,216**	10,343
Travel	**2,079**	1,873
Utilities	**1,685**	626
Wages and benefits	**752,311**	847,064
	829,864	908,906
Excess (deficiency) of revenues over expenses	**$ 344**	$ (136,232)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of River Point Program
Year Ended March 31

	2018	2017 (Note 17)
Revenues		
Grants		
Province of Manitoba	**$ 828,742**	$ 919,000
Deferred contributions recognized (Note 7)	**-**	25,202
	828,742	944,202
Expenses		
Advertising	**2,441**	1,573
Board	**2,504**	1,419
Cleaning and staff supplies	**4,765**	6,084
Client and medical supplies	**3,557**	3,426
Food	**119,523**	121,043
Insurance	**3,074**	2,372
Minor furniture and equipment	**6,594**	1,337
Office	**7,180**	5,187
Professional fees	**19,181**	16,457
Programs	**3,617**	82
Rent	**11,345**	7,002
Repairs, maintenance and replacements	**6,764**	2,609
Staff training	**858**	484
Telephone and internet	**8,677**	9,742
Travel	**1,866**	1,007
Utilities	**1,847**	858
Wages and benefits	**624,949**	763,520
	828,742	944,202
Excess of revenues over expenses	**$ -**	$ -

MEADOWOOD MANOR AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

Financial Statements of

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)

March 31, 2018

Deloitte LLP
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Suite 2300
Winnipeg MB R3C 3Z3
Canada

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Fax: (204) 947-9390
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Independent Auditor's Report

To the Board Members of
Menno Home for the Aged Inc. (Personal Care Home Division)

We have audited the accompanying financial statements of Menno Home for the Aged Inc. (Personal Care Home Division), which comprise the statement of financial position as at March 31, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Menno Home For the Aged Inc. (Personal Care Home Division) as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 22, 2018
Winnipeg, Manitoba

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	**$ 375,210**	$ 376,487
Accounts receivable (Note 4)	**8,116**	17,241
Prepaid expenses	**9,110**	8,954
Inventories	**28,775**	25,388
Due from Southern Health-Santé Sud (Note 5)	**-**	35,870
Vacation entitlements receivable (Note 6)	**108,516**	108,516
	529,727	572,456
PRE-RETIREMENT OBLIGATION ASSETS (Note 13)	**230,569**	240,134
CAPITAL ASSETS (Note 7)	**2,752,741**	2,809,175
	$ 3,513,037	$ 3,621,765
LIABILITIES		
CURRENT		
Accounts payable and accruals	**$ 195,216**	$ 221,555
Due to Southern Health-Santé Sud (Note 5)	**29,149**	-
Accrued vacation entitlements (Note 6)	**197,400**	216,199
	421,765	437,754
PRE-RETIREMENT OBLIGATIONS (Note 13)	**230,569**	240,134
DEFERRED CONTRIBUTIONS (Note 9)		
Expenses of future periods	**107,774**	154,489
Capital assets	**2,595,811**	2,647,991
	3,355,919	3,480,368
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Unrestricted net assets	**188**	(19,788)
Invested in capital assets (Note 10)	**156,930**	161,185
	157,118	141,397
	$ 3,513,037	$ 3,621,765

APPROVED BY THE BOARD

Original Document Signed
.... Director

Original Document Signed
.... Director

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Changes in Net Assets
For the Year Ended March 31, 2018

	2018		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	**$ 161,185**	**$ (19,788)**	**$ 141,397**
(Deficiency) excess of revenue over expenditures	**(4,255)**	**19,976**	**15,721**
Balance, end of year	**$ 156,930**	**$ 188**	**$ 157,118**

	2017		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	$ 165,439	$ (7,767)	$ 157,672
(Deficiency) excess of revenue over expenditures	(4,254)	(12,021)	(16,275)
Balance, end of year	$ 161,185	$ (19,788)	$ 141,397

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Operations
For the Year Ended March 31, 2018

	2018	2017
REVENUE		
Southern Health-Santé Sud (Note 12)	**$ 2,630,678**	$ 2,687,080
Residential charges	**600,420**	595,107
Amortization of deferrred contributions related to capital assets	**183,834**	155,673
Meal recoveries	**7,811**	4,711
Other recoveries	**178,634**	236,804
Interest income	**505**	383
	3,601,882	3,679,758
EXPENSE		
Administration	**407,688**	432,989
Amortization of capital assets	**188,089**	159,927
Dietary	**498,965**	484,683
Drugs	**77,773**	77,453
Housekeeping	**106,306**	111,936
Laundry and linens	**97,545**	109,982
Nursing	**1,890,313**	1,957,951
Patient support services	**68,796**	92,544
Physical plant	**98,445**	122,718
Pre-retirement obligations	**27,295**	26,000
Utilities, taxes and insurance	**124,946**	119,850
	3,586,161	3,696,033
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**$ 15,721**	$ (16,275)

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Cash Flows
For the Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	$ **15,721**	$ (16,275)
Items not affecting cash:		
Amortization of capital assets	**188,089**	159,927
Amortization of deferred contributions - expenses of future periods	**(60,446)**	(41,553)
Amortization of deferred contributions - capital assets	**(183,834)**	(155,673)
	(40,470)	(53,574)
Changes in non-cash operating working capital items:		
Accounts receivable	**9,125**	(6,982)
Due from Southern Health-Santé Sud	**65,019**	97,676
Prepaid expenses	**(156)**	(5,083)
Inventories	**(3,387)**	(266)
Accounts payable and accrued liabilities	**(26,339)**	154
Vacation entitlements accrued	**(18,799)**	16,728
	(15,007)	48,653
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**131,654**	968,713
Deferred contributions received - expenses of future periods	**13,731**	165,714
	145,385	1,134,427
INVESTING ACTIVITY		
Acquisition of capital assets	**(131,655)**	(968,711)
NET (DECREASE) INCREASE IN CASH	**(1,277)**	214,369
CASH, BEGINNING OF YEAR	**376,487**	162,118
CASH, END OF YEAR	$ **375,210**	$ 376,487

1. NATURE OF BUSINESS

Menno Home for the Aged - Personal Care Home Division (the “Home”) is a division of Menno Home for the Aged Inc.

Menno Home for the Aged was incorporated by Letters of Patent under the Corporations Act of the Province of Manitoba on January 25, 1960 and Articles of Amendment certified on November 17, 1982 and operates in Grunthal, Manitoba under the name Menno Home for the Aged. The Home 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. The objective of the Home is to operate as a personal care home for the elderly and infirm in the Grunthal, Manitoba area.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operation of the personal care home division of Menno Home for the Aged Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Greendale Estates Division).

Consolidated financial statements for the corporation have not been prepared. Separate financial statements are presented for each division to facilitate reporting to the funders and other users of each division.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repair and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the organization’s ability to provide services, its carrying amount is written down to its residual value.

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

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Furniture and equipment	5 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Revenue recognition*

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Southern Health-Santé Sud ("SH-SS") by the Province of Manitoba in accordance with budget arrangements established by SH-SS. 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 discussions with SH-SS with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by SH-SS after completion of their review of the Home's accounts. Any adjustments will be reflected in operations in the year the final statement of recommended costs is received from SH-SS.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

c) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value. The Home subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

d) *Inventories*

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Contributed services

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

f) Employee future benefits

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

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation entitlements and accrued retirement obligations. Actual results could differ from these estimates.

4. ACCOUNTS RECEIVABLE

		2018		2017
Receivable from residents	**$**	**1,299**	$	6,211
Goods and Services Tax		**6,817**		11,030
	$	**8,116**	$	17,241

5. DUE (TO) FROM SOUTHERN HEALTH–SANTÉ SUD

		2018		2017
Current year funding adjustments	**$**	**(29,149)**	$	35,870
	$	**(29,149)**	$	35,870

6. ACCRUED VACATION ENTITLEMENTS

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

7. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 97,366**	**$ -**	**$ 97,366**	$ 97,366
Land improvements	**14,043**	**3,862**	**10,181**	10,883
Buildings	**1,249,814**	**992,914**	**256,900**	288,146
Building improvements	**2,803,979**	**523,619**	**2,280,360**	2,324,347
Furniture and equipment	**323,917**	**215,983**	**107,934**	88,433
	$ 4,489,119	**$ 1,736,378**	**$ 2,752,741**	$ 2,809,175

8. CREDIT FACILITY

The Home has a line of credit with Community Credit Union to a maximum of $95,000 bearing interest at the Credit Union prime rate and is secured by a general security agreement on the Home's accounts receivable. As at year end the Home had not utilized any portion of the line of credit.

9. DEFERRED CONTRIBUTIONS

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs, equipment replacement and insurance deductibles.

	2018	2017
Balance, beginning of year	**$ 154,489**	$ 30,328
Add: amount received during the year	**13,731**	165,714
Less: expenditures for the year	**(60,446)**	(41,553)
	$ 107,774	$ 154,489

9. DEFERRED CONTRIBUTIONS (continued)

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	**$ 2,647,991**	$ 1,834,951
Add: SH-SS contributions	**131,654**	954,851
Add: donations	**-**	13,862
Less: amounts amortized to revenue	**(183,834)**	(155,673)
	$ 2,595,811	$ 2,647,991

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2018	2017
Land	**$ 97,366**	$ 97,366
Other capital assets	**2,655,375**	2,711,810
Amounts financed by deferred contributions	**(2,595,811)**	(2,647,991)
	$ 156,930	$ 161,185

Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred contributions	**$ 183,834**	$ 155,673
Amortization of capital assets	**(188,089)**	(159,927)
Purchase of capital assets	**131,654**	968,711
Amounts funded by SH-SH	**(131,654)**	(954,851)
Funded by donations	**-**	(13,862)
	$ (4,255)	$ (4,254)

11. COMMITMENTS AND CONTINGENCIES

a) The Nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2018 management believes the Home has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations (subscribers), formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

The Home is a named insured under the SH-SS policy with HIROC.

12. REVENUE FROM SOUTHERN HEALTH–SANTÉ SUD

	2018	2017
Revenue per final funding report	**$ 2,589,000**	$ 2,607,056
Add:		
Capitation fees	**22,900**	22,944
Pre-retirement leave	**27,295**	26,000
Long service step increases	**5,947**	4,958
17/18 HEB COLA funding	**19,778**	-
Out of globe adjustment - other	**(34,242)**	26,122
	41,678	80,024
Revenue for the year	**$ 2,630,678**	$ 2,687,080

13. EMPLOYEE FUTURE BENEFITS

a) *Accrued retirement entitlement*

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years of service and has reached the age 55
ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
iii. retires at or after age 65
iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Nursing Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (2017 – 3.10%) and a rate of salary increase of 3.50% (2017 - 3.50%) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2004 / 2005, the SH-SS assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the SH-SS hold funding to meet this obligation.

	2018	2017
Employee future benefits recovered from		
Manitoba Health	**$ 63,303**	$ 63,303
SH-SS	**167,266**	176,831
	$ 230,569	$ 240,134

13. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to Manitoba Health Organization, Inc. Plan (Plan)) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, which provides the highest earnings.

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

Pension expense is based on Plan management's best estimates consultation with its actuaries, of the amount, together with the 8.9% of salary, 10.5% of salaries greater than $54,900, contributed by the employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The employer contributions to the Plan are 8.9% of salary, 10.5% of salaries greater than $54,900.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $188,634 (2017 - $178,004) and are included in the statement of operations.

14. CAPITAL MANAGEMENT

The Home considers its capital to comprise its unrestricted net assets and net invested in capital assets balances.

As a not-for-profit entity, the Home's operations are reliant on revenues generated annually. The Home has accumulated a deficit over its history, which are included in the unrestricted net assets in the statement of financial position.

15. FINANCIAL RISK MANAGEMENT

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home'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 Home's activities.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Home to credit risk consist primarily of accounts receivable. The Home's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

		2018		2017
Accounts receivable	**$**	**8,116**	$	17,241
Vacation entitlements receivable		**108,516**		108,516
Due from SH-SS		**-**		35,870
Retirement obligations receivable		**230,569**		240,134
	$	**347,201**	$	401,761

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

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest. The Home is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

16. FINANCIAL RISK MANAGEMENT

Foreign exchange risk

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the numbers of transactions in foreign currency are minimal.

MFL OCCUPATIONAL HEALTH

AND SAFETY CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2018

SIMON HALL CHARTERED PROFESSIONAL ACCOUNTANT
82 ST. CROSS STREET
WINNIPEG, MANITOBA
R2W 3Y1

AUDITOR`S REPORT

TO THE DIRECTORS,
MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. (OHC),
Winnipeg, Manitoba

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of MFL Occupational Health and Safety Centre, which comprise the statement of financial position as at March 31, 2018 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBIILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Not For Profit Reporting Standards, for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requriements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well asevaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements reflect fairly, in all material respects, the financial position of MFL Occupational Health and Safety Centre as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian Not For Profit Reporting Standards.

Original Document Signed

SIMON HALL
CHARTERED PROFESSIONAL ACCOUNTANT

May 25, 2018
Winnipeg, Manitoba

SIMON HALL CHARTERED PROFESSIONAL ACCOUNTANT
82 ST. CROSS STREET
WINNIPEG, MANITOBA
R2W 3Y1

SUPPLEMENTARY REPORT

This supplementary report is given to satisfy the obligations of MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. to the Winnipeg Regional Health Authority. I report as follows:

a) In my opinion the accounting procedures and systems of control used during 2017/2018 by the MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. were adequate, having regard to the size of the Centre, to preserve and protect its assets;

b) The funds of the Centre, primarily derived from the Winnipeg Regional Health Authority, have, to the best of my knowledge, been applied for the purposes of the Centre following processes and procedures authorized by its Board.

c) My audit revealed no material irregularity or discrepancy in the administration of the Centre nor any matters that do not now have the attention of the Board.

Original Document Signed

SIMON HALL
CHARTERED PROFESSIONAL ACCOUNTANT

May 25, 2018
Winnipeg, Manitoba

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	Operating Fund	Special Projects Fund	**Total 2018**	Total 2017
	$	$	**$**	$
CURRENT ASSETS:				
Cash (Note 3)	118,906	-	**118,906**	155,498
Short term investments (Note 4)	158,785	175,000	**333,785**	152,496
Accounts Rec (Note 5)	61,819	-	**61,819**	58,907
	339,510	175,000	**514,510**	366,901
Fixed Assets: (Note 6)	2,996	-	**2,996**	6,091
Financial Investments (Note 4)	161,322	-	**161,322**	326,945
Investment in Union Centre: (Note 8)	204,669	-	**204,669**	204,669
TOTAL ASSETS	708,497	175,000	**883,497**	904,606
CURRENT LIABILITIES:				
Accounts payable & accrued liabilities (Note 9)	176,300	-	**176,300**	164,059
Repayable to WRHA (Note 10)	3,931	-	**3,931**	39,640
Deferred revenue (Note 11)	28,164	-	**28,164**	44,191
	208,395	-	**208,395**	247,890
CONTINGENT LIABILITIES: (note 12)				
NET ASSETS:				
Invested in Fixed Assets	2,996	-	**2,996**	6,091
Invested in Union Ctr	204,669	-	**204,669**	204,669
Internally restricted	-	175,000	**175,000**	175,000
Unrestricted	292,437	-	**292,437**	270,956
	500,102	175,000	**675,102**	656,716
TOTAL LIABILITIES & NET ASSETS	708,497	175,000	**883,497**	904,606

APPROVED BY BOARD:

_______________ : Director

Original Document Signed : Director

Original Document Signed : Director

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2018

	Operating Fund $	Special Projects Fund $	**Total 2018 $**	Total 2017 $
REVENUES:				
WRHA: Global	743,560	-	**743,560**	733,859
WRHA: Medical	137,031	-	**137,031**	118,396
WRHA: Recoveries	-	-	**-**	(39,640)
Interest & other	15,910	-	**15,910**	26,449
WCB - R.W.I.P	36,636	-	**36,636**	39,540
Fundraising	8,398	-	**8,398**	4,943
I.R.C.C.	107,388	-	**107,388**	109,195
Deferred revenue in	-	-	**-**	-
Deferred revenue out	-	-	**-**	-
Total Revenues	1,048,923	-	**1,048,923**	992,742
EXPENDITURES:	1,030,538	-	**1,030,538**	949,041
EXCESS OF REVENUE OVER EXPENDITURES	18,385	-	**18,385**	43,701

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2018

	Operating Fund $	Special Projects Fund $	**Total 2018 $**	Total 2017 $
EXPENDITURES BREAKDOWN - OPERATING:				
Amortization on equip	3,095	-	**3,095**	3,095
Audit & accounting	11,271	-	**11,271**	10,387
Accreditation Fees	108	-	**108**	107
Computer software and services	3,977	-	**3,977**	5,936
Bank charges	197	-	**197**	425
Delivery	-	-	**-**	100
Employee benefits	114,033	-	**114,033**	101,343
Equipment rental & minor purchases	13,444	-	**13,444**	11,075
Fundraising	-	-	**-**	-
Insurance	4,881	-	**4,881**	5,509
Memberships	1,000	-	**1,000**	1,000
Legal	25	-	**25**	145
License fees	-	-	**-**	-
Meeting Expense	1,609	-	**1,609**	974
Miscellaneous	2,778	-	**2,778**	6,556
Misc - Med supplies	77	-	**77**	6,556
Newsletter	2,029	-	**2,029**	-
Printing/Stationery & Office Supplies	9,808	-	**9,808**	21,626
Postage	1,794	-	**1,794**	1,400
Pre-retirement	3,222	-	**3,222**	5,895
Publications	2,035	-	**2,035**	2,563
Public relations	6,236	-	**6,236**	3,179
Purchased services	26,891	-	**26,891**	18,508
Rent	70,509	-	**70,509**	70,509
Staff education & recruitment	851	-	**851**	2,004
Staff parking	8,773	-	**8,773**	6,959
Staff travel & exp.	7,776	-	**7,776**	4,960
Telephone	8,857	-	**8,857**	8,098
Wages & salaries	725,262	-	**725,262**	656,688
Total Operating Expenditures	1,030,538	-	**1,030,538**	949,041

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS

AS AT MARCH 31, 2018

	Operating Fund $	Special Projects Fund $	Invested in Fixed Assets $	**Total 2018 $**	Total 2017 $
Fund balance, beginning of year	475,626	175,000	6,091	**656,717**	613,015
Surplus (deficiency) for the year	21,480	-	(3,095)	**18,385**	43,701
Interfund transfers	-	-	-	-	-
Closing fund balance	497,106	175,000	2,996	**675,102**	656,716

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2018

	2018 $	2017 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	**18,385**	43,701
Add: amortization	**3,095**	3,095
	21,480	46,796
Change in working capital:		
Accounts receivable	**(2,912)**	15,704
Short term investments	**(181,289)**	(20,700)
Accounts payable & accrued liabilities	**12,242**	15,277
Repayable to WRHA	**(35,709)**	1,770
Deferred revenue	**(16,027)**	14,238
	(223,695)	26,289
Cash from (used for) operations	**(202,215)**	73,085
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Long term investments	**165,623**	-
Deferred contributions	**-**	(9,185)
Cash from (used for) investing & financing	**165,623**	(9,185)
Increase (decrease) in cash for the year	**(36,592)**	63,900
Cash, beginning of year	**155,498**	91,598
Cash, end of year (note 3)	**118,906**	155,498

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

1. FORM OF ORGANIZATION

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. was incorporated as a non-share, non-profit organization under the Cooperatives Act of Manitoba and is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act. The purpose of the organization is to assist individuals and groups in Manitoba to improve workplace health and safety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations, which encompass the following principles:

i) Capital Assets

Capital asset acquisitions are accounted for on the following basis:

Purchases of computers, equipment and furniture are capitalized in the year of their purchase and are amortized over their useful life on a straight line basis over the following estimated number of years:

Computers	3 years
Office furniture	10 years
Equipment	10 years

Revenues received which are designated for capital purchases are deferred in the year of receipt and recognized annually at the same rate as the amortization on the related assets.

ii) Investments

Investments are presented at fair value.

iii) Recognition of Revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from Winnipeg Regional Health Authority is recognized when received or receivable; any subsequent settlement is shown as an adjustment to income in the year of adjustment.

iv) *Fund Accounting*

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Special Projects fund reports on revenues and expenses related to the allocation to and from the Operating Fund by the vote of the Board of Directors of internally restricted funds to be used on extraordinary projects of the Centre.

v) *Financial Instruments*

It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from its financial instruments.

vi) *Use of Estimates*

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

3. CASH

	2018	2017
	$	$
Operating	**118,807**	155,399
Shares	**99**	99
	118,906	155,498

4. SHORT TERM INVESTMENTS

	2018 $	2017 $
Guaranteed Investment Certificates	333,785	152,494

5. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	26,890	29,426
W.R.H.A. receivable	30,584	26,815
Receiver General (GST)	4,345	2,666
	61,819	58,907

6. CAPITAL ASSETS

	Cost $	Accumulated Amortization $	Net Book Value 2018 $	Net Book Value 2017 $
Audio visual equipment	11,738	(11,738)	-	-
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,052	(29,052)	-	-
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(34,112)	-	-
Security system	574	(574)	-	-
Phone system	16,886	(13,890)	2,996	6,091
Total	257,032	(254,036)	2,996	6,091

7. LONG TERM INVESTMENTS

	2018 $	2017 $
Guaranteed Investment Certificates	161,322	326,945

8. INVESTMENT IN UNION CENTRE INC.

Union Centre Inc.

The MFL Occupational Health and Safety Centre Inc. loaned principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993 in the acquisition of the Union Centre. This totalled to $204,669. Subsequent to December 31, 1993 the investment was interest-free with no fixed repayment terms. The MFL Occupational Health and Safety Centre Inc. is entitled to repayment of their investment plus interest accrued to December 31, 1993 upon the disposition of the Union Centre.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 $	2017 $
Trade payables	**32,024**	33,142
Accrued liabilities	**113,326**	105,835
Trust liabilities	**30,950**	25,082
	176,300	164,059

10. REPAYABLE TO WRHA

Revenue in excess of expenditures:

2016/2017	**3,931**	39,640
2017/2018	**-**	-
	3,931	39,640

11. DEFERRED REVENUE

W.C.B.: RWIP	**12,082**	-
Winnipeg Foundation	**-**	25,000
WRHA - Phone system	**3,082**	6,191
WRHA: Insurance reserve	**13,000**	13,000
	28,164	44,191

12. CONTINGENT LIABILITY

Subsequent to the annual audit, Winnipeg Regional Health Authority, the Centre's primary funder, performs its own financial reviews to determine additional amounts owed to the Centre or recoveries due back. As these amounts are not known at the time of the audit, Winnipeg Regional Health Authority revenues to the Centre are listed on these statements on a confirmed payment basis from Winnipeg Regional Health Authority with prior year adjustments listed in the year of notification.

13. PUBLIC SECTOR DISCLOSURE ACT

In accordance with the Public Sector Disclosure Act the following compensation in excess of $50,000 during the year was paid to O.H.C. employees:

	Wages	Benefits	Other	Total
	$	$	$	$
Executive Director	70,905	14,708	-	85,613
Health Educator	62,824	12,109	-	74,933
Librarian	52,429	13,659	-	66,088
Occupational Health Specialist	55,233	11,604	-	66,837
Occupational Health Nurse	90,805	14,648	-	105,453
Occupational Health Nurse	70,987	12,473	-	83,460
Cross Cultural	70,891	13,479	-	84,370
Finance/Office Admin	75,783	13,845	-	89,628

14. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

15. FINANCIAL COMMITMENTS

The OHC leases its office space from the Union Centre. The monthly lease cost is $5,876. The lease is in effect to July 31, 2019.

16. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

17. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

The prior year (2017 fiscal year) financial statements did not include the OHC's loan to the Union Centre totalling $204,669. The amount has been included in the comparative figures of the 2018 financial statements. As a result of this correction the following components of the financial statements have been restated:

The investment in Union Centre has been increased by $204,669; and

The net assets invested in the Union Centre has been increased by $204,669.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2018

OPERATING FUND

	W.R.H.A. PAGE 16	Donations & Other Programs	RWIP	IRCC	**Total Fund 2018**	Total Fund 2017
	$	$	$	$	$	$
REVENUES:						
WRHA: Global	743,560	-	-	-	**743,560**	733,859
: Medical	137,031	-	-	-	**137,031**	118,396
: Recoveries	-	-	-	-	**-**	(39,640)
Interest & other	-	15,910	-	-	**15,910**	26,449
W.C.B. - R.W.I.P.	-	-	36,636	-	**36,636**	39,540
Fundraising	-	8,398	-	-	**8,398**	4,943
I.R.C.C.	-	-	-	107,388	**107,388**	109,195
Deferred revenue out	-	-	-	-	**-**	-
Total Revenues	880,591	24,308	36,636	107,388	**1,048,923**	992,742
EXPENDITURES - OPERATING:						
Total Operating Expenditures	883,412	3,102	36,636	107,388	**1,030,538**	949,041
Surplus/(deficit)	(2,821)	21,206	-	-	**18,385**	43,701

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONTINUED

FOR THE YEAR MARCH 31, 2018

OPERATING FUND EXPENDITURE BREAKDOWN

	W.R.H.A. PAGE 16	Donations & Other Programs	RWIP	IRCC	**Total Fund 2018**	*Total* Fund 2017
	$	$	$	$	$	$
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization	3,095	-	-	-	**3,095**	3,095
Accreditation fees	108	-	-	-	**108**	107
Auditing/accounting	11,271	-	-	-	**11,271**	10,387
Bank charges	197	-	-	-	**197**	425
Computer software & service	3,977	-	-	-	**3,977**	5,936
Delivery	-	-	-	-	**-**	100
Employee benefits	100,741	-	4,235	9,057	**114,033**	101,343
Equipment rental & minor purchases	13,444	-	-	-	**13,444**	11,075
Fundraising	-	-	-	-	**-**	-
Memberships	1,000	-	-	-	**1,000**	1,000
Insurance	4,881	-	-	-	**4,881**	5,509
Legal	25	-	-	-	**25**	145
Meeting Expense	1,609	-	-	-	**1,609**	974
Miscellaneous	1,651	-	519	608	**2,778**	6,556
Misc-Med & Surgical	77	-	-	-	**77**	-
Newsletter	-	2,029	-	-	**2,029**	-
Office supplies/Printing/ Stationary	4,234	1,069	-	4,505	**9,808**	21,626
Postage	1,794	-	-	-	**1,794**	1,400
Pre-retirement	3,222	-	-	-	**3,222**	5,895
Publications	2,035	-	-	-	**2,035**	2,563
Public relations	6,236	-	-	-	**6,236**	3,179
Purchased services	7,908	-	-	18,983	**26,891**	18,508
Rent	70,509	-	-	-	**70,509**	70,509
Staff education & recruitment	851	-	-	-	**851**	2,004
Staff parking	8,773	-	-	-	**8,773**	6,959
Staff travel	2,603	4	1,825	3,344	**7,776**	4,960
Telephone	8,857	-	-	-	**8,857**	8,098
Wages & salaries	624,314	-	30,057	70,891	**725,262**	656,688
Total Operating Expenditures	883,412	3,102	36,636	107,388	**1,030,538**	949,041

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

WRHA FUNDED OPERATING PROGRAMS

	ACTUAL 2018 $	ACTUAL 2017 $
REVENUES:		
WRHA: Global	**743,560**	733,859
WRHA: Medical	**137,031**	118,396
Recoveries	**-**	(39,640)
Total Revenues	**880,591**	812,615
EXPENDITURES - OPERATING:		
Accreditation Fees	**108**	107
Amortization of equipment	**3,095**	3,095
Audit & accounting	**11,271**	10,387
Bank charges & interest	**197**	425
Computer software & services	**3,977**	5,936
Delivery	**-**	100
Employee benefits	**100,741**	86,377
Equipment rental & minor purchases	**13,444**	11,075
Memberships	**1,000**	1,000
Insurance	**4,881**	5,509
Legal	**25**	145
Licence fees	**-**	-
Meeting expenses	**1,609**	974
Miscellaneous	**1,651**	5,813
Miscellaneous - Med & Surgical Supp	**77**	-
Pre-retirement expenses	**3,222**	5,895
Printing/stationery/office	**4,234**	12,554
Postage	**1,794**	1,400
Public relations	**6,236**	3,179
Publications	**2,035**	2,563
Purchased services	**7,908**	5,265
Rent	**70,509**	70,509
Staff education & recruitment	**851**	1,819
Staff parking	**8,773**	6,959
Staff travel & expenses	**2,603**	1,596
Telephone	**8,857**	8,098
Wages & salaries	**624,314**	547,236
Total Operating Expenditures	**883,412**	798,016
EXCESS OF REVENUE OVER EXPENSES	**(2,821)**	14,599

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

RWIP - FIRST LANGUAGE HEALTH & SAFETY TRAINING FOR NEWCOMERS

	Total 2018 $	Total 2017 $
REVENUES:		
RWIP - WCB	**48,703**	21,787
Deferred revenue in	**-**	17,753
Deferred revenue out	**(12,067)**	-
	36,636	39,540
EXPENDITURES:		
Wages & benefits	**27,696**	35,596
Refreshments	**519**	175
Stipends	**6,596**	2,431
Travel	**1,825**	1,338
	36,636	39,540
Excess of revenue over expenses	**-**	-

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

IMMIGRATION REFUGEE & CITIZENSHIP CANADA (IRCC)

	Total 2018	Total 2017
	$	$
REVENUES:		
IRCC	**107,388**	109,195
EXPENDITURES:		
Wages & Salaries	**70,891**	71,424
Employee Benefits	**9,057**	14,966
Focus group	**608**	568
Meeting space/refreshments	**4,505**	7,872
Conference & workshops	**18,983**	13,243
Travel	**3,344**	1,120
Total Operating Expenditures	**107,388**	109,193
Excess of Revenue Over Expenditures	**-**	2

"See Auditor's Report and Accompanying Notes"

MOUNT CARMEL CLINIC

Financial Statements
For the year ended March 31, 2018

BDO

Tel: 204-956-7200
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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of MOUNT CARMEL CLINIC

We have audited the accompanying financial statements of **MOUNT CARMEL CLINIC**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2018 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2018

MOUNT CARMEL CLINIC
Statement of Financial Position

As at March 31	2018	2017
Assets		
Current Assets		
Cash and bank	$ 1,127,275	$ 1,777,284
Accounts receivable (Note 2)	240,312	411,655
Due from Mount Carmel Clinic Foundation	-	74,312
Due from WRHA (Note 3)	60,622	308,548
Inventories	60,095	80,049
Prepaid expenses (Note 13)	486,266	10,065
Vacation entitlements receivable (Note 4)	381,653	381,653
	2,356,223	3,043,566
Retirement obligation receivable (Note 14)	390,217	478,630
Capital assets (Note 5)	6,440,807	6,126,532
Total assets	$ 9,187,247	$ 9,648,728
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 554,883	$ 870,075
Due to Mount Carmel Clinic Foundation	311	-
Due to WRHA (Note 7)	127,710	60,415
Accrued vacation entitlements (Note 4)	431,996	511,266
Deferred revenue (Note 8)	314,661	410,346
	1,429,561	1,852,102
Accrued retirement obligations (Note 14)	669,661	771,945
Deferred Contributions (Note 9)		
Expenses of future periods	156,591	214,865
Capital assets	4,415,323	4,347,580
	4,571,914	4,562,445
Total liabilities	6,671,136	7,186,492
Commitments and contingencies (Note 13)		
Total net assets (Page 5)	2,516,111	2,462,236
	$ 9,187,247	$ 9,648,728

Approved on behalf of the Board of Directors:

Original Document Signed
______________________ Director

Original Document Signed
______________________ Director

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

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Amortization of deferred contributions	$ 188,349	$ 180,807
Dental fees	66,922	65,132
Donations	22,450	18,982
Investment income	27,380	15,643
Medical program	37,902	27,750
Other grants	921,177	1,053,716
Parent fees	57,028	82,924
Pharmacy sales	5,706,714	1,343,958
Province of Manitoba	1,082,418	1,058,341
United Way of Winnipeg	215,868	260,200
Winnipeg Regional Health Authority (Note 12)	7,653,737	8,430,758
	15,979,945	12,538,211
Expenses		
Amortization of capital assets	317,910	327,253
Bank charges and interest	16,737	14,909
Charitable drug program	19,823	21,845
Drugs	4,564,620	776,086
Maintenance and repairs	168,073	125,271
Office supplies and expenses	206,824	175,815
Other occupancy costs	56,622	89,030
Program supplies and other expenses	986,197	987,475
Salaries and benefits	9,421,515	9,673,643
Travel, meetings and conferences	104,580	93,147
Utilities	165,453	167,787
	16,028,354	12,452,261
Excess (deficiency) of revenue over expenses for the year before other item	(48,409)	85,950
Other Item		
Decrease in accrued retirement obligations liability	102,284	17,055
Excess of revenue over expenses for the year	$ 53,875	$ 103,005

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31, 2018

	Unrestricted		Externally Restricted	Internally Restricted		
	Operating Fund	**Day Care Fund**	**Donation Fund**	**Invested In Capital Assets** (Note 11)	**2018 Total**	2017 Total
Net assets, beginning of year	**$ 518,560**	**$ 4,417**	**$ 160,307**	**$ 1,778,952**	**$ 2,462,236**	$ 2,359,231
Excess (deficiency) of revenue over expenses for the year	**139,932**	**18,660**	**24,844**	**(129,561)**	**53,875**	103,005
Interfund Transfers						
Acquisition of capital assets	**(376,093)**	**-**	**-**	**376,093**	**-**	-
Other	**4,050**	**-**	**(4,050)**	**-**	**-**	-
Net assets, end of year	**$ 286,449**	**$ 23,077**	**$ 181,101**	**$ 2,025,484**	**$ 2,516,111**	$ 2,462,236

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

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31		2018		2017
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	**$**	**53,875**	$	103,005
Items not affecting cash				
Amortization of capital assets		**317,910**		327,253
Amortization of deferred contributions related to capital assets		**(188,349)**		(180,807)
		183,436		249,451
Changes in non-cash working capital				
Accounts receivable		**171,343**		40,151
Due from WRHA		**247,926**		(58,648)
Inventories		**19,954**		(4,657)
Prepaid expenses		**(476,201)**		3,016
Retirement obligation receivable		**88,413**		14,742
Accounts payable and accrued liabilities		**(315,192)**		282,996
Due to WRHA		**67,295**		(12,271)
Accrued vacation entitlements		**(79,270)**		72,230
Deferred revenue		**(95,685)**		(96,771)
Accrued retirement obligations		**(102,284)**		(17,055)
Deferred contributions related to expenses of future periods		**(58,274)**		36,175
		(348,539)		509,359
Cash Flows from Financing Activities				
Contributions related to capital asset acquisitions		**256,092**		440,774
Cash Flows from Investing Activities				
Acquisition of capital assets		**(632,185)**		(931,790)
Net decrease in amount due from Mount Carmel Clinic Foundation		**74,623**		34,295
		(557,562)		(897,495)
Net increase (decrease) in cash and bank for the year		**(650,009)**		52,638
Cash and bank, beginning of year		**1,777,284**		1,724,646
Cash and bank, end of year	**$**	**1,127,275**	$	1,777,284

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

For the year ended March 31, 2018

1. Nature of the Organization and Summary of Significant Accounting Policies

a) Nature of the Organization

Mount Carmel Clinic ("Clinic") is an inter-disciplinary community health centre committed to providing comprehensive health care to the community. The Clinic is incorporated under The Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

b) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

c) Fund Accounting

The Operating Fund records the day-to-day operations of the Clinic.

The Day Care Fund records the day-to-day operations of the Anne Ross Day Nursery ("Day Care").

The Donation Fund records donor receipts and interest on investments and disburses the funds based on specific instructions or Board of Directors' approval.

The Invested in Capital Assets Fund represents the Clinic's internally restricted net assets that are not available for other purposes because they have been invested in capital assets (Note 11).

d) Revenue Recognition

The Clinic follows the deferral method of accounting for contributions which include donations and government grants.

The majority of the Clinic's funding is provided by the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements agreed to by the WRHA and the Clinic. 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 funding arrangements approved by WRHA with respect to the year ended March 31, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

d) Revenue Recognition (continued)

Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

e) Inventories

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

f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments traded in an active market are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

g) Employee Future Benefits

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

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

h) Capital Assets

Capital assets with cost exceeding $2,000 are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of the assets as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

i) Contributed Services

Volunteers contributed a significant number of hours to assist the Clinic in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

j) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

	2018	2017
Receivable for Clinic services	$ 175,616	$ 99,947
Province of Manitoba		
Child Day Care Centre deficit funding	-	123,052
Other receivables	64,696	188,656
	$ 240,312	$ 411,655

3. Due from WRHA

	2018	2017
2017/2018 funding adjustment	$ (17,776)	$ -
2016/2017 funding adjustment	78,398	255,527
2015/2016 funding adjustment	-	53,021
	$ 60,622	$ 308,548

4. Accrued Vacation Entitlements

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

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

	2018	2017
Balance, beginning of year	**$ 511,266**	$ 439,036
Net increase (decrease) in accrued vacation entitlements	**(79,270)**	72,230
Balance, end of year	**$ 431,996**	$ 511,266

5. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Landscaping	**$ 229,518**	**$ -**	$ 222,702	$ -
Buildings	**9,523,143**	**3,638,399**	8,828,525	3,400,396
Furniture, fixtures and equipment	**776,020**	**569,306**	762,833	533,088
Computer equipment	**370,626**	**250,795**	338,804	207,106
Construction-in-progress	**-**	**-**	114,258	-
	$ 10,899,307	**$ 4,458,500**	$ 10,267,122	$ 4,140,590
Net book value		**$ 6,440,807**		$ 6,126,532

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include $NIL ($NIL in 2017) in government remittances payable.

7. Due to WRHA

Amounts due to WRHA are for medical remuneration.

8. Deferred Revenue

	2018	2017
Operating Fund		
Day Care grant	$ 10,106	$ 9,636
Day Care subsidy advance	15,510	15,510
FACT Coalition	37,855	37,176
Other	48,347	150,086
Parenting Student Program	35,180	38,028
Primary Health	15,686	-
Sage House	22,278	53,756
	184,962	304,192
Donation Fund		
Child Day Care Centre	57,656	39,489
Mount Carmel Clinic Foundation	1,860	1,860
Other	43,603	30,034
Sage House	26,580	34,771
	129,699	106,154
	$ 314,661	$ 410,346

9. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

		2018		2017
Balance, beginning of year	$	214,865	$	178,690
Add amounts received during year		99,601		118,800
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year		(165,675)		(89,675)
Transfer from Day Care		7,800		7,050
Balance, end of year	$	156,591	$	214,865

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

		2018		2017
Balance, beginning of year	$	4,347,580	$	4,087,613
Add amounts received during year		256,092		440,774
Less amounts recognized as revenue during the year		(188,349)		(180,807)
Balance, end of year	$	4,415,323	$	4,347,580

10. Operating Line of Credit

The Clinic has an operating line of credit for $275,000 which bears interest at the bank's prime rate of 3.45% at March 31, 2018. The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets. The balance in the line of credit at year end was $NIL ($NIL in 2017).

11. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	2018	2017
Capital assets, net book value	$ 6,440,807	$ 6,126,532
Less amounts financed by deferred contributions	4,415,323	4,347,580
	$ 2,025,484	$ 1,778,952

The deficiency of revenue over expenses for the year for the Invested in Capital Assets Fund is calculated as follows:

	2018	2017
Revenue		
Amortization of deferred contributions related to capital assets	$ 188,349	$ 180,807
Expenses		
Amortization of capital assets	317,910	327,253
Deficiency of revenue over expenses for the year	$ (129,561)	$ (146,446)

For the year ended March 31, 2018

12. Revenue from the WRHA

	2018	2017
Revenue as per WRHA final funding document (March 31, 2018 EFT)	**$ 8,169,678**	$ 8,419,136
Add (Deduct)		
ACT funding	**(123,192)**	17,459
Group health	**11,374**	-
Healthy Together tobacco reduction grant	**-**	(1,000)
Maternity leave top-up	**3,494**	5,580
Medical remuneration	**(210,089)**	78,398
Mothering Project	**-**	39,549
Other	**28,513**	(17,334)
Payments related to prior year activities	**(437,113)**	(200,498)
Pre-retirement leave	**47,961**	-
Salary costs	**105,045**	171,550
	(574,007)	93,704
Deduct		
Deferred funds		
Staffing positions	**66,074**	(74,074)
Total funding approved by WRHA	**7,661,745**	8,438,766
Deduct		
Reserve for major repairs	**(7,000)**	(7,000)
Deferred funds - Insurance deductible	**(1,008)**	(1,008)
	(8,008)	(8,008)
Revenue from WRHA	**$ 7,653,737**	$ 8,430,758

13. Commitments and Contingencies

During the year, the Clinic entered into an agreement to purchase the property at 896 Main Street for $1.5 million plus disbursements with possession on April 1, 2018. The purchase is to be funded by a mortgage of $1.1 million and net assets. As at March 31, 2018, the Clinic has advanced $478,771 which is presented as prepaid expenses at March 31, 2018. As at March 31, 2018, the mortgage has not been advanced.

During the year, Healthcare Employees Pension Plan ("HEPP") has advised the Clinic that it has an outstanding contribution shortfall of $13,124 related to prior years. WRHA has lodged a formal dispute with regards to the contribution shortfall payment requested and the matter is now under on-going discussion between the Clinic, HEPP and WRHA. Actual amounts expected to be paid, if any, are not determinable at this time. The liability and expense will be recorded by the Clinic once they are determinable.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018. The Clinic is a named insured under the WRHA policy with HIROC.

14. Employee Future Benefits

Accrued Pre-retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of the Clinic are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Clinic Group Pension Plan. The Clinic's contractual commitment is to pay four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) has 10 years service and has reached the age 55

ii) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii) retires at or after age 65

iv) terminates employment at any time due to permanent disability

14. Employee Future Benefits (continued)

Accrued Pre-retirement Entitlement (continued)

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.25% (3.05% in 2017) and a rate of salary increase of 3.50% (3.50% in 2017) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year for employees engaged in WRHA funded programs. This amount will also be paid when required and the WRHA holds funding to meet this obligation. The retirement obligation is receivable from Manitoba Health.

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

	2018	2017
Balance, beginning of year	**$ 771,945**	$ 789,000
Net decrease in pre-retirement entitlements	**(102,284)**	(17,055)
Balance, end of year	**$ 669,661**	$ 771,945

Pension Plan

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

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

14. Employee Future Benefits (continued)

Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under $52,500 and 9.50% for salaries greater than $52,500, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016 indicated a solvency deficiency. On April 1, 2013, both employer and employee contribution rates increased to 7.90% of pensionable earnings up to YMPE and 9.50% on earnings in excess of the YMPE. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to $532,910 ($533,931 in 2017) and are included in the statement of operations.

15. Economic Dependence

The Clinic is economically dependent upon the government and other agencies for funding its operations.

16. Financial Risk Management

The Clinic is exposed to different types of financial risk in the normal course of operations. The Clinic'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 Clinic's activities. The risks have not changed from the prior year.

Credit Risk

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

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

16. Financial Risk Management (continued)

Credit Risk (continued)

Due from WRHA, vacation entitlements receivable and retirement obligations receivable: The Clinic is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the WRHA.

Liquidity Risk

Liquidity risk is the risk that the Clinic will not be able to meet its obligations as they fall due. The Clinic is not subject to significant liquidity risk as it maintains adequate levels of working capital to ensure all its obligations can be met when they fall due, and has access to an operating line of credit.

Nine Circles Community Health Centre Inc.
Financial Statements
March 31, 2018

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Independent Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the accompanying financial statements of Nine Circles Community Health Centre Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of financial activities, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Nine Circles Community Health Centre Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 28, 2018

Chartered Professional Accountants

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31

	Operating Fund	Capital Fund	Ed Mousseau Fund	**2018 Total**	2017 Total
Revenues					
Winnipeg Regional Health Authority	$4,223,609	$ -	$ -	**$4,223,609**	$4,044,299
AIDS Community Action Program	152,432	-	-	**152,432**	241,341
Grants	48,401	-	-	**48,401**	46,023
Interest income	22,269	-	1,315	**23,584**	23,378
Donations	19,233	-	-	**19,233**	19,542
Amortization of deferred contributions	-	9,914	-	**9,914**	12,516
	4,465,944	9,914	1,315	**4,477,173**	4,387,099
Expenses					
Operating Fund (Page 13)	4,414,432	-	-	**4,414,432**	4,271,395
Amortization	-	72,395	-	**72,395**	59,285
	4,414,432	72,395	-	**4,486,827**	4,330,680
(Deficiency) excess of revenues over expenses before under noted items	51,512	(62,481)	1,315	**(9,654)**	56,419
Pre-retirement leave (Note 11)					
Recovery	7,830	-	-	**7,830**	39,021
Expense	(7,830)	-	-	**(7,830)**	(39,021)
(Deficiency) excess of revenues over expenses	$ 51,512	$ (62,481)	$ 1,315	**$ (9,654)**	$ 56,419

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances

Year Ended March 31

	Operating Fund	Capital Fund	Ed Mousseau Fund	**2018 Total**	2017 Total
Fund balance, beginning of year	$ 990,146	$ 107,798	$ 18,886	**$ 1,116,830**	$ 1,060,411
(Deficiency) excess of revenues over expenses	51,512	(62,481)	1,315	**(9,654)**	56,419
Transfer to Capital Fund for purchase of capital assets	(79,104)	79,104	-	**-**	-
Fund balance, end of year	$ 962,554	$ 124,421	$ 20,201	**$ 1,107,176**	$ 1,116,830

Nine Circles Community Health Centre Inc.
Statement of Financial Position

Year Ended March 31	2018	2017 (Note 17)
Assets		
Current		
Cash and short-term investments (Note 3)	**$1,558,354**	$1,677,309
Receivables (Note 4)	**281,063**	126,980
Due from Winnipeg Regional Health Authority	**167,840**	154,842
Prepaids	**10,236**	30,477
	2,017,493	1,989,608
Due from Winnipeg Regional Health Authority (Note 11)	**426,515**	445,947
Long-term investments	**150,463**	149,148
Capital assets (Note 5)	**148,090**	138,630
	$2,742,561	$2,723,333

	2018	2017
Liabilities		
Current		
Payables and accruals	**$ 529,649**	$ 494,195
Government remittances payable	**46,047**	37,399
Funds held in trust (Note 3)	**18,332**	2,360
Deferred contributions		
General operations (Notes 3 and 6)	**545,575**	577,435
Current portion of obligations under capital lease (Note 7)	**7,249**	7,249
	1,146,852	1,118,638
Deferred contributions		
Related to capital assets (Note 8)	**16,420**	16,333
Restricted contributions (Note 10)	**130,262**	130,262
Pre-retirement leave (Note 11)	**341,851**	334,021
Obligations under capital lease (Note 7)	**-**	7,249
	1,635,385	1,606,503
Fund Balances		
Operating Fund	**962,554**	990,146
Capital Fund	**124,421**	107,798
Ed Mousseau Fund	**20,201**	18,886
	1,107,176	1,116,830
	$2,742,561	$2,723,333

Commitments (Note 15)
Contingent liability (Note 16)

Approved by the Board

Original Document Signed Director   Original Document Signed Director

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Cash Flows

Year Ended March 31	2018	2017
Cash derived from (applied to):		
Operating		
(Deficiency) excess of revenues over expenses	**$ (9,654)**	$ 56,419
Amortization of capital assets	**72,395**	59,285
Amortization of deferred contributions	**(9,914)**	(12,516)
	52,827	103,188
Change in non-cash operating assets and liabilities (Note 9)	**(91,364)**	60,947
	(38,537)	164,135
Investing		
Interest income reinvested	**(1,315)**	(1,112)
Purchase of capital assets	**(81,854)**	(51,864)
	(83,169)	(52,976)
Financing		
Repayment of capital lease	**(7,249)**	(7,249)
Funding received to purchase capital assets	**10,000**	-
	2,751	(7,249)
Net (decrease) increase in cash	**(118,955)**	103,910
Cash and short-term investments, beginning of year	**1,677,309**	1,573,399
Cash and short-term investments, end of year	**$1,558,354**	$1,677,309

See accompanying notes to the financial statements.

1. Nature of operations

Nine Circles Community Health Centre Inc. (the Organization) is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	4-5 years	straight-line
Computer equipment	4-5 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	4-10 years	straight-line

Amortization expense is reported in the Capital Fund.

2. Significant accounting policies (cont.)

d) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.05% (2017 - 3.00%), a rate of salary increase of 3.5% (2017 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, price, liquidity, or market risks arising from its financial instruments.

3. Cash and short-term investments

Cash and short-term investments consist of:

	2018	2017
Cash	**$ 664,014**	$ 814,008
Cash held in trust	**18,332**	2,360
Assiniboine Credit Union GIC, bearing interest at 2.30%, (2017 - 1.75%) maturing and renewed annually on March 23rd	**876,008**	860,941
	$1,558,354	$1,677,309

The cash balance is earmarked as follows:

	2018	2017
Operating cash	**$1,012,779**	$1,099,874
Externally restricted cash	**545,575**	577,435
	$1,558,354	$1,677,309

4. Receivables

	2018	2017
Grants receivable	**$ 138,886**	$ -
GST receivable	**52,326**	34,076
Other receivables	**89,851**	92,904
	$ 281,063	$ 126,980

5. Capital assets

	Cost	**Accumulated Amortization**	**2018 Net Book Value**	2017 Net Book Value
Equipment	**$ 170,019**	**$ 116,285**	**$ 53,734**	$ 20,093
Computer equipment	**172,866**	**145,706**	**27,160**	36,736
Computer software	**67,595**	**51,273**	**16,322**	2,936
Leaseholds	**241,157**	**203,156**	**38,001**	36,695
Equipment under capital lease	**107,635**	**94,762**	**12,873**	42,170
	$ 759,272	**$ 611,182**	**$ 148,090**	$ 138,630

6. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to subsequent years.

The changes for the year in the deferred contributions balance are as follows:

	2018	2017
Beginning balance	**$ 577,435**	$ 566,055
Grant revenue recognized during the year	**(175,944)**	(391,103)
Contributions received during the year	**144,084**	402,483
Ending balance	**$ 545,575**	$ 577,435

7. Obligations under capital lease

	2018	2017
Obligations under capital lease	**$ 7,249**	$ 14,498
Less: amount representing interest at 0%	**-**	-
	7,249	14,498
Less: current portion of obligations	**7,249**	7,249
	$ -	$ 7,249

The leases are secured by the underlying assets.

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $16,420 (2017 - $16,333) represent grants and donations for equipment, computer equipment, computer software and leasehold improvements. Deferred contributions are amortized in the Capital Fund on the statement of financial activities.

9. Change in non-cash operating assets and liabilities

	2018	2017 (Note 17)
Receivables	**$ (154,083)**	$ 30,504
Due from Winnipeg Regional Health Authority	**6,434**	(35,123)
Prepaids	**20,241**	(21,563)
Payables and accruals	**35,454**	38,203
Government remittances payable	**8,648**	(1,475)
Funds held in trust	**15,972**	-
Deferred contributions - general operations	**(31,860)**	11,380
Pre-retirement leave	**7,830**	39,021
	$ (91,364)	$ 60,947

10. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS.

11. Pre-retirement leave

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority (WRHA) to record the full obligation. The WRHA calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the WRHA has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to WRHA programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year, the obligation increased by $7,830 (2017 - $39,021).

Pre-retirement benefits for the current year of $7,830 (2017 - $39,021) were funded by WRHA.

12. Pension

The Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $206,965 (2017 - $203,007) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

13. Office space

In the current year, WRHA paid rent on behalf of the Organization in the amount of $363,579 (2017 - $363,579). The revenue and expense related to rent is not recorded in these financial statements. This arrangement expires June 30, 2019, at which point the lease agreement takes effect, as described in Note 15.

14. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

15. Commitment

The Organization has entered into a lease agreement for its premises expiring on June 30, 2029 with an aggregate minimum annual rental of $410,091 to the period ending June 30, 2024 and an aggregate minimum annual rental of $427,921 for the period thereafter. The 2019 committment is funded by the WRHA, as described in Note 13.

The minimum lease payments for the next five years are as follows:

2019	$ -
2020	307,568
2021	410,091
2022	410,091
2023	410,091

16. Contingent liability

During the 2017/18 fiscal year, the Organization was made aware by HEB Manitoba (“HEB”) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Organization and HEB have not accurately determined the amount due from the Organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

17. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation. The changes do not affect prior year earnings.

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects

Year Ended March 31	**2018**	2017
Salaries	**$2,475,977**	$2,448,902
Physician salaries and benefits	**989,442**	900,604
Employee benefits (Note 12)	**453,823**	437,705
Health and education tax	**79,026**	65,598
Electronic medical records	**33,055**	34,279
Medical supplies	**34,684**	34,804
Purchased and professional services	**57,026**	58,203
Maintenance	**119,692**	111,915
Travel and course fees	**55,917**	21,156
General expenses	**213,586**	286,175
	4,512,228	4,399,341
Less: recoveries	**(97,796)**	(127,946)
	$4,414,432	$4,271,395

See accompanying notes to the financial statements.

Niverville Heritage PCH Inc.
Financial Statements
March 31, 2018

Independent Auditors' Report

To the Board of Directors of Niverville Heritage PCH Inc.:

We have audited the accompanying financial statements of Niverville Heritage PCH Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Niverville Heritage PCH Inc. as at March 31, 2018 and the results of its operations, changes in net assets (deficit) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

May 30, 2018

MNP LLP

Chartered Professional Accountants

Niverville Heritage PCH Inc.
Statement of Financial Position
As at March 31, 2018

	2018	*2017 (Restated)*
Assets		
Current		
Cash *(Note 4)*	**834,839**	789,668
Restricted cash	**172,400**	167,900
Accounts receivable *(Note 5)*	**35,483**	68,541
Prepaid expenses and deposits	**5,925**	2,558
	1,048,647	1,028,667
Advances to related parties *(Note 6)*	**800,612**	1,086,153
Capital assets *(Note 7)*	**10,982,863**	11,490,299
	12,832,122	13,605,119
Liabilities		
Current		
Accounts payable and accruals *(Note 8)*	**781,248**	660,592
Advances from related party *(Note 9)*	**324,397**	316,508
Current portion of long-term debt *(Note 10)*	**269,000**	314,000
	1,374,645	1,291,100
Long-term debt *(Note 10)*	**11,329,393**	11,510,996
Deferred contributions related to capital assets *(Note 11)*	**994,210**	1,176,110
	13,698,248	13,978,206
Net Assets (Deficit)		
Unrestricted deficit	**(1,038,526)**	(540,987)
Internally restricted for future capital assets	**172,400**	167,900
	(866,126)	(373,087)
	12,832,122	13,605,119

Approved on behalf of the Board

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Director

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Director

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Director

Niverville Heritage PCH Inc.
Statement of Operations
For the year ended March 31, 2018

	2018	2017 (Restated)
Revenues		
Southern Health - Sante Sud Inc.	**6,056,472**	5,972,927
Rental income	**1,384,101**	1,313,273
Amortization of deferred contributions related to capital assets	**186,400**	186,400
Other revenue	**134,762**	149,735
	7,761,735	7,622,335
Expenses		
Advertising and promotion	**11,436**	17,584
Bad debts	**10,900**	-
Bank charges and interest	**824**	1,209
Food services	**772,463**	713,374
Insurance	**50,467**	49,188
Inter-company obligations adjustment	**302,347**	-
Interest on long-term debt	**319,397**	334,723
Medical supplies and equipment	**109,345**	117,315
Office supplies and services	**66,885**	49,344
Professional and management fees	**91,789**	111,383
Property taxes	**78,876**	89,666
Repairs and maintenance	**199,931**	163,066
Resident expenses	**290,923**	269,988
Salaries and benefits	**5,127,055**	5,039,174
Telephone and internet	**35,551**	27,078
Utilities	**204,582**	173,999
	7,672,771	7,157,091
Excess of revenue over expenses before other items	**88,964**	465,244
Other items		
Amortization	**(582,005)**	(568,407)
Deficiency of revenues over expenses	**(493,041)**	(103,163)

Niverville Heritage PCH Inc.
Statement of Changes in Net Assets (Deficit)
For the year ended March 31, 2018

	Unrestricted	*Internally restricted for future capital assets*	***2018***	*2017* *(Restated)*
Net assets (deficit), beginning of year, as previously stated	**(654,882)**	**167,900**	**(486,982)**	(269,267)
Correction of an error *(Note 3)*	**113,896**	**-**	**113,896**	(656)
Net assets (deficit), beginning of year, as restated	**(540,986)**	**167,900**	**(373,086)**	(269,923)
Excess (deficiency) of revenues over expenses	**(493,040)**	**-**	**(493,041)**	(103,163)
Transfer for future capital asset purchases	**(4,500)**	**4,500**	**-**	-
Net assets (deficit), end of year	**(1,038,526)**	**172,400**	**(866,127)**	(373,086)

Niverville Heritage PCH Inc.
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017 (Restated)
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenues over expenses	**(493,041)**	(103,163)
Amortization of capital assets	**582,005**	568,407
Amortization of deferred contributions related to capital assets	**(186,400)**	(186,400)
Bad debts	**10,900**	-
Inter-company obligations adjustment	**302,347**	-
	215,811	278,844
Changes in working capital accounts		
Accounts receivable	**22,159**	112,829
Prepaid expenses and deposits	**(3,367)**	2,806
Accounts payable and accruals	**120,656**	33,251
	355,259	427,730
Financing		
Deferred contributions related to capital assets received	**4,500**	-
Advances from related party	**7,889**	-
Repayment of advances from related party	**-**	(127,740)
Repayment of long-term debt	**(226,603)**	(306,277)
	(214,214)	(434,017)
Investing		
Decrease (increase) in restricted cash, net	**(4,500)**	26,980
Advances to related parties	**(16,805)**	(14,294)
Purchase of capital assets	**(74,569)**	(85,666)
	(95,874)	(72,980)
Increase (decrease) in cash resources	**45,171**	(79,267)
Cash resources, beginning of year	**789,668**	868,935
Cash resources, end of year	**834,839**	789,668

1. Incorporation and nature of the organization

Niverville Heritage PCH Inc. (the “Organization”) is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services to 80 residents, operating under a service purchase agreement with Southern Health - Sante Sud Inc. ("SH-SS").

The Home qualifies as a not-for-profit organization as defined in the Income Tax Act of Canada and, as such, is exempt from income under section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash

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

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at the following rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Building	30 years
Furniture and equipment	3-5 years

Revenue recognition

The Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by SH-SS in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period in which they relate. The financial statements reflect arrangements approved by SH-SS with respect to the year ended March 31, 2018.

Residential rent revenue is recognized when the services are provided and collection is reasonably assured.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization’s capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Government assistance

Claims for assistance under various government grant programs are recorded as a reduction of the cost of related asset in the period in which eligible expenditures are incurred, with any amortization calculated on the net amount.

Contributed services

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

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

Long-lived assets

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

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Home, 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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period.

Accounts receivable and advances to related parties are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. No allowance was recorded in the current year. Amortization and deferred contributions are based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in deficiency of revenue over expenses in the periods in which they become known.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year. All financial instruments are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

3. Correction of an error

During the year, the Organization determined that deferred revenue related to capital assets was overstated by $328,396, amortization of deferred revenue related to capital assets was understated by $114,552 and net assets (deficit), beginning of year was understated by $213,844 as at March 31, 2017.

During the year, the Organization determined that advances to related parties and net assets (deficit), beginning of year was overstated by $214,500 as at March 31, 2017.

Accordingly, the Organization restated its financial statements as follows, as at and for the year ended March 31, 2017:

	As previously reported	Adjustment	As restated
Statement of Financial Position:			
Advances to related parties	$1,300,653	($214,500)	$1,086,153
Deferred contributions related to capital assets	$1,504,506	($328,396)	$1,176,110
Statement of Operations:			
Amortization of deferred contributions related to capital assets	$71,848	$114,552	$186,400
Deficiency of revenues over expenses	($217,715)	$114,552	($103,163)
Statement of Changes in Net Assets (Deficit):			
Net assets (deficit), beginning of year	($269,267)	($656)	($269,923)
Net assets (deficit), end of year	($486,982)	$113,896	($373,086)

4. Line of credit

The Home has an operating line of credit authorized up to $150,000 (2017 - $150,000) bearing interest at prime plus 1%. The prime rate is 4.05% (2017 - 3.45%). As at March 31, 2018 the line of credit is at $nil.

5. Accounts receivable

	2018	*2017*
Government remittances receivable	**21,906**	50,809
Receivable from Southern Health - Sante Sud Inc.	**-**	11,271
Other receivables	**13,577**	6,461
	35,483	68,541

6. Advances to related parties

During the year, advances were made to companies related through common control. The advances bear no interest, are unsecured, and have no fixed terms of repayment.

	2018	*2017 (Restated)*
St Adolphe Personal Care Home Inc.	**-**	285,541
Heritage Life Retirement Living Inc.	**800,612**	800,612
	800,612	1,086,153

These transactions were conducted in the normal course of operations and are recorded at their exchange amount which is the amount of consideration established and agreed upon by the related companies.

7. Capital assets

	Cost	*Accumulated amortization*	*2018 Net book value*
Land leasehold	**400,000**	**-**	**400,000**
Building	**12,240,138**	**1,830,363**	**10,409,775**
Furniture and equipment	**880,101**	**707,013**	**173,088**
	13,520,239	**2,537,376**	**10,982,863**

	Cost	*Accumulated amortization*	*2017 Net book value*
Land leasehold	400,000	-	400,000
Building	12,221,053	1,422,683	10,798,370
Furniture and equipment	824,617	532,688	291,929
	13,445,670	1,955,371	11,490,299

The Home is the registered owner of a land leasehold estate from May 1, 2006. The lease term is for fifty years with the option to renew for an additional fifty years. The Home has the first right of refusal to purchase the land. The basis annual rent is $1 per year and the Home shall pay all taxes and fees.

8. Accounts payable and accruals

	2018	*2017*
Trade payables and accruals	**274,846**	147,693
Government remittances	**93,619**	82,951
Salaries payable	**129,016**	168,537
Vacation payable	**261,650**	261,411
Payable to Southern Health - Sante Sud Inc.	**22,117**	-
	781,248	660,592

9. Advances from related party

	2018	*2017*
Niverville Heritage Holdings Inc.	**324,397**	316,508

The advance payable bears no interest, is unsecured and has no fixed terms of repayment. The companies are related by virtue of common control.

These transactions were conducted in the normal course of operations and are recorded at their exchange amount which is the amount of consideration established and agreed upon by the related companies.

10. Long-term debt

	2018	2017
Mortgage payable bearing interest at prime plus 0.71% (4.16%) at March 31, 2018, repayable in monthly payments of $55,000, including interest, with an amortization period ending January 2047, secured by a demand promissory note in the amount of $12,800,000 and a first charge on property.	**11,598,393**	11,824,996
Less: current portion	**269,000**	314,000
	11,329,393	11,510,996

Future estimated principal payments in the next five years are estimated as follows:

2019	269,000
2020	278,000
2021	288,000
2022	298,000
2023	308,000

11. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2018	2017 *(Restated)*
Balance, beginning of year	**1,176,110**	1,362,510
Amount received during the year	**4,500**	-
Less: amounts recognized as revenue during the year	**(186,400)**	(186,400)
Balance, end of year	**994,210**	1,176,110

12. Related party transactions

The following expenses were paid to Niverville Heritage Holdings Inc., a related party as described in Note 9.

	2018	*2017*
Food services	**750,518**	690,781
Professional and management fees	**66,079**	82,444
Repairs and maintenance	**104,067**	71,825
Salaries and benefits	**148,167**	67,236
Telephone and internet	**28,712**	22,304
Utilities	**134,332**	137,447
	1,231,875	1,072,037

These expenses were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Financial instruments

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Home is exposed to interest rate cash flow risk with respect to its line of credit and long-term debt which are subject to floating interest rates based on bank prime lending rates plus 1% and 0.71%, respectively.

Credit concentration

As at March 31, 2018, two organizations accounted for 80% (2017 - 80%) of revenues from operations and one organization accounted for 74% (2017 - 91%) of the accounts receivable. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

14. Economic dependence

A significant portion of the Home's operating funds are provided by Southern Health - Sante Sud Inc. and its ability to continue viable operations is dependent upon maintaining this funding.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Nor West Co-op
COMMUNITY HEALTH

Financial Statements

Year Ended March 31, 2018

Lazer Grant LLP
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of NorWest Co-op Community Health Centre, Inc.

We have audited the accompanying financial statements of NorWest Co-op Community Health Centre, Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NorWest Co-op Community Health Centre, Inc. as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lazer Grant LLP

Winnipeg, MB
June 6, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Financial Position

March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 2,331,217**	$ 2,275,468
Accounts receivable *(Note 4)*	**368,345**	436,053
Prepaid expenses	**7,682**	4,047
	2,707,244	2,715,568
CAPITAL ASSETS *(Note 5)*	**441,832**	531,622
INTERNALLY RESTRICTED CASH *(Note 11)*	**600,000**	100,000
EXTERNALLY RESTRICTED CASH	**509,595**	343,342
	$ 4,258,671	$ 3,690,532
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 6)*	**$ 654,647**	$ 568,595
Vacation entitlement payable	**471,579**	403,634
Deferred revenue *(Note 7)*	**949,783**	642,913
	2,076,009	1,615,142
DEFERRED CAPITAL CONTRIBUTIONS *(Note 8)*	**364,690**	502,538
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 9)*	**379,748**	405,883
	2,820,447	2,523,563
NET ASSETS		
Unrestricted	**251,487**	694,543
Internally restricted *(Note 11)*	**600,000**	100,000
Externally restricted	**509,595**	343,342
Invested in Capital Assets	**77,142**	29,084
	1,438,224	1,166,969
	$ 4,258,671	$ 3,690,532

CONTINGENT LIABILITY *(Note 12)*

LEASE COMMITMENTS *(Note 13)*

ECONOMIC DEPENDENCE *(Note 14)*

ON BEHALF OF THE BOARD

Original Document Signed ______ *Director*

Original Document Signed ______ *Director*

Statement of Revenues and Expenditures

Year Ended March 31, 2018

	Health Centre (Schedule 1) 2018	Early Learning & Child Care Centre (Schedule 2) 2018	**Total 2018**	Total 2017
REVENUES	$ 9,378,264	$ 835,842	**$ 10,214,106**	$ 8,990,105
EXPENSES				
Accounting and computer fees	46,257	-	**46,257**	48,132
Administrative	311,183	17,960	**329,143**	326,777
Amortization	124,790	-	**124,790**	184,214
Fundraising	7,225	-	**7,225**	12,023
Medical supplies	64,227	-	**64,227**	83,016
Networking and EMR charges	40,393	-	**40,393**	40,398
Pre-retirement	(23,718)	(2,417)	**(26,135)**	51,883
Professional fees	565,326	-	**565,326**	514,175
Program	457,112	24,681	**481,793**	378,013
Rent and utilities	247,058	23,346	**270,404**	245,808
Repairs and maintenance	95,434	4,447	**99,881**	137,357
Salaries and benefits *(Notes 9, 10)*	7,053,466	750,959	**7,804,425**	6,688,158
Service contracts	30,628	-	**30,628**	48,214
Staff training	63,015	-	**63,015**	60,449
Travel	51,364	-	**51,364**	47,758
	9,133,760	818,976	**9,952,736**	8,866,375
EXCESS OF REVENUES OVER EXPENSES	$ 244,504	$ 16,866	**$ 261,370**	$ 123,730

NORWEST CO-OP COMMUNITY CENTRE, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2018

						Family Counselling Programs							
	Membership	**Invested in Capital Assets**	**Internally Restricted *(Note 11)***	**Restricted Healthy Child MB Programs**	**Restricted Community Programs**	**Restricted Central Support**	**Restricted Counselling Services**	**Restricted Women's Place**	**Restricted Community Food Centre**	**Surplus Subject to WRHA Audit**	**Unrestricted**	**Total 2018**	Total 2017
HEALTH CENTRE													
NET ASSETS - BEGINNING OF THE YEAR	$ 4,886	$ 22,981	$ 100,000	$ 79,822	$ 3,374	$ 70,292	$ 133,249	$ 44,481	$ -	$ 7,038	$ 672,534	**$ 1,138,657**	$ 1,232,642
Membership	920	-	-	-	-	-	-	-	-	-	-	**920**	780
Co-operative tax credit	-	-	-	-	-	-	-	-	-	-	-	**-**	750
Prior years' excess surplus from (paid to) WRHA	-	-	-	-	-	-	-	-	-	8,965	-	**8,965**	(231,708)
Surplus transferred towards unrestricted surplus	-	-	-	-	-	-	-	-	-	(16,003)	16,003	**-**	-
Leasehold improvements - Walk-In Connected Care	-	35,000	-	-	-	-	-	-	-	-	(35,000)	**-**	-
Surplus transferred towards AON Celebrations/Facilitated Solutions	-	-	-	-	951	-	-	-	-	-	(951)	**-**	-
Transfer unrestricted surplus to internally restricted	-	-	500,000	-	-	-	-	-	-	-	(500,000)	**-**	-
Excess (deficiency) of revenues over expenses	-	13,058	-	(26,635)	(951)	85,088	(110,092)	51,699	63,080	109,231	60,026	**244,504**	136,192
NET ASSETS - END OF THE YEAR	5,806	71,039	600,000	53,187	3,374	155,380	23,157	96,180	63,080	109,231	212,612	**1,393,046**	1,138,657
EARLY LEARNING AND CHILD CARE CENTRE													
NET ASSETS - BEGINNING OF THE YEAR	200	6,103	-	-	-	-	-	-	-	-	22,009	**28,312**	40,775
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	-	16,866	**16,866**	(12,463)
NET ASSETS - END OF THE YEAR	200	6,103	-	-	-	-	-	-	-	-	38,875	**45,178**	28,312
TOTAL NET ASSETS	$ 6,006	$ 77,142	$ 600,000	$ 53,187	$ 3,374	$ 155,380	$ 23,157	$ 96,180	$ 63,080	$ 109,231	$ 251,487	**$ 1,438,224**	$ 1,166,969

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Cash Flow

Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 261,370	$ 123,730
Items not affecting cash:		
Amortization	124,790	184,214
Amortization of deferred contributions	(137,848)	(179,456)
	248,312	128,488
Changes in non-cash working capital:		
Accounts receivable	67,708	(46,445)
Accounts payable and accrued liabilities	86,051	184,686
Deferred revenue	306,870	71,110
Prepaid expenses	(3,635)	(1,048)
Vacation entitlement payable	67,945	33,134
Pre-retirement benefits	(26,134)	51,883
	498,805	293,320
Cash flow from operating activities	747,117	421,808
INVESTING ACTIVITIES		
Purchase of capital assets	(35,000)	(138,021)
Increase in internally restricted cash	(500,000)	-
Decrease (increase) in externally restricted cash	(166,253)	540,190
Cash flow from (used by) investing activities	(701,253)	402,169
FINANCING ACTIVITIES		
Cooperative tax credit	-	750
Membership fees	920	780
Contributions for purchase of capital assets	-	109,672
Surplus from (paid to) Winnipeg Regional Health Authority	8,965	(231,708)
Cash flow from (used by) financing activities	9,885	(120,506)
INCREASE IN CASH	55,749	703,471
Cash and cash equivalents - beginning of year	2,275,468	1,571,997
CASH AND CASH EQUIVALENTS - END OF YEAR	2,331,217	2,275,468
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	$ 1,419,207	$ 1,222,904
Guaranteed investment certificates	912,010	1,052,564
	$ 2,331,217	$ 2,275,468

1. PURPOSE OF THE CO-OPERATIVE

NorWest Co-op Community Health Centre, Inc. (the "co-operative") works in partnership with the community to "promote people taking control of their health." The co-operative's mission is to engage its community in co-operative health and wellness in its geographic neighbourhoods and identified populations. The co-operative's underlying values are Respect, Innovation and Co-operation.

The co-operative was incorporated on November 23, 1972 without share capital. It is presently operated under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash equivalents

Guaranteed investment certificates with maturities of one year or less at date of purchase are classified as cash equivalents.

Goods and Services Tax

Contributed materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Donated services and materials

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. Donated materials and services are recognized in the financial statements only when a fair value can be reasonably estimated and when the materials and services would be purchased in the normal course of operations if not donated. If the fair value of donated materials and services cannot be reasonably determined, they are not reflected in these financial statements.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and fixtures	5 years	straight-line method
Leasehold improvements	10 years	straight-line method
Motor vehicles	30%	declining balance method

The co-operative regularly reviews its capital assets to eliminate obsolete items.

One-half the normal rate of amortization is recorded in the year of acquisition.

Vacation entitlement

These employee benefits are recorded in accordance with the policy determined by the Winnipeg Regional Health Authority. This policy is to record the amount of the accrued liability for these costs on the Statement of Financial Position, and any change in the accrual on the Statement of Revenues and Expenses. The receivable on the Statement of Financial Position is capped at the balance as at March 31, 2004.

Net assets

a) Net assets invested in capital assets represents the organization’s net investment in capital assets which is comprised of the unamortized amount of capital assets purchased with restricted funds.

b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization’s Board of Directors.

c) Externally restricted net assets are funds which have been designated for a specific purpose by external funders.

d) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

Net assets subject to audit

On an annual basis, the co-operative estimates and records adjustments to its net assets accounts for potential funding adjustments as a result of the Winnipeg Regional Health Authority's periodic audits of the co-operative's expenditures.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

NorWest Co-op Community Health Centre, Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Daycare fees are recognized as revenue when the services are rendered and are recorded on an accrual basis in the period to which they relate.

Interest income is recognized as revenue when earned.

Government grants

Government grants are recorded when there is a reasonable assurance that the co-operative had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

3. FINANCIAL INSTRUMENTS

The co-operative is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the co-operative's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The co-operative is exposed to credit risk from day care fees from parents. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The co-operative has a significant number of parents which minimizes concentration of credit risk.

4. ACCOUNTS RECEIVABLE

	2018	2017
Health Centre		
Accounts receivable	**$ 7,219**	$ 3,171
GST rebate receivable	**12,837**	47,123
Grants	**90,437**	71,633
Vacation entitlement receivable	**46,693**	46,693
Winnipeg Regional Health Authority	**178,085**	241,184
	335,271	409,804
Early Learning Child Care Centre		
Day care government subsidy	**6,257**	7,791
Day care fees	**17,457**	13,258
Inclusion support staffing grant	**9,360**	5,200
	33,074	26,249
	$ 368,345	$ 436,053

5. CAPITAL ASSETS

	2018		2017	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Furniture and fixtures	**$ 281,457**	**$ 218,297**	$ 281,457	$ 177,852
Leasehold improvements	**807,656**	**452,222**	772,656	377,836
Motor vehicles	**39,055**	**15,817**	39,055	5,858
	$ 1,128,168	**$ 686,336**	$ 1,093,168	$ 561,546
Net book value	**$ 441,832**		$ 531,622	

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Health Centre		
Accounts payable	**$ 348,604**	$ 267,918
Accrued audit fees	**14,318**	13,500
Other	**18,604**	20,980
Salaries	**192,419**	176,512
Winnipeg Regional Health Authority	**56,406**	66,809
	630,351	545,719

(continues)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(continued)*

Early Learning Child Care Centre				
Daycare deposit		**11,333**		9,913
Pension advance		**4,283**		4,283
Subsidy advances		**8,680**		8,680
		24,296		22,876
	$	**654,647**	$	568,595

The repayable subsidy advance and pension advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. DEFERRED REVENUE

Deferred revenue relates to restricted operating funding for various programs received in the current period that is for programming expenses to be incurred in the subsequent year. The changes in the deferred revenue balance are as follows:

		2018		2017
Health Centre				
Beginning balance	**$**	**631,836**	$	567,401
Less: amounts recognized as revenue in the year		**(631,836)**		(567,401)
Add: amounts received related to the following year		**944,979**		631,836
		944,979		631,836
Early Learning Child Care Centre				
Beginning balance		**11,077**		4,401
Less: amounts recognized as revenue in the year		**(11,077)**		(4,401)
Add: amounts received related to the following year		**4,804**		11,077
		4,804		11,077
	$	**949,783**	$	642,913

8. DEFERRED CAPITAL CONTRIBUTIONS

Contributions and grants directly related to the purchase of capital assets are deferred upon receipt. They are recognized as revenue using the same basis as the amortization on the related capital assets.

The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

		2018		2017
Beginning balance	**$**	**502,538**	$	572,322
Add: Contributions		**-**		109,672
Less: Amounts recognized as revenue		**(137,848)**		(179,456)
	$	**364,690**	$	502,538

9. PRE-RETIREMENT LEAVE BENEFIT OBLIGATION

Based on the continuance of funding bodies' policies to reimburse facilities for pre-retirement leave, the co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rata basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For fiscal year 2018, the Winnipeg Regional Health Authority agreed to provide pre-retirement funding at 100% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to a decrease of $35,203 (2017 - increase of $23,687)

As at March 31, 2018, the benefit obligation earned by employees was actuarially determined to be $379,748 (2017 - $405,883). This has been reported as a liability on the Statement of Financial Position.

10. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of $514,587 (2017 - $450,576). The pension contributions are included in salaries and benefits expense of the applicable programs in the Statement of Revenues and Expenditures.

11. INTERNALLY RESTRICTED

The co-operative implemented internally restricted net assets to address certain future requirements and to support programs aimed at improving the member experience. All transfers to, and uses of, internally restricted net assets must be approved by the Board of Directors.

Internally restricted net assets include $100,000 to be used for research and program development and staff education. During the year, the Board of Directors passed a resolution to transfer a total of $500,000 from their unrestricted net assets to internally restricted net assets. The funds transferred are restricted for the following uses: Pre-retirement $50,000, Capital $200,000, and Stabilization for Future $250,000.

As at March 31, 2018, total internally restricted net assets is $600,000 (2017 - $100,000).

12. CONTINGENT LIABILITY

The co-operative has a contingent liability with Winnipeg Regional Health Authority for historical contributions related to their Healthcare Employee's Pension Plan.

13. LEASE COMMITMENTS

The co-operative has long-term leases with respect to its premises and equipment. Future minimum lease payments as at March 31, 2018, are as follows:

2019	$ 463,682
2020	432,180
2021	415,538
2022	415,538
2023	448,394
Thereafter	6,567,897

14. ECONOMIC DEPENDENCE

The co-operative is economically dependent on funding from the Winnipeg Regional Health Authority and Province of Manitoba. If funding from either of these entities were discontinued, it would affect the co-operative's ability to continue operations.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

16. SCHEDULES TO FINANCIAL STATEMENTS

The accompanying schedules to the financial statements numbered three through five have been presented as unaudited and are included for information purposes only.

	Primary Health Care Program	Foot care Program	Walk-In Connected Care	Norwest Clinic at Blue Bird	Healthy Child Manitoba Programs *(Schedule 3)*	Community Development Programs *(Schedule 4)*	Family Counselling Programs *(Schedule 5)*	Community Food Centre	Mobile Diabetic Screening	Youth Access Project	Family Resource Centre	Capital assets	TOTAL 2018	TOTAL 2017
REVENUE														
Anonymous Donor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 75,000	$ -	$ 75,000	$ -	$ -	**$ 150,000**	$ -
Citizenship and Immigration Canada	-	-	-	-	-	262,292	-	-	-	-	-	-	**262,292**	158,391
Community Food Centre of Canada	-	-	-	-	-	-	-	287,340	-	-	-	-	**287,340**	232,012
Fundraising	-	-	-	-	-	-	-	35,183	-	-	-	-	**35,183**	49,898
Green Shield Canada	-	-	-	-	-	-	-	-	-	90,000	-	-	**90,000**	-
Human Resources Development of Canada	-	-	-	-	-	7,949	-	-	-	-	-	-	**7,949**	7,190
Interest income	45,121	-	-	-	-	-	-	-	-	-	-	-	**45,121**	32,651
Investor's Group	-	-	-	-	-	-	-	-	-	-	-	-	**-**	7,448
Lawson Foundation, The	-	-	-	-	-	-	-	65,075	158,828	-	-	-	**223,903**	186,687
Local Investment Toward Employment	-	-	-	-	-	5,500	-	-	-	-	-	-	**5,500**	5,630
Manitoba Children and Youth Opportunities	-	-	-	-	2,044,836	-	-	-	-	-	-	-	**2,044,836**	1,816,117
Manitoba Community Services Council Inc.	-	-	-	-	-	20,000	-	-	-	-	-	-	**20,000**	-
Manitoba Education & Training/Urban Green	-	-	-	-	-	7,947	-	-	-	-	-	-	**7,947**	9,976
Manitoba Family Services and Housing	-	-	-	-	-	-	751,700	-	-	-	-	-	**751,700**	751,700
Manitoba Housing Authority	-	-	-	-	-	24,745	-	-	-	-	-	-	**24,745**	24,745
Manitoba Justice (Light Houses)	-	-	-	-	-	24,000	-	-	-	-	-	-	**24,000**	24,000
Manitoba Municipal Relations - Neighbourhood Alive!	-	-	-	-	-	16,170	-	-	-	-	-	-	**16,170**	-
Other	14,905	-	-	-	1,334	145,345	1,308	152,933	-	26,000	-	-	**341,824**	268,395
Red River Co-op	-	-	-	-	-	-	-	5,476	-	-	-	-	**5,476**	2,627
Royal Bank of Canada Foundation	-	-	-	-	-	-	-	-	-	176,069	540	-	**176,609**	100,000
United Way of Winnipeg	-	-	-	-	-	333,703	-	30,000	-	-	470,000	-	**833,703**	335,469
Winnipeg Regional Health Authority	3,814,033	309,909	170,827	468,067	-	-	-	20,641	-	-	-	-	**4,783,477**	4,530,770
Winnipeg Foundation, The	-	-	-	-	27,621	-	-	20,000	-	-	-	-	**47,621**	76,080
Amortization of deferred contributions	-	-	-	-	-	-	-	-	-	-	-	137,848	**137,848**	179,456
Deferred revenue	-	-	-	-	(370,057)	(43,523)	-	(112,891)	(95,306)	(226,227)	(96,973)	-	**(944,979)**	(631,835)
	3,874,059	309,909	170,827	468,067	1,703,734	804,127	753,008	578,756	63,522	140,841	373,567	137,848	**9,378,264**	8,167,407
EXPENSES														
Accounting and computer fees	16,002	600	-	-	12,135	4,800	8,400	4,320	-	-	-	-	**46,257**	48,132
Administrative	93,936	9,106	2,040	7,201	121,885	34,185	18,862	10,665	1,185	7,575	4,543	-	**311,183**	307,985
Amortization	-	-	-	-	-	-	-	-	-	-	-	124,790	**124,790**	184,214
Fundraising	-	-	-	-	-	-	-	7,225	-	-	-	-	**7,225**	12,023
Networking & EMR charges	34,575	-	-	5,818	-	-	-	-	-	-	-	-	**40,393**	40,398
Medical supplies	45,656	4,808	2,303	6,986	-	-	-	-	4,474	-	-	-	**64,228**	83,016
Pre-Retirement expenses (includes payout)	(38,333)	1,008	-	2,121	8,872	3,235	(3,108)	(828)	241	350	2,724	-	**(23,718)**	45,554
Professional fees	499,445	600	-	600	3,460	700	60,519	-	-	-	-	-	**565,324**	514,175
Program expenses (includes one-time purchases)	70,139	5,251	15,169	7,711	124,745	57,516	13,678	94,366	4,951	12,540	51,046	-	**457,111**	351,143
Rent and utilities	69,073	-	497	28,285	54,196	-	38,875	42,575	-	-	13,556	-	**247,057**	221,014
Repairs and maintenance	69,920	-	-	-	14,290	10,506	-	556	-	162	-	-	**95,434**	134,784
Salaries and benefits	2,857,742	282,720	114,727	392,903	1,326,922	680,768	576,248	353,334	52,470	119,570	296,065	-	**7,053,469**	5,932,354
Service contracts	27,688	-	-	1,171	-	-	-	-	-	-	1,769	-	**30,628**	48,214
Staff training	10,379	1,575	308	668	34,856	7,607	1,873	2,659	41	417	2,632	-	**63,014**	60,449
Staff travel	2,003	1,145	12	48	29,008	5,760	10,967	803	160	227	1,231	-	**51,364**	47,758
	3,758,225	306,813	135,056	453,511	1,730,369	805,078	726,313	515,675	63,522	140,841	373,567	124,790	**9,133,760**	8,031,213
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 115,834**	**$ 3,096**	**$ 35,771**	**$ 14,556**	**$ (26,635)**	**$ (951)**	**$ 26,695**	**$ 63,080**	**$ -**	**$ -**	**$ -**	**$ 13,058**	**$ 244,504**	$ 136,195

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.
Early Learning and Child Care Centre *(Schedule 2)*
Year Ended March 31, 2018

	2018	2017
REVENUE		
Operating grant	**$ 365,681**	$ 365,680
Child Care fee	**234,819**	197,936
Child Care fee subsidies- Province of Manitoba	**110,397**	126,604
Inclusion Support Staffing grant	**79,456**	90,543
Manitoba Child Care Program Pension grant	**22,321**	19,424
Other sources	**11,146**	10,344
Training grant	**10,955**	10,897
Interest	**1,067**	1,270
	835,842	822,698
EXPENSES		
Administrative	**17,960**	18,792
Pre-retirement	**(2,417)**	6,329
Program	**24,681**	26,870
Rent and utilities	**23,346**	24,794
Repairs and maintenance	**4,447**	2,573
Salaries and benefits	**750,959**	755,804
	818,976	835,162
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ 16,866**	$ (12,464)

	InSight Mentor 2018	Project Choices 2018	Student Support (Parent Child Coalition) 2018	Gilbert Park Going Places 2018	Mental Health Teen Clinic 2018	Intervention & Outreach Team 2018	**Total 2018**	Total 2017
REVENUE								
Manitoba Children and Youth Opportunities	$ 283,800	$ 100,600	$ 109,085	$ 230,000	$ 71,833	$ 1,249,517	**$ 2,044,836**	$ 1,816,117
Other Payment Sources	-	-	-	1,199	-	135	**1,334**	765
Winnipeg Foundation, The	-	-	7,500	20,121	-	-	**27,621**	26,080
Deferred revenue	-	-	(4,000)	(12,321)	-	(353,736)	**(370,057)**	(413,273)
	283,800	100,600	112,585	238,999	71,833	895,916	**1,703,734**	1,429,689
EXPENSES								
Accounting and computer fees	3,480	-	2,055	1,200	2,400	3,000	**12,135**	16,595
Administrative	9,041	910	4,009	8,591	1,122	98,211	**121,885**	122,045
Pre-retirement	1,949	3,986	989	940	237	771	**8,872**	11,744
Professional fees	-	-	-	-	1,410	2,050	**3,460**	1,920
Program	5,777	2,895	12,547	19,484	4,878	79,164	**124,745**	64,407
Rent and utilities	-	-	-	-	-	54,196	**54,196**	24,091
Repairs and maintenance	-	-	-	1,790	-	12,500	**14,290**	31,674
Salaries and benefits	255,594	91,429	92,361	226,676	61,288	599,574	**1,326,922**	1,077,535
Staff training	2,030	326	1,580	1,412	452	29,056	**34,856**	23,470
Travel	9,495	763	391	933	32	17,394	**29,008**	20,475
	287,366	100,309	113,932	261,026	71,819	895,916	**1,730,369**	1,393,956
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (3,566)	$ 291	$ (1,347)	$ (22,027)	$ 14	$ -	**$ (26,635)**	$ 35,733

	Community Development 2018	Summer Student 2018	Immigrant Settlement 2018	Management 2018	**Total 2018**	Total 2017
REVENUE						
Citizenship and Immigration Canada	$ -	$ -	$ 262,292	$ -	**$ 262,290**	$ 158,391
Human Resources Development of Canada	-	7,949	-	-	**7,949**	7,190
Investors Group	-	-	-	-	**-**	7,448
Local Investment Toward Employment	5,500	-	-	-	**5,500**	5,630
Manitoba Community Services Council Inc.	20,000	-	-	-	**20,000**	-
Manitoba Education and Training/Urban Green Team	-	7,947	-	-	**7,947**	9,976
Manitoba Housing Authority	24,745	-	-	-	**24,745**	24,745
Manitoba Justice (Light Houses)	24,000	-	-	-	**24,000**	24,000
Manitoba Municipal Relations - Neighbourhood Alive!	16,170	-	-	-	**16,170**	-
Other Payment Sources	32,754	-	-	112,591	**145,345**	134,235
United Way of Winnipeg	333,703	-	-	-	**333,703**	335,469
Deferred revenue	(43,523)	-	-	-	**(43,523)**	(14,863)
	413,349	15,896	262,292	112,591	**804,126**	692,221
EXPENSES						
Accounting and computer fees	-	-	4,800	-	**4,800**	3,600
Administrative	6,250	-	27,935	-	**34,185**	42,104
Pre-retirement	1,993	-	826	416	**3,235**	3,539
Professional fees	-	-	700	-	**700**	-
Program	46,189	-	11,327	-	**57,516**	61,362
Repairs and maintenance	3,043	-	7,463	-	**10,506**	8,742
Salaries and benefits	349,337	15,896	203,361	112,175	**680,768**	575,748
Staff training	6,742	-	866	-	**7,607**	1,388
Travel	746	-	5,014	-	**5,760**	9,992
	414,300	15,896	262,292	112,591	**805,077**	706,475
DEFICIENCY OF REVENUE OVER EXPENSES	$ (951)	$ -	$ -	$ -	**$ (951)**	$ (14,254)

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.
Family Counselling Programs *(Schedule 5)*
Year Ended March 31, 2018
Unaudited *(Note 16)*

	Counselling Services 2018	Central Support 2018	Women's Place 2018	**Total 2018**	Total 2017
REVENUE					
Manitoba Family Services and Housing	$ 346,700	$ 185,600	$ 219,400	**$ 751,700**	$ 751,700
Other Payment Sources	1,308	-	-	**1,308**	8,484
	348,008	185,600	219,400	**753,008**	760,184
EXPENSES					
Accounting and computer fees	-	8,400	-	**8,400**	8,500
Administrative	-	18,862	-	**18,862**	21,311
Pre-retirement	6,396	(10,692)	1,188	**(3,108)**	4,117
Professional fees	-	-	60,519	**60,519**	71,413
Program	6,476	1,887	5,315	**13,678**	13,016
Rent and utilities	-	38,875	-	**38,875**	40,593
Salaries and benefits	445,228	34,643	96,376	**576,247**	507,437
Service contracts	-	-	-	**-**	154
Staff training	-	1,873	-	**1,873**	3,170
Travel	-	6,664	4,303	**10,967**	12,790
	458,100	100,512	167,701	**726,313**	682,501
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (110,092)	$ 85,088	$ 51,699	**$ 26,695**	$ 77,683

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

Financial Statements

For the year ended March 31, 2018

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE

We have audited the accompanying financial statements of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2018

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31	2018	2017
Assets		
Current Assets		
Cash	$ 448,549	$ 2,106,925
Short-term investments (Note 2)	302,144	297,535
Accounts receivable	3,967	1,234,308
Employee benefits recoverable	230,242	230,242
Prepaid expenses	19,669	20,563
Due from Winnipeg Regional Health Authority (Note 5)	273,484	294,883
	1,278,055	4,184,456
Deferred benefit entitlements	457,691	511,065
Capital assets (Note 4)	1,908,824	2,030,382
	$ 3,644,570	$ 6,725,903
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 13)	$ 400,422	$ 390,210
Due to Winnipeg Regional Health Authority	350,000	3,168,214
Accrued vacation entitlements (Note 3)	302,141	315,896
Trust liabilities	11,746	8,088
	1,064,309	3,882,408
Pre-retirement entitlement (Note 3)	424,954	478,328
Deferred Contributions		
Externally restricted (Schedule 1)	328,554	310,218
Capital assets (Schedule 2)	1,767,368	1,944,693
Donations (Schedule 3)	72,176	54,711
Reserve for insurance deductible (Schedule 4)	6,217	5,209
	2,174,315	2,314,831
Total liabilities and deferred contributions	3,663,578	6,675,567
Contingencies (Note 8)	-	-
Net assets, unrestricted	(19,008)	50,336
	$ 3,644,570	$ 6,725,903

Approved on behalf of the Board:

Original Document Signed Chairperson

Original Document Signed Vice Chair ~~Treasurer~~

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Changes in Net Assets

For the year ended March 31		2018		2017
Balance, beginning of year	$	50,336	$	487,092
Deficiency of revenue over expenditures for the year		(69,344)		(436,756)
Balance, end of year	$	(19,008)	$	50,336

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Winnipeg Regional Health Authority (Note 7)	$ 4,416,459	$ 4,368,958
Residential charges	1,895,259	1,897,201
Amortization of deferred contributions related to capital assets	177,325	159,448
Donations and other	66,459	35,901
Recoveries and offset income	28,480	29,101
Interest earned	3,404	5,265
Mortgage interest subsidy	-	34,019
	6,587,386	6,529,893
Expenditures		
Nursing personal care	4,227,135	4,239,559
Food services	816,442	821,486
General and administrative	539,998	648,943
Housekeeping	320,631	304,017
Plant maintenance	309,448	219,714
Plant operation	194,287	191,472
Amortization	179,202	158,462
Recreation	112,262	124,328
Laundry and linen	105,075	92,475
Social work	70,640	30,117
In-service education	18,162	75,643
Interest on long-term debt	5,013	6,654
	6,898,295	6,912,870
Deficiency of revenue over expenditures for the year before the undernoted	(310,909)	(382,977)
Flood costs covered by insurance in excess of estimate	265,824	-
Pre-retirement entitlement, change in liability	53,374	68,672
Pre-retirement payouts	(77,633)	(122,451)
Deficiency of revenue over expenditures for the year	$ (69,344)	$ (436,756)

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (69,344)	$ (436,756)
Adjustments for		
Amortization of capital assets	179,202	158,462
Amortization of deferred contributions related to capital assets	(177,325)	(159,448)
Gain on disposal of assets	(1,000)	-
	(68,467)	(437,742)
Changes in non-cash working capital balances		
Accounts receivable	1,230,341	1,487,139
Due from Winnipeg Regional Health Authority	21,399	70,350
Inventory - supplies on hand	-	23,412
Prepaid expenses	894	(2,564)
Deferred benefit entitlements	53,374	68,672
Accrued vacation entitlement	(13,755)	(2,329)
Pre-retirement entitlement	(53,374)	(68,672)
Accounts payable and accrued expenses	10,212	28,642
Due to Winnipeg Regional Health Authority	(2,818,214)	(1,241,810)
Trust liabilities	3,658	(981)
	(1,565,465)	361,859
	(1,633,932)	(75,883)
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	18,336	18,336
Deferred contributions - capital assets	-	111,771
Deferred contributions - donations	17,465	(5,659)
Reserve for insurance deductible	1,008	1,008
	36,809	125,456
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	(56,644)	(115,396)
Increase in short-term investments	(4,609)	(5,231)
	(61,253)	(120,627)
Decrease in cash and cash equivalents	(1,658,376)	(71,054)
Cash and cash equivalents, beginning of year	2,106,925	2,177,979
Cash and cash equivalents, end of year	$ 448,549	$ 2,106,925

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

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Odd Fellows and Rebekahs Care Homes Inc. Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority ("WRHA") relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	10 years, straight-line basis
Buildings	30-50 years, straight-line basis
Equipment	5-10 years, straight-line basis

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Employee Benefits

The organization records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the organization's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in Note 3.

The cost of the organization's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the organization's future employee benefits payable include mortality and withdrawal rates, a discount rate of 3.425% (3.10% in 2017), a rate of salary increase of 3.5% (3.5% in 2017) plus an age-related merit/promotion scale with no provision for disability.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Short-term Investments

	2018	2017
Steinbach Credit Union, regular savings, 1.7%	$ -	$ 297,535
TD Canada Trust, regular savings	2,144	-
TD Canada Trust, term deposit, 1.3%	300,000	-
	$ 302,144	$ 297,535

3. Future Employee Benefits Recoverable

Employee pre-retirement benefits are accrued as incurred as determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of March 31, 2018 reports an obligation of $424,954 ($478,328 in 2017). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The change in pre-retirement liability for fiscal 2017 of $53,374 ($68,672 in 2017) will be funded by the WRHA.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing at March 31, 2004, adjusted for allocations from the WHRA in 2005, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the WRHA, and through it to Golden Links Lodge, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount is reflected as a current year expense on the statement of operations following the "excess of revenue over expenditures before other items" balance.

4. Capital Assets

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Land improvements	$ 222,656	$ 217,262	$ 5,394	$ -
Buildings	4,153,493	2,553,122	1,600,371	1,707,394
Building addition Special Needs Unit	388,858	237,635	151,223	162,024
Equipment	1,029,617	877,781	151,836	160,964
Equipment Special Needs Unit	31,771	31,771	-	-
	$ 5,826,395	$ 3,917,571	$ 1,908,824	$ 2,030,382

5. Due from (to) Winnipeg Regional Health Authority Inc.

Any surplus related to Out of Globe funding is repayable to the WRHA. Any surplus related to In Globe funding for the year (including PCH staffing), less the greater of 2% of funding or 50% of the actual operating surplus for the year, is repayable to the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

Differences that may occur on final settlement of approved costs are charged directly to net assets or operations. Prior years surplus and deficit, settlement for which has not yet been adjusted is as follows:

	2018	2017
2014 fiscal year end	$ 7,415	$ 7,415
2015 and 2016 fiscal year ends	147,532	147,532
2015 fiscal year end - repayable In-Globe surplus	(66,448)	(66,448)
2017 fiscal year end	38,684	206,384
2018 fiscal year end	146,301	-
Balance, end of year	$ 273,484	$ 294,883

6. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

7. Winnipeg Regional Health Authority Revenue

	2018	2017
Budgeted items	**$ 4,416,459**	$ 4,368,958

8. Contingencies

HIROC

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

HEB

During the 2017/2018 fiscal year, the organization was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the WRHA and HEB have not accurately determined the amount due from the organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the organization.

9. Land Lease

The land used by the organization is owned by the Grand Lodge of Manitoba, I.O.O.F. The organization has leased the land for a term of 50 years from March 1, 1980 without any leasing cost other than maintaining the property.

10. Pension Plans

During the year, the organization contributed $337,650 ($356,536 in 2017) on behalf of its employees.

Eligible employees of the organization are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") that is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

The most recent actuarial valuation of the plan as at December 31, 2016 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2014, both employer and employee contribution rates increased to 7.9% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.5% on earnings in excess of the YMPE.

On April 1, 2015, with the inclusion on contributions towards the Cost of Living Adjustment Plan of 1%, the contribution rates increased to 8.9% (employer and employee portion) of pensionable earnings up to the YMPE and 10.5% (employer and employee portion) on earnings in excess of YMPE.

11. Disclaimer

The information contained in this report is the property of Odd Fellows and Rebekahs Personal Care Homes Inc. - Golden Links Lodge, and may not be combined, consolidated or in any way modified without the written authorization of the Odd Fellows and Rebekahs Personal Care Homes Inc. - Golden Links Lodge.

12. Financial Risk Management

The organization is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The organization'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 organization's activities.

Credit Risk

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

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

	2018	2017
Accounts receivable	$ 3,967	$ 1,234,308
Due from WRHA	273,484	294,883
Vacation entitlements receivable	230,242	230,242
Retirement obligations receivable	457,691	511,065
	$ 965,384	$ 2,270,498

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

Due from WRHA, vacation entitlements receivable and retirement obligations receivable: The organization is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

12. Financial Risk Management (continued)

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The organization is not exposed to significant interest rate risk. Its investments are held in short-term or variable rate products.

The organization is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

The organization is not exposed to other price risk.

13. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable in the amount of $115,708.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2018		2017
Reserve for Major Repairs				
Balance, beginning of year	$	213,216	$	194,880
Current year funding		18,336		18,336
Balance, end of year	$	231,552	$	213,216
Equipment Replacements				
Balance, beginning of year	$	97,002	$	97,002
Balance, end of year	$	97,002	$	97,002
Total Deferred Contributions - Externally Restricted	$	328,554	$	310,218

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2018	2017
Balance, beginning of year	$ 1,944,693	$ 1,992,370
Current year funding	39,984	260,497
Debt reduction	(39,984)	(148,726)
Amortize to revenue	(177,325)	(159,448)
Balance, end of year	$ 1,767,368	$ 1,944,693

The above balance of deferred contributions includes the following:

TD Canada Trust loan balances	$ 215,154	$ 255,138

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2018		2017
Balance, beginning of year	$	54,711	$	60,370
Current year donations		52,556		6,563
Current year expenditures		(35,091)		(12,222)
Balance, end of year	$	72,176	$	54,711

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2018		2017
Balance, beginning of year	$	5,209	$	4,201
Current year funding		1,008		1,008
Current year expenditures		-		-
Balance, end of year	$	6,217	$	5,209

Park Manor Care Inc.

Financial Statements
March 31, 2018

pwc

May 30, 2018

Independent Auditor's Report

To the Board of Directors of
Park Manor Care Inc.

We have audited the accompanying financial statements of Park Manor Care Inc., which comprise the statement of financial position as at March 31, 2018 and the statement of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Park Manor Care Inc. as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Park Manor Care Inc.
Statement of Financial Position
As at March 31, 2018

ASSETS	Operating Fund $	Restricted Capital Fund $	Restricted Development Fund $	2018 Total $	2017 Total $
Current Assets					
Cash	150,696	23,168	-	173,864	579,275
Investments - Short-term (note 3)	-	-	1,370,762	1,370,762	1,323,379
Receivable from WRHA (note 4)	649,139	-	-	649,139	568,090
Accounts Receivable Other (note 5)	23,800	-	-	23,800	38,827
Accounts Receivable Residents (note 5)	12,276	-		12,276	70,339
Inventories & Prepaid Expenses (note 6)	42,513	-	-	42,513	52,753
Due from Related Parties (note 7)	8,837	-	-	8,837	43,167
Due from (to) Other Funds	(174,284)	97,195	77,089	-	-
Total Current Assets	712,977	120,363	1,447,851	2,281,191	2,675,830
Non-Current Assets					
Receivable from WRHA (note 4)	957,497	-	-	957,497	942,481
Capital Assets (note 8)	-	1,301,906	-	1,301,906	1,249,859
Investments - Long-term (note 3)	-	-	407,147	407,147	174,961
Total Non-Current Assets	957,497	1,301,906	407,147	2,666,550	2,367,301
Total Assets	1,670,474	1,422,269	1,854,998	4,947,741	5,043,131
LIABILITIES & FUND BALANCES					
Current Liabilities					
Wages & Benefits Payable (note 9)	172,236	-	-	172,236	135,028
Vacation & Statutory Holidays Payable	375,939	-	-	375,939	417,239
Accounts Payable to WRHA	76,406	-	-	76,406	149,139
Accounts Payable & Accruals (note 10)	64,821	-	-	64,821	188,411
Resident Trust & Fees Payable (note 10)	21,170	-	-	21,170	13,569
Current Portion of Long-term Debt (note 11)	-	-	-	-	13,202
Total Current Liabilities	710,572	-	-	710,572	916,588
Non-Current Liabilities					
Pre-retirement Leave (note 14)	794,770	-	-	794,770	779,754
Deferred Contributions (note 15)	4,257	827,542	53,880	885,679	923,939
Total Non-Current Liabilities	799,027	827,542	53,880	1,680,449	1,703,693
Total Liabilities	1,509,599	827,542	53,880	2,391,021	2,620,281
Fund Balances					
Unrestricted	160,875	-	-	160,875	51,731
Invested in Capital Assets	-	443,332	-	443,332	296,592
Restricted	-	151,395	1,801,118	1,952,513	2,074,527
Total Fund Balances	160,875	594,727	1,801,118	2,556,720	2,422,850
Total Liabilities & Fund Balances	1,670,474	1,422,269	1,854,998	4,947,741	5,043,131

Approved by the Board of Directors

Original Document Signed
Director

Original Document Signed
Director

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

Park Manor Care Inc.

Statement of Operations and Changes in Fund Balances

Year Ended March 31, 2018

		Restricted			
REVENUES	**Operating Fund $**	**Capital Fund $**	**Development Fund $**	**2018 Total $**	**2017 Total $**
Winnipeg Regional Health Authority (note 16)	5,179,469	168	-	5,179,637	5,092,362
Residential Charges	1,912,857	-	-	1,912,857	1,934,334
Accrued Future Employee Benefits (note 13)	15,016	-	-	15,016	56,754
Pre-retirement Leave (note 14)	62,671	-	-	62,671	63,643
Deferred Contributions (note 15)	6,696	201,739	-	208,435	220,047
Department Recoveries	110,069	-	-	110,069	117,384
Food Service Recoveries	72,970	-	-	72,970	81,549
Adventist Care Foundation - Grants	48,500	-	-	48,500	121,040
Interest Income	-	-	38,191	38,191	26,906
Donations	-	-	11,257	11,257	21,739
Other Revenue	17,871	-	18,420	36,291	38,601
Total Revenues	7,426,119	201,907	67,868	7,695,894	7,774,359
EXPENSES					
Salaries and Wages	5,352,313	-	-	5,352,313	5,533,549
Employee Benefits (note 17)	930,505	-	-	930,505	901,404
Accrued Future Employee Benefits	15,016	-	-	15,016	56,754
Pre-retirement Leave	62,671	-	-	62,671	63,643
Health and Education Tax	116,947	-	-	116,947	119,162
Administration	142,185	-	-	142,185	113,185
Resident Care and Supports	175,040	-	-	175,040	171,461
Food Services	272,022	-	-	272,022	275,922
Environmental Services	39,089	-	-	39,089	39,039
Physical Plant	160,185	-	-	160,185	143,989
Utilities	168,036	-	-	168,036	162,359
Amortization	-	215,518	-	215,518	204,745
Interest on Long-term Debt	-	156	-	156	1,236
Other Expenses	-	-	29,364	29,364	59,993
Total Expenses	7,434,009	215,674	29,364	7,679,047	7,846,441
Excess (Deficiency) of Gen'l Revenues over Expenses	(7,890)	(13,767)	38,504	16,847	(72,082)
Other Programs					
Adult Day Program (schedule 1)	19,963	(11)	-	19,952	32,991
SSGL Program (schedule 2)	(1,999)	-	-	(1,999)	384
Excess (Deficiency) of All Revenues over Expenses	10,074	(13,778)	38,504	34,800	(38,707)
Adjustment for prior periods GST recoveries	39,714	-	-	39,714	-
Adjustment for prior periods payable recoveries	59,356	-	-	59,356	-
Interfund Transfers	-	132,563	(132,563)	-	-
Fund Balances - Beginning of Year	51,731	475,942	1,895,177	2,422,850	2,461,557
Fund Balances - End of Year	160,875	594,727	1,801,118	2,556,720	2,422,850

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

Park Manor Care Inc.

Statement of Cash Flows

Year Ended March 31, 2018

CASH PROVIDED BY (USED IN)	2018 Total $	2017 Total $
Operating Activities		
Excess (Deficiency) of Revenue over Expenses	34,800	(38,707)
Amortization	217,416	204,745
Adjustments for GST recoveries and prior periods payables	99,070	-
(Increase) Decrease in Accounts Receivable	(22,975)	145,313
(Increase) Decrease in Inventory & Prepaids	10,241	1,907
Increase (Decrease) in Accounts Payable	(177,799)	54,544
Net Cash Provided by (used in) Operating	160,753	367,802
Investing Activities		
Purchase of Capital Assets	(269,463)	(184,210)
Purchase of Investments	(1,372,705)	(1,284,277)
Disposal of Investments	1,093,136	654,769
Net Cash Provided by (used in) Investing	(549,032)	(813,718)
Financing Activities		
Repayment of Long-term Debt	(13,202)	(38,854)
Due to Related Party	34,330	3,855
Deferred Contributions	(38,260)	(54,754)
Net Cash Provided by (used in) Financing	(17,132)	(89,753)
Increase (Decrease) in Cash During the Year	(405,411)	(535,669)
Cash - Beginning of Year	579,275	1,114,944
Cash - End of Year	173,864	579,275

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

1. Incorporation and Nature of the Organization

Park Manor Care Inc. (the Organization) was originally incorporated as a non-profit organization without share capital under *The Corporations Act of Manitoba* on May 19, 1966. The Organization is registered as a not-for-profit organization under the *Income Tax Act* and as such is exempt from income taxes.

The organization is privately operated under the auspices of The Manitoba-Saskatchewan Conference of the Seventh-day Adventist Church, in cooperation with the Winnipeg Regional Health Authority, providing quality compassionate long-term care to elderly persons in the Transcona area of Winnipeg, Manitoba.

The Mission of the Organization is:
"Offering love, peace, compassion, hope and empowerment…to CARE as Christ does.”

2. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self‑balancing group of accounts is provided for each accounting fund established by the Organization.

For financial reporting purposes, the accounts have been classified into three funds. The activities carried out by each fund are as follows:

- The Operating Fund accounts for the Organization's general and administrative operating activities.
- The Capital Fund reports the Organization's investment of resources in long-term capital assets.
- The Development Fund is to be used for the purpose of reporting contributions held for specific projects that the Organization has planned as determined by the Board of Directors.

Cash

Cash includes amounts held on deposit at banking institutions.

Investments

Short-term investments consist of Guaranteed Investment Certificates (GICs), Exchange Traded Funds (ETFs) and Money Market Funds (MMFs) maturing within the next fiscal year and include related accrued interest.

Long-term investments consist of GICs and Bonds maturing beyond the next fiscal year and include related accrued interest.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

The Organization capitalizes all individual assets grouped in a similar kind with a cost over $2,000.

Amortization of capital assets starts in the year of acquisition whether it is acquired at the beginning of the year or at the end. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Building and improvements	5 - 40 years
Computer equipment	5 years
Equipment	5 - 20 years

Long-lived Assets

Long-lived assets consist of buildings, computer equipment and equipment with finite useful lives. Long lived assets held for use are measured and amortized as described in the applicable accounting policies.

The organization performs impairment testing on long-lived assets held for use whenever events or changing circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized in the statement of operations when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount.

Deferred Contributions

Deferred contributions relating to the Operating Fund are contributions designated for future general operations or self-funding of insurance deductibles. These contributions are recognized when the expense is incurred.

Deferred contributions relating to the Capital & Development Funds represent the unamortized portion of contributions received for the purchase of capital assets. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income and other revenues are recognized when earned.

Use of Estimates

The preparation of financial statements as set out in the basis of accounting 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 revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Contributed Services

Volunteers at the Organization contributed approximately 10,635 (2017 - 16,700) hours of service in various activities. Due to the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for investments in equity instuments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the year incurred.

Financial assets measured at amortized cost include Cash, Investments - Short term and Long term, Receivable from the WRHA, Accounts Receivable and amounts Due from Related Parties.

Financial liabilities measured at amortized cost include Wages & Benefits Payable, Vacation and Statutory Holidays Payable, Accounts Payable to WRHA, Accounts Payable & Accruals and Long-term Debt.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

3. Investments

	2018	2017
Short-term Investments	**Total $**	**Total $**
GIC, non-redeemable, earning interest at escalating rates between 1.5% and 5.5%, maturing May 2017	-	215,874
GIC, redeemable after 90 days, earning interest at 1.2%, maturing January 2018	-	750,000
GIC, non-redeemable, earning interest at 1.47%, maturing January 2018	-	100,000
GIC, non-redeemable, earning interest at 1.47%, maturing May 2018	100,000	-
GIC, non-redeemable, earning interest at 1.45%, maturing May 2018	100,000	-
Citigroup Finance Bond, earning interest at 2.192%, maturing September 2018	96,059	-
Westcoast Energy Bond, earning interest at 1.654%, maturing January 2019	80,712	-
iSHARES Exchange Traded Fund - Capped Financials Index	100,434	
Money Market Fund earning interest at 1.25% and Investment Cash	899,086	226,815
Accrued Interest	-	30,690
Unrealized Gains (Losses)	(5,529)	-
Total Short-term Investments	1,370,762	1,323,379
Long-term Investments		
Citigroup Finance Bond, earning interest at 2.192%, maturing September 2018	-	96,059
Westcoast Energy Bond, earning interest at 1.654%, maturing January 2019	-	80,712
GIC, non-redeemable, earning interest at 2.25%, maturing May 2019	100,000	-
GIC, non-redeemable, earning interest at 2.00%, maturing May 2019	100,000	-
GIC, non-redeemable, earning interest at 2.00%, maturing May 2019	100,000	-
GIC, non-redeemable, earning interest at 2.15%, maturing May 2019	100,000	-
Accrued Interest	7,147	
Unrealized Gains (Losses)	-	(1,810)
Total Long-term Investments	407,147	174,961
Total Investments	1,777,909	1,498,340

4. Receivable from Winnipeg Regional Health Authority (WRHA)

	2018 Total $	2017 Total $
Operating, Capital and Pre-retirement Leave Funding from 2007-2018	649,139	568,090
Pre-retirement Leave & Vacation Pay Liability (note 13)	957,497	942,481
Total Receivable from WRHA	1,606,636	1,510,571

5. Accounts Receivable

Accounts Receivable Other	2018 Total $	2017 Total $
GST Rebate	12,185	21,194
Employees	2,987	7,477
Other	8,628	10,156
Total Accounts Receivable Other	23,800	38,827
Accounts Receivable Residents		
Resident Fees	12,342	77,749
Resident Trust	9,254	5,452
Sub-total Accounts Receivable Residents	21,596	83,201
Less: Allowance for Bad Debts	9,320	12,862
Total Accounts Receivable Residents	12,276	70,339
Total Accounts Receivable	36,076	109,166

6. Inventories & Prepaid Expenses

Inventories	2018 Total $	2017 Total $
Resident Care Supplies	7,743	11,308
Food Services Food	10,239	13,464
Food Services Supplies	2,937	1,692
Housekeeping Supplies	3,075	3,802
Linen Supplies	2,193	4,545
Total Inventories	26,187	34,811
Prepaid Expenses		
Insurance	4,302	4,320
WCB	8,127	8,549
Other	3,897	5,073
Total Prepaid Expenses	16,326	17,942
Total Inventories & Prepaid Expenses	42,513	52,753

7. Due from Related Parties

	2018 Total $	2017 Total $
Adventist Care Foundation Inc.	257	30,236
East Park Lodge Inc.	8,580	12,931
Total Due from Related Parties	8,837	43,167

East Park Lodge Inc., Adventist Care Foundation Inc. and the Organization are related by virtue of a common President, Vice-President and Secretary of the Corporations.

During the year East Park Lodge Inc. paid $22,800 (2017 - $22,800) in management fees, $25,200 (2017 - $25,200) in maintenance fees and $19,200 (2017 - $19,200) in housekeeping fees to the Organization.

During the year the Adventist Care Foundation Inc. paid grants to the Organization for Consultants totalling $48,500 (2017 - $85,400) plus $658 for other expenses.

8. Capital Assets

Asset Class	Cost $	Accumulated Amortization $	2018 Total $	2017 Total $
Land	160,829	-	160,829	46,266
Buildings and Improvements	3,645,496	2,932,122	713,374	839,386
Computer Equipment	72,202	53,131	19,071	26,553
Equipment and Furniture	1,100,650	746,290	354,360	277,762
Construction in Progress	54,272	-	54,272	59,892
Total Capital Assets	5,033,449	3,731,543	1,301,906	1,249,859

9. Wages and Benefits Payable

	2018 Total $	2017 Total $
Healthcare Employees Pension Plan	27,508	27,809
Healthcare Employees Benefits Plan	21,707	21,205
Salaries, Wages and other related	123,021	86,014
Total Wages and Benefits Payable	172,236	135,028

Included in total wages and benefits payable as at March 31, 2018 is $7,202 (2017 - $5,104) of payroll deductions owing. Payroll related obligations owed directly to the government are remitted with each pay period and the last pay period for this fiscal period ended March 24, 2018.

10. Accounts Payable

Accounts Payable & Accruals	2018 Total $	2017 Total $
Trade Payables & Others	32,635	160,508
Professional Fees	6,000	5,966
Employee Benefits	1,733	2,557
Property Taxes and Utilities	24,453	19,380
Total Accounts Payable & Accruals	64,821	188,411
Resident Trust & Fees Payable		
Resident Trust	5,348	6,679
Resident Fees	15,822	6,890
Total Resident Trust & Fees Payable	21,170	13,569
Total Accounts Payable	85,991	201,980

11. Long-term Debt

	2018 Total $	2017 Total $
First mortgage payable in monthly installments of $3,341 including interest at 5.88% secured by land and building, maturing July 1, 2017	-	13,202
Less: Current Portion	-	13,202
Total Long-term Debt	-	-

12. Operating Credit

The Organization has an available line of operating credit with CIBC to a maximum of $50,000 (2017 - $175,000). The operating line has interest charged monthly at the bank's prime rate plus 0.5% and is secured by an overdraft lending agreement in the amount of $105,000, including $55,000 for two CIBC Corporate credit cards.
The operating bank account line of credit was not accessed in 2018 (2017 - not accessed).

13. Future Employee Benefits

Under guidelines produced by Manitoba Health and/or WRHA, funding owed to the Organization related to pre-retirement leave benefits and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years.

Vacation Pay

Under guidelines produced by the WRHA, they will fund the Organization's vacation pay liability, recognized as accounts receivable in the amount of $232,434 as at March 31, 2004.

Pre-retirement Leave

Funding for employee future benefits incurred for fiscal years 2005 through 2008 are included in the Organization's global funding and were not recorded as a receivable, as Manitoba Health and/or WRHA had directed all health care facilities to record the future employee benefits liability but not the corresponding receiveable.

Beginning with the 2009 fiscal year, Manitoba Health and WRHA agreed to provide funding for 100% of the Pre-retirement Liability accrued during the year. The significant actuarial assumptions adopted in measuring the Organization's accrued pre-retirement entitlement include a discount rate of 3.1% and a rate of salary increase of 3.5%.

Under WRHA guidelines, funding owed to the Organization related to pre-retirement future benefits is as follows:

Fiscal Year	Future Liability $	Accounts Receivable $
2004-05	319,838	303,367
2005-06	373,074	328,650
2006-07	413,647	369,223
2007-08	389,789	345,365
2008-09	436,072	336,365
2009-10	503,001	433,294
2010-11	646,331	576,624
2011-12	690,928	621,221
2012-13	766,214	696,507
2013-14	633,000	563,293
2014-15	677,000	607,293
2015-16	723,000	653,293
2016-17	779,754	710,047
2017-18	794,770	725,063

For the March 31, 2018 fiscal year, the Organization incurred employee future benefits and receivable from WRHA in the same amount as directed by Manitoba Health and the WRHA. The current year amount is $15,016 (2017 - $56,754). Total of Pre-retirement and Vacation Pay Accounts Receivable for 2018 is $957,497 (2017 - $942,481).

14. Pre-retirement Leave

Pre-retirement Leave is a retirement benefit funded by Manitoba Health and managed by the WRHA. It provides for a lump sum amount to eligible retiring employees according to years of service - based on calculations provided by the WRHA. The amount is paid by Park Manor Care to the employee upon retirement and fully funded by the WRHA.

15. Deferred Contributions

	Operating	Capital	Development	2018 Total $	2017 Total $
Balance - Beginning of Year	9,946	913,992	-	923,938	978,693
Donations and Other Contributions	-	(42,660)	53,880	11,220	28,615
WRHA - Mortgage Principal Payment	-	13,200	-	13,200	38,112
WRHA - Basic Equipment Funding	-	17,500	-	17,500	17,500
WRHA - Other Equipment Funding	-	123,395	-	123,395	75,762
WRHA - Major Repairs Funding	-	4,296	-	4,296	4,296
WRHA - Insurance Deductible	1,007	-	-	1,007	1,008
Total Deferred Contributions Available	10,953	1,029,723	53,880	1,094,556	1,143,986
Recognized as Revenue during the Year	6,696	202,181	-	208,877	220,047
Balance - End of Year	4,257	827,542	53,880	885,679	923,939

16. WRHA Operating Funding

Funding Category	2018 Total $	2017 Total $
Baseline Operating	4,803,540	4,832,062
Supplemental	168,624	168,624
Accrued Wage Adjustments	41,251	29,040
HEB/HEPP/Blue Cross Benefits	73,651	45,794
Medical Administration	14,664	14,208
Staff Training & Influenza Vaccine	5,005	4,209
Constant Care	-	4,016
Total WRHA Operating Funding	5,106,735	5,097,953
Resident Fees Year End Adjustment	72,734	(7,559)
Net WRHA Operating Funding	5,179,469	5,090,394

17. Employee Benefit Contributions

Benefit Category	2018 Total $	2017 Total $
Canada Pension Plan	217,543	224,210
HEPP Pension Plan (note 18)	356,677	352,841
Employment Insurance	114,234	129,028
Workers Compensation Board	57,984	34,834
Disability and Rehabilitation Plan	57,207	54,283
Extended Health Plan	40,385	36,443
Dental Plan	49,621	39,954
Group Life Plan	10,175	9,281
Healthcare Spending Account	22,213	16,428
Employment Assistance Plan	4,466	4,102
Total Employer Contributions - PCH Program	930,505	901,404

18. Pension Plan

The Organization participates in the Health Employees' Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, 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 the requirements of Canadian Institute of Chartered Accountants Accounting Standards for Private Enterprises Section 3462. Total contributions to the plan on behalf of employees of all programs during the year were $362,359 (2017 - $363,828).

Contingent Liability

During the 2018/17 fiscal year, the organization was made aware by HEB Manitoba that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Organization and HEB have not accurately determined the amount due from the Organization to HEB. It is expected that the amount, once finalized, will not be material to the Organization's financial statements.

19. Risk Management

The Organization manages risk and risk exposures by applying policies approved by the Board of Directors.

It is management's opinion that the Organization is not exposed to significant currency or other price risks arising from its financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Organization, in the normal course of business, is exposed to credit risk from its residents. However, the broad resident base minimizes the credit risk.

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Organization's cash flows, financial position, and revenue. Certain of the Organization's investments are subject to changes in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Organization may have difficulty meeting its financial obligations associated with financial liabilities in full. Management expects the Organization to be able to meet its financial obligations in the forseeable future.

20. Significant Funding Source

A significant portion of the Organization's operating funds are received from the WRHA. The percentage of total revenues from the WRHA for the current year is 69.7% (2017 - 68.0%).

21. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Park Manor Care Inc.

Schedule 1 - Adult Day Program

Year Ended March 31, 2018

OPERATING REVENUES AND EXPENSES

REVENUES	2018 Total $	2017 Total $
Winnipeg Regional Health Authority (WRHA)	159,682	168,791
Participant Fees	22,340	17,245
Other Revenue	3,055	3,121
Total Revenues	185,077	189,157
EXPENSES		
Salaries and Wages	71,820	72,722
Employee Benefits	13,022	11,190
Health and Education Tax	1,573	1,523
Participant Travel	55,400	48,292
Participant Meals	11,711	12,603
Program Expense	3,528	2,484
Administrative Expense	3,060	2,352
Management Fees	5,000	5,000
Total Expenses	165,114	156,166
Excess (Deficiency) of Revenues over Expenses	19,963	32,991

Park Manor Care Inc.

Schedule 2 - Support for Seniors in Group Living (SSGL) Program

Year Ended March 31, 2018

OPERATING REVENUES AND EXPENSES

REVENUES	2018 Total $	2017 Total $
Winnipeg Regional Health Authority (WRHA)	87,760	87,692
Other Revenue	-	58
Total Revenues	87,760	87,750
EXPENSES		
Salaries and Wages	64,699	63,216
Employee Benefits	13,271	13,520
Health and Education Tax	1,630	1,370
Program Expense	2,658	1,531
Administrative Expense	3,601	3,829
Management Fees	3,900	3,900
Total Expenses	89,759	87,366
Excess (Deficiency) of Revenues over Expenses	(1,999)	384

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Financial Statements
For the year ended March 31, 2018

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www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in net deficiency, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 30, 2018

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31		2018		2017
Assets				
Current Assets				
Cash and bank	$	**231,865**	$	217,627
Restricted cash		**59,721**		35,169
Accounts receivable (Note 2)		**56,490**		21,423
Inventories		**7,600**		7,600
Prepaid expenses		**4,162**		4,537
Vacation entitlement receivable (Note 3)		**121,948**		121,948
		481,786		408,304
Retirement obligations asset (Note 9)		**249,562**		269,728
Capital assets (Note 4)		**390,475**		433,806
	$	**1,121,823**	$	1,111,838
Liabilities and Net Deficiency				
Current Liabilities				
Accounts payable (Note 6)	$	**312,542**	$	322,549
Accrued vacation entitlements (Note 3)		**199,747**		201,128
Unspent equipment funding (Note 7)		**59,721**		59,721
		572,010		583,398
Accrued retirement obligation (Note 9)		**249,562**		269,728
Deferred contributions (Note 8)		**390,475**		433,806
		1,212,047		1,286,932
Net Deficiency				
Invested in capital assets		**-**		-
Unrestricted net deficiency		**(90,224)**		(175,094)
		(90,224)		(175,094)
	$	**1,121,823**	$	1,111,838

Approved by the Board:

Original Document Signed Director

Original Document Signed Director

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Operations and Changes in Net Deficiency

For the year ended March 31	2018	2017
Revenue		
Winnipeg Regional Health Authority	$ 3,041,434	$ 3,075,301
Residential charges	1,273,824	1,264,317
Other income	30,610	30,846
	4,345,868	4,370,464
Expenses		
Bad debt	2,450	-
Drugs and medical supplies	69,672	72,094
Office and miscellaneous	7,938	14,754
Other supplies and expenses	61,050	60,942
Professional fees	13,689	22,299
Purchased services	652,276	646,608
Repairs and maintenance	8,647	16,171
Resident travel	11,147	16,654
Salaries and benefits	3,215,162	3,278,635
Service charges and fees	12,588	14,935
Shared building operation expenses (Note 10)	181,440	181,440
Telephone	24,836	21,744
Travel	103	286
	4,260,998	4,346,562
Excess of revenue over expenses before amortization	84,870	23,902
Amortization		
Deferred contributions (Note 8)	62,451	53,038
Capital assets (Note 4)	(62,451)	(53,038)
	-	-
Excess of revenue over expenses	84,870	23,902
Net deficiency, beginning of year	(175,094)	(198,996)
Net deficiency, end of year	$ (90,224)	$ (175,094)

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31		2018		2017
Cash Provided by (used in):				
Cash Flows from Operating Activities				
Excess of revenue over expenses	**$**	**84,870**	$	23,902
Adjustment for non-cash items				
Amortization of capital assets		**62,451**		53,038
Net increase (decrease) in deferred contributions		**(43,331)**		41,095
		103,990		118,035
Changes in non-cash working capital				
Accounts receivable		**(35,067)**		64,048
Vacation entitlement receivable		**20,166**		(4,729)
Prepaid expenses		**375**		(127)
Accounts payable		**(10,007)**		32,768
Vacation entitlement payable		**(21,547)**		12,704
Unspent equipment funding		**-**		(14,434)
Net cash flows provided by operating activities		**57,910**		208,265
Cash Flows from Investing Activities				
Purchase of capital assets		**(19,120)**		(94,132)
Net cash flows used in investing activities		**(19,120)**		(94,132)
Increase in cash and cash equivalents		**38,790**		114,133
Cash and cash equivalents, beginning of year		**252,796**		138,663
Cash and cash equivalents, end of year	**$**	**291,586**	$	252,796
Represented by:				
Cash	**$**	**231,865**	$	217,627
Restricted cash		**59,721**		35,169
	$	**291,586**	$	252,796

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. (the "Home") provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a not-for-profit organization and, as such, is exempt from income taxes under The Income Tax Act. The Home, a Mennonite Organization, provides compassionate, outstanding long term care and affordable housing for seniors.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) - Part III of the CPA Canada Handbook.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). 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 is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree. The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories of supplies are carried at the lower of cost and net realizable value determined on a first-in, first-out basis.

Employee Future Benefits

The organization maintains a multi-employer pension for its personnel. The expense for this plan is equal to the organization's required contribution for the year.

Pre-retirement entitlement and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004/2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Measurement uncertainty exists in the amortization of assets and deferred contributions over the estimated useful lives of the assets and WRHA receivables since year end reconciliations have not been conducted for several previous years.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

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

Leasehold improvements	10%
Furniture, fixtures and equipment	10-20%

2. Accounts Receivable

		2018		2017
Receivable from residents	$	37,837	$	16,641
Winnipeg Regional Health Authority		14,954		-
GST rebate receivable		3,699		3,517
Other		-		1,265
	$	56,490	$	21,423

3. Accrued Vacation Entitlements

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

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

	2018	2017
Balance, beginning of year	$ 121,948	$ 121,948
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 121,948	$ 121,948

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

	2018	2017
Balance, beginning of year	$ 201,128	$ 193,153
Net change in accrued vacation entitlements	(1,381)	7,975
Balance, end of year	$ 199,747	$ 201,128

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	$ 2,506,586	$ 2,491,225	$ 2,506,586	$ 2,488,286
Furniture, fixtures and equipment	1,007,808	632,694	988,688	573,182
	$ 3,514,394	$ 3,123,919	$ 3,495,274	$ 3,061,468
Net book value		$ 390,475		$ 433,806

Amortization of capital assets for the year ended March 31 is $62,451 ($53,038 in 2017).

5. Credit Facility

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 ($50,000 in 2017), available for operating needs. The overdraft facility bears interest at the bank's prime rate (effective rate of 2.85% at March 31), calculated and payable monthly. The line was unutilized as of March 31, 2018.

6. Accounts Payable

	2018	2017
Trade accounts payable	$ **94,379**	$ 67,032
Salaries and employee benefits payable	**107,057**	66,939
Winnipeg Regional Health Authority	**-**	93,700
Due to related parties	**111,106**	94,878
	$ **312,542**	$ 322,549

7. Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ **59,721**	$ 74,155
Less transfer to deferred contributions - asset purchases	**-**	(14,434)
Balance, end of year	$ **59,721**	$ 59,721

8. Deferred Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contribution balance are as follows:

	2018	2017
Balance, beginning of year	$ **433,806**	$ 392,711
Transfer from unspent equipment funding	**-**	14,434
Equipment purchases	**19,120**	79,699
Less amounts amortized to revenue	**(62,451)**	(53,038)
Balance, end of year	$ **390,475**	$ 433,806

9. Employee Future Benefits

a) Accrued Retirement Obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (3.00% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2018	2017
Employee future benefits recoverable from:		
Manitoba Health	**$ 83,241**	$ 83,241
Winnipeg Regional Health Authority	**166,321**	186,487
	$ 249,562	$ 269,728

9. Employee Future Benefits (continued)

a) Accrued Retirement Obligation (continued)

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

		2018		2017
Balance, beginning of year	$	**269,728**	$	264,999
Net change in pre-retirement entitlements		**(20,166)**		4,729
Balance, end of year	$	**249,562**	$	269,728

b) Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, indicates the plan is in a deficit. The board of the Plan continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $186,979 ($215,228 in 2017) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

		2018		2017
Salary and IT expenses charged by related party	$	**419,794**	$	454,419
Shared building operations expenses		**181,440**		181,440

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The parties are related by common control.

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted a portion of building operation expenses for the year ended March 31, 2017.

Accounts payable includes $111,106 ($94,878 in 2017) payable to related parties. The balances are unsecured, non interest bearing and due on demand.

11. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 9, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) is recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

12. Economic Dependence

The Home is economically dependent upon government and other agencies for funding its operations.

13. Financial Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home'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 Home's activities. The risks have not changed from the previous year.

Credit Risk

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

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

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Home is not exposed to other price risk.

13. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Home is exposed to liquidity risk due to its working capital deficiency from previous years.

14. Comparative Figures

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

Financial Statements of

PRAIRIE VIEW LODGE

March 31, 2018

Deloitte.

Deloitte LLP
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Winnipeg MB R3C 3Z3
Canada

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Independent Auditor's Report

To the Board of Directors of Prairie View Lodge,

We have audited the accompanying financial statements of Prairie View Lodge, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prairie View Lodge as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
June 13, 2018
Winnipeg, Manitoba

PRAIRIE VIEW LODGE
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	$ 86,175	$ 137,774
Investments	79,113	77,952
Accounts receivable	27,452	30,845
	192,739	246,571
CAPITAL ASSETS (Note 3)	948,810	971,049
OTHER ASSETS	188	188
	$ 1,141,737	$ 1,217,808
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 32,318	$ 100,463
Due to Southern Health-Santé Sud (Note 4)	28,769	13,815
Current portion of mortgage payable (Note 5)	4,761	4,406
	65,848	118,684
MORTGAGE PAYABLE (Note 5)	18,029	22,868
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 6)	16,586	15,686
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 6)	914,194	938,244
	1,014,657	1,095,482
CONTINGENCIES (Note 11)		
NET ASSETS		
Invested in capital assets (Note 7)	12,014	5,719
Internally restricted	630	630
Reserve fund (Note 8)	119,973	110,973
Unrestricted	(5,537)	5,004
	127,080	122,326
	$ 1,141,737	$ 1,217,808

APPROVED BY THE DIRECTORS

Original Document Signed
.... Director

Original Document Signed
.... Director

PRAIRIE VIEW LODGE
Statement of Operations
For the year ended March 31, 2018

		2018		2017
REVENUES				
Southern Health-Santé Sud (Note 9)	**$**	**925,503**	$	949,759
Residential charges		**524,210**		510,047
Ancillary operations (Note 10)		**101,227**		100,242
Amortization of deferred contributions - capital assets		**44,384**		43,143
Other income		**352**		740
		1,595,676		1,603,931
EXPENSES				
Long term care (Schedule 1)		**1,435,239**		1,444,192
Ancillary operations (Schedule 2)		**93,440**		104,766
Amortization		**44,710**		43,143
Pharmacy capitation		**17,532**		17,532
		1,590,921		1,609,633
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	**$**	**4,754**	$	(5,702)

PRAIRIE VIEW LODGE
Statement of Changes in Net Assets
For the year ended March 31, 2018

	2018				
	Invested in Capital Assets	**Internally Restricted**	**Unrestricted**	**Reserve**	**Total**
Balance, beginning of year	**$ 5,719**	**$ 630**	**$ 5,004**	**$ 110,973**	**$ 122,326**
(Excess) deficiency of revenue over expenses	**(4,721)**	**-**	**9,475**	**-**	**4,754**
Reserve for Major Repairs (Note 8)	**-**	**-**	**(9,000)**	**9,000**	**-**
Transfer	**11,016**	**-**	**(11,016)**	**-**	**-**
Balance, end of year	**$ 12,014**	**$ 630**	**$ (5,537)**	**$ 119,973**	**$ 127,080**

	2017				
	Invested in Capital Assets	Internally Restricted	Unrestricted	Reserve	Total
Balance, beginning of year	$ 5,630	$ 630	$ 19,795	$ 101,973	$ 128,028
Deficiency of revenues over expenses	(4,068)	-	(1,634)	-	(5,702)
Reserve for Major Repairs (Note 8)	-	-	(9,000)	9,000	-
Transfer	4,157	-	(4,157)	-	-
Balance, end of year	$ 5,719	$ 630	$ 5,004	$ 110,973	$ 122,326

PRAIRIE VIEW LODGE
Statement of Cash Flows
For the Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Items not affecting cash:		
Excess (deficiency) of revenue over expenses	**$ 4,754**	$ (5,702)
Amortization	**49,105**	47,211
Amortization of deferred contributions - capital assets	**(44,384)**	(43,143)
	9,475	(1,634)
Changes in non-cash operating working capital items:		
Investments	**(1,160)**	(1,273)
Accounts receivable	**3,393**	(1,435)
Accounts payable and accrued liabilities	**(68,145)**	9,284
Due to Southern Health-Santé Sud	**14,954**	(9,229)
	(41,483)	(4,287)
FINANCING ACTIVITIES		
Deferred contributions received - expense of future periods	**900**	900
Repayment of mortgage payable	**(4,484)**	(4,156)
Deferred contributions received - capital assets	**20,334**	171,185
	16,750	167,929
INVESTING ACTIVITY		
Purchase of capital assets	**(26,866)**	(171,186)
DECREASE IN CASH POSITION	**(51,599)**	(7,544)
CASH POSITION, BEGINNING OF YEAR	**137,774**	145,318
CASH POSITION, END OF YEAR	**$ 86,175**	$ 137,774

1. NATURE OF BUSINESS

Prairie View Lodge Inc. (the "Lodge") is an incorporated not for profit organization sponsored by the United Church of Canada. The Lodge is principally involved in providing long-term care and related services for residents living within the area under the jurisdiction of the Southern Health–Santé Sud ("SH-SS"), with funding provided by Manitoba Health through SH-SS. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Lodge has elected to continue to provide the services to SH-SS under a service purchase contract. The Lodge is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Revenue recognition*

The Lodge follows the deferral method of accounting for contributions which include donations and government grants. The Lodge is funded primarily by the Province of Manitoba, through SH-SS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SH-SS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet 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, 2018.

Revenue derived from ancillary operations and residential charges is recorded in the period to which it relates.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Southern Health–Santé Sud Funding

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The Lodge is responsible for any in-globe deficits and may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the Lodge may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Lodge as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

A 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.

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair market value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Lodge's ability to provide services, its carrying amount is written down to residual value.

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

Buildings	2%
Equipment	10%
Property improvements	10%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Lodge subsequently measures all its financial assets and financial liabilities at amortized cost.

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and allowance for doubtful accounts. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Hostel Land	**$ 1,100**	**$ -**	**$ 1,100**	$ 1,100
Hostel buildings	**878,776**	**206,188**	**672,588**	686,898
Hostel equipment	**446,132**	**256,234**	**189,898**	196,697
Hostel property improvements	**3,444**	**3,444**	**-**	-
Units buildings	**278,407**	**199,299**	**79,108**	82,894
Units equipment	**8,811**	**4,745**	**4,066**	1,410
Units land	**2,050**	**-**	**2,050**	2,050
	$ 1,618,720	**$ 669,910**	**$ 948,810**	$ 971,049

4. DUE TO SOUTHERN HEALTH–SANTÉ SUD

	2018	2017
Balance, beginning of year	$ 13,815	$ 23,044
Payment of prior year balance	(13,815)	(23,044)
Current year's estimated out-of-globe amounts	29,101	13,873
Miscellaneous	(332)	(58)
	$ 28,769	$ 13,815

5. MORTGAGE PAYABLE

	2018	2017
CMHC loan	$ 22,790	$ 27,274
Less: current portion	(4,761)	(4,406)
	$ 18,029	$ 22,868

The CMHC loan bears interest at 7.75% and is repayable in monthly blended amounts of $534 and matures May 1, 2022.

Principal repayments over the next five years are expected to be as follows:

2019	4,761
2020	5,143
2021	5,556
2022	6,002
2023	1,328

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	2018	2017
Expenses of future periods - Hostel		
Balance, beginning of year	$ 15,686	$ 14,786
Add: additional contributions received	900	900
	$ 16,586	$ 15,686

6. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions related to capital assets is as follows:

		2018		2017
Capital Assets – Hostel				
Balance, beginning of year	$	**938,244**	$	810,202
Add: additional contributions received		**20,334**		171,185
Less: amounts amortized to revenue		**(44,384)**		(43,143)
	$	**914,194**	$	938,244

7. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

		2018		2017
Capital assets	$	**948,810**	$	971,049
Organization costs		**188**		188
Deferred contributions - capital assets		**(914,194)**		(938,244)
Mortgage payable		**(22,790)**		(27,274)
	$	**12,014**	$	5,719

b) Changes in net assets invested in capital assets is calculated as follows:

		2018		2017
Amortization of deferred contributions related to capital assets	$	**44,384**	$	43,143
Amortization of capital assets		**(49,105)**		(47,211)
		(4,721)		(4,068)
Purchase of capital assets		**26,866**		171,186
Repayment of mortgage payable		**4,484**		4,156
Deferred contributions – capital assets		**(20,334)**		(171,185)
		11,106		4,157
	$	**6,295**	$	89

8. RESERVE FUND

The Lodge is required by CMHC to transfer $9,000 per year to a reserve fund that is to fund future major repairs of the Lodge's units. As at March 31, 2018 the balance of the reserve fund is as follows:

		2018		2017
Balance, beginning of year	$	110,973	$	101,973
Add: additional contributions received		9,000		9,000
	$	119,973	$	110,973

9. SOUTHERN HEALTH–SANTÉ SUD REVENUE

SH-SS revenue includes the following:

		2018		2017
Revenue per final budget	$	957,096	$	965,825
Ceiling track inspection		-		300
Amounts recorded as deferred contribution		(900)		(900)
Bed grant disclosed in ancillary revenue		(1,592)		(1,592)
		954,604		963,633
Current year's funding adjustment		(29,101)		(13,874)
Revenue for the year	$	925,503	$	949,759

Amounts recoverable or payable are based on SH-SS funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

10. ANCILLARY OPERATIONS REVENUE

		2018		2017
Units Rental	$	99,023	$	98,650
Investment income		612		-
Bed grant for units		1,592		1,592
	$	101,227	$	100,242

11. CONTINGENCIES

The Lodge is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

The Healthcare Insurance Reciprocal of Canada (“HIROC”) is an organization that pools the public liability insurance risks of all its members. The Lodge may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2018.

12. RELATED ENTITIES

The Lodge has economic interest in the Prairie View Lodge Foundation Inc. (“Foundation”). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation’s by-laws, the Foundation’s Board of Directors must be comprised of previous and/or current members of the Board of Directors of the Lodge. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of resident care within the Lodge. The financial statements of the Foundation have not been consolidated in these financial statements.

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to the Lodge under a shared services agreement. Amounts charged to the Lodge for these services are included as purchased services in the statements of expenses. The amount payable in respect of these transactions was $7,230 as at March 31, 2018 (2017 – $72,230). Included in accounts payable and accrued liabilities is an amount payable to Rock Lake Health District of $5,132 (2017 - $8,232) related to the construction of an Acute Care Unit.

13. CAPITAL MANAGEMENT

The Lodge defines its capital as the amounts included in the Net Asset balances.

The Lodge's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Lodge sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

14. ECONOMIC DEPENDENCE

The Lodge receives approximately 58% (2017 – 59%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

15. COMPARATIVE FIGURES

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

PRAIRIE VIEW LODGE

Schedule 1

Statement of Expenses - Long Term Care

For the year ended March 31, 2018

	2018	2017
EXPENSES		
Administration	**$ 12,551**	$ 13,196
Housekeeping	**7,123**	9,385
Personal care	**51,584**	56,050
Physical plant maintenance	**28,505**	30,156
Physical plant operation	**59,204**	58,048
Purchased services - nursing	**1,271,033**	1,270,833
Recreation and activity	**5,239**	6,524
TOTAL LONG TERM CARE EXPENSES	**$ 1,435,239**	$ 1,444,192

PRAIRIE VIEW LODGE Schedule 2
Statement of Expenses - Ancillary Operations
For the year ended March 31, 2018

	2018	2017
EXPENSES		
Amortization of capital assets	**$ 4,395**	$ 4,068
Bad debt	**9,208**	-
Electricity	**9,602**	9,029
Mortgage interest	**1,926**	2,254
Property taxes	**13,803**	14,444
Purchased services - administration	**7,995**	9,507
Purchased services - janitor	**9,792**	9,792
Purchased services - maintenance	**20,760**	20,760
Repairs - building and grounds	**12,642**	31,973
Water	**3,317**	2,939
TOTAL ANCILLARY EXPENSES	**$ 93,440**	$ 104,766

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)

Financial Statements
For the year ended March 31, 2018

Tel: 204-956-7200
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Toll-Free: 866-863-6601
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of **REST HAVEN NURSING HOME OF STEINBACH INC.**

We have audited the accompanying financial statements of **REST HAVEN NURSING HOME** (A division of Rest Haven Nursing Home of Steinbach Inc.), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **REST HAVEN NURSING HOME** (A division of Rest Haven Nursing Home of Steinbach Inc.) as at March 31, 2018, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 23, 2018

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Financial Position

March 31		2018		2017
Assets				
Current Assets				
Cash in bank	$	**734,779**	$	443,961
Accounts receivable (Note 2)		**64,760**		75,882
Due from SHSS (Note 3)		**-**		76,871
Due from related parties (Note 4)		**103,794**		123,011
Inventories		**33,637**		35,840
Prepaid expenses		**39,262**		43,669
Vacation entitlements receivable (Note 5)		**152,406**		152,406
		1,128,638		951,640
Retirement obligations receivable (Note 6)		**302,514**		309,000
Capital assets (Note 7)		**4,939,602**		5,291,186
	$	**6,370,754**	$	6,551,826
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued charges (Note 9)	$	**292,879**	$	265,415
Due to SHSS (Note 3)		**31,286**		-
Accrued vacation entitlements (Note 5)		**411,358**		417,521
		735,523		682,936
Accrued retirement obligations (Note 6)		**302,514**		309,000
Deferred Contributions (Note 10)				
Expenses of future periods		**12,104**		9,319
Capital assets		**4,821,770**		5,170,430
		5,871,911		6,171,685
Commitments and contingencies (Note 12)				
Net Assets				
Invested in capital assets (Note 11)		**117,830**		120,756
Unrestricted		**381,013**		259,385
		498,843		380,141
	$	**6 370 754**	$	6,551,826

Approved on behalf of the Board:

Original Document Signed Director

Original Document Signed Director

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Southern Health - Santé Sud fixed payments (Note 13)	$ **3,970,731**	$ 4,141,603
Residential charges	**1,019,479**	921,732
Amortization of deferred contributions related to capital assets	**363,725**	339,729
Other recoveries	**37,711**	23,322
Meal recoveries	**48,695**	50,109
Canada Mortgage & Housing Corporation capital funding	**28,213**	16,727
Interest income	**5,331**	5,258
	5,473,885	5,498,480
Expenditures		
Administration	**368,927**	414,726
Amortization of capital assets	**366,651**	342,657
Cafeteria/courtesy meals	**21,230**	25,505
Dietary	**529,688**	528,464
Drugs	**123,139**	119,406
Housekeeping	**216,137**	216,671
Laundry/linen	**153,778**	149,612
Nursing	**2,969,416**	3,029,772
Patient support services	**204,920**	208,140
Physical plant	**156,216**	203,446
Pre-retirement obligations	**42,923**	41,000
Utilities/taxes/insurance	**195,365**	192,461
Woodhaven Manor Inc. - food services	**6,793**	21,885
	5,355,183	5,493,745
Excess of revenue over expenditures for the year	$ **118,702**	$ 4,735

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ **120,756**	$ **259,385**	$ **380,141**	$ 375,406
Excess (deficiency) of revenue over expenditures for the year	**(2,926)**	**121,628**	**118,702**	4,735
Balance, end of year	$ **117,830**	$ **381,013**	$ **498,843**	$ 380,141

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Cash Flows

For the year ended March 31		2018		2017
Cash Flows from Operating Activities				
Excess of revenue over expenditures for the year	$	**118,702**	$	4,735
Items not involving cash				
Amortization of capital assets		**366,651**		342,657
Amortization of deferred contributions related to capital assets		**(363,725)**		(339,729)
		121,628		7,663
Changes in non-cash working capital				
Accounts receivable		**11,122**		20,871
Due from SHSS		**108,157**		(43,970)
Inventory		**2,203**		2,375
Prepaid expenses		**4,407**		4,348
Accounts payable and accrued charges		**27,464**		410
Accrued vacation entitlements		**(6,163)**		36,586
		147,190		20,620
Retirement obligations receivable		**6,486**		(41,000)
Accrued retirement obligations		**(6,486)**		41,000
		268,818		28,283
Cash Flows from Financing Activities				
SHSS funding - capital assets		**12,031**		951,578
Donations		**3,032**		23,700
Decrease in deferred contributions related to expenses of future periods		**2,785**		2,654
		17,848		977,932
Cash Flows used in Investing Activities				
Purchase of capital assets		**(15,065)**		(975,278)
Advances to related parties		**19,217**		5,513
		4,152		(969,765)
Net increase in cash and cash equivalents		**290,818**		36,450
Cash and cash equivalents, beginning of year		**443,961**		407,511
Cash and cash equivalents, end of year	$	**734,779**	$	443,961

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Rest Haven Nursing Home is a division of Rest Haven Nursing Home of Steinbach Inc. Rest Haven Nursing Home of Steinbach Inc. was incorporated under the laws of the Province of Manitoba on November 23, 1971. The corporation 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. Rest Haven Nursing Home is principally involved in providing residential care services to Steinbach and surrounding areas.

Rest Haven Nursing Home of Steinbach Inc., is a member of the HavenGroup of companies which operate under the control of a common Board of Directors, and provides long-term care services to elderly and disadvantaged individuals in Steinbach. Other entities within the group include the other operating divisions of Rest Haven Nursing Home of Steinbach Inc. (Rest Haven Apartments - Cedarwood Apartments and Parkview Apartments and Tenant Resource Co-ordinator), Greenwood Meadows Inc. and Woodhaven Manor Inc.

Also related to the Group is The HavenGroup Foundation 2006 Inc. by nature of common management.

These financial statements present the financial position and results of operations of the Rest Haven Nursing Home. As such, these financial statements do not include the assets, liabilities, net assets, revenue and expenditures of the other divisions of Rest Haven Nursing Home of Steinbach Inc. or the other companies in the Group.

Consolidated financial statements for the Group have been compiled; however, separate financial statements are presented for each entity to facilitate reporting to the funders and other users of each entity.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost being determined on a first-in, first-out basis.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

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

Building	2.5%
Building renovations and upgrades	5%
Building service equipment	5%
Furniture, fixtures and equipment	5% - 10%
Computerization and software	20%

Employee Future Benefits

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

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily by the Southern Health - Sante Sud (SHSS) in accordance with budget arrangements established by the Health Authority. 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by SHSS with respect to the year ended March 31, 2018.

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the residential services and marketed services is recognized when the service is provided or the goods are sold.

Contributed Services

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

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

		2018		2017
Receivable from residents	$	**10,643**	$	14,197
GST receivable		**3,246**		17,216
Steinbach Housing Inc.		**50,334**		43,785
Other		**537**		684
	$	**64,760**	$	75,882

3. Due from (to) SHSS

		2018		2017
2016/2017 funding adjustment	$	**-**	$	76,871
2017/2018 funding adjustment		**(31,286)**		-
	$	**(31,286)**	$	76,871

4. Related Party Transactions

Balances due from related parties do not bear interest, have no specific terms of repayment and are unsecured. These transactions mainly consist of the allocation of salaries to Rest Haven Nursing Home, Woodhaven Manor Inc., and Rest Haven Apartments. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for services. All parties are related by common control.

		2018		2017
Due from				
Rest Haven Apartments	$	**67,590**	$	62,674
HavenGroup Foundation 2006 Inc.		**16,867**		41,831
Woodhaven Manor Inc.		**19,337**		18,506
	$	**103,794**	$	123,011

5. Accrued Vacation Entitlements

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

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

	2018	2017
Balance, beginning of year	**$ 152,406**	$ 152,406
Balance, end of year	**$ 152,406**	$ 152,406

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

	2018	2017
Balance, beginning of year	**$ 417,521**	$ 380,935
Net increase (decrease) in accrued vacation entitlements	**(6,163)**	36,586
Balance, end of year	**$ 411,358**	$ 417,521

6. Employee Future Benefits

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (3.00% in 2017) and a rate of salary increase of 3.50% (3.50% in 2017) plus age related merit/promotion scale with a provision for potential disability.

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

Commencing in 2004/2005, the SHSS assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the SHSS holds funding to meet this obligation.

	2018	2017
Employee future benefits recoverable from		
Manitoba Health	$ **195,628**	$ 195,628
SHSS	**106,886**	113,372
	$ **302,514**	$ 309,000

6. Employee Future Benefits (continued)

Accrued Retirement Entitlement (continued)

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

		2018		2017
Balance, beginning of year	$	**309,000**	$	268,000
Net increase (decrease) in pre-retirement entitlements		**(6,486)**		41,000
Balance, end of year	$	**302,514**	$	309,000

Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization Inc. Plan (Plan)) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2016 indicates the plan is in a surplus; however, has a solvency deficiency. The board of the Plan continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long-term. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $346,910 ($326,907 in 2017) and are included in the statement of operations.

7. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$ **67,383**	$ **-**	$ 67,383	$ -
Building	**2,202,843**	**1,817,346**	2,202,843	1,762,275
Building renovations and upgrades	**3,035,109**	**1,038,708**	3,035,109	886,953
Building service equipment	**2,776,316**	**425,864**	2,773,284	291,214
Furniture, fixtures and equipment	**404,529**	**264,660**	392,495	239,486
Computerization and software	**6,521**	**6,521**	6,521	6,521
	$ **8,492,701**	$ **3,553,099**	$ 8,477,635	$ 3,186,449
Net book value		$ **4,939,602**		$ 5,291,186

8. Line of Credit

The Home has an approved line of credit of $100,000 with Steinbach Credit Union. This line of credit is secured by a general assignment of book debts and bears interest at Steinbach Credit Union standard rate plus 1% (4.45% effective rate). The Home had $100,000 in capacity under this facility as at March 31, 2018.

9. Accounts Payable

	2018	2017
Trade	$ **8,170**	$ 7,124
Government remittances	**67,549**	11,418
Other	**217,160**	246,873
	$ **292,879**	$ 265,415

10. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and equipment replacement.

	2018	2017
Balance, beginning of year	$ 9,319	$ 6,665
Add amount received during the year	2,785	2,785
Less expenditures	-	(131)
Balance, end of year	$ 12,104	$ 9,319

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ 5,170,430	$ 4,534,881
Additional contributions received		
SHSS and Manitoba Health	12,033	951,578
Donations	3,032	23,700
Less amounts amortized to revenue	(363,725)	(339,729)
Balance, end of year	$ 4,821,770	$ 5,170,430

Included in deferred contributions - capital assets is funding recognized from Manitoba Health related to their funding of a mortgage on the Nursing Home property. Manitoba Health has assumed this mortgage and includes it as a liability of the Province of Manitoba. As at March 31, 2018 the mortgage had an outstanding balance of $55,461. The mortgage bears interest at 3.95% and matures July 15, 2018. The mortgage is with Steinbach Credit Union and the interest and principal payment is $14,000 per month.

11. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 4,939,602	$ 5,291,186
Amounts financed by deferred contributions	(4,821,772)	(5,170,430)
	$ 117,830	$ 120,756

B. Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Excess of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 363,725	$ 339,729
Amortization of capital assets	(366,651)	(342,657)
	$ (2,926)	$ (2,928)
Net changes in investment in capital assets		
Purchase of capital assets	$ 15,065	$ 975,278
Amounts funded by:		
SHSS and Manitoba Health funding - capital	(12,033)	(951,578)
Donations	(3,032)	(23,700)
	$ -	$ -

12. Commitments and Contingencies

a) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2018, management believes the Home has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

c) In September 2017, Manitoba Health, Seniors and Active Living (MHSAL) authorized Rest Haven Nursing Home to proceed with the completion of the schematic design and class C estimate for an expanded facility. In March 2018, schematic design documents were submitted to MHSAL for its review, and with the class C estimates review in process.

d) During the 2017/18 fiscal year, Rest Haven Nursing Home was made aware by HEB Manitoba ("HEB") that there may be unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability, if any, is unknown as at March 31, 2018. It is expected that the amount, once finalized and agreed to by the parties, will not be material to the financial statements of Rest Haven Nursing Home.

13. Revenue from the SHSS

Revenue as per SHSS final funding document	$ 3,954,134
Add:	
Pre-retirement leave	42,923
Capitation fees	34,400
Maternity Leave Top Up	7,417
HEB COLA 1.0% funding	36,932
Long Service Step Increases	216
Deduct:	
Out of Globe	(100,045)
Interest on approved borrowings	(5,246)
Revenue from SHSS	$ 3,970,731

14. Financial Instrument Risk

The Home is exposed to different types of risk in the normal course of operations. The Home'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 Home's activities. The following analysis provides a measurement of those risks.

Credit Risk

Credit risk is the risk that the Home will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments which potentially subject the Home to credit risk consist principally of accounts receivable.

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

	2018	2017
Accounts receivable	$ 64,760	$ 75,882
Due from SHSS	-	76,871
Due from related parties	103,794	123,011
Vacation entitlements receivable	152,406	152,406
Retirement obligations receivable	302,514	309,000
	$ 623,474	$ 737,170

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

Due from SHSS, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and Southern Health - Santé Sud.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Home is not exposed to significant interest rate risk, as its cash in bank is held in short-term products.

Financial Statements of

ROCK LAKE HEALTH DISTRICT

March 31, 2018

Deloitte.

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Independent Auditor's Report

To the Board of Directors of Rock Lake Health District:

We have audited the accompanying financial statements of Rock Lake Health District, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rock Lake Health District as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
June 13, 2018
Winnipeg, Manitoba

ROCK LAKE HEALTH DISTRICT
Statement of Financial Position
March 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash and short-term investments	$	**882,327**	$	880,648
Accounts receivable		**44,522**		149,869
Due from Southern Health-Santé Sud (Note 3)		**46,002**		-
Prepaid expenses		**8,896**		7,049
Vacation entitlement receivable (Note 4)		**262,780**		262,780
		1,244,527		1,300,346
PRE-RETIREMENT ENTITLEMENT (Note 4)		**430,479**		441,159
CAPITAL ASSETS (Note 5)		**1,480,490**		940,147
	$	**3,155,496**	$	2,681,652
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**152,114**	$	271,722
Government remittances payable		**35,451**		-
Due to Southern Health-Santé Sud (Note 3)		**-**		18,413
Accrued vacation entitlement (Note 4)		**342,560**		345,472
		530,125		635,607
PRE-RETIREMENT ENTITLEMENT (Note 4)		**430,479**		441,159
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 6)		**154,012**		154,012
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 6)		**1,412,994**		877,030
		2,527,610		2,107,808
CONTINGENCIES (NOTE 10)				
NET ASSETS				
Invested in capital assets (Note 9)		**67,496**		63,117
Unrestricted		**560,390**		510,727
		627,886		573,844
	$	**3,155,496**	$	2,681,652

APPROVED BY THE DIRECTORS

Original Document Signed Director

Original Document Signed Director

ROCK LAKE HEALTH DISTRICT
Statement of Operations
March 31, 2018

	2018	2017
REVENUE		
Southern Health-Santé Sud (Note 8)	**$ 4,752,640**	$ 4,681,472
Ancillary operations (Note 9)	**1,405,233**	1,392,803
Non-insured	**638,185**	615,119
Amortization of deferred contributions - capital assets	**127,787**	95,718
Interest, net	**131**	12,761
Other	**231,518**	235,276
Clinic rent	**98,947**	85,984
	7,254,441	7,119,133
EXPENSES		
Long term care - institutional based (Schedule 1)	**3,879,783**	3,854,928
Acute care - institutional based (Schedule 2)	**2,574,988**	2,523,180
Salaried physician program (Schedule 3)	**714,080**	626,923
Adult day care (Schedule 4)	**31,548**	31,733
	7,200,399	7,036,764
EXCESS OF REVENUE OVER EXPENSES	**$ 54,042**	$ 82,369

ROCK LAKE HEALTH DISTRICT
Statement of Changes in Net Assets
March 31, 2018

	2018		
	Invested in Capital Assets	**Unrestricted**	**Total**
Balance, beginning of year	**$ 63,117**	**$ 510,727**	**$ 573,844**
Excess (deficiency) of revenue over expenses (Note 7b)	**(2,334)**	**56,376**	**54,042**
Transfers (Note 7b)	**6,713**	**(6,713)**	**-**
Balance, end of year	**$ 67,496**	**$ 560,390**	**$ 627,886**

	2017		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 64,780	$ 426,695	$ 491,475
Excess (deficiency) of revenue over expenses (Note 7b)	(1,663)	84,032	82,369
Transfers	-	-	-
Balance, end of year	$ 63,117	$ 510,727	$ 573,844

ROCK LAKE HEALTH DISTRICT
Statement of Cash Flows
March 31, 2018

		2018		2017
OPERATING ACTIVITIES				
Excess of revenue over expenses	$	54,042	$	82,369
Items not affecting cash:				
Amortization		130,121		97,380
Amortization of deferred contributions - capital assets		(127,787)		(95,718)
		56,376		84,031
Changes in non-cash operating working capital items:				
Accounts receivable		105,346		(4,979)
Due from Southern Regional Health Authority		(46,002)		24,295
Prepaid expenses		(1,847)		(4,963)
Accounts payable and accrued liabilities		(119,608)		(52,954)
Due to Southern Regional Health Authority		(18,413)		18,413
Accrued vacation entitlements		(2,912)		909
Government remittances payable		35,451		(1,410)
		8,391		63,342
FINANCING ACTIVITIES				
Deferred contributions received - capital assets		663,751		99,959
Deferred contributions received - expense of future periods		-		5,000
		663,751		104,959
INVESTING ACTIVITY				
Purchase of capital assets		(670,463)		(99,958)
		(670,463)		(99,958)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS		1,679		68,343
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR		880,648		812,305
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$	882,327	$	880,648
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:				
Cash	$	612,956	$	611,408
Short-term investments		269,371		269,240
	$	882,327	$	880,648

1. NATURE OF BUSINESS

Rock Lake Health District (the "District") was incorporated under the District Health and Social Services Act in 1979. The District is principally involved in providing long-term care and related services to residents of Pilot Mound, Crystal City and the surrounding area. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the District has elected to continue to provide the services to Southern Health–Santé Sud (SH-SS) under a service purchase contract. The District is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The District consists of the Rock Lake Hospital and the Rock Lake Personal Care Home. These financial statements report the financial position and results of operations for the entire District.

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Revenue recognition*

The District follows the deferral method of accounting for contributions which include donations and government grants. The District is funded primarily by the Province of Manitoba, through SH-SS. Funding is in accordance with budget arrangements negotiated with SH-SS, based on Manitoba Health funding guidelines. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet 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, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Southern Health–Santé Sud funding

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The District is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the District may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the District as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

A 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.

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the District's ability to provide services, its carrying amount is written down to residual value.

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

Land improvements	10%
Building	2 - 5%
Equipment	10%

e) Pre-Retirement entitlement obligation

The District has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The District has recorded an accrual based on an actuarial valuation that includes employees who qualify at year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SH-SS on an out-of-globe basis in the year of payment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The District subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. DUE (TO) FROM SOUTHERN HEALTH–SANTÉ SUD

		2018		2017
Out-of-globe amounts	**$**	**32,052**	$	(38,447)
Miscellaneous		**(1,924)**		9,933
Health spending account		**2,501**		5,489
Pre-retirement funding		**6,623**		(31,819)
HEB COLA funding adjustment		**36,854**		36,854
Maternity top up		**342**		9,500
Principal payment adjustment		**(30,446)**		(9,923)
Balance, end of year	**$**	**46,002**	$	(18,413)

4. VACATION AND PRE-RETIREMENT ENTITLEMENTS

	2018	2017
Vacation entitlement receivable	$ **262,780**	$ 262,780
Pre-retirement receivable	**430,479**	441,159

Funding for the vacation entitlement obligation earned by employees of the District as at March 31, 2004 in the amount of $262,780 has been set up as a current receivable due from SH-SS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement totaling $342,560 also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2018 in the amount of $441,159 has been set up as a non-current receivable from SH-SS. The receivable will be paid by SH-SS when the District requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the District's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (2017 - 3.10%) and a rate of salary increase of 3.5% (2017 - 3.5%) plus age related merit / promotion scale with actuarial derived provisions for disability.

5. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	$ **1,000**	$ **-**	$ **1,000**	$ 1,000
Equipment	**1,134,613**	**(690,929)**	**443,684**	329,122
Building	**2,620,125**	**(1,584,319)**	**1,035,806**	610,025
	$ **3,755,738**	$ **(2,275,248)**	$ **1,480,490**	$ 940,147

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for specific expenditures. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	2018	2017
Expenses of future periods:		
Balance, beginning of year	**$ 154,012**	$ 149,012
Add: funding received for major repairs	**-**	5,000
	$ 154,012	$ 154,012

Deferred contributions related to capital assets is summarized as follows:

	2018	2017
Related to capital assets:		
Balance, beginning of year	**$ 877,030**	$ 872,789
Add: additional contributions received	**663,751**	99,959
Less: amounts amortized to revenue	**(127,787)**	(95,718)
	$ 1,412,994	$ 877,030

7. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	**$ 1,480,490**	$ 940,147
Amounts financed by deferred contributions	**(1,412,994)**	(877,030)
	$ 67,496	$ 63,117

b) Changes in net assets invested in capital assets is calculated as follows:

	2018	2017
Amortization of deferred contributions related to capital assets	**$ 127,787**	$ 95,718
Amortization of capital assets	**(130,121)**	(97,380)
	(2,334)	(1,662)
Purchase of capital assets	**670,463**	99,958
Repayment of long-term debt	**-**	-
Amounts funded by deferred contributions	**(663,751)**	(99,959)
	$ 4,378	$ (1,663)

8. SOUTHERN HEALTH–SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

		2018		2017
Revenue per final budget	$	**4,694,509**	$	4,727,121
Amounts recorded as deferred contributions		**(5,000)**		(5,000)
		4,689,509		4,722,121
Current year's estimated out of globe amounts		**43,079**		(60,701)
Support to Seniors in Group Living home		**20,052**		20,052
	$	**4,752,640**	$	4,681,472

9. ANCILLARY OPERATIONS REVENUE

		2018		2017
Shared services – Prairie View Lodge	$	**1,308,437**	$	1,308,237
Dietetics		**84,641**		71,938
Meals on Wheels		**12,155**		12,628
	$	**1,405,233**	$	1,392,803

10. CONTINGENCIES

The District is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The District may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2018.

11. PENSION PLAN

Substantially all employees of the District are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of 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 benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the District on behalf of its employees amounted to $338,439 (2017 - $331,869) and are included in the statement of operations.

12. RELATED ENTITIES

The Rock Lake Health District has economic interest in the Rock Lake Health District Foundation Inc. ("Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation's by-laws, the Foundation's Board of Directors must be comprised of previous and/or current members of the Board of Directors of Rock Lake Health District. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of patient care within the Rock Lake Health District. During the year, the Foundation funded the Palliative Care Program, Volunteer and Lifeline programs, personal care home renovations as well as contributing to other expenses, including physician and nursing costs and education. The financial statements of the Foundation have not been consolidated in these financial statements.

12. RELATED ENTITIES (continued)

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to Prairie View Lodge under a shared services agreement. Amounts charged to Prairie View Lodge for these services are included as ancillary operations revenue in the statement of operations. The amount receivable in respect of these transactions was $7,226 as at March 31, 2018 (2017 – $72,230).

13. CAPITAL MANAGEMENT

The District defines its capital as the amounts included in the Net Asset balances. The District's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents. The District sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

14. ECONOMIC DEPENDENCE

The District receives approximately 65% (2017 – 66%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

ROCK LAKE HEALTH DISTRICT

Schedule 1

Statement of Expenses - Long Term Care - Institutional Based

March 31, 2018

		2018		2017
DEPARTMENTAL EXPENSES				
Amortization of capital assets	$	69,969	$	47,727
Employee benefits		563,899		593,465
Medical and surgical supplies and drugs		51,602		57,425
Other supplies and expenses		373,681		370,392
Pharmacy capitation		14,026		14,026
Purchased services		15,499		14,625
Salaries		2,791,107		2,757,268
	$	3,879,783	$	3,854,928

ROCK LAKE HEALTH DISTRICT

Schedule 2

Statement of Expenses - Acute Care - Institutional Based

March 31, 2018

	2018	2017
DEPARTMENTAL EXPENSES		
Amortization of capital assets	**$ 60,152**	$ 49,654
Employee benefits	**357,657**	381,481
Medical and surgical supplies and drugs	**55,686**	65,030
Other supplies and expenses	**251,639**	260,776
Purchased services	**36,825**	41,375
Salaries	**1,737,745**	1,685,034
	$ 2,574,988	$ 2,523,180

ROCK LAKE HEALTH DISTRICT Schedule 3

Statement of Expenses - Salaried Physician Program

March 31, 2018

	2018	2017
DEPARTMENTAL EXPENSES		
Other	$ 99,350	$ 97,683
Salaries and benefits	605,621	520,120
Supplies	6,445	6,780
Utilities	2,664	2,339
	$ 714,080	$ 626,922

ROCK LAKE HEALTH DISTRICT

Statement of Expenses - Adult Day Care

March 31, 2018

		2018		2017
DEPARTMENTAL EXPENSES				
Other supplies and expenses	**$**	**766**	$	665
Purchased services		**19,320**		18,536
Rental		**6,216**		6,144
Travel		**5,246**		6,388
	$	**31,548**	$	31,733

Financial Statements of

ST.AMANT INC.

Year ended March 31, 2018

KPMG LLP
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Winnipeg MB
R3B 0X3

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INDEPENDENT AUDITORS' REPORT

To the Member of St.Amant Inc.

We have audited the accompanying financial statements of St.Amant Inc., which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St.Amant Inc. as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 12, 2018

Winnipeg, Canada

ST.AMANT INC.

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund 2018	Operating Fund 2017	Capital Fund 2018	Capital Fund 2017	Total 2018	Total 2017
Assets						
Current assets:						
Cash	$ 2,243,582	$ 2,245,652	$ 102,099	$ 63,664	$ 2,345,681	$ 2,309,316
Accounts receivable	7,982,951	6,632,134	–	–	7,982,951	6,632,134
Receivable from St.Amant Foundation Inc. (note 6)	888,980	515,889	32,744	353,260	921,724	869,149
Inventories	137,751	149,541	–	–	137,751	149,541
Prepaid expenses	450,161	302,820	–	–	450,161	302,820
Vacation pay recoverable from Winnipeg Regional Health Authority (note 8)	1,461,198	1,461,198	–	–	1,461,198	1,461,198
Inter-fund balances	748,753	778,001	(748,753)	(778,001)	–	–
	13,913,376	12,085,235	(613,910)	(361,077)	13,299,466	11,724,158
Capital assets (note 2)	–	–	23,661,050	23,040,277	23,661,050	23,040,277
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 8)	3,994,852	3,874,133	–	–	3,994,852	3,874,133
	$17,908,228	$15,959,368	$23,047,140	$22,679,200	$40,955,368	$38,638,568
Liabilities, Deferred Contributions and Fund Balances						
Current liabilities:						
Accounts payable and accrued liabilities	$ 6,424,464	$ 5,243,040	$ –	$ –	$ 6,424,464	$ 5,243,040
Employee vacation payable (note 8)	4,204,771	4,082,385	–	–	4,204,771	4,082,385
Advances (note 3)	1,647,480	1,647,480	–	–	1,647,480	1,647,480
Debt (note 4)	–	–	15,513,106	15,054,742	15,513,106	15,054,742
	12,276,715	10,972,905	15,513,106	15,054,742	27,789,821	26,027,647
Employee future benefits (note 8)	5,033,544	4,735,403	–	–	5,033,544	4,735,403
Deferred contributions (note 5):						
Expenses of future periods	1,045,493	854,203	–	–	1,045,493	854,203
Capital assets	–	–	5,957,822	5,618,398	5,957,822	5,618,398
	1,045,493	854,203	5,957,822	5,618,398	7,003,315	6,472,601
Fund balances:						
Invested in capital assets	–	–	1,576,212	2,006,060	1,576,212	2,006,060
Internally restricted	–	103,782	–	–	–	103,782
Unrestricted	(447,524)	(706,925)	–	–	(447,524)	(706,925)
	(447,524)	(603,143)	1,576,212	2,006,060	1,128,688	1,402,917
	$17,908,228	$15,959,368	$23,047,140	$22,679,200	$40,955,368	$38,638,568

See accompanying notes financial statements.

On behalf of the Board:

Original Document Signed Director

Original Document Signed Director

Date

ST.AMANT INC.

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2018, with comparative information for 2017

	Winnipeg Regional Health Authority	Department of Families	Jordan's principle	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	Total 2018	Total 2017
Revenue:									
Families	$ 594,457	$ 46,811,983	$ 1,064	$ 47,407,504	$ –	$ 47,407,504	$ –	$ 47,407,504	$ 45,290,262
Winnipeg Regional Health Authority	34,089,133	914,344	–	35,003,477	–	35,003,477	–	35,003,477	35,156,019
Manitoba Health	–	–	–	–	–	–	72,690	72,690	100,502
Government of Canada	13,546	807,352	635,397	1,456,295	–	1,456,295	–	1,456,295	1,158,121
School divisions	760,987	–	–	760,987	–	760,987	–	760,987	725,355
Fees	127,590	284,334	–	411,924	–	411,924	–	411,924	376,363
Grants	26,570	–	–	26,570	–	26,570	–	26,570	43,000
Recoveries	340,048	–	–	340,048	–	340,048	–	340,048	148,555
Investment income	39,186	–	–	39,186	–	39,186	1,005	40,191	13,679
St.Amant Foundation Inc. donations (note 6)	267,841	181,874	–	449,715	–	449,715	52,720	502,435	495,627
Amortization of deferred contributions (note 5)	–	–	–	–	–	–	709,544	709,544	680,704
Gain on disposal of capital assets	–	–	–	–	–	–	1,200	1,200	146,793
Other programs	151,212	211,668	–	362,880	–	362,880	–	362,880	226,221
	36,410,570	49,211,555	636,461	86,258,586	–	86,258,586	837,159	87,095,745	84,561,201
Expenses:									
Salaries and wages	27,792,957	32,517,703	305,470	60,616,130	–	60,616,130	–	60,616,130	58,972,099
Employee benefits	5,874,072	6,629,675	56,908	12,560,655	–	12,560,655	–	12,560,655	12,296,328
Purchased services	1,172,570	70,446	–	1,243,016	–	1,243,016	–	1,243,016	1,206,262
Supplies	1,632,444	406,946	26,031	2,065,421	–	2,065,421	–	2,065,421	2,136,723
Food	517,013	645,732	–	1,162,745	–	1,162,745	–	1,162,745	1,026,244
Utilities	632,240	270,199	–	902,439	–	902,439	–	902,439	906,908
Equipment	241,972	185,428	–	427,400	–	427,400	–	427,400	424,125
Property taxes	251,847	200,530	–	452,377	–	452,377	–	452,377	427,986
Repairs and maintenance	196,880	699,692	–	896,572	–	896,572	–	896,572	788,283
Interest on long-term debt	–	–	–	–	–	–	284,472	284,472	213,382
Amortization	–	–	–	–	–	–	2,112,444	2,112,444	2,282,248
Administration and facility cost allocation (note 7)	(5,231,857)	5,231,857	–	–	–	–	–	–	–
Other	3,278,317	942,373	248,052	4,468,742	–	4,468,742	140	4,468,882	4,382,592
	36,358,455	47,800,581	636,461	84,795,497	–	84,795,497	2,397,056	87,192,553	85,063,180
Excess (deficiency) of revenues over expenses before the undernoted	52,115	1,410,974	–	1,463,089	–	1,463,089	(1,559,897)	(96,808)	(501,979)
Future employee pre-retirement benefits revenue (note 8)	116,688	4,031	–	120,719	–	120,719	–	120,719	131,755
Future employee pre-retirement benefits (note 8)	(118,239)	(179,901)	–	(298,140)	–	(298,140)	–	(298,140)	(273,065)
Excess (deficiency) of revenues over expenses	50,564	1,235,104	–	1,285,668	–	1,285,668	(1,559,897)	(274,229)	(643,289)
Transfer to Capital Fund for purchased capital assets	–	–	–	–	(103,782)	(103,782)	103,782	–	–
Transfer to Capital Fund for principal repayment	(102,088)	(788,271)	–	(890,359)	–	(890,359)	890,359	–	–
Transfer to Capital Fund for interest	(32,093)	(250,608)	–	(282,701)	–	(282,701)	282,701	–	–
Transfer from Capital Fund for prior year gain on sale	–	146,793	–	146,793	–	146,793	(146,793)	–	–
Net change in fund balances	(83,617)	343,018	–	259,401	(103,782)	155,619	(429,848)	(274,229)	(643,289)
Fund balances, beginning of year				(706,925)	103,782	(603,143)	2,006,060	1,402,917	2,046,206
Fund balances, end of year				$ (447,524)	$ –	$ (447,524)	$ 1,576,212	$ 1,128,688	$ 1,402,917

See accompanying notes to financial statements.

ST.AMANT INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (274,229)	$ (643,289)
Items not involving cash:		
Amortization of capital assets	2,112,444	2,282,248
Amortization of deferred contributions	(709,544)	(680,704)
Gain on disposal of capital assets	(1,200)	(146,793)
Change in non-cash operating working capital:		
Accounts receivable	(1,350,817)	995,493
Inventories	11,790	16,754
Prepaid expenses	(147,341)	(92,648)
Receivable from to St.Amant Foundation Inc.	(52,575)	(524,693)
Employee future benefits recoverable from Winnipeg Regional Health Authority	(120,719)	(131,755)
Bank indebtedness	–	(1,040,477)
Accounts payable and accrued liabilities	1,181,424	2,186,088
Employee vacation payable	122,386	225,020
Employee future benefits	298,141	273,065
Net change in deferred contributions related to expenses of future periods	581,974	1,753
	1,651,734	2,720,062
Capital activities:		
Purchase of capital assets	(2,733,217)	(2,951,788)
Proceeds on disposal of capital assets	1,200	215,000
Receipt of deferred capital contributions	658,284	367,078
	(2,073,733)	(2,369,710)
Financing activities:		
Proceeds from debt	1,448,978	2,239,177
Repayment of debt	(990,614)	(974,585)
	458,364	1,264,592
Increase in cash	36,365	1,614,944
Cash, beginning of year	2,309,316	694,372
Cash, end of year	$ 2,345,681	$ 2,309,316

See accompanying notes to financial statements.

General:

St.Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership, and promoting excellence in services for Manitobans with developmental disabilities. The sole Member of the Organization is Catholic Health Corporation of Manitoba/Corporation catholique de la santé du Manitoba (CHCM).

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Department of Families (Families). In fiscal 2017, the Organization entered into a Contribution Agreement (CA) with the Federal Government (First Nations Inuit Health Branch (FNIHB) for the Jordan's Principle Initiative. Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2018. The Organization's Service Purchase Agreement (SPA) with Families expired on March 31, 2014, however, it continues in effect until a new agreement is finalized. The SPA with WRHA expired on March 31, 2013, however it continues to be in effect until a new agreement is finalized. The Organization's CA with FNIHB continues in effect until March 31, 2019 unless terminated earlier, or extended by amendment.

The Organization follows the deferral method for contributions on a fund accounting basis as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Investment income is recognized in the Operating or Capital Fund in the year in which it is earned.

1. Significant accounting policies (continued):

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the operations of the Organization.

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted as approved by the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital expenditures are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

1. Significant accounting policies (continued):

(e) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

(f) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(g) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(h) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the financial statements for donated services since no objective basis is available to measure the value of such services.

1. Significant accounting policies (continued):

(i) Employee future benefits:

Employee future pre-retirement benefits are accrued as earned on an actuarial estimation. The estimation of the employee future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Organization's employee future pre-retirement benefits include mortality and withdrawal rates, a discount rate of 3.43 percent (2017 - 3.10 percent), a rate of salary increase of nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2017 - 3.50 percent) plus an age related merit/promotion scale.

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

(j) Use of estimates:

The preparation of the financial statements 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual results could differ from those estimates.

(k) Changes in accounting policies:

On April 1, 2017, the Organization adopted Canadian public sector accounting standards PS 2200 *Related party disclosures*, PS 3420 *Inter-entity transactions*, PS 3210 *Assets*, PS 3320 *Contingent assets*, and PS 3380 *Contractual rights*. The adoption of these standards did not have a material impact on the financial statements.

2. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	1,141,846	695,673	446,173	498,601
Buildings	20,335,318	16,059,486	4,275,832	3,776,531
Buildings service equipment	5,846,337	4,207,169	1,639,168	1,755,833
Furniture and equipment	533,310	533,205	105	211
Automotive	60,844	40,965	19,879	29,818
Software	411,025	380,991	30,034	51,038
	28,541,568	21,917,489	6,624,079	6,324,920
Community residences:				
Land	4,684,088	–	4,684,088	4,325,664
Land improvements	2,910	2,910	–	–
Buildings	16,463,355	4,904,997	11,558,358	11,440,383
Furniture and equipment	2,232,905	1,700,074	532,831	805,540
Automotive	687,168	425,474	261,694	143,770
	24,070,426	7,033,455	17,036,971	16,715,357
	$ 52,611,994	$ 28,950,944	$ 23,661,050	$ 23,040,277

3. Advances:

The Organization has received working capital advances from WRHA and Families. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

4. Debt:

The Organization has a revolving demand operating credit facility with the Canadian Imperial Bank of Commerce to finance the day-to-day operations of the Organization in the amount of $1,700,000 (2017 - $1,700,000), bearing interest at prime minus 0.7 percent (2017 - prime minus 0.7 percent). The revolving demand operating credit facility is unsecured and is due on demand. At March 31, 2018 and March 31, 2017, the revolving demand operating facility was not utilized.

The Organization has a revolving demand capital expenditure credit facility agreement with the Canadian Imperial Bank of Commerce. The demand capital expenditure credit facility provides for a maximum of $18,300,000 (2017 - $18,300,000) in demand loans to finance capital expenditures by the Organization. At March 31, 2018, the Organization had utilized $15,513,106 (2017 - $15,054,742) of this facility which bears interest at the Canadian Banker's Acceptance Canadian Deposit Offering Rate plus a stamping fee of 0.57 percent per annum and revolves quarterly, maturing between March 2024 and November 2041, if not demanded. The revolving demand capital expenditure credit facility is unsecured and is due on demand. At March 31, 2018, the demand loans bore interest ranging from 1.66 percent to 1.72 percent (2017 - ranging from 0.93 percent to 0.96 percent).

Management does not believe that the demand features of the debt will be exercised in the current year. Assuming payment of the debt is not demanded, regular principal payments required on the debt until maturity are due as follows:

2019	$ 890,662
2020	890,662
2021	890,662
2022	890,662
2023	890,662
Thereafter	11,059,796
	$ 15,513,106

5. Deferred contributions:

(a) Expenses of future periods:

Deferred contribution related to expenses of future periods represents unspent externally restricted grants and donations.

	2018	2017
Balance, beginning of year	$ 854,203	$ 852,450
Additional contributions received	1,400,960	215,811
Less amounts recognized as revenue	(818,986)	(214,058)
Less amounts transferred to deferred contributions - capital assets	(390,684)	–
Balance, end of year	$ 1,045,493	$ 854,203

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ 5,618,398	$ 5,932,024
Additional contributions received	658,284	367,078
Add amounts transferred from deferred contributions - expenses of future periods	390,684	–
Less amounts recognized as revenue	(709,544)	(680,704)
Balance, end of year	$ 5,957,822	$ 5,618,398

	Grants	Accumulated amortization	2018 Net book value	2017 Net book value
Land improvements	$ 921,626	$ 413,712	$ 507,914	$ 554,354
Buildings	9,032,996	5,241,756	3,791,240	3,562,071
Buildings service equipment	1,735,743	1,060,834	674,909	596,777
Furniture and equipment	2,230,625	1,246,866	983,759	905,196
	$ 13,920,990	$ 7,963,168	$ 5,957,822	$ 5,618,398

6. Related party transactions and balances:

During the year ended March 31, 2018, the Organization paid rent on eight community residences to St.Amant Foundation Inc. aggregating $110,904 (2017 - $110,904). In addition, the Organization paid rent to Sara Riel Foundation Inc., a corporation with the same Member as the Organization in the amount of $122,635 (2017 - $116,002) during the year ended March 31, 2018. The Organization charged St.Amant Foundation Inc. $87,829 (2017 - $86,816) for costs related to the parking lot during the year ended March 31, 2018 including $5,024 (2017 - $4,562) which was recorded in deferred contribution related to capital assets. The Organization also charged St.Amant Foundation Inc. $109,769 (2017 - $110,269) for administrative services provided by the Organization during the year ended March 31, 2018.

The following are contributions from St.Amant Foundation Inc. received or receivable for the fiscal year:

	2018	2017
Client services programs:		
Leisure Fund	$ 45,869	$ 18,170
Autism programs	8,376	34,327
River Road Place	15,648	23,993
St.Amant School and Developmental Services	3,940	4,716
Community Residence Program	14,361	36,434
Community Services	1,827	–
River Road Child Care	2,939	2,031
Clinical Services	12,035	15,778
Volunteer services	–	160
Education and technology	9,650	710
Research program	198,808	203,875
Case for Support	136,261	102,961
St.Amant Conference	10,165	4,725
Identified Priority Projects	267,519	122,172
	727,398	570,052
Capital projects and renovations	310,383	319,502
	$ 1,037,781	$ 889,554

Of these contributions, $310,383 (2017 - $319,502) have been recorded in deferred contributions related to capital assets and $267,519 (2017 - $122,172) in deferred contributions related to expenses of future periods during the year ended March 31, 2018.

The receivable from St.Amant Foundation Inc. of $921,724 (2017 - $869,149) at March 31, 2018, is non-interest bearing, has no specified terms of repayment and is unsecured.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Allocation of expenses:

The Organization has incurred $6,173,884 (2017 - $6,094,190) of administration expenses and $6,325,336 (2017 - $6,361,096) of facility expenses in fiscal 2018 that are common to the administration of the WRHA and Families programs. These expenses are reflected in the WRHA programs expenses in the statement of operations. The Organization has allocated $3,741,528 (2017 - $3,713,175) and $1,490,329 (2017 - $1,270,503) of administration and facility expenses to the Families programs, respectively. The aggregate of $5,231,857 (2017 - $4,983,678) allocated to the Families programs is recorded as a recovery in the WRHA programs and an expense in the Families programs within administration and facility cost allocation in the statement of operations.

8. Employee future benefits and employee benefits:

	2018	2017
Pre-retirement benefits plan	$ 3,055,992	$ 3,043,933
Accumulated non-vested sick leave benefits	1,977,552	1,691,470
	$ 5,033,544	$ 4,735,403

(a) Pre-retirement benefits plan:

The Organization maintains an employee future pre-retirement benefits plan primarily for the WRHA funded employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

Information about the Organization's pre-retirement benefits plan is as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	$ 3,043,933	$ 2,999,555
Current benefit cost	240,266	284,883
Interest	94,056	90,000
Benefits paid	(306,453)	(316,505)
	3,071,802	3,057,933
Amortized actuarial loss	(15,810)	(14,000)
Liability for benefits	$ 3,055,992	$ 3,043,933

8. Employee future benefits and employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from the WRHA, to include the incremental change in the related liability since fiscal 2007, which includes an interest component. The increase recorded in fiscal 2018 was $12,059 (2017 - $44,378) and is recorded in the statement of operations. Actual funding provided by WRHA for 2018 was 100.0 percent (2017 - 100.0 percent) of actual pre-retirement benefits paid during the year.

The employee future pre-retirement benefits recoverable from WRHA at March 31, 2018 aggregates $2,777,504 (2017 - $2,765,445) and has no specified terms of repayment.

(b) Healthcare Employees Pension Plan:

Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Organization is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Organization contributed $4,574,600 (2017 - $4,438,901) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2016, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. Contribution rates for the Organization remain unchanged from the previous year at 8.90 percent (2017 - 8.90 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.50 percent (2017 - 10.50 percent) on earnings in excess of the YMPE.

8. Employee future benefits and employee benefits (continued):

(c) Vacation benefits:

The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2018 is $4,204,771 (2017 - $4,082,385), The funding received in each subsequent fiscal year from the WRHA includes the vacation payable recoverable from the WRHA of $1,461,198 as included on the statement of financial position. The vacation pay recoverable from the WRHA is maintained at the employee vacation payable at March 31, 2004.

(d) Accumulated non-vested sick leave benefits:

The Organization provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amount are determined with reference to employee's final earnings at the time they are paid out. The significant assumptions adopted in measuring the Organization's accumulated non-vested sick leave benefits include a discount rate at March 31, 2018 of 3.43 percent (2017 - 3.10 percent) and a rate of salary increase of 3.50 percent (2017 - 3.50 percent).

A recoverable from the WRHA at March 31, 2018 of $1,217,348 (2017 - $1,108,688) has been recorded for the accumulated non-vested sick leave benefits in the statement of financial position. The recoverable has been adjusted, based on direction from the WRHA, for the incremental change in the accumulated non-vested sick leave benefits for employees funded by the WRHA. The increase of $108,660 (2017 - $87,377) for 2018 was recorded in the statement of operations.

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable and employee future benefits recoverable from WRHA. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

At March 31, 2018 and 2017, all accounts receivable were current, there were no amounts past due.

There have been no significant changes to the credit risk exposure from 2017.

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9. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2019.

The contractual maturity of debt is disclosed in note 4.

There have been no significant changes to the liquidity risk exposure from 2017.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its demand operating facility (note 4) as this facility bears interest at a floating interest rate. The Organization is also exposed to interest rate risk on its demand capital expenditure credit facility (note 4) as the loans revolve quarterly at a floating interest rate.

10. Trusts under administration:

At March 31, 2018, the balance of funds held in trust on behalf of the residents who reside at St.Amant Inc. was $443,687 (2017 - $459,297).

11. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year deficiency of revenue over expenses.

Financial Statements of

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./ L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Year ended March 31, 2018

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Member, St. Boniface General Hospital

To the Board of Directors, St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc.

We have audited the accompanying financial statements of St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc., which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. as at March 31, 2018, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 6, 2018

Winnipeg, Canada

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 114,825	$ 124,253
Accounts receivable (note 3)	14,878	16,241
Inventory (note 4)	117,223	126,206
Investments (note 5)	28,118	141,602
	275,044	408,302
Investments (note 5)	170,872	53,455
Capital assets (note 6)	17,414	28,237
	$ 463,330	$ 489,994
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 38,123	$ 54,987
Payable to St. Boniface General Hospital	17,738	18,358
Grants payable to St. Boniface General Hospital	7,886	7,287
	63,747	80,632
Net assets:		
Unrestricted	278,386	280,762
Invested in capital assets	17,414	28,237
Hospital Staff Development (note 7)	103,783	100,363
	399,583	409,362
Commitments (note 9)		
	$ 463,330	$ 489,994

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

Approved on behalf of the Board of Directors:

Original Document Signed

Original Document Signed

Date: June 6, 2018

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Gift Shop sales	$ 612,078	$ 620,170
Television and telephone rentals	69,501	75,959
Automated teller machine	24,285	36,242
Kiosk rentals	64,640	62,790
Commissions	31,932	33,713
Miscellaneous	4,267	4,271
Investment income	4,599	4,331
	811,302	837,476
Expenses:		
Gift Shop cost of goods sold	367,404	373,078
Salaries and benefits	192,861	180,923
Television and telephone rentals	51,230	51,088
General	35,058	36,450
Management services (note 8)	43,513	44,345
Amortization	10,823	10,405
	700,889	696,289
Excess of revenue over expenses, before grants	110,413	141,187
Grants (note 8)	120,192	128,620
Excess (deficiency) of revenue over expenses	$ (9,779)	$ 12,567

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIARE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

March 31, 2018	Invested in capital assets	Hospital Staff Development	Unrestricted	Total
Balance, beginning of year	$ 28,237	$ 100,363	$ 280,762	$ 409,362
Excess (deficiency) of revenue over expenses	(10,823)	3,420	(2,376)	(9,779)
Balance, end of year	$ 17,414	$ 103,783	$ 278,386	$ 399,583

March 31, 2017	Invested in capital assets	Hospital Staff Development	Unrestricted	Total
Balance, beginning of year	$ 33,080	$ 100,363	$ 263,352	$ 396,795
Excess (deficiency) of revenue over expenses	(10,405)	(5,000)	27,972	12,567
Capital assets acquired	5,562	-	(5,562)	-
Net asset transfers	-	5,000	(5,000)	-
Balance, end of year	$ 28,237	$ 100,363	$ 280,762	$ 409,362

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses	$ (9,779)	$ 12,567
Items not involving cash:		
Amortization of capital assets	10,823	10,405
Change in non-cash operating working capital:		
Accounts receivable	1,363	3,433
Inventory	8,983	(11,309)
Accounts payable	(16,864)	11,235
Payable to St. Boniface General Hospital	(620)	(13,455)
Grants payable to St. Boniface General Hospital	599	(2,484)
	(5,495)	10,392
Capital activites:		
Capital assets acquired	-	(5,562)
Investing activites:		
Change in investments, net	(3,933)	22,033
Net increase (decrease) in cash	(9,428)	26,863
Cash, beginning of year	124,253	97,390
Cash, end of year	$ 114,825	$ 124,253

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

1. Purpose of the organization:

The St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. (Auxiliary) is incorporated without share capital under the laws of Manitoba and is a registered charity under the Income Tax Act. Its mandate is to carry on activities to raise funds and to provide supporting services which complement the objectives and mission of the Auxiliary's Member, St. Boniface General Hospital (Hospital), and facilitate enhancement of patient care activities and services to staff. In the event of wind up or dissolution, the net assets shall be paid or transferred to the Hospital.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the PS 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Auxiliary follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably assured. Non-cash contributions are recorded at fair value on the date of contribution.

Investment income is comprised of interest income.

(b) Contributed services:

Volunteers are an integral part of carrying out the activities of the Auxiliary. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair market value.

(c) Grants:

Grants are expensed in the fiscal year for which they are approved.

(d) Inventory:

Inventory is stated at the lower of cost and net realizable value, with cost determined at average cost.

(e) Capital assets:

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value on the date of contribution.

Amortization of capital assets is provided on a straight line basis at rates estimated to amortize the assets over their useful lives. The amortization rates applicable to the various classes of assets are as follows:

Gift Shop and basement storage renovations	10 years
Furniture and equipment and POS system	5 years

2. Significant accounting policies (continued):

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Auxiliary determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Auxiliary expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

The preparation of the financial statements 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 year. Significant items subject to such estimates and assumptions include the carrying amounts of inventory and capital assets. Actual results could differ from those estimates.

(h) Change in accounting policies:

On April 1, 2017, the Auxiliary adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights. The adoption of these standards did not have a material impact on the financial statements.

3. Accounts receivable:

		2018		2017
Hospitality Network	$	6,846	$	5,860
Manitoba Lotteries		4,254		5,006
ATM		1,746		3,294
Interest receivable		2,032		2,081
		14,878		16,241
Less allowance for doubtful accounts		-		-
	$	14,878	$	16,241

4. Inventory:

		2018		2017
Gift Shop	$	114,405	$	124,210
Lottery		2,818		1,996
	$	117,223	$	126,206

5. Investments:

		2018		2017
Guaranteed investment certificates:				
La Caisse GIC, 2.00% maturing December 2018	$	28,118	$	-
La Caisse GIC, 2.05% maturing June 2019		54,552		53,455
La Caisse GIC, 1.90% maturing June 2020		58,160		56,909
La Caisse GIC, 2.50% maturing December 2020		58,160		56,908
Mutual Fund				
RBC Investment Savings		-		27,785
		198,990		195,057
Less: current portion		28,118		141,602
	$	170,872	$	53,455

6. Capital assets:

		Cost		Accumulated Amortization		Net Book Value 2018		Net Book Value 2017
Gift Shop Renovations	$	27,276	$	27,276	$	-	$	2,499
Basement Storage Renovation		19,969		15,809		4,160		6,158
Furniture and Equipment		49,233		42,919		6,314		8,257
POS System		21,916		14,976		6,940		11,323
	$	118,394	$	100,980	$	17,414	$	28,237

7. Hospital Staff Development net assets:

The Hospital Staff Development net assets consist of internally restricted net assets which represent funds that the Auxiliary has designated for scholarships and professional development of Hospital staff and volunteers. These net assets were established by the Board and must maintain a minimum capital component of $100,000. Allocations to this fund are based on the lesser of the interest income earned on cash and investments in the fiscal year or the excess of the revenue over expenses after grant expense. The Board of Directors may decide to modify the allocation in any given year. Staff development grants are charged to the Hospital Staff Development net assets.

8. Related party transactions:

St. Boniface General Hospital (Hospital):

The Auxiliary raises funds to assist in the care, comfort and welfare of Hospital patients. During the year, the Auxiliary granted $120,192 (2017 - $128,620) to the Hospital to be used for purposes agreed upon with the Hospital.

During the year, the Auxiliary purchased management and administrative services, under the terms of a shared services agreement, from the Hospital at a cost of $43,513 (2017 - $44,345).

The above transactions occurred in the ordinary course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Commitments:

The Auxiliary is committed in fiscal 2018/19 to grant the Hospital $100,000 towards the Enhanced Patient, Staff, and Physician Services Development Project (Atrium). The commitment is reviewed annually, with respect to future commitments. In addition the Auxiliary is committed to grant the Hospital $5,000 towards Hospital Staff Development.

10. Financial risks:

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Auxiliary is exposed to credit risk with respect to accounts receivable, cash and investments.

The Auxiliary assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Auxiliary at March 31, 2018 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts (note 3). The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations.

As at March 31, 2018 and 2017, no accounts receivable amounts are considered impaired.

The Auxiliary's investment policy limits the investments to guaranteed investment certificates. The policy's application is monitored by management and the Board.

There have been no significant changes to the credit risk exposure from 2017.

10. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Auxiliary will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Auxiliary manages its liquidity risk by monitoring its operating requirements. The Auxiliary prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2017.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Auxiliary's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

The Auxiliary's investments are exposed to the risk that the value of interest bearing investments will fluctuate due to changes in the level of market interest rates. To properly manage the Auxiliary's interest rate risk, appropriate guidelines on the weighting and duration for investments are set and monitored.

There has been no change to the risk exposure from 2017.

Financial Statements of

SALEM HOME INC.

March 31, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Salem Home Inc.

We have audited the accompanying financial statements of Salem Home Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Salem Home Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP.

Chartered Professional Accountants

May 28, 2018
Winnipeg, Manitoba

SALEM HOME INC.
Statement of Financial Position
March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and short term investments (Note 3)	**$ 1,260,308**	$ 961,550
Accounts receivable	**11,935**	22,554
Prepaid expenses	**20,350**	21,583
Due from Southern Health-Santé Sud (Note 4)		130,139
Vacation entitlement receivable (Note 5)	**379,275**	379,275
	1,671,868	1,515,101
PRE-RETIREMENT ENTITLEMENT (Note 5)	**757,923**	708,114
CAPITAL ASSETS (Note 6)	**7,119,605**	7,398,177
	$ 9,549,396	$ 9,621,392
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 481,097**	$ 488,403
Accrued vacation entitlement (Note 5)	**589,752**	610,703
Due to Southern Health-Santé Sud (Note 4)	**61,743**	
Residents' trust fund	**27,580**	27,345
Current portion of long-term debt (Note 8)	**58,967**	85,257
	1,219,139	1,211,708
PRE-RETIREMENT ENTITLEMENT (Note 5)	**757,923**	708,114
LONG-TERM DEBT (Note 8)	**392,591**	568,002
DEFERRED CONTRIBUTIONS EXPENSES OF FUTURE PERIODS (Note 7)	**23,098**	1,857
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	**6,110,313**	6,363,878
	8,503,064	8,853,559
NET ASSETS		
Invested in capital assets (Note 9)	**557,734**	381,040
Externally restricted (Note 10)	**12,070**	12,070
Unrestricted	**476,528**	374,723
	1,046,332	767,833
	$ 9,549,396	$ 9,621,392

APPROVED BY THE BOARD

Original Document Signed Director

Original Document Signed Director

SALEM HOME INC.
Statement of Operations
Year ended March 31, 2018

	2018	2017
REVENUE		
Southern Health-Santé Sud (Note 11)	**$ 9,551,196**	$ 9,649,779
Non-insured	**2,306,462**	2,235,053
Recoveries revenue	**84,542**	88,540
Donations and other revenue	**12,695**	10,562
Interest	**20,121**	8,129
Ancillary operations	**93,569**	115,489
Adult day care participant fees	**2,248**	8,432
Amortization of deferred contributions - expenses of future periods	**36,783**	38,109
Amortization of deferred contributions - capital assets	**421,284**	382,322
	12,528,900	12,536,415
EXPENSES		
Long term care - institutional based (Schedule 1)	**11,926,341**	11,978,130
Amortization	**433,629**	415,284
Rental properties (surplus) deficit (Schedule 2)	**(121,866)**	37,876
Medical remuneration and sessional fees	**12,297**	2,525
	12,250,401	12,433,815
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	**278,499**	102,600
AMORTIZATION OF DEFERRED CONTRIBUTION - EXPENSES OF FUTURE PERIODS	**-**	122,937
EXCESS OF REVENUE OVER EXPENSES	**$ 278,499**	$ 225,537

SALEM HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2018

	2018			
	Invested in Capital Assets	**Externally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**$ 381,040**	**$ 12,070**	**$ 374,723**	**$ 767,833**
Excess of revenue over expenses	**936**	**-**	**277,563**	**278,499**
Capital assets purchased with unrestricted funds	**-**	**-**	**-**	**-**
Debt repaid with unrestricted funds	**175,758**	**-**	**(175,758)**	**-**
Balance, end of year	**$ 557,734**	**$ 12,070**	**$ 476,528**	**$ 1,046,332**

	2017			
	Invested in Capital Assets	Externally Restricted	Unrestricted	Total
Balance, beginning of year	$ 381,562	$ 12,070	$ 148,664	$ 542,296
Excess (deficiency) of revenue over expenses	(76,147)	-	301,684	225,537
Capital assets purchased with unrestricted funds	14,441	-	(14,441)	-
Debt repaid with unrestricted funds	61,184	-	(61,184)	-
Balance, end of year	$ 381,040	$ 12,070	$ 374,723	$ 767,833

SALEM HOME INC.
Statement of Cash Flows
Year ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 278,499**	$ 225,537
Items not affecting cash:		
Amortization	**435,554**	424,988
Loss on disposal of assets	**1,261**	76,480
Amortization of deferred contributions - expenses of future periods	**(36,783)**	(161,046)
Amortization of deferred contributions - capital assets	**(436,490)**	(425,321)
	242,041	140,638
Changes in non-cash operating working capital accounts:		
Accounts receivable	**10,619**	14,911
Prepaid expenses	**1,233**	9,315
Accounts payable and accrued liabilities	**(7,306)**	63,299
Accrued vacation entitlement	**(20,951)**	25,359
Residents' trust fund	**235**	(3,710)
Due to / from Southern Health-Santé Sud	**191,882**	180,856
	417,753	430,668
FINANCING ACTIVITIES		
Repayment of long-term debt	**(201,701)**	(84,223)
Deferred contributions received - expenses of future periods	**58,024**	39,265
Deferred contributions received - capital assets	**182,925**	351,128
	39,248	306,170
INVESTING ACTIVITY		
Cash received from insurance proceeds	**-**	-
Purchase of capital assets	**(158,243)**	(342,681)
	(158,243)	(342,681)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**298,758**	394,157
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**961,550**	567,393
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 1,260,308**	$ 961,550

1. NATURE OF BUSINESS

Salem Home Inc. (the "Facility") was incorporated under the Manitoba Corporations Act in 1956. The Facility is principally involved in providing long-term care and related services to residents of Winkler and the surrounding area, and specialized psycho-geriatric care to residents living within the area under the jurisdiction of Southern Health-Santé Sud ("SHSS"). As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Facility has elected to continue to provide the services to SHSS under a service purchase contract. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through SHSS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of a fiscal 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, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in externally restricted net assets and related revenue is recognized as revenue when earned.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) SHSS funding

Funding is provided by SHSS on an expense recovery basis for out-of-globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

A 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.

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

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

Buildings	2%
Computer and office equipment	25%
Equipment	10%

e) Pre-retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

3. CASH AND SHORT TERM INVESTMENTS

Guaranteed investment certificates are carried at cost, which approximates market value. The certificates have maturity dates between May 2018 and February 2019, and earn interest between 1.75% and 2.30% (2017 – between 1.75% and 1.90%).

4. DUE (TO) FROM SOUTHERN HEALTH-SANTÉ SUD

		2018		2017
Balance, beginning of year	$	**130,139**	$	310,995
Payment received		**(130,139)**		(321,852)
SHSS budget funding adjustment		**(28,642)**		169,574
Other miscellaneous funding adjustments		**-**		1,341
Out-of-globe adjustment		**(33,101)**		(29,919)
	$	**(61,743)**	$	130,139

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

		2018		2017
Vacation entitlement receivable	$	**379,275**	$	379,275
Pre-retirement entitlement receivable		**757,923**		708,114

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of $379,275 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2018 in the amount of $757,923 has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, SHSS has included in its ongoing annual funding to the Facility, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the Facility's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (3.10% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit / promotion scale with actuarial derived provisions for disability.

6. CAPITAL ASSETS

	2018			2017
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 377,681**	**$ -**	**$ 377,681**	$ 377,681
Buildings	**11,137,683**	**5,251,223**	**5,886,460**	6,104,251
Computer and office equipment	**292,186**	**292,186**	**-**	1,110
Equipment	**4,285,701**	**3,438,114**	**847,587**	907,258
Construction in Progress	**7,877**	**-**	**7,877**	7,877
	$ 16,101,128	**$ 8,981,523**	**$ 7,119,605**	$ 7,398,177

7. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	2018	2017
Expenses of future periods		
Balance, beginning of year	**$ 1,857**	$ 123,638
Add: additional contributions received	**58,024**	39,265
Less: amounts amortized to income	**(36,783)**	(161,046)
	$ 23,098	$ 1,857
Related to capital assets		
Balance, beginning of year	**$ 6,363,878**	$ 6,438,065
Add: additional contributions received	**182,925**	351,128
Less: amounts amortized to revenue	**(436,490)**	(425,315)
	$ 6,110,313	$ 6,363,878

8. LONG-TERM DEBT

		2018		2017
Mortgage payable in monthly installments of $505 including interest at prime, due 2025, secured by land and building and a promissory note in the amount of $76,500.	$	**17,360**	$	44,988
Mortgage payable in monthly installments of $650 including interest at prime, due 2022, secured by land and building.		**34,681**		41,334
Mortgage payable in monthly installments of $500 including interest at prime, due 2029, secured by land and building and a promissory note in the amount of $90,500.		**60,799**		64,907
Term loan payable in monthly installments of $2,390 including interest at prime, due 2018, secured by a promissory note in the amount of $18,000. Repaid during the year.		**-**		30,950
Mortgage payment in monthly installments of $498 including interest at prime, due 2018, secured by land and building and a promissory note in the amount of $85,000.		**1,023**		69,835
Mortgage payable in monthly installments of $668 including interest at prime, due 2018, secured by land and building and a promissory note in the amount of $114,000.		**83,672**		89,089
Mortgage payable in monthly installments of $690 including interest at prime, due 2028, secured by land and building and a promissory note in the amount of $117,733.		**93,400**		98,789
Mortgage payable in monthly installments of $335 including interest at prime, due 2028, secured by land and building and a promissory note in the amount of $57,267.		**5,223**		33,287
Mortgage payable in monthly installments of $3,028 including interest at 7.0%, due 2023		**155,400**		180,080
		451,558		653,259
Less: current portion		**(58,967)**		(85,257)
	$	**392,591**	$	568,002

8. LONG-TERM DEBT (continued)

Principal repayments on long-term debt in each of the next 5 years are estimated as follows:

2019	$	58,967
2020		59,668
2021		63,133
2022		54,376
2023		49,394

9. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	2018	2017
Capital Assets	**$ 7,119,605**	$ 7,398,177
Amounts financed by deferred contributions	**(6,110,313)**	(6,363,878)
Amounts financed by long-term debt	**(451,558)**	(653,259)
	$ 557,734	$ 381,040

b) *Changes in net assets invested in capital assets is calculated as follows:*

	2018	2017
Amortization of deferred contributions related to capital assets	**$ 436,490**	$ 425,321
Amortization of capital assets	**(435,554)**	(424,988)
Loss incurred on the write down of an asset	**(1,261)**	(76,480)
	(325)	(76,147)
Purchase of capital assets	**158,243**	342,681
Amounts funded by deferred contributions	**(182,925)**	(351,128)
Repayment of long-term debt	**201,701**	84,223
	177,019	75,776
	$ 176,694	$ (371)

10. RESTRICTIONS ON NET ASSETS

The externally restricted net assets are subject to externally imposed restrictions stipulating that a principal of $10,000 be maintained intact as a library fund. Accumulated investment income of $2,070 is restricted for use in the purchase of resource materials for the staff library at the Facility.

11. SOUTHERN HEALTH-SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

	2018	2017
Revenue per final budget	**$ 9,501,818**	$ 9,591,254
Amounts recorded as deferred contribution	**(4,700)**	(4,700)
Health spending account and maternity top-ups	**-**	1,395
Provincially funded debt	**(13,286)**	(13,286)
	9,483,832	9,574,663
Retroactive salary approvals	**100,466**	103,694
Current year's estimated out of globe amounts	**(33,102)**	(28,578)
Revenue for the year	**$ 9,551,196**	$ 9,649,779

Amounts recoverable or payable are based on SHSS funding policies on out-of-globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

12. RELATED PARTY

The Facility exercises significant influence over Salem Foundation Inc. by virtue of its ability to appoint two out of five members of the its Board of Directors. Salem Foundation Inc. was established to raise funds to support the programs of the Facility and assist individuals experiencing cognitive and/or physical dysfunctions of a chronic or long-term nature. Salem Foundation Inc. is incorporated under the Manitoba Corporations Act and is registered charity under the Income Tax Act.

13. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the “Plan”) which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based of the length of service and on the average of 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 benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants’ Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan’s investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $569,243 (2017 - $612,059) and are included in the statement of operations.

14. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

15. ECONOMIC DEPENDENCE

The Facility receives in excess of 76% (2017 – 76%) of its total revenue from Southern Health–Santé Sud and is economically dependent on SHSS for its continued operations.

SALEM HOME INC.
Statement of Expenses - Long-Term Care - Institutional Based
Year ended March 31, 2018

	2018	2017
Departmental expenses		
Adult day care	$ 19,920	$ 60,923
Administration	700,797	646,287
Food services	1,442,607	1,530,060
Housekeeping	546,354	581,958
Internal services education	125,877	117,591
Laundry and linen	313,697	329,980
Pastoral care	59,894	60,117
Personal care	5,923,735	5,898,429
Pharmacy	84,738	84,738
Plant maintenance	430,251	401,278
Plant operations	363,238	372,829
Pre-retirement benefits	91,745	92,000
Recreation	266,942	233,755
Resident food service	33,493	43,579
Social work	82,241	72,776
Behavioural treatment unit (Willow)	1,371,046	1,374,135
Undistributed out of globe expenses	44,569	47,624
Vending	2,011	2,221
Volunteer services	23,186	27,850
	$ 11,926,341	$ 11,978,130

SALEM HOME INC.
Supplemental Statement of Operations - Rental Properties
Year ended March 31, 2018

		2018		2017
REVENUE				
Rental and other income	$	**48,362**	$	50,370
Donations		**117,404**		-
Deferred contributions		**15,206**		42,999
		180,972		93,369
EXPENSES				
Natural gas		**1,091**		1,511
Electricity		**1,137**		2,135
Water		**14,244**		1,831
Building and grounds supplies		**-**		-
Insurance		**2,446**		140
Building maintenance		**15,193**		13,098
Mortgage interest		**12,161**		12,333
Municipal taxes		**10,909**		14,013
Amortization		**1,925**		9,704
Loss on disposal of building, net of deferred contributons		**-**		76,480
		59,106		131,245
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$**	**121,866**	$	(37,876)

SEVEN OAKS GENERAL HOSPITAL FOUNDATION INC. AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018 WERE NOT AVAILABLE AT THE TIME OF PRINTING

THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

Sexuality Education Resource Centre Manitoba, Inc.
Financial Statements
March 31, 2018

500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

Independent Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the accompanying financial statements of Sexuality Education Resource Centre Manitoba, Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 28, 2017

Chartered Professional Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash and short term deposits	$ 744,860	$ 1,111,017
Receivables (Note 3)	526,456	192,009
Prepaids	15,769	20,274
	1,287,085	1,323,300
Pre-retirement leave receivable from Winnipeg Regional Health Authority (Note 7)	39,257	56,189
Capital assets (Note 4)	98,689	83,692
	$ 1,425,031	$ 1,463,181
Liabilities		
Current		
Payables and accruals (Note 5)	$ 446,643	$ 404,181
Deferred revenue (Note 6)	482,326	460,312
	928,969	864,493
Pre-retirement leave (Note 7)	89,491	111,803
Deferred contributions related to capital assets (Note 8)	13,454	21,782
	1,031,914	998,078
Net Assets (Deficiency)		
Unrestricted	(23,755)	37,635
Donation Fund	248,257	258,853
Internally restricted	168,615	168,615
	393,117	465,103
	$ 1,425,031	$ 1,463,181

Commitments (Note 10)

Approved by the Board

Original Document Signed Director   Original Document Signed Director

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations

Year Ended March 31	2018	2017
Revenues (Page 12)	**$ 2,630,209**	$ 2,570,815
Expenditures (Page 12)	**2,707,575**	2,408,731
(Deficiency) excess of revenues over expenditures from operations	**(77,366)**	162,084
Pre-retirement leave (Note 7)	**5,380**	(2,245)
(Deficiency) excess of revenues over expenditures	**$ (71,986)**	$ 159,839

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Net Assets
Years Ended March 31

	Unrestricted	Donation Fund	Internally Restricted	**2018**	2017
Net assets, beginning of year	$ 37,635	$ 258,853	$ 168,615	**$ 465,103**	$ 305,264
(Deficiency) excess of revenues over expenditures	(71,986)	-	-	**(71,986)**	159,839
Transfers (Note 9)	10,596	(10,596)	-	**-**	-
Net assets (deficiency), end of year	$ (23,755)	$ 248,257	$ 168,615	**$ 393,117**	$ 465,103

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31	**2018**	2017
Cash flows from operating activities		
Cash received from:		
Winnipeg Regional Health Authority	**$ 1,212,102**	$ 1,070,614
Northern Manitoba Regional Health Authority	**35,000**	35,000
Interlake Regional Health Authority	**29,000**	54,946
Province of Manitoba	**234,200**	234,700
Government of Canada	**352,575**	432,165
United Way	**132,061**	131,911
Foundations	**20,833**	51,700
Donations	**9,994**	262,155
Interest	**10,780**	8,630
Other sources	**288,132**	408,061
Cash paid for:		
Human resources and benefits	**(1,939,649)**	(1,724,656)
Materials and services	**(712,437)**	(666,942)
Interest	**(739)**	(332)
Net cash generated from operating activities	**(328,148)**	297,952
Cash flows used in financing and investing activities		
Purchase of capital assets	**(38,009)**	(3,911)
Net decrease (increase) in cash	**(366,157)**	294,041
Cash and short term deposits, beginning of year	**1,111,017**	816,976
Cash and short term deposits, end of year	**$ 744,860**	$ 1,111,017

See accompanying notes to the financial statements.

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. (the Organization) is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The Organization is an incorporated not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The Unrestricted Fund reports all revenues and expenses related to program delivery and administrative activities. The Unrestricted Fund reports the assets, liabilities, revenues and expenses related to the Organization's activities.

The Internally Restricted Fund represents funds designated by the Board of Directors for the purpose of website development and future operations.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, consisting of grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at annual rates estimated to write off the assets over their estimated useful lives as follows:

Computers	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	Over the life of the lease

2. Summary of significant accounting policies - continued

d) Allocation of expenses

The Organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

e) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.2% (2017 - 3.0%), a rate of salary increase of 3.5% (2017 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market, or price risks arising from its financial instruments.

3. Receivables

	2018	2017
Receivable from Winnipeg Regional Health Authority	**$ 16,302**	$ 93,020
Grants receivable	**395,692**	67,957
GST receivable	**11,685**	8,873
Other receivables	**102,777**	22,159
	$ 526,456	$ 192,009

4. Capital assets

	Cost	Accumulated Amortization	2018 Net Book Value
Winnipeg			
Computers	**$ 68,636**	**$ 28,009**	**$ 40,627**
Furniture and equipment	**132,941**	**92,691**	**40,250**
Leasehold improvements	**13,010**	**5,519**	**7,491**
Brandon			
Computers	**11,085**	**10,779**	**306**
Furniture and equipment	**9,901**	**6,090**	**3,811**
Leasehold improvements	**18,612**	**12,408**	**6,204**
	$ 254,185	**$ 155,496**	**$ 98,689**

	Cost	Accumulated Amortization	2017 Net Book Value
Winnipeg			
Computers	$ 79,875	$ 50,679	$ 29,196
Furniture and equipment	114,399	82,628	31,771
Leasehold improvements	13,010	4,651	8,359
Brandon			
Computers	11,085	10,702	383
Furniture and equipment	9,195	5,138	4,057
Leasehold improvements	18,612	8,686	9,926
	$ 246,176	$ 162,484	$ 83,692

5. Payables and accruals

	2018	2017
Vacation pay and salary accrual	**$ 192,686**	$ 185,809
Trade	**253,957**	218,372
	$ 446,643	$ 404,181

6. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	2018	2017
Balance, beginning of year	**$ 460,312**	$ 269,596
Less amount recognized as revenue in the year	**(38,457)**	(57,483)
Add amount received related to the following year	**60,471**	248,199
Balance, end of year	**$ 482,326**	$ 460,312

7. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	2018	2017
Opening balance	**$ 111,803**	$ 100,000
(Decrease) increase in obligation	**(22,312)**	11,803
	$ 89,491	$ 111,803
Pre-retirement leave		
Current year retirement benefits paid	**$ (15,230)**	$ -
Current year recovery	**15,230**	-
Decrease (increase) in obligation	**22,312**	(11,803)
(Decrease) increase in receivable	**(16,932)**	9,558
	$ 5,380	$ (2,245)

8. Deferred contributions related to capital assets

Deferred contributions related to property and equipment represent grants and contributions for computers, furniture and equipment and leasehold improvements. Deferred contributions are amortized on the schedule of operations. Amortization was provided in the current year for $8,328 (2017 - $5,351).

Included in deferred contributions related to capital assets is $7,775 (2017 - $14,684) from the WRHA.

9. Transfers

During the year, a transfer was made of $(10,596) (2017 - $258,853) from unrestricted net assets to the Donation Fund.

10. Lease commitments

The Organization leases office space at Unit C, 1700 Pacific Avenue in Brandon, Manitoba. The lease is for five years and expires November 30, 2019. The annual rental lease payment is $19,200.

The Organization leases office space at Suite 109, 55 Selkirk Avenue in Thompson, Manitoba. The lease is for two years and expires March 31, 2019. The annual rental lease payment is $5,720.

The Organization leases office space at 226 Osborne Street North in Winnipeg, Manitoba. The lease is for fifteen years and expires August 31, 2024. The annual rental lease payment is $40,000, with annual increases of $3,200.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the 226 Osborne Street North lease starting in year two of the lease term in the amount of approximately $4,000 per year, to be increased by 2% annually.

11. Pension

Effective January 1, 2008, the Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the Plan). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $124,612 (2017 - $132,148) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

12. Contingent liability

During fiscal 2018, all non-devolved Winnipeg Health Region facilities were issued a remittance statement from HEB Manitoba in reference to pension contribution shortfalls due from each organization. The Organization was instructed by WRHA not to pay the amount requested per the correspondence from HEB Manitoba. The liability is currently being contested, both in terms of the amount due and who is ultimately responsible for the error.

As the amount of the liability cannot be reasonably determined at this time, no liability was recorded in the financial statements.

13. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Operations
Year Ended March 31

	General Operations	KIA	Our Daughters	OFTA	Manitoba Harm Reduction Network (previously The 595 Prevention Team)	2018 Total	2017 Total
Revenues							
Grants							
Winnipeg Regional Health Authority							
Fixed payments	$ 1,084,442	$ -	$ -	$ -	$ 32,009	$ 1,116,451	$ 1,096,774
Capital grant (Note 8)	6,909	-	-	-	-	6,909	1,358
Government of Canada							
Health Canada	-	116,994	-	-	228,690	345,684	257,067
Canadian Institutes of Health Research	7,719	-	-	-	127,844	135,563	4,542
Canadian Immigration Citizenship	-	-	-	111,866	-	111,866	103,902
First Nations and Inuit Health	-	-	-	-	95,416	95,416	99,770
Province of Manitoba							
Children and Youth Opportunities	-	-	-	-	40,200	40,200	40,200
Health, Seniors and Active Living	99,000	-	45,000	-	50,000	194,000	194,500
United Way							
Winnipeg	120,481	-	-	-	-	120,481	122,904
Brandon	13,000	-	-	-	-	13,000	13,000
Canadian Women's Foundation	42,676	-	-	-	-	42,676	39,781
Interlake Regional Health Authority	-	-	-	-	29,000	29,000	54,946
Northern Manitoba Regional Health Authority	-	-	-	-	35,000	35,000	35,000
Donations	9,994	-	-	-	-	9,994	262,155
Interest	10,780	-	-	-	-	10,780	8,630
Administrative fee recoveries and other	217,724	-	75	-	105,390	323,189	236,286
Total revenues	1,612,725	116,994	45,075	111,866	743,549	2,630,209	2,570,815
Expenditures							
Salaries	957,416	86,395	29,199	72,246	387,571	1,532,827	1,375,839
Contract fees	34,999	3,880	8,475	4,535	25,326	77,215	42,800
Honoraria	3,803	6,410	180	-	24,135	34,528	32,301
Benefits (Note 11)	182,994	14,397	6,038	13,461	69,837	286,727	295,897
Amortization	18,985	-	-	-	-	18,985	20,942
Bank charges and interest	418	-	-	-	321	739	332
Evaluation	100	-	-	-	14,642	14,742	5,271
Insurance	2,867	-	-	-	1,774	4,641	4,475
Membership and dues	5,987	-	-	-	-	5,987	400
Office supplies and services	103,827	817	385	284	24,197	129,510	37,949
Postage and delivery	1,533	-	-	-	456	1,989	1,808
Professional development	9,021	-	-	-	5,140	14,161	3,145
Professional fees	9,411	-	-	-	882	10,293	10,543
Program costs	111,587	3,424	5,015	20,740	91,516	232,282	244,971
Promotion	10,047	-	-	-	-	10,047	8,697
Occupancy	153,611	650	-	-	20,577	174,838	169,540
Other	3,260	-	-	-	-	3,260	3,623
Repairs and maintenance	37,240	1,000	-	-	1,863	40,103	49,301
Travel	22,127	21	521	-	60,530	83,199	72,173
Telephone	14,998	-	-	600	11,921	27,519	26,989
Website	1,122	-	-	-	2,861	3,983	1,735
Total expenditures	1,685,353	116,994	49,813	111,866	743,549	2,707,575	2,408,731
(Deficiency) excess of revenues over expenditures	$ (72,628)	$ -	$ (4,738)	$ -	$ -	$ (77,366)	$ 162,084

See accompanying notes to the financial statements.

SOUTHEAST PERSONAL CARE HOME INC.

Financial Statements
For the year ended March 31, 2018

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www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of SOUTHEAST PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **SOUTHEAST PERSONAL CARE HOME INC.**, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **SOUTHEAST PERSONAL CARE HOME INC.** as at March 31, 2018, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 5, 2018

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2018	2017
Assets		
Current Assets		
Cash and bank	$ **450,377**	$ 1,135,839
Short-term investment (Note 4)	**2,352,684**	2,511,014
Accounts receivable (Note 2)	**189,038**	203,439
Prepaid expenses	**7,632**	16,690
	2,999,731	3,866,982
Retirement obligations receivable (Note 5)	**165,748**	131,102
Capital assets (Note 6)	**18,625,570**	19,147,790
Long-term investment (Note 4)	**3,172,317**	1,044,605
	$ 24,963,366	$ 24,190,479
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued charges (Note 7)	$ **416,920**	$ 425,733
Due to Winnipeg Regional Health Authority (Note 3)	**5,437,701**	4,818,040
Resident deposits	**21,922**	9,741
Accrued vacation entitlements	**241,295**	232,070
	6,117,838	5,485,584
Accrued retirement obligations (Note 5)	**165,748**	131,102
Deferred Contributions (Note 8)		
Expenses of future periods	**23,479**	18,832
Capital assets	**16,509,191**	17,031,411
	22,816,256	22,666,929
Commitments and contingencies (Note 10)		
Net Assets		
Invested in capital assets	**2,116,379**	2,116,379
Unrestricted	**30,731**	(592,829)
	2,147,110	1,523,550
	$ 24,963,366	$ 24,190,479

Approved on behalf of the Board:

Original Document Signed Director

Original Document Signed Director

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

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Winnipeg Regional Health Authority	$ 4,824,699	$ 4,828,316
Residential charges	1,164,180	1,152,504
Aboriginal Affairs and Northern Development Canada	1,364,244	936,080
Deferred contributions recognized for amortization	539,415	581,308
Other Income	21,457	21,236
Interest income	74,120	44,114
	7,988,115	7,563,558
Expenditures		
Administration	444,194	443,480
Amortization	539,415	581,308
Bad debt expense	14	-
Housekeeping	215,069	222,869
Laundry and linen	132,785	137,753
Nursing	3,922,689	3,893,756
Nutrition and food services	746,323	749,725
Plant operation	188,010	159,153
Pre-retirement obligations	34,646	33,000
Recreation	117,245	131,184
Social work	48,776	47,365
Staff development	20,455	18,311
Utilities, taxes and insurance	335,273	353,381
	6,744,894	6,771,285
Excess of revenue over expenditures before other item	1,243,221	792,273
Other Item		
2017/18 WRHA surplus recovery	(681,849)	(926,216)
Excess (deficiency) of revenue over expenditures on current year operations	561,372	(133,943)
2015/16 WRHA deficit recovery	-	278,296
2011/12 and 2012/13 WRHA funding adjustment	62,188	-
Excess of revenue over expenditures for the year	$ 623,560	$ 144,353

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

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ 2,116,379	$ (592,829)	$ 1,523,550	$ 1,379,197
Excess of revenue over expenditures for the year	-	623,560	623,560	144,353
Balance, end of year	$ 2,116,379	$ 30,731	$ 2,147,110	$ 1,523,550

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

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 623,560	$ 144,353
Items not involving cash		
Amortization of capital assets	539,415	581,308
Amortization of deferred contributions	(539,415)	(581,308)
	623,560	144,353
Changes in non-cash working capital:		
Accounts receivable	14,401	181,802
Due to WRHA	619,661	647,867
Prepaid expenses	9,058	(7,701)
Retirement obligations receivable	(34,646)	(33,000)
Accounts payable and accrued liabilities	(8,813)	7,519
Resident deposits	12,181	(684)
Accrued retirement obligations	34,646	33,000
Accrued vacation entitlements	9,225	18,356
	655,713	847,159
	1,279,273	991,512
Cash Flows from Financing Activities		
Receipt of deferred contributions related to capital assets	17,195	36,658
Receipt of deferred contributions related to expenses of future periods	4,647	18,832
	21,842	55,490
Cash Flows from Investing Activities		
Purchase of capital assets	(17,195)	(43,087)
Increase in investments	(1,969,382)	(470,068)
	(1,986,577)	(513,155)
Net increase (decrease) in cash and cash equivalents	(685,462)	533,847
Cash and cash equivalents, beginning of year	1,135,839	601,992
Cash and cash equivalents, end of year	$ 450,377	$ 1,135,839

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

For the year ended March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

The Southeast Personal Care Home Inc. ("the Organization") was incorporated under the Manitoba Corporations Act in 2009. The Organization is principally involved in providing long-term care and related services to Aboriginal people.

The Organization has been established as a not-for-profit Organization, incorporated without share capital and as such is exempt from income taxes.

Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Land improvements	10 years
Equipment	5 years
Computers	3 years

Employee Future Benefits

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

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization is funded primarily by the Province of Manitoba, through the Winnipeg Regional Health Authority (WRHA). 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Organization's accounts. Any adjustments will be reflected in the year the final statement of approved costs is received from the WRHA.

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenditures in accordance with the WRHA funding guidelines. The Organization is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to the greater of: a) 50% of the operating surplus and b) 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Organization. After the WRHA reviews the financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Residential charges are recognized as revenue in the period services are rendered. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

	2018	2017
Residential charges receivable	$ 64,417	$ 45,956
GST receivable	4,638	4,376
Winnipeg Regional Health Authority	63,074	83,069
Accrued interest receivable	29,445	24,707
Other receivables	37,820	55,687
Allowance for doubtful accounts	(10,356)	(10,356)
	$ 189,038	$ 203,439

3. Due to Winnipeg Regional Health Authority

Any operating surplus related to Out of Globe funding arrangement or operating surpluses greater than: a) 50% of the operating surplus and b) 2% of net in-globe costs for the year is repayable to the WRHA. Those surpluses that are retained by the Organization are subject to review by the WRHA.

	2018	2017
2017/2018 funding adjustment	$ (681,849)	$ -
2016/2017 funding adjustment	(926,216)	(926,216)
2015/2016 funding adjustment	(706,375)	(706,375)
2014/2015 funding adjustment	(1,010,998)	(1,010,998)
2013/2014 funding adjustment	(1,104,268)	(1,104,268)
2011/2012 and 2012/2013 funding adjustment	(1,007,995)	(1,070,183)
	$ (5,437,701)	$ (4,818,040)

The Organization is pursuing a settlement of the liability with the WRHA. At the time of approval of these financial statements, the outcome of the settlement is not determinable. Adjustments, if any, will be charged to operations in the year of settlement.

4. Investments

Long-term investment certificates at the First Nations Bank with interest rate between 1.5% and 2.7% with maturity dates between May 10, 2018 and March 25, 2021.

	2018	2017
Investments	**$ 5,525,001**	$ 3,555,619
Less amounts reclassified to short-term	**(2,352,684)**	(2,511,014)
Long-term investment	**$ 3,172,317**	$ 1,044,605

5. Employee Future Benefits

(a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the organization are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the Group Pension Plan. Southeast's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Organization undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (3.0% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit/promotion scale with a provision for potential disability.

5. Employee Future Benefits (continued)

The Province has included in its ongoing annual funding to the Organization, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

	2018	2017
Employee future benefits recoverable from Winnipeg Regional Health Authority	**$ 165,748**	$ 131,102

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

	2018	2017
Balance, beginning of year	**$ 131,102**	$ 98,102
Net increase in pre-retirement entitlements	**34,646**	33,000
Balance, end of year	**$ 165,748**	$ 131,102

(b) Pension Plan

Substantially all of the employees of the Organization are members of the Healthcare Employees Benefits Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2016, indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to $302,824 ($295,602 in 2017) and are included in the statement of operations.

6. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 2,181,716**	**$ -**	$ 2,181,716	$ -
Land improvements	**50,629**	**(13,454)**	38,113	(9,528)
Buildings	**19,567,730**	**(3,173,303)**	19,567,730	(2,684,109)
Equipment	**890,490**	**(890,490)**	890,490	(849,916)
Computers	**145,532**	**(133,280)**	140,852	(127,558)
	$ 22,836,097	**$ (4,210,527)**	$ 22,818,901	$ (3,671,111)
Net book value		**$ 18,625,570**		$ 19,147,790

7. Accounts Payable

	2018	2017
Trade accounts payable	**$ 33,293**	$ 30,519
Salaries and employee benefits payable	**354,615**	363,819
Accrued liabilities	**29,012**	31,395
	$ 416,920	$ 425,733

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for special projects.

	2018	2017
Balance, beginning of year	$ 18,832	$ -
Add amount received during the year	4,647	18,832
Balance, end of year	$ 23,479	$ 18,832

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	$ 17,031,411	$ 17,576,061
Additional contributions received - WRHA	17,195	36,658
Less amounts amortized to revenue	(539,415)	(581,308)
Balance, end of year	$ 16,509,191	$ 17,031,411

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 18,625,570	$ 19,147,790
Amounts financed by		
Deferred contributions	(16,509,191)	(17,031,411)
	$ 2,116,379	$ 2,116,379

B. Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Excess of revenues over expenses		
Deferred contributions recognized for amortization	$ 539,415	$ 581,308
Amortization of capital assets	(539,415)	(581,308)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 17,195	$ 43,087
Amounts funded by:		
WRHA funding	(17,195)	(36,658)
	$ -	$ 6,429

10. Commitments and Contingencies

(a) The nature of the Organization's activities is such that there is usually litigation pending or in prospect at any time. There are no potential claims at March 31, 2018.

(b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

The Organization is a named insured under the policy with HIROC.

(c) During the 2017/18 fiscal year, the Organization was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Organization and HEB have not accurately determined the amount due from the Organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

11. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform to the current year's financial statement presentation.

12. Financial Instrument Risk

The Organization is exposed to different types of risk in the normal course of operations. The Organization'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 Organization's activities. The following analysis provides a measurement of those risks.

Credit Risk

Credit risk is the risk that the Organization will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments which potentially subject the Organization to credit risk consist principally of accounts receivable.

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

	2018	2017
Residential charges receivable	$ **64,417**	$ 45,956
GST receivable	**4,638**	4,376
Winnipeg Regional Health Authority	**63,074**	83,069
Accrued interest receivable	**29,445**	24,707
Other receivables	**37,820**	55,687
Retirement obligations receivable	**165,748**	131,102
	$ **365,142**	$ 344,897

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

Winnipeg Regional Health Authority and retirement obligations receivable: The Organization is not exposed to significant credit risk as these receivables are from the Province of Manitoba and WRHA.

Aboriginal Affairs and Northern Development Canada: The Organization is not exposed to significant credit risk as these receivables are from the federal government.

12. Financial Instrument Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to significant interest rate risk, as its cash in bank is held in short-term products.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirement, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or maybe be unable to settle or recover a financial asset. Liquidity risk arises from demand loans.

Financial Statements of

TABOR HOME INC.

March 31, 2018

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

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Independent Auditor's Report

To the Board of Directors of Tabor Home Inc.

We have audited the accompanying financial statements of Tabor Home Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Tabor Home Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
May 23, 2018
Winnipeg, Manitoba

TABOR HOME INC.
Statement of Financial Position
March 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash and short term investments	$	**1,044,615**	$	1,741,103
Accounts receivable		**56,484**		3,906
Prepaid expenses		**3,503**		13,034
Due from Southern Health-Santé Sud (Note 4)		**527,394**		-
Vacation entitlement receivable (Note 5)		**190,579**		190,579
		1,822,575		1,948,622
PRE-RETIREMENT ENTITLEMENT (Note 5)		**391,532**		379,927
CAPITAL ASSETS (Note 6)		**508,727**		1,113,239
LAND HELD FOR SALE (Note 7)		**25,930**		25,930
	$	**2,748,764**	$	3,467,718
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**241,725**	$	215,079
Accrued vacation entitlement (Note 5)		**352,652**		295,778
Due to Southern Health-Santé Sud (Note 4)		**-**		136,796
Residents' trust fund		**14,480**		13,308
Current portion of mortgage payable (Note 8)		**-**		27,398
		608,857		688,359
PRE-RETIREMENT ENTITLEMENT (Note 5)		**391,532**		379,927
MORTAGE PAYABLE (Note 8)		**-**		53,471
DEFERRED CONTRIBUTIONS EXPENSES OF FUTURE PERIODS (Note 9)		**1,057,290**		993,682
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)		**129,039**		869,912
		2,186,718		2,985,351
NET ASSETS				
Invested in capital assets (Note 10)		**405,618**		188,388
Unrestricted		**156,428**		293,979
		562,046		482,367
	$	**2,748,764**	$	3,467,718

APPROVED BY THE BOARD

Original Document Signed .... Director

Original Document Signed .... Director

TABOR HOME INC.
Statement of Operations
Year ended March 31, 2018

	2018	2017
REVENUE		
Southern Health-Santé Sud (Note 11)	**$ 5,150,243**	$ 4,029,644
Non-insured	**1,007,359**	988,857
Miscellaneous income	**76,545**	56,751
Amortization of deferred contributions - expenses of future periods	**196**	-
Amortization of deferred contributions - capital assets	**117,751**	167,327
	6,352,094	5,242,579
EXPENSES		
Long term care - institutional based (Schedule 1)	**5,971,952**	4,825,062
Long term care - adult day care (Schedule 2)	**104,460**	103,173
Amortization	**117,751**	167,327
Pre-retirement benefit	**41,191**	40,000
Pharmacy capitation	**37,061**	35,064
	6,272,415	5,170,626
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	**79,679**	71,953
AMORTIZATION OF DEFERRED CONTRIBUTIONS - EXPENSES OF FUTURE PERIODS	**-**	138,470
GAIN ON DISPOSAL OF OLD TABOR HOME, NET OF DEFERRED CONTRIBUTONS (Note 16)	**298,533**	-
DONATION TO THE TABOR FOUNDATION (Note 16)	**(298,533)**	-
	-	138,470
EXCESS OF REVENUE OVER EXPENSES	**$ 79,679**	$ 210,423

TABOR HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2018

	2018		
	Invested in Capital Assets	**Unrestricted**	**Total**
Balance, beginning of year	**$ 188,388**	**$ 293,979**	**$ 482,367**
Excess of revenue over expenses	**-**	**79,679**	**79,679**
Interfund transfer	**217,230**	**(217,230)**	**-**
Balance, end of year	**$ 405,618**	**$ 156,428**	**$ 562,046**

	2017		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 142,634	$ 129,310	$ 271,944
Excess of revenue over expenses	-	210,423	210,423
Interfund transfer	45,754	(45,754)	-
Balance, end of year	$ 188,388	$ 293,979	$ 482,367

TABOR HOME INC.
Statement of Cash Flows
Year ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 79,679	$ 210,423
Items not affecting cash:		
Gain on sale of fixed assets	(298,533)	-
Amortization	117,751	167,327
Amortization of deferred contributions - expenses of future periods	196	-
Amortization of deferred contributions - capital assets	(117,751)	(167,327)
	(218,658)	210,423
Changes in non-cash working capital accounts:		
Accounts receivable	(52,578)	8,522
Prepaid expenses	11,889	381
Accounts payable and accrued liabilities	26,646	24,304
Accrued vacation entitlement	56,874	18,837
Residents' trust fund	1,172	3,064
Due from/to Southern Health-Santé Sud	(664,190)	261,692
	(838,845)	527,223
FINANCING ACTIVITIES		
Deferred contributions received - expenses of future periods	112,201	578,055
Deferred contributions received - capital assets	27,683	60,607
Repayment of mortgage	(80,869)	(25,874)
	59,015	612,788
INVESTING ACTIVITIES		
Purchase of capital assets	(329,776)	(64,534)
Investment in asset held for sale	-	(15,953)
Proceeds on the sale of asset held for sale	413,118	-
	83,342	(80,487)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(696,488)	1,059,524
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	1,741,103	681,579
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 1,044,615	$ 1,741,103

1. NATURE OF BUSINESS

Tabor Home Inc. (the “Facility”) was incorporated under the Manitoba Corporations Act in 1952. The Facility is principally involved in providing long-term care and related services to residents of Morden and the surrounding area. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Facility has elected to continue to provide the services to Southern Health–Santé Sud (“SHSS”) under a service purchase contract. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operations of the personal care home division of Tabor Home Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Housing Units and Apartments Division).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through SHSS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the fiscal year 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, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in externally restricted net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

b) SHSS Funding

Funding is provided by SHSS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

A 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.

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

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

Buildings	2.5%
Equipment	10%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Pre-retirement entitlement obligation*

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

4. DUE FROM (TO) SOUTHERN HEALTH–SANTÉ SUD

	2018	2017
Balance, beginning of year	**$ (136,796)**	$ 124,896
Payments received	**166,382**	(143,471)
RHA budget adjustment	**480,501**	(137,041)
Out of Globe adjustment	**(5,686)**	(9,136)
CUPE and HUB increases	**(32,918)**	28,475
New project expenses	**55,911**	(519)
	$ 527,394	$ (136,796)

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	2018	2017
Vacation entitlement receivable	**$ 190,579**	$ 190,579
Pre-retirement entitlement receivable	**$ 391,532**	$ 379,927

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of $190,579 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2018 in the amount of $391,532 has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, SHSS has included in its ongoing annual funding to the Facility, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the Facility's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.425% (3.10% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit / promotion scale with actuarial derived provisions for disability.

6. CAPITAL ASSETS

	2018 Cost	2018 Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Land and land improvement	$ 78,542	$ -	$ 78,542	$ 106,434
Buildings	-	-	-	294,644
Equipment	172,434	59,755	112,679	689,097
Leasehold improvements	16,533	172	16,361	-
Construction in progress	301,145	-	301,145	23,064
	$ 568,654	$ 59,927	$ 508,727	$ 1,113,239

7. ASSET HELD FOR SALE

	2018	2017
Land held for sale	$ 25,930	$ 25,930

8. MORTGAGE PAYABLE

	2018	2017
CMHC loan	$ -	$ 80,869
Less: current portion	-	(27,398)
	$ -	$ 53,471

The CMHC loan was repaid in full during the year.

9. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	2018	2017
Expenses of future periods		
Balance, beginning of year	**$ 993,682**	$ 415,627
Add: additional contributions received	**112,201**	716,525
Less: transfer to deferred contributions - capital assets	**(48,397)**	-
Less: amounts amortized to revenue	**(196)**	(138,470)
	$ 1,057,290	$ 993,682
Related to capital assets		
Balance, beginning of year	**$ 869,912**	$ 976,632
Add: additional contributions received	**27,683**	60,607
Add: transfer from deferred contributions - expense of future periods	**48,397**	-
Less: amount recorded to gain on sale of assets (Note 16)	**(699,202)**	-
Less: amounts amortized to revenue	**(117,751)**	(167,327)
	$ 129,039	$ 869,912

10. NET ASSETS – INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	2018	2017
Capital assets	**$ 508,727**	$ 1,113,239
Asset held for sale	**25,930**	25,930
Amounts financed by deferred contributions	**(129,039)**	(869,912)
Amounts financed by mortgage payable	**-**	(80,869)
	$ 405,618	$ 188,388

b) *Changes in net assets invested in capital assets is calculated as follows:*

	2018	2017
Amortization of deferred contributions related to capital assets	**$ 117,751**	$ 167,327
Amortization of capital assets	**(117,751)**	(167,327)
Sale of assets, net of deferred contributions	**(117,335)**	
Self-funded mortgage payable	**53,186**	25,874
Amounts funded by deferred contributions	**-**	(60,607)
Transfer from deferred contributions - expenses of future periods	**(48,397)**	-
Capital asset purchases	**329,776**	80,487
	$ 217,230	$ 45,754

11. SOUTHERN HEALTH–SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

	2018	2017
Revenue per final budget	**$ 5,161,689**	$ 4,250,541
Deferred for major repairs	**(3,380)**	(3,380)
Provincially funded debt	**(27,684)**	(15,067)
	5,130,625	4,232,094
Other budget adjustments	**-**	(232,201)
Current year's estimated out of globe amounts	**-**	(23,772)
Retroactive salary approvals	**19,618**	53,523
Revenue for the year	**$ 5,150,243**	$ 4,029,644

Amounts recoverable or payable are based on SHSS funding policies on out of globe budget items for the fiscal year. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

12. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of 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 benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan's investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $86,672,000 (2015 - $ 91,185,000) as well as a solvency deficiency of $2,400,872,000 (2015 - $2,320,015,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $310,882 (2017 - $249,040) and are included in the statement of operations. The actuarial valuation for December 31, 2016 is not yet available.

13. ECONOMIC DEPENDENCE

The Facility receives approximately 81% (2017 – 77%) of its total revenue from SHSS and is economically dependent on SHSS for its continued operations.

14. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

15. FACILITY USE ARRANGEMENT

During the year Tabor Home Inc. entered into an arrangement with Southern Health-Santé Sud (SHSS) whereby a new facility constructed by SHSS was made available for use by Tabor Home Inc, replacing Tabor Home's legacy facility. Under the arrangement, SHSS retains ownership of the land and building and has provided Tabor Home the right to use the facility to operate a personal care home free of charge. The fair market value of the benefit received through this free rent arrangement has been netted against occupancy costs that would otherwise be incurred by the Tabor Home Inc.

16. DISPOSAL OF LEGACY FACILITY

In conjunction with the facility use agreement described in Note 15, Tabor Home Inc. sold its legacy facility and related equipment to a third party effective December 1, 2017 for proceeds, net of legal and real estate fees, of $413,118. Tabor Home Inc. reported a net gain of $298,533 as follows:

Net proceeds received	$	**413,118**
Deferred contributions recognized into income		**699,202**
Less: Net book value of assets sold		**(813,787)**
	$	**298,533**

Subsequent to the sale, Tabor Home Inc. donated the net proceeds from the transaction of $298,533 to the Tabor Home Foundation.

17. SUBSEQUENT EVENT

During the year, the Facility entered into a purchase and sale agreement to sell a parcel of land to third party. The sale has a possession and title transfer date of November 1, 2018.

18. COMPARATIVE FIGURES

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

TABOR HOME INC.
Statement of Expenses - Personal Care Home
Year ended March 31, 2018

	2018	2017
Departmental expenses		
Activities program	$ **119,314**	$ 135,171
Administration	**483,030**	341,200
Building maintenance	**278,762**	165,781
Building operation	**170,942**	157,647
Chaplain	**18,252**	18,838
Dietary	**686,567**	533,260
Housekeeping	**363,546**	217,618
In-service education	**97,417**	55,708
Laundry and linen	**170,887**	122,492
Mortgage interest (recovery)	**(343)**	6,442
New facility expenditures	**-**	207,487
Nursing services	**3,486,088**	2,802,722
Social work	**90,333**	54,390
Volunteer services	**7,157**	6,306
	$ **5,971,952**	$ 4,825,062

Schedule 2

TABOR HOME INC.
Statement of Expenses - Adult Day Care Program
Year ended March 31, 2018

	2018	2017
Program expenses		
Employer benefits contribution	**$ 15,370**	$ 13,798
Salaries	**84,519**	77,013
Travel	**4,571**	12,362
	$ 104,460	$ 103,173

THE CONVALESCENT HOME OF WINNIPEG
FINANCIAL STATEMENTS
MARCH 31, 2018

FORT GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the accompanying financial statements of **THE CONVALESCENT HOME OF WINNIPEG**, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Home's preparation and fair presentation of the financial statements 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 Home's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE CONVALESCENT HOME OF WINNIPEG** as at March 31, 2018 and results of operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 7, 2018

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF FINANCIAL POSITION
March 31, 2018

		2018	2017
ASSETS			
CURRENT			
Cash	$	**42,123**	16,927
Accounts receivable (note 3)		**50,619**	58,548
Due from Winnipeg Regional Health Authority (note 9)		**104,642**	-
Vacation entitlement receivable (note 4)		**171,526**	171,526
Prepaid expenses		**16,486**	15,589
		385,396	262,590
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 10)		**432,240**	423,206
RESTRICTED CASH AND INVESTMENTS (note 5)		**115,257**	110,409
CAPITAL ASSETS (note 6)		**1,889,562**	1,885,043
	$	**2,822,455**	2,681,248
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (note 8)	$	**372,929**	305,696
Resident trust payable		**9,001**	13,215
Accrued vacation payable (note 4)		**268,889**	276,500
Due to Winnipeg Regional Health Authority (note 9)		**-**	4,341
		650,819	599,752
COMMITMENTS AND CONTINGENCIES (note 11)			
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 10)		**375,817**	366,783
DEFERRED CONTRIBUTIONS, EXPENSES OF FUTURE PERIODS		**115,257**	110,409
DEFERRED CONTRIBUTIONS, CAPITAL ASSETS (note 12)		**1,248,119**	1,314,348
		2,390,012	2,391,292
NET ASSETS			
NET ASSETS (page 4)		**432,443**	289,956
	$	**2,822,455**	2,681,248

Approved on behalf of the Board

Original Document Signed
Director

Original Document Signed
Director

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF OPERATIONS

For the year ended March 31, 2018

		2018	2017
REVENUE			
Winnipeg Regional Health Authority	$	**4,316,098**	4,562,110
Resident charges		**1,646,741**	1,486,161
Offset income		**17,020**	18,210
Investment income		**343**	629
		5,980,202	6,067,110
EXPENSES			
Electricity		**48,270**	45,064
Health and education levy		**77,853**	82,955
Insurance		**23,472**	23,668
Interest		**19,308**	20,334
Medical remuneration		**14,656**	14,217
Medical supplies and equipment		**89,683**	82,648
Natural gas		**19,179**	23,053
Operational supplies and services		**171,127**	166,858
Other employee benefits		**699,999**	708,648
Other nursing expenses		**6,364**	14,982
Plant maintenance		**83,681**	100,583
Property taxes		**16,005**	16,380
Purchased services		**914,203**	887,063
Resident travel		**13,132**	12,947
Salaries		**3,602,843**	3,742,826
Water and waste		**42,984**	44,728
		5,842,759	5,986,954
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE OTHER ITEMS		**137,443**	80,156
OTHER ITEMS			
Amortization of deferred contributions		**86,747**	83,874
Amortization of capital assets		**(152,637)**	(169,628)
Change in retirement obligation		**(45,088)**	(83,644)
		(110,978)	(169,398)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$	**26,465**	(89,242)

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CHANGES IN NET ASSETS

March 31, 2018

		INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2018	TOTAL 2017
NET ASSETS (DEFICIT), as previously reported	$	472,714	(280,739)	191,975	305,703
Prior period adjustment (note 13)			97,981	97,981	73,486
NET ASSETS (DEFICIT), as restated	$	472,714	(182,758)	289,956	379,189
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		-	26,465	26,465	(89,242)
PRE-RETIREMENT REMEASUREMENT		-	(21,573)	(21,573)	9
TRANSFER		168,729	(31,134)	137,595	-
NET ASSETS (DEFICIT), end of year	$	641,443	(209,000)	432,443	289,956

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

		2018	2017
OPERATING ACTIVITIES			
Excess (deficiency) of revenue over expenses	$	26,465	(89,242)
Adjustments for			
Amortization of capital assets		152,637	169,628
Net increase in deferred contributions - capital assets		(66,229)	(149,783)
Net increase (decrease) in deferred contributions - expenses of future periods		4,848	(42,659)
Prior period adjustment (note 13)			73,486
		117,721	(38,570)
Changes in non-cash working capital balances			
Accounts receivable		7,929	5,036
Restricted cash and investments		(4,848)	(11,267)
Prepaid expenses		(897)	10,643
Pre-retirement entitlement receivable		(9,034)	(784)
Accounts payable and accrued liabilities		67,233	(100,282)
Resident trust payable		(4,214)	4,773
Accrued vacation payable		(7,611)	(37,947)
Accrued pre-retirement entitlement		9,034	783
		175,313	(167,615)
INVESTING ACTIVITIES			
Purchase of capital assets		(19,561)	(2,503)
Net (increase) decrease in investments			62,715
		(19,561)	60,212
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		(108,983)	375,131
Pre-retirement remeasurement		(21,573)	9
		(130,556)	375,140
NET INCREASE (DECREASE) IN CASH POSITION		25,196	267,737
CASH (BANK OVERDRAFT) POSITION, beginning of year		16,927	(250,810)
CASH (BANK OVERDRAFT) POSITION, end of year	$	42,123	16,927

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

1. ENTITY DEFINITION

The Convalescent Home of Winnipeg ("The Home") is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care. The Home 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.

The Board of Directors of The Home administers the Benefit Fund under a "Declaration of Trust" for all present and future Residents of The Home and to further the objects of The Home. These financial statements present the financial position and results of operations of The Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - The Benefit Fund ("The Benefit Fund"). The Benefit Fund is the recipient of gifts, devices or bequests of money and shall be administered for the benefit of all Residents with respect to financing purchases outside the normal scope of the regular operation of The Home as may be authorized by the Board of Directors.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require 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 income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Home's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Home's financial instruments consist of cash, accounts receivable, vacation entitlement receivable, short-term investments, pre-retirement entitlement receivable, restricted cash and investments, bank indebtedness, demand loan payable, accounts payable and accrued liabilities, Resident trust payable, accrued vacation payable, due to Winnipeg Regional Health Authority, callable debt, and accrued pre-retirement entitlement.

Transaction costs for the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home'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 Home's activities.

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

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

		2018	2017
Accounts receivable	$	**155,261**	54,207
Vacation entitlement receivable		**171,526**	171,526
Pre-retirement entitlement receivable		**432,240**	423,206
	$	**759,027**	648,939

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

Vacation entitlement receivable and pre-retirement entitlement receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the WRHA.

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 comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and The Home is not exposed to other price risk.

Capital Assets
Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to The Home's ability to provide services, its carrying amount is written down to its residual value.

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

Buildings	- 2%
Roof replacement	- 6.67%
Computer equipment	- 33%
Computer software	- 33%
Furniture - sun room	- 20%
Furniture and equipment	- 20%
Equipment - generator	- 2%

Major Repairs and Equipment Replacement Reserve
The Home has established a reserve to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Restricted Cash and Investments
Restricted cash and investment balances represent assets segregated for use for replacement reserves.

Revenue Recognition
The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, The Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

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

Employee Future Benefits
Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

3. ACCOUNTS RECEIVABLE

		2018	2017
Receivable from Residents	$	**30,124**	31,948
Other		**7,195**	17,687
GST receivable		**13,300**	8,913
	$	**50,619**	58,548

4. ACCRUED VACATION ENTITLEMENTS

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

5. RESTRICTED CASH AND INVESTMENTS

		2018	2017
Basic equipment reserve GIC	$	**88,879**	88,879
Major repair reserve GIC		**19,147**	15,307
Insurance deductible reserve GIC		**7,231**	6,223
	$	**115,257**	110,409

6. CAPITAL ASSETS

		2018		2017	
		Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$	**153,865**	**-**	16,269	-
Building		**2,956,709**	**1,346,231**	2,956,709	1,269,642
Computer equipment		**199,553**	**194,368**	192,514	188,457
Computer software		**55,313**	**55,313**	55,313	55,313
Furniture - sun room		**153,430**	**147,627**	146,176	144,906
Furniture and equipment		**1,234,516**	**1,120,285**	1,229,249	1,052,869
		4,753,386	**2,863,824**	4,596,230	2,711,187
Cost less accumulated amortization	$	**1,889,562**		1,885,043	

Amortization of capital assets for the year ended March 31, 2018 is $152,637 (2017 - $169,628).

7. BANK INDEBTEDNESS

The Home has a credit facility agreement with CIBC to a maximum limit of $350,000. The facility is secured by a general security agreement on all of The Home's assets. Interest on advances is paid monthly at bank prime plus 0.5%, with repayment due on demand. As at March 31, 2018 the Home was not utilizing its line of credit.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018	2017
Accounts payable - trade	$	**185,360**	153,483
Accrued property taxes		**4,123**	4,610
Accrued audit fees		**13,750**	13,750
Accrued salaries and other		**169,696**	133,853
	$	**372,929**	305,696

9. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2018	2017
Receivable from WRHA			
Pre-retirement leave	$	45,590	22,930
HEPP 1%			(8,120)
Constant care		840	840
Non-unionized salary increase - 2013/2014		24,540	24,540
Unionized salary increase - 2015/2016		5,858	5,858
Residential charges (non-global) - 2013/2014		20,354	20,354
Residential charges (non-global) - 2014/2015		14,222	14,222
Residential charges (non-global) - 2015/2016		92,227	92,227
Deficit funding - 2015/2016		90,000	90,000
20 Year Step Support - 2016/2017		8,047	8,047
Prof Tech - 2016/2017		-	8,647
Constant Care - 2016/2017		-	8,172
Employee benefits - 2016/2017		-	22,930
HEPP - COLA - 2016/2017		-	32,129
Health care spending account accrual- 2017/2018		10,212	-
HEPP - COLA - 2017/2018		32,129	-
20 Year Step Support - 2017/2018		8,047	-
Capital asset funding - 2017/2018		14,568	-
Residential charges (non-global) - 2017/2018		26,296	-
Maternity leave top-up - 2017/2018		5,063	-
Other		47,235	(6,531)
Total receivable from WRHA		445,228	336,245
Payable to WRHA			
Residential charges (non-global) - 2016/2017		118,070	118,070
Advances		222,516	222,516
Total payable to WRHA		340,586	340,586
Net due (to) from WRHA	$	104,642	(4,341)

10. EMPLOYEE FUTURE BENEFITS

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of The Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

a) has 10 years service and has reached the age of 55
b) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
c) retires at or after age 65
d) terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring The Home's accrued retirement entitlements include retirement, termination, and mortality rates, a discount rate of 3.25% (3.05% in 2017) and a rate of salary increase of 3.50% (3.50% in 2017) plus age related merit/promotion scale with a provision for disability.

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

Commencing in 2006/2007, The WRHA assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

Pension Plan

Substantially all of the employees of The Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the"Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Contributions to the Plan made during the year by The Home on behalf of its employees amounted to $297,491 (2017 - $294,336) and are included in the statement of operations.

11. COMMITMENTS AND CONTINGENCIES

a) The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2018, no litigation is in process. With respect to potential claims at March 31, 2018, management believes The Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on The Home's financial position.

b) On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2018.

12. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

		2018	2017
Balance, beginning of year	$	**1,314,348**	1,464,131
Prior period adjustment to opening balance (note 13)		**-**	(73,486)
Contributions - Winnipeg Regional Health Authority		**114,617**	91,416
Fire system upgrade advances		**(16,542)**	-
CMHC loan principal reductions		**(3,288)**	(9,570)
Emergency generator loan principal reductions		**(42,289)**	(42,289)
Window replacement loan principal reductions		**(16,620)**	(16,620)
Roof replacement loan principal reductions		**(15,360)**	(15,360)
Less amounts amortized to revenue (note 13)		**(86,747)**	(83,874)
Balance, end of year	$	**1,248,119**	1,314,348

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

		2018	2017
Reserve for basic equipment			
Balance, beginning of year	$	**88,879**	88,879
Contributions - Winnipeg Regional Health Authority		**14,700**	14,700
Expenses during the year		**(14,700)**	(14,700)
Balance, end of year		**88,879**	88,879
Reserve for major repairs			
Balance, beginning of year		**15,307**	58,974
Contributions - Winnipeg Regional Health Authority		**3,840**	3,840
Reserve adjustment			5,925
Expenses during the current year			(5,300)
Expenses of the prior year not previously applied against reserve			(48,132)
Balance, end of year		**19,147**	15,307
Reserve for insurance deductible			
Balance, beginning of year		**6,223**	5,215
Contributions - Winnipeg Regional Health Authority		**1,008**	1,008
Balance, end of year		**7,231**	6,223
Total deferred contributions - expenses of future periods	$	**115,257**	110,409

The debt that has been incorporated in deferred contributions includes the following:

		2018	2017
CIBC - emergency generator loan, payable in monthly instalments of $3,524 plus interest at prime plus 0.50%, callable on demand	$	**104,513**	146,802
Canada Mortgage and Housing Corporation - 50 year mortgage payable in monthly instalments of $839 including principal and interest at 5 7/8%, matured on July 1, 2017			3,288
CIBC - window replacement loan, payable in monthly instalments of $1,385 plus interest at prime plus 0.50%, callable on demand		**89,840**	106,460
CIBC - roof replacement loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand		**114,772**	130,132
CIBC - fire system upgrade loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand		**210,225**	226,767
	$	**519,350**	613,449

These loans are secured by a security agreement granting a first security interest in all present and after acquired personal property, and by a present and future collateral mortgage.

13. PRIOR PERIOD ADJUSTMENT

During the course of the year end audit of the financial statements, it was noted that deferred capital contributions up to March 31, 2017 have been under amortized by $97,981 and unrestricted net assets have been understated by the same amount. A prior period adjustment has been made to correct for these items. The effect of this correction is a restatement of deferred capital contribution for the year ended March 31, 2017 from $1,412,329 to $1,314,348 and a restatement of unrestricted net assets as at March 31, 2017 from $191,975 to $289,956. In addition, the reported deficiency of revenue over expenses for the year ended March 31, 2017 decreased from $113,737 to $89,242.

14. ECONOMIC DEPENDENCE

The Home is economically dependent upon government and other agencies for funding its operations.

15. CONTINGENT LIABILITY

During the current year's audit it was noted that the Home may be contingently liable to pay additional pension contributions to Healthcare Employees Pension Plan - Manitoba (HEPP). The Winnipeg Regional Health Authority (WRHA) and HEPP are currently in negotiation to determine what,amount if any, would be the liability of the Home. No amount has been determined as of the date of the audit report. It is expected that the amount, once finalized, will not be material to the financial statements of the organization.

Financial Statements of

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE

Year ended March 31, 2018

KPMG

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INDEPENDENT AUDITORS' REPORT

To The Board of Management of The Salvation Army Golden West Centennial Lodge

We have audited the accompanying financial statements of The Salvation Army Golden West Centennial Lodge, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 5, 2018
Vaughan, Canada

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 530,109	$ 570,348
Accounts receivable	30,761	23,542
Receivable from Winnipeg Regional Health Authority	21,485	47,545
Prepaid expenses	700	1,775
	583,055	643,210
Future employee benefits recoverable from Winnipeg Regional Health Authority (note 7(a))	640,252	659,759
Employee benefits recoverable from Winnipeg Regional Health Authority (note 7(b))	271,682	271,682
Capital assets (note 4)	1,735,414	1,977,909
Deferred grants receivable (note 5)	201,038	239,429
	$ 3,431,441	$ 3,791,989
Liabilities, Deferred Contributions and Net Deficit		
Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 14)	$ 385,001	$ 261,289
Accrued vacation payable	491,490	437,117
Current portion of loans payable to The Salvation Army (note 9(b))	86,397	84,770
Current portion of mortgage payable (note 9(a))	42,174	39,420
	1,005,062	822,596
Accrued pre-retirement benefits (note 7(a))	679,721	699,228
Loans payable to The Salvation Army (note 9(b))	209,407	295,650
Mortgage payable (note 9(a))	56,901	99,075
	1,951,091	1,916,549
Deferred contributions (note 8)	1,620,268	1,884,228
Net deficit:		
Operating	(535,113)	(544,452)
Other Restricted (note 11)	198,694	399,278
Invested in capital assets (note 10)	196,501	136,386
	(139,918)	(8,788)
Economic dependence (note 15)		
Contingencies (note 16)		
	$ 3,431,441	$ 3,791,989

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed Director

Original Document Signed Director

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Operating						2018	2017
	Personal care home services	Adult daycare	Other services	Total	Other Restricted	Invested in capital assets	Total	Total
Revenue:								
Winnipeg Regional Health Authority	$ 5,770,118	$ 180,438	$ –	$ 5,950,556	$ –	$ –	$ 5,950,556	$ 6,041,331
Participant fees	–	24,509	–	24,509	–	–	24,509	24,791
Residential charges	2,627,461	–	–	2,627,461	–	–	2,627,461	2,536,938
Amortization of deferred contributions (note 8)	–	–	–	–	–	302,610	302,610	264,007
Dietary services	15,707	–	–	15,707	–	–	15,707	18,198
Grants from other Salvation Army entities (note 14)	3,346	–	280,000	283,346	–	–	283,346	173,311
Donations	20,401	1,000	–	21,401	850	–	22,251	23,123
Other	83,629	80	250	83,959	328	(5,840)	78,447	165,014
Federal grant	–	–	–	–	–	–	–	6,679
	8,520,662	206,027	280,250	9,006,939	1,178	296,770	9,304,887	9,253,392
Expenses:								
Salaries	5,767,690	107,702	–	5,875,392	–	–	5,875,392	5,981,566
Employee benefits	1,212,023	20,496	–	1,232,519	–	–	1,232,519	1,184,764
Payroll levy	95,674	–	–	95,674	–	–	95,674	115,965
Administration (note 14)	232,451	2,080	131,137	365,668	8,358	–	374,026	321,135
Amortization	–	–	–	–	–	302,418	302,418	305,296
Contributed services	48	–	68,929	68,977	–	–	68,977	51,092
Interest on loans and mortgage payable (note 9)	18,348	–	–	18,348	–	–	18,348	22,694
Medical supplies	155,646	–	–	155,646	–	–	155,646	151,816
Operating	714,848	63,134	–	777,982	9,217	–	787,199	630,618
Physical plant	432,837	12,600	–	445,437	34,187	–	479,624	338,639
Pre-retirement leave costs (note 7(a))	46,194	–	–	46,194	–	–	46,194	57,768
	8,675,759	206,012	200,066	9,081,837	51,762	302,418	9,436,017	9,161,353
Excess (deficiency) of revenue over expenses	$ (155,097)	$ 15	$ 80,184	$ (74,898)	$ (50,584)	$ (5,648)	$ (131,130)	$ 92,039

See accompanying notes to financial statements.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statement of Changes in Net Deficit

Year ended March 31, 2018, with comparative information for 2017

				2018	2017
	Operating	Other Restricted	Invested in capital assets	Total	Total
Balance, beginning of year	$ (544,452)	$ 399,278	$ 136,386	$ (8,788)	$ (100,827)
Excess (deficiency) of revenue over expenses	(74,898)	(50,584)	(5,648)	(131,130)	92,039
Inter-fund transfers (note 12)	84,237	(150,000)	65,763	–	–
Balance, end of year	$ (535,113)	$ 198,694	$ 196,501	$ (139,918)	$ (8,788)

See accompanying notes to financial statements.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (131,130)	$ 92,039
Items which do not involve cash:		
Amortization of capital assets	302,418	305,296
Amortization of deferred contributions	(302,610)	(264,007)
Loss on sale of capital assets	5,840	–
Change in non-cash operating working capital:		
Accounts receivable	(7,219)	(3,575)
Receivable from Winnipeg Regional Health Authority	26,060	214,368
Receivable from The Salvation Army	–	63,219
Prepaid expenses	1,075	3,883
Inventory	–	19,540
Future employee benefits recoverable	19,507	(19,229)
Accrued pre-retirement benefits	(19,507)	19,228
Accrued vacation payable	54,373	5,887
Accounts payable and accrued liabilities	123,712	25,786
	72,519	462,435
Financing activities:		
Grants received	38,391	38,391
Deferred contributions received, net	38,650	93,678
Repayments of long-term debt	(124,036)	(109,918)
Proceeds from long-term debt	–	83,027
	(46,995)	105,178
Investing activities:		
Capital asset purchases	(65,763)	(146,424)
Increase (decrease) in cash and cash equivalents	(40,239)	421,189
Cash and cash equivalents, beginning of year	570,348	149,159
Cash and cash equivalents, end of year	$ 530,109	$ 570,348

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial Lodge (the "Lodge" or the "Ministry Unit"), which is an unincorporated operating unit of The Salvation Army Canada & Bermuda Territory (the "Territory").

The Governing Council of The Salvation Army in Canada ("The Governing Council"), a corporation established by a Special Act of Parliament, is the primary legal entity through which the Territory conducts its operations. The Governing Council holds title to all Salvation Army property, including bank and investment accounts and real estate on behalf of individual operating units.

The Ministry Unit is a registered charitable organization, associated with The Salvation Army Territorial Headquarters ("THQ"), the primary charitable entity of the Territory. The Ministry Unit is a not-for-profit corporation established by the provincial statute and continued by The Salvation Army Golden West Centennial Lodge Incorporation Act (the "Act"). The Lodge operates a long-term care facility and is governed by a board of management appointed by The Salvation Army in accordance with the Act. The Ministry Unit operates under the direction of The Salvation Army Prairie Divisional Headquarters ("DHQ"), which is located in Winnipeg, Manitoba and pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and is licensed under the provisions of the Winnipeg Regional Health Authority ("WRHA”).

The Salvation Army is an international Christian church. Its message is based on the Bible; its ministry is motivated by love for God and the needs of humanity. The mission of The Salvation Army is to share the love of Jesus Christ, meet human needs and be a transforming influence in the communities of our world.

The Lodge is a not-for-profit organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes under Section 149.

The Ministry Unit, a controlled entity of The Governing Council, has its financial data included in the consolidated financial statements of The Governing Council.

1. Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook and present the assets, liabilities, net assets, revenue, expenses and cash flows of the Ministry Unit.

1. Basis of presentation (continued):

Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

(a) Operating Funds:

The Operating Funds account for the Lodge's revenue and expenses related to program delivery.

(b) Other Restricted Fund:

The Other Restricted Fund includes funds set aside through either internal or external restrictions for future operations or capital acquisitions.

External restrictions refer to any conditions or specific uses that have been requested or required by the donor in making a gift to the Ministry Unit. Internal designations refer to those funds which the Ministry Unit has earmarked for specific purposes, where the donor has not placed any restrictions on their use.

(c) Invested in capital assets:

This fund reports the revenue and expenses related to the Lodge's capital assets.

2. Significant accounting policies:

(a) Cash and cash equivalents:

The Ministry Unit considers deposits in banks, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

2. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

In accordance with the policies established by the Territory, capital assets with a cost exceeding $5,000 are stated at cost, less accumulated amortization, provided for on a straight-line basis over their estimated useful lives, as follows:

Buildings	40 - 50 years
Building expansion	20 - 30 years
Major equipment	10 years
Nurse call system	30 years
Roof expansion	10 years
Computer hardware and software	3 years

(c) Contributions of 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. Contributions of services are not recognized in these financial statements.

(d) Revenue recognition:

The Lodge follows the deferral fund method of accounting for contributions.

The Lodge is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

2. Significant accounting policies (continued):

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Allocations from other Salvation Army entities represent an allocation made to the Ministry Unit from DHQ for the operation of programs. The funds are derived mainly from individuals in the community that have contributed to the fundraising efforts of the Territory.

(e) Vacation pay:

The Lodge records the accrued vacation pay entitlement liability on the statement of financial position.

(f) Accrued pre-retirement benefits obligation:

The Lodge has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with any of the following conditions:

(i) have 10 years of service and have reached the age of 55; or

(ii) qualify for the eighty rule which is calculated by adding the number of years' service to the age of the employee; or

(iii) retire at or after the age 65; or

(iv) terminate employment at any time due to permanent disability.

The Lodge has recorded an accrual based on an actuarial valuation that includes employees who qualify at year end and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is partially recoverable from the WRHA (note 7).

2. Significant accounting policies (continued):

(g) Employee future benefits:

The Lodge records a provision for future employee benefits including accrued vacation payable and accrued pre-retirement benefits. For certain employees, funding for future employee benefits is recoverable from the WRHA as a component of salary costs in the period in which the expenditures are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statement of financial position as recoverable from the WRHA.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently measured at cost or amortized cost, unless management has elected to carry the instrument at fair value. The Ministry Unit has not elected to carry any such financial instruments at fair value.

It is management's opinion that there is no exposure to significant amounts of credit, liquidity, or foreign exchange risks. Interest rate risk on mortgage payable is reduced as interest payments are funded (note 9).

(i) Allocation of general administration expenses:

The Lodge classifies expenses in the statement of operations by fund. The Lodge does not allocate expenses between funds in the statement of operations.

(j) Use of estimates:

The preparation of these financial statements 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

3. Cash and cash equivalents:

The Ministry Unit maintains a chequing account for its operations, as well as deposit accounts held with THQ. Under the Territory's policies, all ministry units invest surplus funds with THQ, rather than with external financial institutions. THQ accounts bear interest at prevailing market rates based on the type of account.

	2018	2017
Cash	$ 464,251	$ 497,311
THQ general deposit account	41,645	40,485
THQ capital deposit account	23,663	32,552
Petty cash advances	550	–
	$ 530,109	$ 570,348

Funds held in the general deposit account are available for withdrawal on demand and may be used for the general operating needs of the Ministry Unit.

Funds held in the capital deposit account represent funds that are restricted for capital purposes (i.e. acquisition, repair, replacement of long-lived assets); however, these funds can be withdrawn for operating purposes with agreement of THQ, provided the foreseeable capital needs of the Lodge have been met.

The Ministry Unit has cash held in trust totaling $12,602 (2017 - $2,527) on behalf of residents. These funds are not presented in these financial statements.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 55,159	$ –	$ 55,159	$ 55,159
Buildings	1,184,276	978,004	206,272	229,958
Building expansion	5,868,028	4,881,771	986,257	1,179,300
Major equipment	816,379	439,511	376,868	393,630
Nurse call system	165,264	55,104	110,160	115,670
Roof expansion	220,033	220,033	–	–
Computer hardware and software	26,323	25,625	698	4,192
	$ 8,335,462	$ 6,600,048	$ 1,735,414	$ 1,977,909

5. Deferred grants receivable:

(a) Province of Manitoba:

The Province of Manitoba had arranged for the Lodge to receive a grant of $86,350 to be amortized at 6 7/8 percent interest annually for 50 years (maturing in 2020). The annual payment is $6,060 including principal and interest, and the remaining amount receivable at March 31, 2018 is $12,981 (2017 - $17,652).

(b) WRHA:

During 2013/14 and 2014/15, the Lodge undertook projects to replace the windows and the HVAC units in the facility. For the year ended March 31, 2015, these costs were recognized in physical plant expense in the statement of operations in the amount of $452,605.

The costs of the window project were partially funded through a $200,000 grant from DHQ, received in 2014, and through a deferred grant to be received from the WRHA over a 10-year period. The amount of the grant from the WRHA for the windows is $336,987, with $188,057 remaining to be received from the WRHA as at March 31, 2018 (2017 - $221,777). This amount has been recorded as a grant receivable and revenue, and is being paid by the WRHA over 10 years (maturing in 2023). The annual payment to be received is $33,720 plus interest at prime. In 2015, THQ set up a loan with the Lodge for the amount of the WRHA contribution to the project (note 9(b)). In 2015, approximately $79,000 in costs were incurred in relation to the window project, which were funded through an internal loan from THQ (note 9(b)), maturing in 2019.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2018	2017
Accounts payable	$ 228,320	$ 115,500
Accrued salaries and benefits	146,746	135,631
Government remittance payable	9,375	9,375
Accrued interest payable	560	783
	$ 385,001	$ 261,289

7. Employee benefits:

(a) Pre-retirement benefits and recoverable:

WRHA has undertaken an actuarial valuation, which includes the Ministry Unit, as of March 31, 2018 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Lodge's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.3% (2017 - 3.1%) and a rate of salary increase of 3.5% (2017 - 3.5%) plus age related merit/promotion scale and a factor ranging from 0.0% - 4.0% (2017 - 0.0% - 4.0%) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $46,194 (2017 - $57,768).

The amount of funding which will be provided by the WRHA for future retirement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in the related liability for fiscal 2007, 2008 and 2009, which include an interest component. The future employee pre-retirement benefits recoverable from WRHA of $640,252 at March 31, 2018 (2017 - $659,759) has no specified terms of repayment.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component described above is comparable to current market rates.

(b) Vacation pay and recoverable:

Each year, the WRHA funds a portion of the vacation pay liability of the Lodge, which is limited to the amount established at March 31, 2004 of $271,682. This amount is included in employee benefits recoverable from WRHA on the statement of financial position.

8. Deferred contributions:

Deferred contributions related to capital assets and major repairs represent the unamortized amount of donations and funding received for the purchase of capital assets and repairs. These contributions were received primarily from Manitoba Health and the WRHA, and also through the capital deposit account (note 3).

8. Deferred contributions (continued):

The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

			2018	2017
	Purchased capital assets	Future capital purchases and major repairs	Total	Total
Balance, beginning of year	$ 1,703,028	$ 181,200	$ 1,884,228	$ 2,054,557
Additional contributions received:				
Mortgage/loan payments (note 9)	39,420	–	39,420	36,841
Capital assets and major repairs	–	(770)	(770)	56,837
	1,742,448	180,430	1,922,878	2,148,235
Less amortization	302,610	–	302,610	264,007
Balance, end of year	$ 1,439,838	$ 180,430	$ 1,620,268	$ 1,884,228

9. Long-term debt:

(a) Canada Mortgage and Housing Corporation:

	2018	2017
Mortgage payable, interest at 6-7/8%, payable in monthly blendable repayments of $3,966, due 2020	$ 99,075	$ 138,495
Less current portion	42,174	39,420
	$ 56,901	$ 99,075

Principal and interest payments are funded by the Province of Manitoba via the WRHA. The funding of the principal payment is recorded in deferred capital contributions (note 8).

Principal repayments in the next three years are as follows:

2019	$ 42,174
2020	45,123
2021	11,778
	$ 99,075

During the year, interest expense relating to the mortgage payable amounted to $8,178 (2017 - $10,754).

9. Long-term debt (continued):

(b) The Salvation Army - THQ:

	2018	2017
Loan payable, interest at 3.14%, payable in monthly blendable repayments of $3,105, due 2019	$ 42,778	$ 77,939
Less current portion	36,435	35,314
	6,343	42,625
Loan payable, interest at 3.00%, payable in monthly blendable repayments of $2,810, due 2023. Principal and interest payments are funded by the Province of Manitoba via the WRHA	190,868	224,587
Less current portion	33,720	33,720
	157,148	190,867
Loan payable, interest at 3.17%, payable in monthly blendable repayments of $1,498, due 2021	62,158	77,894
Less current portion	16,242	15,736
	45,916	62,158
	$ 209,407	$ 295,650

The above loan agreements with THQ, relate to the projects described in note 5(b).

During the year, interest expense relating to the loans payable to the Salvation Army amounted to $10,170 (2017 - $11,940).

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets (note 4)	$ 1,735,414	$ 1,977,909
Amounts financed by:		
Deferred capital contributions - purchased capital assets (note 8)	(1,439,838)	(1,703,028)
Mortgage payable (note 9(a))	(99,075)	(138,495)
	$ 196,501	$ 136,386

11. Other Restricted Fund:

The Other Restricted Fund balance comprises the following:

	2018	2017
Special projects	$ 174,181	$ 366,726
Capital improvements - capital deposit account	23,663	32,552
Partner in Mission	850	–
	$ 198,694	$ 399,278

12. Inter-fund transfers:

During 2018, the Lodge transferred $65,763 (2017 - $139,940) from the Operating Fund to invested in capital assets to cover capital asset purchases during the year. In addition, the Lodge transferred $150,000 (2017 - nil) from Other Restricted Fund to Operating Fund for eligible expenses.

13. Pension plan:

Eligible employees of the Lodge are members of the Healthcare Employees' Pension Plan - Manitoba ("HEPP"), a multi-employer defined benefit pension plan.

During the year, the Lodge contributed $484,482 (2017 - $492,161) on behalf of its employees. The most recent funding actuarial valuation of the plan as at December 31, 2016 reported that the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations and indicates a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis, but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. On April 1, 2018, with the inclusion of contributions toward the Cost of Living Adjustment Plan, employer contribution rates are 8.90% (2017 - 11.24%) of pensionable earnings up to the Year's Maximum Pensionable Earnings ("YMPE") and 10.50% (2017 - 9.52%) on earnings in excess of YMPE.

14. Related party transactions and balances:

During the year, the Lodge had the following transactions with The Salvation Army:

	2018	2017
Revenue:		
Grant from DHQ - Red Shield Appeal	$ 280,000	$ 170,000
Grant from THQ - Johnstone Endowment	3,346	3,311
	$ 283,346	$ 173,311
Expenses:		
Management support assessment paid to THQ	$ 131,137	$ 135,913
Accounting fees paid to THQ	88,397	57,233
	$ 219,534	$ 193,146

DHQ has approved funding to the Ministry Unit up to $60,000 annually starting April 1, 2012 for a maximum of 12 years for the purpose of reducing the deficiency in net assets, when required. During the year, $60,000 was provided and is included in Grant from DHQ - Red Shield Appeal.

14. Related party transactions and balances (continued):

Included in accounts payable and accrued liabilities are balances due to THQ of $753 (2017 - $972).

The above transactions and balances are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. Economic dependence:

The Ministry Unit receives the majority of its revenue in the form of grants from WRHA. In management's opinion, the Ministry Unit's continued operations are dependent on the continuance of these grants.

16. Contingencies:

During the year, the Lodge was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Lodge and HEB have not accurately determined the amount due from the Lodge to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Lodge.

17. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

THE SAUL AND CLARIBEL SIMKIN CENTRE FOUNDATION INC. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

THE SHARON HOME, INC.

Non-consolidated Financial Statements
For the year ended March 31, 2018

BDO

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Independent Auditor's Report

To the Board of Directors of THE SHARON HOME, INC.

We have audited the accompanying non-consolidated financial statements of **THE SHARON HOME, INC.**, which comprise the non-consolidated statement of financial position as at March 31, 2018, and the non-consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of **THE SHARON HOME, INC.** as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 27, 2018

THE SHARON HOME, INC.
Non-consolidated Statement of Financial Position

As at March 31	2018	2017
Assets		
Current Assets		
Cash and bank (Note 2)	$ **613,675**	$ 171,463
Accounts receivable (Note 3)	**131,961**	172,890
Due from The Saul and Claribel Simkin Centre Foundation Inc. (Note 17)	**148,576**	699,963
Due from Winnipeg Regional Health Authority (Note 4)	**660,424**	760,538
Prepaid expenses	**81,798**	107,436
	1,636,434	1,912,290
Restricted investments (Note 5)	**8,352,874**	-
Loan receivable (Note 6)	**70,989**	70,989
Capital assets (Note 7)	**30,526,097**	32,658,068
Vacation entitlements receivable (Note 8)	**603,753**	603,753
Pre-retirement entitlements receivable (Note 9)	**1,383,850**	1,376,178
	$ **42,573,997**	$ 36,621,278
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 10)	$ **-**	$ 1,000,000
Accounts payable and accrued liabilities (Note 11)	**904,044**	709,876
Accrued vacation entitlements (Note 8)	**787,137**	753,035
Current portion of mortgage payable (Note 12)	**1,102,500**	1,102,500
Current portion of notes payable (Note 13)	**202,920**	202,920
	2,996,601	3,768,331
Mortgage payable (Note 12)	**10,841,250**	11,943,750
Notes payable (Note 13)	**2,164,480**	2,367,400
Deferred contributions (Note 14)	**16,952,117**	16,803,734
Accrued pre-retirement obligations (Note 9)	**1,269,552**	1,268,982
	34,224,000	36,152,197
Contingencies (Note 15)		
Net Assets		
Internally restricted (Note 16)	**8,377,000**	-
Unrestricted (deficit)	**(27,003)**	469,081
	8,349,997	469,081
	$ **42,573,997**	$ 36,621,278

Approved on behalf of the Board of Directors:

Original Document Signed Director

Original Document Signed Director

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

THE SHARON HOME, INC.
Non-consolidated Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Capital funding Manitoba Health	$ **777,318**	$ 844,895
Change in pre-retirement benefit	**(7,672)**	98,579
Contributions from The Saul and Claribel Simkin Centre Foundation Inc. (Note 17)	**295,475**	268,032
Other income	**58,719**	44,741
Residential charges	**4,460,326**	4,386,220
Winnipeg Regional Health Authority	**10,256,507**	10,326,806
	15,840,673	15,969,273
Expenses		
Administration	**706,651**	713,532
Housekeeping	**662,285**	650,622
Information technology	**77,427**	68,273
Interest on long-term debt	**777,318**	844,895
Interest and carrying charges on land for future improvement	**69,294**	78,803
Laundry and linen	**462,333**	452,090
Nutrition and food services	**1,810,321**	1,855,841
Other employee benefits	**91,670**	184,363
Plant maintenance	**522,324**	452,169
Plant operation	**698,610**	747,051
Resident care	**9,501,955**	9,418,408
Social work	**77,798**	82,129
Spiritual care	**105,420**	99,146
Staff development	**6,990**	11,167
Therapeutic recreation	**354,802**	378,629
Volunteer services	**57,920**	48,181
	15,983,118	16,085,299
Deficiency of revenue over expenses before other items	**(142,445)**	(116,026)
Other Items		
Amortization of deferred contributions related to capital assets (Note 14)	**1,235,493**	1,236,613
Amortization of capital assets	**(1,407,928)**	(1,322,698)
Gain on insurance proceeds related to capital assets disposal	**99,794**	99,388
Gain on sale of land	**8,096,002**	-
	8,023,361	13,303
Excess (deficiency) of revenue over expenses for the year	$ **7,880,916**	$ (102,723)

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

THE SHARON HOME, INC.
Non-consolidated Statement of Changes in Net Assets

For the year ended March 31, 2018

		Internally Restricted (Note 16)		Unrestricted		Total
Balance, March 31, 2016	$	-	$	571,804	$	571,804
Deficiency of revenue over expenses for the year		-		(102,723)		(102,723)
Balance, March 31, 2017		-		**469,081**		**469,081**
Excess of revenue over expenses for the year		-		**7,880,916**		**7,880,916**
Interfund transfers		**8,377,000**		**(8,377,000)**		-
Balance, March 31, 2018	**$**	**8,377,000**	**$**	**(27,003)**	**$**	**8,349,997**

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

THE SHARON HOME, INC.
Non-consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year	$ **7,880,916**	$ (102,723)
Items not affecting cash and bank		
Amortization of deferred contributions related to capital assets	**(1,235,493)**	(1,236,613)
Amortization of capital assets	**1,407,928**	1,322,698
Gain on disposal of capital assets	**(8,096,002)**	-
	(42,651)	(16,638)
Changes in non-cash working capital		
Accounts receivable	**40,929**	(128,099)
Due from The Saul and Claribel Simkin Centre Foundation Inc.	**551,387**	(451,815)
Due from Winnipeg Regional Health Authority	**100,114**	548,316
Prepaid expenses	**25,638**	12,281
Pre-retirement entitlements receivable	**(7,672)**	(98,579)
Accounts payable and accrued liabilities	**194,168**	(31,541)
Accrued vacation entitlements	**34,102**	22,597
Accrued pre-retirement obligations	**570**	102,982
	896,585	(40,496)
Cash Flows from Financing Activities		
Repayment of bank indebtedness	**(1,000,000)**	-
Repayment of mortgage payable	**(1,102,500)**	(1,102,500)
Repayment of notes payable	**(202,920)**	(921,670)
	(2,305,420)	(2,024,170)
Cash Flows from Investing Activities		
Acquisition of capital assets	**(591,115)**	(200,263)
Purchase of investments	**(8,352,874)**	-
Proceeds on sale of land	**9,411,160**	-
Deferred contributions received	**1,383,876**	2,022,146
	1,851,047	1,821,883
Net increase (decrease) in cash and bank during the year	**442,212**	(242,783)
Cash and bank, beginning of year	**171,463**	414,246
Cash and bank, end of year	$ **613,675**	$ 171,463

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

1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of the Organization

The Sharon Home, Inc. ("Home") has as its mission to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism.

The Home was incorporated under the laws of Canada on March 23, 1914 and is a registered charity under the Canada Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

The Home is economically dependent on funding from the Winnipeg Regional Health Authority ("WRHA"). If this funding were discontinued, it would affect the Home's ability to continue operations.

b. Basis of Accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Contributions Receivable

Contributions receivable are recognized when the amounts to be received can be reasonably estimated and ultimate collection is reasonable assured.

d. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

e. Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Carrying charges on land held for future development including interest and property taxes are recorded as expenses as incurred.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 40 years
Equipment	3 to 10 years

f. Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004/2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

g. Revenue Recognition

The Home follows the deferral method of accounting for contributions.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These non-consolidated financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2018.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

g. Revenue Recognition (continued)

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Home. After the WRHA reviews the non-consolidated financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Residential charges are recognized as revenue in the period services are rendered. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

h. Contributed Materials and Services

Contributed materials which are used in the normal course of the Home's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonable estimated.

Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

i. Controlled Entities

Controlled not-for-profit organizations are not consolidated in the Home's non-consolidated financial statements (Note 17).

j. Use of Estimates

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Restricted Cash and Bank

Cash in the amount of $293,236 ($299,876 in 2017) is restricted for future capital asset purchases.

3. Accounts Receivable

	2018	2017
Receivable from residents	$ **23,160**	$ 13,756
GST rebate receivable	**21,601**	16,537
Other	**87,200**	142,597
	$ **131,961**	$ 172,890

4. Due from Winnipeg Regional Health Authority

	2018	2017
2003/2004 funding adjustment	$ **6,479**	$ 6,479
2004/2005 funding adjustment	**2,512**	2,512
2005/2006 funding adjustment	**5,406**	5,406
2006/2007 funding adjustment	**13,992**	13,992
2007/2008 funding adjustment	**18,896**	18,896
2008/2009 funding adjustment	**21,500**	21,500
2009/2010 funding adjustment	**16,597**	16,597
2010/2011 funding adjustment	**14,556**	14,556
2011/2012 funding adjustment	**4,605**	4,605
2012/2013 funding adjustment	**15,233**	247,321
2013/2014 funding adjustment	**13,457**	168,011
2015/2016 funding adjustment	**86,077**	86,077
2016/2017 funding adjustment	**15,243**	154,586
2017/2018 funding adjustment	**425,871**	-
	$ **660,424**	$ 760,538

The Home is subject to periodic review by WRHA. Operating surpluses or deficiencies may be repayable or recoverable as determined by WRHA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews. The reviews of the 2003/2004 through 2016/2017 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due from the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

5. Restricted Investments

Investments are a bankers acceptance note due June 1, 2018.

6. Loan Receivable

The loan is non-interest bearing with no fixed terms of repayment and is collateralized by life insurance policies on a former employee.

7. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 786,418	$ -	$ 786,418	$ -
Buildings	40,368,498	11,633,940	40,368,498	10,597,896
Equipment	4,587,387	3,582,266	3,996,272	3,210,382
Land held for future development	-	-	1,315,158	-
	$ 45,742,303	$ 15,216,206	$ 46,466,346	$ 13,808,278
Net book value		$ 30,526,097		$ 32,658,068

8. Vacation Entitlements Receivable

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

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

	2018	2017
Balance, beginning of year	$ 603,753	$ 603,753
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 603,753	$ 603,753

8. Vacation Entitlements Receivable (continued)

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

	2018	2017
Balance, beginning of year	$ 753,035	$ 730,438
Net increase in accrued vacation entitlements	34,102	22,597
Balance, end of year	$ 787,137	$ 753,035

9. Employee Future Benefits

Accrued Pre-retirement Obligations

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) has 10 years service and has reached the age 55
ii) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
iii) retires at or after age 65
iv) terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2018. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.25% (3.0% in 2017) and a rate of salary increase of 3.5% (3.5% in 2017) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

9. Employee Future Benefits (continued)

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2018	2017
Balance, beginning of the year	**$ 1,268,982**	$ 1,166,000
Net increase in pre-retirement entitlements	**570**	102,982
Balance, end of year	**$ 1,269,552**	$ 1,268,982

Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under $55,300 and 9.50% for salaries greater than $55,300, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2016 indicated that the Plan is in deficit. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $778,348 ($763,575 in 2017) and are included in the statement of operations.

10. Bank Indebtedness

The Home has a credit facility agreement for $500,000 which bears interest at the bank prime rate plus 1% of 4.45% (3.70% in 2017) at March 31, 2018. As at March 31, 2018 the overdraft is unutilized.

11. Accounts Payable and Accrued Liabilities

	2018	2017
Salaries and employee benefits payable	$ 275,246	$ 232,878
Trade accounts payable and accrued liabilities	628,798	476,998
	$ 904,044	$ 709,876

12. Mortgage Payable

	2018	2017
Mortgage payable - Province of Manitoba - Interest at 5.20%, requiring monthly principal payments of $91,875, secured by the property at the Simkin Centre, maturing in January 2029.	$ 11,943,750	$ 13,046,250
Current portion of mortgage payable	1,102,500	1,102,500
	$ 10,841,250	$ 11,943,750

Minimum principal repayments required under the terms of the mortgage payable over the next five fiscal years are $1,102,500 annually.

13. Notes Payable

	2018	2017
Province of Manitoba - Interest at 5.05%, requiring monthly principal payments of $16,910 plus interest, maturing November 2029.	2,367,400	2,570,320
Current portion of notes payable	202,920	202,920
	$ 2,164,480	$ 2,367,400

The notes payable are secured by the property at the Simkin Centre.

Minimum principal repayments required under the terms of the notes payable for the years ending March 31, 2018 to 2022 will be $202,920.

14. Deferred Contributions

Deferred contributions related to capital assets represent the unamortized and unspent amount of grants and funding received for the purchase of capital assets, and funding major repairs and debt repayment. Changes in the deferred contribution balance reported are as follows:

	2018	2017
Balance, beginning of year	**$ 16,803,734**	$ 16,018,201
Contributions received	**1,383,876**	2,022,146
Less amounts amortized to revenue	**(1,235,493)**	(1,236,613)
Balance, end of year	**$ 16,952,117**	$ 16,803,734

The balances as at March 31, 2018 consist of the following:

	2018	2017
Deferred contributions related to capital assets	**$ 16,305,893**	$ 15,878,764
Unspent donations for future capital assets acquisition	**291,302**	586,084
Unspent funding for future equipment acquisition	**326,866**	304,190
Unspent funding for future major repairs costs	**28,056**	34,696
Balance, end of year	**$ 16,952,117**	$ 16,803,734

15. Contingencies

With respect to possible claims at March 31, 2018, management believes the Home has valid defences and appropriate insurance coverage in place or has made sufficient provision for any uninsured payments to be made. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

On July 1, 1987, a group of health care organizations ("subscribers"), including the Home, formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal insurer pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to re-assessment for losses, if any, in excess of such premiums, experienced by the pool of subscribers for the years in which they were a subscriber and these losses could be material. HIROC purchases reinsurance to reduce the likelihood of re-assessment. No such re-assessments have been made to March 31, 2018. The Home is a named insured under the WRHA policy with HIROC.

15. Contingencies (continued)

During the 2017/18 fiscal year, the Home was made aware by HEB Manitoba that there may be unremitted pension contributions associated with the Healthcare Employees Pension Plan related to prior fiscal years. The amount of the liability, if any, is unknown as at March 31, 2018. It is expected that the amount, once finalized and agreed to by the parties, will not be material to the financial statements of the Home. Any amounts due will be recorded as an expense once the amount is known.

16. Net Assets Restricted for Endowment

During the year, the Board of Directors has restricted $8,377,000 from net proceeds on sale of land. By way of agreement, the funds will be transferred to The Saul and Claribel Simkin Centre Foundation Inc. in May 2018. The Foundation has entered into an agreement with The Jewish Foundation of Manitoba whereby the funds will be transferred and held for endowment with $4,188,500 to be placed in permanent endowment capital, and $4,188,500 to be placed in encroachable endowment capital.

17. Controlled Not-for-Profit Organization and Related Party Transactions

The Sharon Home, Inc. controls The Saul and Claribel Simkin Centre Foundation Inc., formerly The Sharon Home Fund Inc. to March 15, 2016, (the "Foundation") by virtue of the fact that the majority of the members of the Board of Directors are common to each the Home and the Foundation. The Foundation is incorporated under The Corporations Act in Manitoba and is designated as a public foundation under the Canada Income Tax Act.

The Foundation was established to support and foster the operations of The Sharon Home, Inc. The Foundation supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets, results of the operations and cash flows are not included in the financial statements of the Home. Separate financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at March 31, 2018 and March 31, 2017 and for the years then ended are as follows:

	2018	2017
Statement of Financial Position		
Total assets	$ 892,058	$ 1,584,737
Total liabilities	$ 168,129	$ 744,551
Total fund balances	723,929	840,186
Total liabilities and fund balances	$ 892,058	$ 1,584,737

17. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

	2018	2017
Statement of Operations		
Total revenue	$ 301,647	$ 300,396
Total expenses	96,964	73,892
Excess of revenue over expenses before other item	204,683	226,504
Contributions to The Sharon Home, Inc.	321,151	407,717
Deficiency of revenue over expenses	$ (116,468)	$ (181,213)

	2018	2017
Statement of Cash Flows		
Cash provided by (used in) operating activities	$ (689,139)	$ 287,471
Cash (used in) generated by investing and financing activities	314,845	(19,898)
Net increase in cash and bank for the year	$ (374,294)	$ 267,573

As at March 31, 2018, the Home has an amount due from the Fund of $148,576 ($699,963 in 2017). The amount due is unsecured, interest-free, due on demand and bears no specific terms of repayment.

Contributions of $77,366 were made to the Foundation during the year representing investment income earned on land sale proceeds.

17. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

During the year, the Home charged the Foundation on a cost recovery basis $30,500 ($30,600 in 2017) for administration expenses.

During the year, the Foundation contributed the following to the Home:

	2018	2017
Contributions related to operations		
Garden Café	$ 19,065	$ 11,584
Professional fees	13,778	7,530
Interest and carrying charges on land held for development	69,294	78,803
Keives Garden maintenance	130	130
Minor equipment and other	27,553	2,691
Music Therapy program	1,146	6,964
Spiritual Care program	91,500	91,616
Therapeutic Recreation program	17,339	22,108
Volunteer Services program	55,670	46,606
	295,475	268,032
Contributions related to capital assets		
Capital Campaign	3,000	100,675
Equipment deferred contribution	22,676	39,010
	25,676	139,685
	$ 321,151	$ 407,717

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. Resident Trust Funds

Included in the cash and accounts payable and accrued liabilities are funds held in trust for the Home's residents totaling $28,552 ($34,180 in 2017).

19. Financial Instrument Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk, interest rate risk and liquidity risk. The Home'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 Home's activities.

Credit Risk

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

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

	2018	2017
Accounts receivable	$ **131,961**	$ 172,890
Due from Winnipeg Regional Health Authority	**660,424**	760,538
Due from The Saul and Claribel Simkin Centre Foundation Inc.	**148,576**	699,963
Vacation entitlements receivable	**603,753**	603,753
Loan receivable	**70,989**	70,989
Pre-retirement entitlements receivable	**1,383,850**	1,376,178
	$ **2,999,553**	$ 3,684,311

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

Due from Winnipeg Regional Health Authority, vacation entitlements receivable and pre-retirement entitlements receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

19. Financial Instrument Risk Management (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Cash and investments are held in short-term or variable rate products.

Liquidity Risk

Liquidity risk is the risk that the Home encounters difficulty in meeting its obligations associated with financial liabilities as they fall due. The Home maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

20. Comparative Amounts

The Home has presented comparative amounts to conform to current year's presentation, which includes presenting unspent donations for future capital assets acquisition separate from deferred contributions related to capital assets, and not presenting net assets invested in capital assets separate from unrestricted net assets.

THE SHARON HOME, INC.
Schedule of Adult Day Program Operations

For the year ended March 31		2018		2017
Revenue				
Province of Manitoba	$	**81,222**	$	87,576
Participants' fees		**21,190**		15,147
		102,412		102,723
Expenses				
Salaries and benefits		**53,971**		52,411
Other		**52,951**		59,017
		106,922		111,428
Deficiency of revenue over expenses before other item		**(4,510)**		(8,705)
Other Item				
Deficiency recoverable from WRHA		**4,510**		8,705
Excess of revenue over expenses for the year	$	**-**	$	-

VILLA YOUVILLE INC. - NURSING

États financiers

Pour l'exercice terminé le 31 mars 2018

Tel: 204-956-7200
Fax: 204-926-7201
Toll-Free: 866-863-6601
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Rapport de l'auditeur indépendant

Aux membres et au conseil de VILLA YOUVILLE INC. - NURSING

Nous avons effectué l'audit des états financiers ci-joints de **VILLA YOUVILLE INC. - NURSING**, qui comprennent l'état de la situation financière au 31 mars 2018 et l'état de l'évolution des soldes de fonds, l'état des résultats, et l'état des flux de trésorerie pour l'exercice terminé à cette date ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux normes comptables canadiennes pour les organismes sans but lucratif, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en oeuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de **VILLA YOUVILLE INC. - NURSING** au 31 mars 2018 ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux normes comptables canadiennes pour les organismes sans but lucratif.

Autre point

Sans pour autant modifier notre opinion, nous attirons l'attention du lecteur sur la note 1 (c) Méthode comptable, laquelle décrit la présentation des états financiers.

BDO Canada s.r.l./LLP

Comptables professionnels agréés

Winnipeg (Manitoba)
Le 12 juin 2018

VILLA YOUVILLE INC. - NURSING
État de la situation financière

Au 31 mars	Fonds opérations	Fonds Immobilisa-tions	Fonds de réserve	2018 Total	2017 Total
	$	$	$	$	$
Actif					
Actif à court terme					
Encaisse (note 2)	403 426	-	-	403 426	419 062
Comptes à recevoir	60 239	-	-	60 239	36 700
Comptes à recevoir - SM/SS	53 869	-	-	53 869	2 798
Inventaire	45 099	-	-	45 099	43 601
Dépenses payées d'avance	15 561	-	-	15 561	15 071
Avantages sociaux future recouvrables (note 3)	227 348	-	-	227 348	227 348
Dû de Villa Youville Motels	588	-	-	588	5 213
	806 130	-	-	806 130	749 793
Avantages sociaux futurs recouvrables (note 3)	349 718	-	-	349 718	399 848
Immobilisations (note 4)	-	5 981 903	-	5 981 903	6 159 125
Interfonds	(42 390)	-	42 390	-	-
	1 113 458	5 981 903	42 390	7 137 751	7 308 766
Passif et solde de fonds					
Passif à court terme					
Comptes à payer et dépenses courues (note 5)	337 433	-	-	337 433	299 929
Avantages sociaux à payer (note 3)	357 305	-	-	357 305	390 448
Revenus reportés - Soins de garde de jour	47 131	-	-	47 131	50 563
	741 869	-	-	741 869	740 940
Passif à long terme					
Avantages sociaux futurs à payer (note 3)	349 718	-	-	349 718	399 848
Apports reportés (note 6)					
Afférents aux Immobilisations	-	5 895 737		5 895 737	6 084 035
Fonds des réserves					
Réserve générale	-	-	42 390	42 390	14 915
Réserve pour réparations majeures	-	-	-	-	71 370
	349 718	5 895 737	42 390	6 287 845	6 570 168
	1 091 587	5 895 737	42 390	7 029 714	7 311 108
Engagements contractuels et éventualités (note 7)					
Solde de fonds					
Surplus cumulé	21 871	86 166	-	108 037	(2 342)
	1 113 458	5 981 903	42 390	7 137 751	7 308 766

Approuvé au nom du conseil d'administration

Original Document Signed président(e)

Original Document Signed secrétaire-trésorière

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars			**2018**	2017
	Fonds opérations	**Fonds immobilisa-tions**	**Total**	Total
	$	**$**	**$**	$
Solde, au début de l'exercice	**(77 432)**	**75 090**	**(2 342)**	(42 095)
Excédent des revenus sur les dépenses pour l'exercice	**110 663**	**(284)**	**110 379**	39 753
Transfert pour achat d'immobilisations	**(11 360)**	**11 360**	**-**	-
Solde, à la fin de l'exercice	**21 871**	**86 166**	**108 037**	(2 342)

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État des résultats

Pour l'exercice terminé le 31 mars	2018	2017
	$	$
Revenus		
Services de soins prolongés		
Santé Sud (note 8)	**4 298 025**	4 306 073
Prestations de retraite	**46 808**	45 000
	4 344 833	4 351 073
Loyer des résidents	**1 102 520**	1 080 681
Autres		
Recouvrements - motels	**103 629**	100 587
- cuisine	**54 981**	61 322
- matériel et autres	**70 582**	79 074
Amortissement des apports reportés	**284 236**	283 926
Intérêts	**3 135**	2 313
Soins de garde de jour	**41 610**	38 844
	558 173	566 066
	6 005 526	5 997 820
Dépenses		
Administration	**486 251**	583 594
Amortissement	**284 520**	283 926
Buanderie	**189 867**	175 004
Frais d'entretien d'immobilisations	**309 864**	227 030
Frais de ménage	**312 369**	329 958
Frais d'opération d'immobilisations	**224 505**	224 140
Médicaments	**110 094**	119 605
Paiement pré-retraite/Prestations de retraite	**46 808**	45 000
Services de supports aux résidents - activités	**167 591**	172 827
Ressources cliniques	**63 396**	52 277
Services alimentaires - nursing	**631 492**	640 092
- motels	**29 830**	40 411
- autres	**37 140**	37 453
Soins de garde de jour	**41 610**	38 844
Soins médicaux	**2 959 810**	2 987 906
	5 895 147	5 958 067
Excédent des revenus sur les dépenses pour l'exercice	**110 379**	39 753

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État des flux de trésorerie

Pour l'exercice terminé le 31 mars	2018	2017
	$	$
Flux de trésorerie reliés aux opérations		
Excédent des revenus sur les dépenses pour l'exercice	**110 379**	39 753
Ajustements pour		
Amortissement des immobilisations	**284 520**	283 926
Amortissement des apports reportés	**(284 236)**	(283 926)
	110 663	39 753
Variations des éléments hors liquidités du fonds de roulement		
Comptes à recevoir	**(23 537)**	(466)
Comptes à recevoir - SM/SS	**(51 071)**	142 551
Dû de Villa Youville Motels	**4 625**	(3 038)
Inventaire	**(1 498)**	(4 460)
Dépenses payées d'avance	**(490)**	(1 898)
Avantages sociaux future recouvrables	**50 130**	7 152
Compte à payer - SM/SS	**37 504**	(34 062)
Avantages sociaux à payer	**(33 143)**	(25 114)
Avantages sociaux futurs à payer	**(50 130)**	(7 152)
Soins de garde de jour	**(3 432)**	(18 867)
	39 621	94 399
Flux de trésorerie reliés aux activités de financement		
Financement de Santé Sud pour immobilisations	**(71 370)**	2 640
Augmentation des apports reportés afférents aux immobilisations	**95 938**	8 714
	24 568	11 354
Flux de trésorerie reliés aux activités d'investissement		
Achat d'immobilisations	**(107 300)**	(8 714)
Dépenses des apports reportés - dépenses de périodes futures	**27 475**	8 116
	(79 825)	(598)
Augmentation (diminution) nette de l'encaisse	**(15 636)**	105 155
Encaisse, au début de l'exercice	**419 062**	313 907
Encaisse, à la fin de l'exercice	**403 426**	419 062

1. Nature des activités et sommaire des principales méthodes comptables

a) Nature et objectif de l'organisation

Villa Youville Inc. (la « corporation ») est un organisme de bienfaisance enregistré et est exempt d'impôt selon l'article 149 de la loi d'impôt du Canada.

Villa Youville Inc. fut incorporée le 24 décembre 1963 par Lettre Patente sous « The Companies Act » de la Province du Manitoba.

b) Règles comptables

Les états financiers ont été préparés conformément aux normes comptables pour les organismes sans but lucratif du Canada.

c) Méthode comptables

Ces états financiers ne comprennent pas les résultats de la section des motels et des fonds généraux. Des états financiers séparés sont produits pour les motels et les fonds généraux.

d) Comptabilité par fonds

La corporation applique la méthode de la comptabilité par fonds affectés pour comptabiliser les apports.

Fonds d'opérations

Le fonds d'opérations rend compte des activités menées par la corporation en matière de prestations de services et d'administration. Ce fonds présente les ressources non affectées, les subventions de fonctionnement affectées et les actifs, les passifs, les revenus et les dépenses liées aux opérations de la corporation et toutes autres ressources affectées pour lequel un fonds séparé n'a pas été établi.

Fonds d'immobilisations

Le fonds d'immobilisations présente les actifs, les passifs, les revenus et les dépenses afférents aux immobilisations de la corporation.

Réserves pour remplacements

Le fonds des réserves est employé pour les projets de rénovation et l'achat de l'équipement et de l'ameublement. Les affectations annuelles aux fonds de réserve pour réparations majeures se chiffrent à 2 640 $. La permission de Santé Manitoba est requise pour toute charge ou retrait de cette réserve (voir note 6).

1. Nature des activités et sommaire des principales méthodes comptables (suite)

e) Constatation des revenus

Sous la Loi sur l'assurance-maladie et ses règlements, la corporation reçoit des fonds principalement de la Province du Manitoba conformément au budget établi par Santé Manitoba. Les subventions d'exploitation sont constatées à titre de produits de l'exercice au cours duquel les charges connexes sont engagées. Toutes subventions accordées mais non reçues sont constatées à recevoir, et, celles afférentes à une période ultérieure sont reportées et constatées dans cette période ultérieure. Ces états financiers reflètent le financement approuvé par Santé Manitoba pour l'exercice terminé le 31 mars 2018 ainsi que les règlements anticipés par rapport au déficit d'exploitation net.

Les fonds seront ajustés lorsque la revue des comptes de la corporation sera complétée par Santé Manitoba. Tout ajustement sera reflété dans l'exercice au cours duquel Santé Manitoba reçoit le rapport final des coûts recommandés.

Les apports non affectés tels que les loyers des résidents, les recouvrements et soins de garde de jour sont constatés à titre de produits lorsqu'ils sont reçus ou à recevoir si le montant à recevoir peut faire l'objet d'une estimation raisonnable et que sa réception est raisonnablement assurée.

Les apports affectés sont constatés à titre de produits de l'exercice au cours duquel les charges connexes sont engagées. Les apports affectés aux achats d'immobilisations sont reportés et amortis à titre de produits selon la méthode d'amortissement linéaire et du taux d'amortissement conformément à ces immobilisations.

Les revenus de placements affectés sont constatés à titre de produits dans l'exercice au cours duquel les charges connexes sont engagées. Les revenus de placements non affectés sont constatés à titre de produits lorsqu'ils sont gagnés.

f) Instruments financiers

Les instruments financiers sont comptabilisés à leur juste valeur au moment de leur acquisition ou de leur émission. Au cours des périodes ultérieures, les instruments de capitaux propres négociés sur un marché actif sont comptabilisés à leur juste valeur, tout gain ou toute perte non réalisé étant comptabilisé dans l'état des résultats. Tous les autres instruments financiers sont comptabilisés au coût ou au coût après amortissement diminué des pertes de valeur, le cas échéant. Les actifs financiers font l'objet d'un test de dépréciation lorsque les changements de situation suggèrent qu'ils pourraient s'être dépréciés. Les coûts de transaction attribuables à l'acquisition, à la sortie ou à l'émission des instruments financiers sont passés en charges dans le cas des éléments qui sont réévalués à la juste valeur à la date de chaque état de la situation financière et ils sont imputés aux instruments financiers dans le cas de ceux qui sont évalués au coût après amortissement.

1. Nature des activités et sommaire des principales méthodes comptables (suite)

g) Inventaire

L'inventaire est évalué au moindre du coût et de la valeur de réalisation nette. Le coût étant déterminé en se servant de la méthode de l'épuisement successif.

h) Immobilisations

Les immobilisations acquises sont comptabilisées au coût dans le fonds des immobilisations. Les apports reçus sous forme d'immobilisations sont comptabilisés à la juste valeur dans le fonds des immobilisations à la date de l'apport. Les immobilisations sont amorties selon la méthode de l'amortissement linéaire sur leur durée de vie utile estimative comme suit :

Bâtisses	40 ans
Rénovations	20 ans
Équipement d'entretien	20 ans
Équipement	10 ans
Ordinateurs	5 ans

i) Avantages sociaux futurs

L'estimation des avantages futurs antérieurs à la retraite a été effectuée selon la méthode actuarielle de la répartition des prestations au prorata des services.

j) Apports reçus sous forme de services

Plusieurs bénévoles consacrent un nombre notable d'heures par année à aider la corporation à assurer la prestation de ses services. En raison de la difficulté à déterminer la juste valeur de ces apports, ceux-ci ne sont pas constatés dans les états financiers.

k) Emploi des estimations

La préparation des états financiers, selon les normes comptables pour les organismes sans but lucratif du Canada, exige de la direction qu'elle établisse des estimations et formule des hypothèses à l'égard des montants d'actif et de passif portés à l'état de la situation financière et des éléments de l'actif et du passif éventuels à la date de l'état de la situation financière ainsi que des montants de revenus et de dépenses imputées au cours de l'exercice couvert par les états financiers. Les résultats réels pourraient différer de ces estimations.

2. Marge de Crédit

La corporation a une marge de crédit d'exploitation approuvée avec la Caisse Groupe Financier avec un maximum de 185 000 $. La marge de crédit porte un taux d'intérêt de 3,50 % (3,05 % en 2017), et est garantie par une lettre d'autorisation de Santé Manitoba et d'un contrat de sureté général.

3. Avantages sociaux recouvrables

Les prestations de retraite sont constatées lorsqu'elles sont réalisées et sont fondées sur des hypothèses actuarielles tandis que les congés de vacances rémunérés sont constatés lorsqu'ils sont réalisés par l'employé.

À cause de la nature de ces bénéfices, les prestations de retraite recevables et payables sont classifiées comme étant à long terme tandis que les congés de vacances apparaissent comme recevables et payables à court terme.

Santé Manitoba, via Santé Sud, fournira du financement pour les prestations de retraite jusqu'au montant maximum des obligations encourues en date du 31 mars 2004. Ce montant a été enregistré comme un recevable dans l'état de la situation financière. La Province du Manitoba a garanti ce recevable non réglé à l'Office et lui sera payé lorsqu'il sera requis. Toute obligation excédent le montant du 31 mars 2004 est reflétée comme une charge de l'exercice courant dans l'état des résultats. Le montant à recevoir est enregistré sur une base non actualisée. Cette politique est encouragée et appliquée de la même manière que Santé Manitoba. La juste valeur du montant à recevoir sur une base actualisée serait significativement moins élevée que la valeur comptable et la différence pourrait être influencée de façon significative par le taux d'actualisation effectif utilisé.

4. Immobilisations

			2018	2017
	Coût	**Amortissement cumulé**	**Valeur comptable nette**	Valeur comptable nette
	$	**$**	**$**	$
Terrain	**75 090**	**-**	**75 090**	75 090
Bâtisses	**9 955 838**	**4 354 338**	**5 601 500**	5 763 437
Équipement	**448 247**	**315 296**	**132 951**	133 015
Équipement d'entretien	**308 841**	**136 479**	**172 362**	187 583
Ordinateurs	**13 684**	**13 684**	**-**	-
	10 801 700	**4 819 797**	**5 981 903**	6 159 125

5. Comptes à payer et dépenses courues

Les comptes à payer et les charges courues comprennent un montant payable de 76 229 $ (1 028 $ en 2017) comme remises gouvernementales.

6. Apports reportés

Apports reportés afférents aux immobilisations

Les apports reportés présentés dans le fonds des immobilisations comprennent les fractions non amorties des apports reçus sous forme de contributions pour l'acquisition des immobilisations.

	2018	2017
	$	$
Solde, au début de l'exercice	**6 084 035**	6 359 247
Plus achat d'ameublement	**95 938**	8 714
Moins montants amortis dans les résultats	**(284 236)**	(283 926)
Solde, à la fin de l'exercice	**5 895 737**	6 084 035

Apports reportés - réserve pour ameublement

Les apports reportés rattachés aux montants reçus au cours de l'exercice sont destinés à couvrir l'achat d'ameublement.

	2018	2017
	$	$
Allocation de réserve	**-**	8 714
Apport reportés afférents aux immobilisations	**-**	(8 714)
Solde, à la fin de l'exercice	**-**	-

6. Apports reportés (suite)

Apports reportés - réserve pour réparations majeures

Les apports reportés pour réparations majeures comprennent les fractions reçues de Santé Manitoba au cours de l'exercice destinées à couvrir les charges pour des réparations majeures ou remplacement d'équipement.

	2018	2017
	$	$
Solde, au début de l'exercice	**71 370**	68 730
Plus allocations de réserve	**2 640**	2 640
Apports reportés afférents aux immobilisations	**(74 010)**	-
Achat - Buanderie/Bain communautaire	-	-
Solde, à la fin de l'exercice	-	71 370

Apports reportés - réserve générale

Les apports reportés généraux comprennent des dons et prélèvements de fonds au cours de l'exercice destinées à couvrir les dépenses d'activités pour les résidents (capital ou autres) au delà des fonds provisionnés par Santé Sud.

	2018	2017
	$	$
Solde, au début de l'exercice	**14 915**	6 799
Allocations de réserve	**39 347**	13 237
Apports reportés afférents aux immobilisations	**(5 489)**	-
Montants amortis dans les résultats	**(6 383)**	(5 121)
Solde, à la fin de l'exercice	**42 390**	14 915

7. Engagements contractuels et éventualités

Au 1er juillet 1987, un groupe d'organismes en soins de santé, (« souscripteurs »), ont formé le Healthcare Insurance Reciprocal of Canada (« HIROC »). HIROC est autorisé en tant que bourse d'assurance réciproque au sens de la Loi sur les assurances des provinces, qui permet des contrats réciproques de personnes d'assurance indemnité. HIROC facilite la fourniture d'assurance aux organismes en soins de santé dans les provinces de l'Ontario, du Manitoba, de la Saskatchewan et de Terre-Neuve. Les abonnés payent des primes annuelles, qui sont actuariellement déterminées, et sont sujets à une évaluation pour les pertes expérimentées par le groupe d'abonnés au-dessus de telles primes pendant les années où ils étaient un abonné. Au 31 mars 2018, la corporation n'a subi aucune évaluation de ce genre.

8. Revenus Santé Sud

Le revenu présenté dans les états financiers comprend un montant estimé qui dépend de la prévision budgétaire non finalisée à date pour l'exercice fiscal 31 mars 2018.

	2018	2017
	$	$
Revenu de Santé Sud conformément au budget	**4 246 556**	4 299 400
Plus		
Honoraires de capitation	**37 900**	37 858
Augmentation de service longue durée	**10 600**	10 367
Système d'arrosage	**15 159**	-
Remplacement de lumières	**56 183**	-
HEB COLA	**32 226**	-
Moins apports nets redistribués		
Ajustement du financement de HEPP COLA	**(35 000)**	(2 774)
Ajustement de congé de maternité	**(2 440)**	(12 013)
Ajustement du financement de HSA	**9 320**	2 002
Ajustement PRL	**(20 000)**	-
Ajustement du financement hors globe - Loyer des résidents	**(24 176)**	(23 481)
Ajustement du financement hors globe - impôts fonciers	**(5 466)**	(4 857)
Ajustement du financement hors globe - assurance	**(924)**	7 071
Ajustement du financement hors globe - électricité	**422**	1 708
Ajustement du financement hors globe - gaz	**(8 731)**	(6 027)
Ajustement du financement hors globe - eau	**202**	1 071
Ajustement du financement hors globe - médicaments	**(13 806)**	(4 252)
Revenue de Santé Sud	**4 298 025**	4 306 073

9. Avantages sociaux futurs

Avantages sociaux futurs à payer

Les avantages sociaux futurs à payer sont basés sur une évaluation actuarielle au 31 mars 2018.

En ce qui concerne le droit de pré-retraite des membres du Health Employees' Pension Plan, l'engagement contractuel de la corporation est de payer quatre jours de salaire pour chaque année de service avant la retraite de l'employé, si l'employé se conforme à une ou plusieurs des conditions suivantes :

- a complété dix ans de service et a atteint l'âge de 55 ans; ou
- répond à la règle de "quatre-vingt" qui est calculée en ajoutant le nombre d'années de service à l'âge de l'employé; ou
- a pris sa retraite à l'âge de 65 ans ou après; ou
- a terminé l'emploi en tout temps dû à une incapacité permanente.

L'hypothèse actuarielle importante utilisée pour mesurer les droits de retraite courus de la corporation regroupe la mortalité et les taux de retraits; un taux d'actualisation de 3,425 % (3,00 % en 2017) et un taux d'accroissement du salaire de 3,50 % (3,50 % en 2017); plus une grille de promotion/mérite relative à l'âge et sans provision pour un handicap.

Régime de retraite

La majorité des employés de la corporation participent au régime de retraite "Healthcare Employees' Pension Plan" (le «Régime»), successeur du régime Manitoba Health Organization Inc. Il s'agit d'un Régime de retraite interentreprises à prestations déterminées de type de fin de carrière dont bénéficient les salariés. Le Régime prévoit les versements de prestations basés selon le calcul qui rend les meilleurs résultats. Le calcul sera basé sur le nombre d'années de service et de la moyenne des salaires durant les cinq meilleures années des dix dernières années avant la retraite, le congédiement ou la mort.

Les actifs du Régime comprennent des placements de qualité. L'administration des risques de crédit et de marché est gérée par le Régime en suivant la politique établie pour les placements du Régime et en plaçant les actifs en fiducie.

Avec l'aide d'un actuaire, la charge de retraite est déterminée selon les circonstances les plus probables d'après la direction. Pour s'assurer que le régime honore ses engagements, l'actif de la caisse de retraite comprend un montant qui s'ajoute au versement de 8,90 % du salaire et de 10,50 % du salaire au-dessus de 54 900 $ des participants. La contribution de l'employeur est de 8,90 % du salaire et de 10,50 % du salaire au-dessus de 54 900 $ des participants.

9. Avantages sociaux futurs (suite)

L'évaluation actuarielle la plus récente, au 31 décembre 2016, indiquait que le régime était en déficit; cependant, on prévoit que les augmentations des taux de contribution récemment mises en application élimineront cette insuffisance dans l'horizon prévisionnel. Au cours de l'exercice, la corporation a versé au régime 290 055 $ (290 055 $ en 2017) pour le compte de ses employés.

10. Gestion des risques financiers

La corporation, dans le cours normal de ses activités, est exposée à différents risques, notamment le risque de crédit. L'objectif de la corporation en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble des activités de la corporation. À moins d'indication contraire, l'analyse des risques n'as pas changé comparativement à l'exercice précédent.

Risque de crédit

Le risque de crédit est le risque de perte couru par la corporation lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. La corporation est exposée principalement au risque de crédit au niveau des placements et des comptes à recevoir.

L'exposition maximale de la corporation au risque de crédit, qui ne tient compte d'aucune garantie ni d'autres améliorations des termes de crédit, est la suivante :

	2018	2017
	$	$
Autres	**60 239**	36 700
Santé Manitoba/Santé Sud	**53 869**	2 798
Villa Youville Motels	**588**	5 213
	114 696	44 711

La corporation n'est pas exposée de façon significative au risque de crédit puisque les comptes à recevoir – autres viennent d'une grande base de clients et le paiement est typiquement entièrement acquitté lorsqu'il est dû. La corporation a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant des conditions de marché courantes, l'analyse des clients et des tendances historiques de paiement.

10. Gestion des risques financiers (suite)

Risque de liquidité

Le risque de liquidité est le risque que la corporation ne soit pas en mesure de remplir ses obligations lorsqu'elles arrivent à échéance. La corporation maintient son fonds de roulement à un niveau convenable qui lui permet de remplir toutes ses obligations en temps opportun.

Risque de taux d'intérêt

La corporation, est exposée aux fluctuations des taux d'intérêts qui pourraient affecter les sorties et entrées de fonds liées à la marge de crédit à taux variable. La corporation ne se sert pas d'instruments financiers dérivés pour gérer le risque de taux d'intérêt.

11. Dépendance économique

Le volume d'activité financière entreprise par la corporation avec Santé Manitoba et Santé Sud est assez suffisant que la cessation de ces placements mettrait en danger la capacité de la corporation à continuer comme entreprise pérenne.

West Park Manor Personal Care Home Inc.

Financial Statements

March 31, 2018

Independent Auditors' Report

To the Board of Directors of West Park Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of West Park Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of West Park Manor Personal Care Home Inc. as at March 31, 2018 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

June 22, 2018

MNP LLP

Chartered Professional Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2018

	2018	*2017*
Assets		
Current		
Cash *(Note 3)*	**1,059,001**	1,106,909
Short term investments *(Note 4)*	**1,788,793**	1,773,600
Accounts receivable *(Note 5)*	**58,671**	77,546
Prepaid expenses and deposits	**59,196**	65,249
Receivable from Winnipeg Regional Health Authority	**907,789**	809,090
	3,873,450	3,832,394
Capital assets *(Note 6)*	**2,749,473**	2,777,948
Deferred charges - future employee benefits *(Note 7)*	**745,152**	777,004
	7,368,075	7,387,346
Liabilities		
Current		
Accounts payable and accruals	**1,037,293**	1,047,446
Trust funds payable	**368,452**	327,979
Current portion of long-term debt *(Note 8)*	**1,015,000**	1,117,600
	2,420,745	2,493,025
Long-term debt *(Note 8)*	**370,862**	444,376
Deferred contributions *(Note 9)*	**1,514,085**	1,488,426
Accrued future employee benefits payable *(Note 7)*	**802,488**	834,340
	5,108,180	5,260,167
Net Assets		
Unrestricted	**482,801**	497,242
Invested in capital assets	**631,477**	507,991
Internally restricted *(Note 10)*	**1,145,617**	1,121,946
	2,259,895	2,127,179
	7,368,075	7,387,346

Approved on behalf of the Board of Directors

Original Document Signed
Director

Original Document Signed
Director

The accompanying notes are an integral part of these financial statements

MNP LLP

West Park Manor Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2018

	2018	*2017*
Revenue		
Winnipeg Regional Health Authority (WRHA)		
Operating	**6,227,170**	5,715,893
WRHA funding reduction - 0.25%	**(25,525)**	-
Bed grant	**11,712**	11,712
Interest on approved borrowing	**45,336**	46,560
Year-end adjustment *(Note 13)*	**9,842**	59,439
Medical salaries	**21,360**	20,712
Pre-retirement leave amortization	**64,907**	57,223
MNU related	**18,051**	93,707
Over-cost and other funding	**49,405**	168,950
20 year step support and median rate adjustment	**13,860**	34,129
Non median rate funding	**262,320**	262,320
CUPE related	**24,269**	463,947
Residential charges	**3,288,478**	3,213,179
3.6 HPRD and other revenue	**738,874**	741,280
Amortization of deferred capital contributions	**222,344**	192,624
	10,972,403	11,081,675
Expenses		
Amortization	**214,082**	202,621
Dietary services and supplies	**374,711**	378,880
Employee benefits	**1,555,981**	1,557,246
Employee benefits - preretirement leave	**64,907**	57,223
General administrative	**156,981**	194,311
Health and safety	**4,906**	6,299
Housekeeping	**55,846**	52,017
Interest on long-term debt	**69,037**	58,466
Laundry	**50,194**	44,166
Medical salaries	**21,856**	21,648
Nursing services and supplies	**208,147**	190,701
Recreation and handicraft supplies	**24,626**	16,855
Repairs and maintenance	**200,534**	199,421
Salaries and wages	**7,545,528**	7,571,460
Utilities and property taxes	**316,022**	285,478
	10,863,358	10,836,792
Excess of revenue over expenses before the following:	**109,045**	244,883
Other items		
Accrued future employee benefit expense	**(31,852)**	28,340
Accrued future employee benefit income	**31,852**	(28,340)
	-	-
Excess of revenue over expenses	**109,045**	244,883

The accompanying notes are an integral part of these financial statements

MNP LLP

West Park Manor Personal Care Home Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2018

	Internally restricted	*Unrestricted*	*Invested in capital assets*	**2018**	*2017*
Net assets beginning of year	1,121,946	497,242	507,991	**2,127,179**	1,870,020
Excess of revenue over expenses	-	100,783	8,262	**109,045**	244,883
Change in internally restricted net amounts *(Note 10)*	23,671	-	-	**23,671**	12,276
Purchase of capital assets	-	(185,607)	185,607	**-**	-
Funding proceeds on capital asset additions	-	70,383	(70,383)	**-**	-
Net assets, end of year	**1,145,617**	**482,801**	**631,477**	**2,259,895**	2,127,179

West Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Cash receipts from Government and tenants	**10,994,478**	11,070,079
Cash paid to suppliers	**(1,395,672)**	(1,305,776)
Cash paid to employees	**(9,188,667)**	(9,153,008)
Interest paid	**(69,037)**	(58,466)
	341,102	552,829
Financing		
Advances of long-term debt	**-**	1,385,563
Repayment of long-term debt	**(176,114)**	(1,042,450)
Increase in internally restricted net assets	**(7,665)**	(6,795)
Decrease in internally restricted net assets	**31,336**	19,071
Advances of receivable from Winnipeg Regional Health Authority	**93,474**	618,657
Repayments of receivable from Winnipeg Regional Health Authority	**(184,907)**	(306,403)
Contributions to trust funds payable	**85,925**	36,151
Withdrawals from trust funds payable	**(45,452)**	(36,324)
	(203,403)	667,470
Investing		
Purchase of capital assets	**(185,607)**	(663,249)
Increase (decrease) in cash resources	**(47,908)**	557,050
Cash resources, beginning of year	**1,106,909**	549,859
Cash resources, end of year	**1,059,001**	1,106,909

1. Incorporation and nature of the organization

West Park Manor Personal Care Home Inc. (the "Organization") is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash

Cash include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as short-term assets in concurrence with the nature of the investment.

Capital assets

The Organization capitalizes all individual assets and assets grouped in a similar kind with a cost over $2,000. Capital assets with a cost less than $2,000 may be capitalized if the Organization estimates the asset will have a long-term benefit.

Purchased capital assets are recorded at cost. Amortization is recorded using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful life. The annual rates are as follows:

Buildings	40 years
Computer equipment	5 years
Equipment	16 years

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

The Organization is funded primarily by WRHA in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period in which they relate. The financial statements reflect arrangements approved by WRHA with respect to the year ended March 31, 2018.

Residential rent revenue is recognized when the services are provided and collection is reasonably assured.

Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible and major repairs deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

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

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, 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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period.

Accounts receivable and receivable from WRHA are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

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

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

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

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions.

Bank accounts earn interest at rates ranging from prime plus 1.0% to 1.75% (2017 - 1.0% to 1.75%).

	2018	*2017*
Cash	**32,530**	195,136
Internally restricted cash - equipment and repairs	**17,479**	17,479
Investment cash account	**1,008,992**	894,294
	1,059,001	1,106,909

The Organization has an operating line of credit authorized to a maximum of $100,000 (2017 - $100,000) bearing interest at bank prime of 3.45% plus 0.5% (2017 - bank prime of 2.70% plus 0.5%) per annum and is secured by a general security agreement. The Organization has drawn on $nil (2017 - $nil) of the line of credit at year end.

4. Short term investments

	2018	*2017*
Money market funds	**1,788,793**	1,773,600

5. Accounts receivable

	2018	*2017*
Resident rents receivables	**70,044**	44,955
Government remittances receivable	**9,627**	43,591
Allowance for doubtful accounts	**(21,000)**	(11,000)
	58,671	77,546

6. Capital assets

	Cost	***Accumulated amortization***	***2018 Net book value***
Land	**132,920**	**-**	**132,920**
Buildings	**3,949,920**	**2,168,288**	**1,781,632**
Computer equipment	**92,305**	**84,615**	**7,690**
Equipment	**2,880,524**	**2,053,293**	**827,231**
	7,055,669	**4,306,196**	**2,749,473**

	Cost	*Accumulated amortization*	*2017 Net book value*
Land	132,920	-	132,920
Buildings	3,846,047	2,042,580	1,803,467
Computer equipment	89,865	77,158	12,707
Equipment	2,801,231	1,972,377	828,854
	6,870,063	4,092,115	2,777,948

7. Deferred charges - future employee benefits

Retirement benefits

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to pre-retirement leave benefits and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31, 2004 fiscal years are included in the Organization's global funding and were not recorded as a receivable, as Manitoba Health and/or WRHA had directed all health care facilities to record the future employee benefits liability but not the corresponding receivable. Each year since the 2009 fiscal year, Manitoba Health and WRHA agreed to provide funding for 100% of the retirement liability accrued during the year. For the March 31, 2018 fiscal year the Organization incurred a decrease in employee future benefits payable of $31,852 (2017 - an increase of $28,340) with a reduction in the deferred charges and accrued future employee benefits payable for the same amount was recorded as a increase in expense and income as directed by Manitoba Health and the WRHA. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlement include a discount rate of 3.125% and a rate of salary increase of 3.50%.

The total amount of the liability at March 31, 2018 is $802,488 (2017 - $834,340) and the related receivable is $745,152 (2017 - $777,004).

Pension Plan

The Organization participates in the Health Employees Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, 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 the requirements of Section 3462 of Part II of the CPA Canada Handbook. Total contributions to the plan on behalf of employees during the year were $585,550 (2017 - $554,235).

During the year, the Organization was made aware by HEB Manitoba (HEB) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Organization and HEB have not accurately determined the amount due from the Organization to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Organization.

8. Long-term debt

	2018	*2017*
First mortgage payable in monthly installments of $8,289 (2017 - $8,289) including interest at 7.75% (2017 - 7.75%), secured by land and buildings having a net book value of $626,053 (2017 - $683,421), due August 1, 2023.	**443,374**	506,624
Term loan due on demand bearing interest at bank prime of 3.45% minus 0.50% (2017 - bank prime of 2.70% minus 0.50%) , payable in monthly installments of $1,485 (2017 - $1,485) plus interest, with a renewal date of December 20, 2018, secured with a general security agreement.	**9,893**	27,713
Term loan due on demand bearing interest at bank prime of 3.45% minus 0.50% (2017 - bank prime of 2.70% minus 0.50%), payable in monthly installments of $1,301 (2017 - $1,301) plus interest, with a renewal date of December 9, 2018, secured with a general security agreement.	**37,650**	53,262
Term loan due on demand bearing interest at bank prime of 3.45% minus 0.50% (2017 - bank prime of 2.70% minus 0.50%), payable in monthly installments of $1,542 (2017 - $1,542) plus interest, with a renewal date of October 15, 2018, secured with a general security agreement.	**74,003**	92,507
Term loan due on demand bearing interest at bank prime of 3.45% plus 0.25% (2017 - 0%), payable in monthly installments of $5,222 (2017 - $0) plus interest, with a renewal date of October 30, 2018, secured with a general security agreement.	**600,537**	617,448
Term loan due on demand bearing interest at bank prime of 3.45% plus 0.25% (2017 - bank prime of 2.70% plus 0.25%), payable in monthly installments of $3,668 (2017 - $3,668) plus interest, with a renewal date of September 14, 2018, secured with a general security agreement.	**220,405**	264,422
	1,385,862	1,561,976
Less: current portion	**1,015,000**	1,117,600
	370,862	444,376

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed are estimated as follows:

2019	214,000
2020	149,000
2021	139,000
2022	137,000
2023	134,000

9. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital fund	*Insurance*	*2018*	*2017*
Balance, beginning of year	**1,463,746**	**24,680**	**1,488,426**	1,479,321
- Principal repayment	**179,065**	**-**	**179,065**	153,552
- Equipment replacement	**59,488**	**-**	**59,488**	38,217
- Major repairs	**7,944**	**-**	**7,944**	7,944
- Insurance deductible	**-**	**1,506**	**1,506**	2,016
Recognized as revenue during the year	**(222,344)**	**-**	**(222,344)**	(192,624)
	1,487,899	**26,186**	**1,514,085**	1,488,426

10. Internally restricted net assets

	2018	*2017*
Non-operating income reserve		
Balance, beginning of year	**669,075**	656,799
Interest	**31,042**	18,971
Other	**(3,316)**	(1,128)
Payments/expenditures	**(4,055)**	(5,567)
Balance, end of year	**692,746**	669,075
Reserve for major repairs	**28,233**	28,233
Reserve for employee benefits	**424,638**	424,638
	1,145,617	1,121,946

These net assets have been restricted by the Board of Directors. The use of such assets is at the discretion of the Board of Directors.

11. Financial instruments

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

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of trade accounts receivable and receivable from Winnipeg Regional Health Authority (WRHA).

Market risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization’s investments in short term investments exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

11. Financial instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to its line of credit and long-term debt which are subject to floating interest rates based on bank prime lending rates ranging from bank prime rate plus 0.50% and bank prime rate minus 0.50%.

12. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or WRHA and its ability to continue viable operations is dependent upon maintaining this funding.

13. Year end adjustment

The year end adjustment in the revenues section of the Statement of Operations represents the difference in the funding budget and the actual funding for residential charges received from residents and the actual medical remuneration payments made to physicians. The amount has been set up as a receivable from WRHA.

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

WOMEN'S HEALTH CLINIC INC.

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

MARCH 31, 2018

FORT GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS
Business Advisors • Tax • Audit

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Women's Health Clinic Inc.:

We have audited the accompanying financial statements of Women's Health Clinic Inc., which comprise the statements of financial position as at March 31, 2018, and the statements of operations, changes in net assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Women's Health Clinic Inc. as at March 31, 2018, and the results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 5, 2018

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash (Note 3)	$ 198,623	212,236
Accounts receivable (Note 4)	73,204	57,789
Due from Winnipeg Regional Health Authority	890,225	1,086,189
Inventory (Note 2(b))	73,885	77,874
Prepaid expenses	32,932	29,090
	1,268,869	1,463,178
DEFERRED PROJECT COSTS	36,616	40,921
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	503,744	554,697
	$ 1,809,229	2,058,796
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	$ 620,194	697,542
Government remittances payable	28,389	29,390
Deferred revenue (Note 7)	31,585	30,983
Deferred operating contributions (Note 8)	20,000	-
Demand loan (Note 9)	108,534	163,543
	808,702	921,458
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	172,896	188,807
PRE-RETIREMENT LEAVE (Notes 2(e) and 11)	485,972	499,233
	1,467,570	1,609,498
NET ASSETS (DEFICIT)		
Operating fund	(521,274)	(213,998)
Donation fund	607,918	448,948
Capital fund	255,015	214,348
	341,659	449,298
	$ 1,809,229	2,058,796

APPROVED BY THE BOARD:

Original Document Signed **Director** Original Document Signed **Director**

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2018	TOTAL 2017
REVENUE					
Winnipeg Regional Health Authority					
Fixed payments	$ 5,789,480	-	-	5,789,480	5,721,197
Deferred operating contributions	-	-	-	-	64,188
Amortization of deferred capital contributions (Note 10)	-	-	30,190	30,190	31,933
Donations	-	104,699	-	104,699	78,886
Fee for service	445,694	-	-	445,694	458,559
Fundraising	-	69,153	-	69,153	42,853
Grants	15,955	-	-	15,955	-
Interest	-	2,393	-	2,393	2,953
Miscellaneous	11,917	-	-	11,917	22,889
Province of Manitoba (Note 12)	218,938	-	-	218,938	245,300
Rental	-	-	20,700	20,700	12,000
The Winnipeg Foundation	1,200	-	-	1,200	53,340
United Way of Winnipeg	230,552	-	-	230,552	227,852
	6,713,736	176,245	50,890	6,940,871	6,961,950
EXPENSES (Schedule)	6,960,125	17,275	70,027	7,047,427	7,153,697
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE PRE-RETIREMENT LEAVE	(246,389)	158,970	(19,137)	(106,556)	(191,747)
PRE-RETIREMENT LEAVE (Note 11)					
Pre-retirement revenue	18,886	-	-	18,886	45,528
Pre-retirement expense	(51,986)	-	-	(51,986)	(50,156)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (279,489)	158,970	(19,137)	(139,656)	(196,375)

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2018	TOTAL 2017
NET ASSETS, BEGINNING OF YEAR	$ (213,998)	448,948	214,348	449,298	645,393
Excess (deficiency) of revenue over expenses	(279,489)	158,970	(19,137)	(139,656)	(196,375)
Demand loan principal repayment and demand loan interest	(59,520)	-	59,520	-	-
Additions to tangible capital assets	(14,563)	-	14,563	-	-
Additions to deferred capital contributions	14,279	-	(14,279)	-	-
Pre-retirement leave remeasurement	32,017	-	-	32,017	280
NET ASSETS (DEFICIT), END OF YEAR	$ (521,274)	607,918	255,015	341,659	449,298

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$ (139,656)	(196,375)
Add back non-cash item(s):		
Amortization of tangible capital assets	65,516	64,296
Amortization of deferred capital contributions	(30,190)	(31,933)
	(104,330)	(164,012)
Change in non-cash working capital items:		
Accounts receivable	(15,415)	17,934
Due from Winnipeg Regional Health Authority	195,964	202,587
Inventory	3,989	4,014
Prepaid expenses	(3,842)	(2,771)
Deferred project costs	4,305	(1,075)
Accounts payable and accrued liabilities	(77,348)	46,369
Government remittances payable	(1,001)	7,463
Deferred revenue	602	(10,142)
Deferred operating contributions	20,000	(65,899)
	22,924	34,468
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(14,563)	(24,425)
FINANCING ACTIVITIES		
Demand loan repayment	(55,009)	(53,839)
Additions to deferred capital contributions	14,279	24,425
Pre-retirement leave	(13,261)	16,233
Pre-retirement leave remeasurement	32,017	280
	(21,974)	(12,901)
DECREASE IN CASH	(13,613)	(2,858)
CASH, BEGINNING OF YEAR	212,236	215,094
CASH, END OF YEAR	$ 198,623	212,236

1. ACCOUNTING ENTITY

Women's Health Clinic Inc. (WHC) is an inclusive, feminist community health clinic dedicated to providing accessible and equitable health and wellness services. WHC's mission is to provide accessible woman-centred education and services, create strategic partnerships, and advocate for system change. The principal values that guide the organization are choice, inclusion, social justice, innovation, and integrity. The organization was formed in 1981, is an incorporated entity, and is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

(a) Fund Accounting

The **Operating Fund** accounts for the revenues and expenses related to program delivery and administrative activities.

The **Donation Fund** accounts for all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The **Capital Fund** accounts for the assets and liabilities, revenue and expenses related to the organization's capital assets.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

(c) Tangible Capital Assets

Purchased tangible capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution. Amortization is provided on the straight-line basis at the following rates:

Building and improvements	10 - 25 years
Computers, furniture and fixtures	5 - 10 years
Security system	10 years
Medical equipment	5 years

Leasehold improvements are amortized over the life of the lease.

Additions are amortized at one-half of the above rates in the year of purchase.

(d) Revenue Recognition

The organization follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when they are received or receivable, and when collectibility is reasonably assured.

Fee for service revenue is recognized as earned, which is at the time the service is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Pre-retirement Leave Benefits

The cost of the organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 2.90% (2017 - 2.90%), a rate of salary increase of 3.50% (2017 - 3.50%) plus an age-related merit/promotion scale with provision for disability.

(f) Accounting Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved, useful life of tangible capital assets, and pre-retirement leave payable. Actual results may differ from estimates.

(g) Financial Instruments

Financial instruments held by the organization include cash, accounts receivable, accounts payable and accrued liabilities, and demand loan. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. CASH

The organization has a line of credit available in the amount of $25,000 at the prime interest rate. As at March 31, 2018 the balance is $Nil (2017 - $Nil).

4. ACCOUNTS RECEIVABLE

	2018	2017
Manitoba Health	$ 61,899	44,313
GST	5,311	6,650
Other	5,994	6,826
	$ 73,204	57,789

WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

5. TANGIBLE CAPITAL ASSETS

	2018 Cost	2018 Accumulated Amortization	2017 Cost	2017 Accumulated Amortization
Land	$ 130,000	-	130,000	-
Building and improvements	1,032,733	687,180	1,025,353	628,146
Computers, furniture and fixtures	157,583	155,332	157,583	154,432
Leasehold improvements	3,553	2,842	3,553	2,487
Security system	50,135	47,829	50,135	47,487
Medical equipment	179,811	156,888	172,628	152,003
	1,553,815	1,050,071	1,539,252	984,555
Net book value	$ 503,744		554,697	

6. ACCOUNTS PAYABLE

	2018	2017
Accrued liabilities	$ 27,043	72,460
Group pension payable	42,940	42,027
Salaries and benefits payable	54,277	53,560
Trade accounts payable	87,222	117,338
Vacation pay payable	400,568	402,430
Other	8,144	9,727
	$ 620,194	697,542

7. DEFERRED REVENUE

	Balance March 31, 2017	Revenue Received 2018	Revenue Recognized 2018	Balance March 31, 2018
Insurance	$ 12,686	792	-	13,478
Client emergency fund	8,438	-	(190)	8,248
PEDPRP	9,216	-	-	9,216
Reproductive rights	643	-	-	643
	$ 30,983	792	(190)	31,585

8. DEFERRED OPERATING CONTRIBUTIONS

	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
Winnipeg Foundation	$ -	20,000	-	20,000

9. DEMAND LOAN

	2018	2017
Assiniboine Credit Union mortgage bearing interest at prime plus 0.25%, repayable in monthly installments of principal and interest of $4,960, due on demand and secured the organization's land and building	$ 108,534	163,543

10. DEFERRED CAPITAL CONTRIBUTIONS

	Balance March 31, 2017	Revenue Received 2018	Revenue Recognized 2018	Balance March 31, 2018
WRHA	$ 67,075	14,279	18,324	63,030
Non-WRHA	121,732	-	11,866	109,866
	$ 188,807	14,279	30,190	172,896

11. PRE-RETIREMENT LEAVE BENEFITS

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority (WRHA) to record the full obligation. The WRHA calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the WRHA has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement obligation that belongs to WRHA programs. The change in the pre-retirement leave benefits are recorded as an expense in the current year. During the year, the obligation decreased by $13,261 (2017 - increased by $16,233).

A portion of the pre-retirement benefits for the current year of $18,885 (2017 - $45,528) were funded the WRHA.

During the year, the organization incurred retirement leave expenditures of $33,230 (2017 - $33,643) of which $33,230 (2017 - $33,643) were funded by the WRHA.

The pre-retirement leave obligation is as follows:

	2018	2017
WRHA funded employees	$ 419,541	433,885
Non-WRHA funded employees	66,431	65,348
	$ 485,972	499,233

12. PROVINCE OF MANITOBA

The Province of Manitoba fund the following programs:

	2018	2017
Healthy Child Manitoba - Families Connecting, Healthy Baby Program	$ 218,938	215,300
Body Positive Project	-	30,000
	$ 218,938	245,300

13 ENDOWMENT FUND

In 2002, the organization established an Endowment Fund to held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of March 31, 2018 contributions to the Endowment Fund totaled $220,330 (2017 - $207,970), including those from third parties. The market value of the Endowment Fund at March 31, 2018 is $302,655 (2017 - $286,593).

14. COMMITMENT

The organization has entered into a lease agreement for office space at 346 Portage Avenue, Winnipeg, Manitoba expiring on July 31, 2021 with an aggregate minimum annual rental of approximately $120,000, exclusive of certain incremental occupancy costs.

15. PENSION

The organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $376,828 (2017 - $371,123) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

16 ECONOMIC DEPENDENCE

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

17. RISK MANAGEMENT

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its demand loan.

17. RISK MANAGEMENT (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The organization's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

(c) Credit Risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

18. CONTINGENT LIABILITY

During the current year's audit it was noted that Women's Health Clinic Inc. is contingently liable to pay additional pension contributions to Healthcare Employees Pension Plan - Manitoba (HEPP). The Winnipeg Regional Health Authority (WRHA) and HEPP are currently in negotiation to determine what, if any, amount the Women's Health Clinic Inc. is liable for. No amount has been determined as of the date of the audit report.

19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

WOMEN'S HEALTH CLINIC INC.
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31, 2018

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2018	TOTAL 2017
Accounting and computer	$ 16,452	-	-	16,452	15,531
Amortization of tangible capital assets	-	-	65,516	65,516	64,296
Association membership fees	10,960	-	-	10,960	12,801
Community relations	23,216	-	-	23,216	38,614
Employee benefits	753,409	-	-	753,409	756,796
Equipment leases	52,262	-	-	52,262	68,602
Fundraising	-	17,275	-	17,275	18,831
Health reform materials	536	-	-	536	1,068
Insurance	7,523	-	-	7,523	7,382
Interest on mortgage	-	-	4,511	4,511	5,681
Lectures and honorariums	-	-	-	-	500
Medical supplies and processing fees	394,805	-	-	394,805	390,429
Occupancy costs	145,019	-	-	145,019	136,358
Office	110,647	-	-	110,647	102,783
Other supplies	92,714	-	-	92,714	93,940
Professional fees	33,207	-	-	33,207	35,521
Purchased services	440,518	-	-	440,518	470,997
Recruitment and hiring	1,392	-	-	1,392	24,439
Repairs and maintenance	202,900	-	-	202,900	229,511
Salaries	4,523,465	-	-	4,523,465	4,538,812
Staff training	11,930	-	-	11,930	19,262
Telephone	50,589	-	-	50,589	44,053
Travel	28,978	-	-	28,978	24,231
Utilities	57,834	-	-	57,834	51,163
Volunteer services	1,769	-	-	1,769	2,096
	$ 6,960,125	17,275	70,027	7,047,427	7,153,697

REGIONAL HEALTH AUTHORITIES OF MANITOBA INC. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

Financial Statements of

REHABILITATION CENTRE FOR CHILDREN, INC.

March 31, 2018

Deloitte.

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360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rehabilitation Centre for Children, Inc.

We have audited the accompanying financial statements of Rehabilitation Centre for Children, Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rehabilitation Centre for Children, Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

May 31, 2018
Winnipeg, Manitoba

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Financial Position
March 31, 2018

	2018	2017 (Restated Note 2)
ASSETS		
CURRENT		
Cash and short-term investments	**$ 1,695,214**	$ 1,135,190
Investments in GIC (Note 4)	**4,159,898**	1,193,271
Accounts receivable (Note 5)	**1,033,732**	1,856,186
Inventory	**356,282**	366,771
Prepaid expenses	**6,321**	6,473
Due from WRHA - accrued vacation pay (Note 3h)	**155,997**	155,997
	7,407,444	4,713,888
Restricted cash	**94,932**	75,819
Investments in GIC	**-**	432,865
Due from WRHA - pre-retirement and sick leave benefits (Note 3h)	**495,402**	466,413
Capital assets (Note 6)	**875,602**	856,555
	$ 8,873,380	$ 6,545,540
LIABILITIES		
CURRENT		
Accounts payable	**$ 838,394**	$ 646,912
Accrued vacation pay - WRHA	**452,350**	412,525
Accrued vacation pay - other funders	**101,617**	46,972
	1,392,361	1,106,409
Accrued pre-retirement leave benefits (Note 7)	**750,472**	707,696
Accrued sick leave benefits (Note 8)	**184,918**	153,237
Deferred contributions related to capital assets (Note 9)	**676,480**	699,359
Deferred contributions - Health Canada (Note 10)	**1,936,141**	301,367
Deferred contributions (Note 11)	**60,793**	65,022
	5,001,165	3,033,090
COMMITMENTS (Note 17)		
NET ASSETS (Note 14)		
Restricted POTC	**19,114**	40,853
Restricted Childrens' Therapy	**473,149**	350,801
Restricted School Therapy	**350,970**	456,219
Restricted Prosthetics and Orthotics	**462,655**	370,331
Restricted Stepping Out Saturdays	**237,065**	305,040
WRHA Restricted	**151,033**	21,841
Equipment Reserve	**575,040**	534,093
Unrestricted and Internally Restricted	**1,603,189**	1,433,272
	3,872,215	3,512,450
	$ 8,873,380	$ 6,545,540

APPROVED BY THE BOARD

Original Document Signed .... Director

Original Document Signed .... Director

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Operations
Year Ended March 31, 2018

	2018	2017 (Restated Note 2)
REVENUE		
Patient services - Winnipeg Regional Health Authority	**$ 6,370,445**	$ 5,834,329
School therapy program	**2,234,073**	2,138,540
Manitoba Family Services (Note 18)	**1,296,754**	1,324,638
Health Canada	**1,365,226**	90,300
Sales of prosthetics/orthotics fees for service	**1,506,220**	1,118,542
Sales of prosthetics/orthotics - other revenue	**288,236**	181,266
Sales of assistive devices	**45,458**	51,345
Restricted funding		
Children's Rehabilitation Foundation Inc. (Note 13b)	**655,458**	616,260
Research revenue	**27,986**	51,462
Miscellaneous	**261,939**	255,657
	14,051,795	11,662,339
EXPENSES		
Salaries	**4,670,714**	4,322,399
Employee benefits and costs	**1,063,925**	1,025,274
School therapy salaries and other costs	**2,339,322**	1,965,578
Manitoba Family Services - salaries and other costs		
Provincial Outreach Therapy for Children	**637,739**	599,630
Childrens' Therapy Initiative (Note 14)	**308,491**	250,740
Stepping Out Saturdays	**273,275**	229,458
Family support network	**52,600**	47,600
Health Canada salaries and other costs	**1,365,226**	90,300
Prosthetics and orthotics supplies	**421,409**	297,884
Special devices supplies	**219,870**	135,902
Other supplies and expenses	**583,699**	500,541
Restricted expenditures		
Children's Rehabilitation Foundation Inc.	**753,154**	697,217
Research expense	**43,953**	51,462
Purchased services - salaries and benefits	**521,298**	507,858
Purchased services	**331,482**	264,886
Start-up costs - SSCY Centre	**97,390**	126,374
Repairs and maintenance	**28,697**	30,518
Utilities, insurance and taxes	**16,725**	29,044
	13,728,969	11,172,665
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)	**322,826**	489,674
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	**71,808**	78,166
Amortization of capital assets	**(81,179)**	(88,572)
Interest income	**46,310**	13,637
Funding adjustments relating to prior years	**-**	(8,552)
EXCESS OF REVENUE OVER EXPENSES	**$ 359,765**	$ 484,353

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2018

	2018									2017
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	WRHA Restricted	Equipment Reserve	Unrestricted and Internally Restricted (Note 14)	**Total**	Total (Restated Note 2)
Balance, beginning of year	$ 40,853	$ 350,801	$ 456,219	$ 370,331	$ 305,040	$ 21,841	$ 534,093	$ 1,433,272	**$ 3,512,450**	$ 3,028,097
Excess of revenue over expenses (expenses over revenue)	(21,739)	122,348	(105,249)	342,324	(67,975)	129,192	6,753	(45,889)	**359,765**	484,353
Interfund transfers (Note 14)	-	-	-	(250,000)	-	-	34,194	215,806	**-**	-
Balance, end of year	**$ 19,114**	**$ 473,149**	**$ 350,970**	**$ 462,655**	**$ 237,065**	**$ 151,033**	**$ 575,040**	**$ 1,603,189**	**$ 3,872,215**	$ 3,512,450

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2018

	2018	2017 (Restated Note 2)
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 359,765**	$ 484,353
Add charges (deduct credits) to operations		
not requiring a current cash payment		
Amortization of capital assets	**81,179**	88,572
Amortization of deferred contributions		
- capital assets	**(67,579)**	(77,899)
Amortization of deferred contributions - EMR	**(4,229)**	(267)
Recognition of deferred contributions - Health Canada	**(1,365,226)**	(90,300)
Employee future benefits	**139,938**	83,286
	(856,152)	487,745
Net change in non-cash working capital balances		
Accounts receivable	**822,454**	(669,987)
Inventory	**10,489**	(119,354)
Prepaid expenses	**152**	3,330
Accounts payable	**191,482**	177,257
Deferred contributions received	**3,000,000**	391,667
	3,168,425	270,658
FINANCING ACTIVITIES		
Increase in deferred contributions related to		
capital assets	**44,700**	620,580
Change in cash restricted for purchases of		
capital assets	**(19,113)**	(1,181)
	25,587	619,399
INVESTING ACTIVITIES		
Purchase of capital assets	**(100,226)**	(820,017)
Investments in GIC, net	**(2,533,762)**	249,837
	(2,633,988)	(570,180)
NET INCREASE IN CASH POSITION	**560,024**	319,877
CASH AND SHORT TERM INVESTMENTS,		
BEGINNING OF YEAR	**1,135,190**	815,313
CASH AND SHORT TERM INVESTMENTS,		
END OF YEAR	**$ 1,695,214**	$ 1,135,190

1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. (the "Centre") was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981 without authorized share capital, and is a registered charity under the Income Tax Act.

The Rehabilitation Centre for Children, Inc. is a family centered organization which supports children and youth with disabilities and/or special needs in Manitoba and surrounding areas, in maximizing their independence, reaching their goals and participating in their communities. Together, with families and our partners, we provide a centre of excellence for children's rehabilitation including direct and consultative service, education, research, and innovative assistive technologies that are developed and delivered in a culturally responsive, integrated service system.

2. RESTATEMENT OF PRIOR PERIOD

As part of the current year audit, it was determined that the funding received from Health Canada in the prior year was restricted in nature and should have been recorded as deferred contributions and recorded into revenue in the year in which the related expenses are recognized.

The impact of this correction is to decrease revenues reported for Health Canada for the year ended March 31, 2017, decrease the restricted surplus for Health Canada as at March 31, 2017 by $301,367, and to increase deferred contributions at March 31, 2017 by $301,367.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards ("PSAS"), including PSAS for Government Not-for-Profit Organizations (PS 4200 – PS 4270), and include the following significant accounting policies:

a) Revenue

i) Funding from Winnipeg Regional Health Authority (WRHA)

The Centre is funded during the year by the WRHA for programs outlined in the WRHA/RCC Service Purchase Agreement. Based on this agreement the Centre is permitted to retain the greater of 50% of the WRHA global funded surplus or 2% of the WRHA annual global operating budget. Amounts retained must be restricted for WRHA programs. Any amount in excess of the above would be repayable to the WRHA.

ii) Other Funding Sources

The Centre receives funding from other sources including Children's Rehabilitation Foundation Inc., Province of Manitoba Family Services and Labour, Manitoba Health, Health Canada and school divisions for specified programs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

c) Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined on the first in, first out basis. Net realizable value is the estimated selling price. Inventory expensed during the year amounted to $599,646 (2017 - $412,438).

d) Capital assets

Equipment acquired before April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution and recorded as restricted donations. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Equipment and furniture	5 - 25 years
Information systems	5 - 10 years
Leasehold improvements	term of lease

e) Cash and short-term investments

Cash and short-term investments include cash and highly liquid investments with an original maturity of three months or less at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Pre-retirement leave obligation

The Centre has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) Have ten years service and have reached the age of 55; or
ii) Qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) Retire at or after age 65; or
iv) Terminate employment at any time due to permanent disability.

The Centre has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Any change in the accrual relating to pre-retirement leave benefits are recorded as an expense on the Statement of Operations.

g) Sick leave benefits

The Centre has a policy whereby full-time employees are allowed 1.25 sick days per month and any unused sick days can be carried forward but they do not vest; paid sick days for part-time employees are pro-rated based on the number of hours they work per month. The Centre recognizes an obligation for the estimated sick leave benefits that have accumulated based on the expectation of future utilization of the benefits. Any change in the accrual relating to sick leave benefits are recorded as an expense on the Statement of Operations.

h) Due from WRHA – employee future benefits

Funding for vacation pay, entitlements by the WRHA has been capped at the amount owing for vacation entitlements as at March 31, 2004. Because the vacation entitlements up to March 31, 2004 will be funded, this amount has been recorded on the statement of financial position as a receivable from the WRHA.

For certain employees, funding for pre-retirement and sick leave benefits will be provided by the WRHA and therefore the amount that is to be funded by the WRHA has been recorded as a receivable on the statement of financial position.

i) Financial instruments

All financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Financial assets and financial liabilities are subsequently measured at either cost/amortized cost or fair value as described below.

Cash and short-term investments	Cost
Investments in GIC	Amortized cost
Accounts receivable	Amortized cost
Due from WRHA	Cost
Accounts payable	Cost
Accrued vacation pay	Cost
Accrued pre-retirement leave benefits	Amortized cost
Accrued sick leave benefits	Amortized cost

No financial instruments are recorded at fair value subsequent to their initial recognition.

j) 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates include allowance for doubtful accounts, inventory obsolescence, accrued pre-retirement leave benefits, accrued sick leave benefits and the useful life of capital assets. Actual results could differ from these estimates.

k) Future accounting policy changes

Effective April 1, 2012, the Centre as a government controlled not-for-profit organization, adopted public sector accounting (PSAB) standards, including the option to apply not-for-profit standards under section 4200-4270 of the Handbook. The Province of Manitoba has directed that the Centre should begin to apply PSAB standards without the 4200 series of the Handbook. This change will be effective for the year ended March 31, 2019. Management is currently evaluating the effect of this change on the financial statements of the Centre.

4. INVESTMENTS IN GIC

Investments represent amounts invested in guaranteed investment certificates. Short term investments earn interest at rates of 1.28% to 1.70% (2017 – 0.75% to 1.35%) per annum and have maturity dates ranging from 17 to 262 days (2017 – 50 to 128 days) after year end.

5. ACCOUNTS RECEIVABLE

	2018	2017
Patient services	**$ 171,435**	$ 69,044
School divisions	**256,071**	233,634
Manitoba Health – Patient services	**403,357**	285,882
Winnipeg Regional Health Authority – Operations	**76,883**	980,893
Due from Children's Rehabilitation Foundation Inc. (Note 11b)	**92,308**	92,032
Specialized Services for Children and Youth (SSCY) Capital campaign	**-**	153,582
GST Rebate	**33,678**	38,622
Other	-	2,497
	$1,033,732	$1,856,186

6. CAPITAL ASSETS

	2018			2017
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment and furniture	**$ 1,029,849**	**$ 318,051**	**$ 711,798**	$ 698,304
Information systems	**142,089**	**69,510**	**72,579**	64,262
Leasehold improvements	**104,695**	**13,470**	**91,225**	93,989
	$ 1,276,633	**$ 401,031**	**$ 875,602**	$ 856,555

7. ACCRUED PRE-RETIREMENT LEAVE BENEFITS

The WRHA undertook an actuarial valuation as at March 31, 2015 of the accrued pre-retirement leave benefits which include those of the Centre. The significant actuarial assumptions adopted in measuring the Centre's accrued pre-retirement leave benefits include mortality and withdrawal rates, a discount rate of 3.425%, a rate of salary increase of 3.5% plus age related merit/promotion scale and a factor ranging from 0 – 2.28% for disability. For the year ended March 31, 2018, the WRHA has moved to having an actuarial valuation completed every three years. As a result, in the current year a roll-forward of the previous valuation was prepared taking into account actual pre-retirement payments made in the year. Actual payments made during the year for the Centre's pre-retirement leave benefits were $21,342 (2017 - $57,153).

8. SICK LEAVE BENEFITS

The Centre calculated an obligation related to the estimated sick leave benefits that have accumulated based on the expectation of future utilization of the benefits. The significant assumptions used in measuring the Centre's accrued sick leave benefits include the estimated average remaining service life of its employees of 7.70 years, a discount rate of 3.425% and a rate of salary increase of 3.5%.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2018	2017
Balance, beginning of year	**$ 699,359**	$ 156,678
Plus: contributions received during the year	**44,700**	620,580
Less: current year amortization	**(67,579)**	(77,899)
	$ 676,480	$ 699,359

10. DEFERRED CONTRIBUTIONS – HEALTH CANADA

The Centre is receiving funding from Health Canada for Jordan's Principal, which aims to provide OT, PT and Speech services to First Nations communities across Manitoba. These funds are restricted for the purpose of providing these services and are recorded into revenue when the related expenses occur.

	2018	2017
Balance, beginning of year	**$ 301,367**	$ -
Add: contributions received in the year	**3,000,000**	391,667
Less: current year expenses	**(1,365,226)**	(90,330)
	$ 1,936,141	$ 301,367

11. DEFERRED CONTRIBUTIONS

During the prior year, contributions were received from Manitoba eHealth for the Electronic Medical Records (EMR) Adoption Program. These funds are restricted for the use of purchasing specific computer hardware and software products for the EMR system and related expenses.

	2018	2017
Balance, beginning of year	**$ 65,022**	$ 65,289
Less: current year purchases/expenses	**(4,229)**	(267)
	$ 60,793	$ 65,022

12. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. Variances between the actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The costs of the benefit plan are not individually allocated to the participating facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $686,945 (2017 - $550,890) and are included in the statement of operations.

13. ECONOMIC DEPENDENCE AND RELATED ENTITIES

a) The Province of Manitoba and the WRHA provide a significant amount of the operating funding of the Centre. The statement of operations and Note 2 provide details of the transactions between the Centre and these entities.

b) The Children's Rehabilitation Foundation Inc. (the "Foundation"), in part, supports the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The Foundation is not controlled by the Centre and therefore the financial statements of the Foundation have not been consolidated in these statements. During the year, the Foundation donated a total of $655,458 to the Centre in the form of cash and capital donations (2017 - $616,260).

14. NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Labour, surpluses generated through the Provincial Outreach Therapy for Children (POTC) program are restricted to the future provision of outreach therapy services. In addition, funds received for the Children's Therapy and Stepping Out Saturdays Initiatives are restricted for use for these programs.

14. NET ASSETS (continued)

Funds received for the School Therapy and Prosthetics and Orthotics Initiatives are internally restricted for use for these programs. During the year, the Board transferred $215,806 (2017 - $321,699) of the funds in the Equipment Reserve to the unrestricted fund to cover costs incurred in the current year. During the year the Board also approved the transfer of $250,000 from the Prosthetics & Orthotics restricted fund into the equipment reserve.

Based on the Service Purchase Agreement, the Centre is permitted to retain the greater of 50% of the surplus or 2% of the WRHA annual global operating budget. However, there are instances where the Centre requests that surplus amounts that would otherwise be repaid to the WRHA be retained for specific future purposes. This deferred funding is to be used towards financing the SSCY project manager and related administrative costs in the 2018 fiscal year. This current year surplus is shown in the WRHA restricted fund under net assets. Management believes that the amount subject to audit will be able to be retained by the Centre and therefore no amounts have been recorded as a payable to the WRHA as at March 31, 2018.

During the year, the Board of Directors approved internally restricting $50,000 for each of the Social Media initiative and the Family Network Project.

Details relating to unrestricted and internally restricted net assets as of March 31, 2018 are as follows:

Net assets invested in capital assets	$	199,122
Internally restricted net assets – Social Media		43,172
Internally restricted net assets – Family Network Project		49,063
Net assets - unrestricted		1,311,832
	$	1,603,189

The Centre participates in providing services for the Children's Therapy Initiative with other service providers. The following is a summary of the entire program's operations for the fiscal year:

	2018	2017
Gross funding received by the Centre	**$ 995,000**	$1,016,000
Disbursement to the third party	**(564,161)**	(547,373)
Revenue earned by the Centre	**430,839**	468,627
Expenses incurred by the Centre	**(308,491)**	(250,740)
Program surplus at the Centre	**$ 122,348**	$ 217,887

15. SPECIAL SERVICES FOR CHILDREN AND YOUTH (SSCY) CAPITAL CAMPAIGN

SSCY is a partnership between Manitoba Health, the Winnipeg Regional Health Authority, Manitoba Family Services and Labour and a number of community service providers. The following is a summary of the Campaign's operations:

	2018	2017
WRHA – donated funds	**$ -**	$ 19,525
Campaign expenses	**-**	19,525

These expenses are not reflected in the Centre's statement of operations. Funds raised by the Campaign will be held by the Winnipeg Foundation on behalf of the partners and disbursed to the WRHA. Any expenses incurred by the Centre will be recovered from the WRHA through donated funds.

16. INTEREST RATE AND CREDIT RISK

Interest rate risk
Interest rate risk is the risk to the Centre's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. The Centre does not use derivative instruments to reduce this risk.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, the Centre's accounts receivable are amounts due from government funding authorities and similar agencies which minimizes credit risk.

17. COMMITMENTS

The Centre has several leases for a telephone system and photocopiers which expire in 2021. The annual minimum lease payments through 2021 are $112,259.

18. MANITOBA FAMILY SERVICES REVENUE

	2018	2017
Provincial Outreach Therapy Program (POTC)	**$ 616,000**	$ 590,000
Children's Therapy Initiative (CTI)	**430,839**	468,627
Stepping Out Saturday (SOS)	**191,500**	191,500
Family Support Network	**40,200**	35,200
Building Circles of Support	**12,400**	12,400
Rural Clinics	**5,815**	6,711
Manitoba FASD – Network Development	**-**	20,200
	$1,296,754	$1,324,638

19. CONTINGENT LIABILITY

During the 2017/18 fiscal year, the Centre was made aware by HEB Manitoba (“HEB”) that there were unremitted pension contributions associated with the Healthcare Employees Pension Plan (HEPP) related to prior fiscal years. The amount of the liability is unknown as at March 31, 2018 as the Centre and HEB have not accurately determined the amount due from the Centre to HEB. It is expected that the amount, once finalized, will not be material to the financial statements of the Centre.

RESEARCH MANITOBA

Financial Statements
For the year ended March 31, 2018

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of RESEARCH MANITOBA

We have audited the accompanying financial statements of **RESEARCH MANITOBA**, which comprise the statement of financial position as at March 31, 2018, and the statement of operations and fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **RESEARCH MANITOBA** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 20, 2018

RESEARCH MANITOBA
Statement of Financial Position

March 31		2018		2017
Assets				
Current Assets				
Cash and bank	$	**729,923**	$	149,925
Short-term investment (Note 2)		**2,746,336**		3,390,765
Accounts receivable (Note 3)		**112,973**		70,964
Accrued interest receivable		**15,033**		14,199
Prepaid expenses		**4,045**		15,927
		3,608,310		3,641,780
Capital assets (Note 4)		**23,528**		30,923
	$	**3,631,838**	$	3,672,703
Liabilities and Fund Balance				
Current Liabilities				
Accounts payable and accrued liabilities	$	**235,013**	$	132,751
Deferred revenue (Note 5)		**1,969,656**		1,583,896
Research grants payable		**981,682**		971,701
		3,186,351		2,688,348
Commitments (Note 7)				
Fund balance		**445,487**		984,355
	$	**3,631,838**	$	3,672,703

Approved on behalf of the Board:

Original Document Signed
Director

Original Document Signed
Director

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

RESEARCH MANITOBA
Statement of Operations and Fund Balance

For the year ended March 31	2018	2017
Revenue		
Province of Manitoba		
Jobs and the Economy	**$ 15,318,898**	$ 17,116,000
Winnipeg Regional Health Authority	**1,100,000**	1,100,000
Other funding	**10,042**	6,300
Grants returned/rescinded	**374,206**	618,573
Investment income	**57,393**	59,941
	16,860,539	18,900,814
Add deferred revenue, beginning of year	**1,583,896**	1,855,246
Less deferred revenue, end the year	**1,969,656**	1,583,896
	16,474,779	19,172,164
Expenditures		
Administration (Page 11)	**1,404,929**	1,466,374
Personnel awards	**2,115,530**	2,522,212
Personnel awards - matching	**330,000**	1,080,000
Operating grants	**3,415,734**	3,547,344
Operating grants - matching	**2,599,969**	3,363,484
MS grants & awards	**(311,513)**	125,000
Infrastructure grants	**2,004,890**	2,000,000
Infrastructure grants - matching	**4,314,108**	3,410,530
Platform grants	**1,000,000**	1,000,000
Research connections	**140,000**	101,066
	17,013,647	18,616,010
Excess (deficiency) of revenue over expenditures for the year	**(538,868)**	556,153
Fund balance, beginning of year	**984,355**	428,202
Fund balance, end of year	**$ 445,487**	$ 984,355

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

RESEARCH MANITOBA
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ **(538,868)**	$ 556,153
Adjustments for		
Amortization of capital assets	**7,396**	9,991
	(531,472)	566,144
Changes in non-cash working capital balances		
Accounts receivable	**(42,009)**	220,995
Accrued interest receivable	**(834)**	5,821
Prepaid expenses	**11,882**	(7,312)
Accounts payable and accrued liabilities	**102,260**	(301,462)
Deferred revenue	**385,760**	(271,350)
Research grants payable	**9,981**	(393,661)
	(64,432)	(180,825)
Cash Flows from Investing Activities		
Purchase of capital assets	**-**	(13,906)
Decrease in cash and cash equivalents during the year	**(64,432)**	(194,731)
Cash and cash equivalents, beginning of year	**3,540,691**	3,735,422
Cash and cash equivalents, end of year	$ **3,476,259**	$ 3,540,691
Represented by		
Cash and bank	$ **729,923**	$ 149,926
Short-term investment	**2,746,336**	3,390,765
	$ **3,476,259**	$ 3,540,691

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

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

Research Manitoba was originally established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. It was continued under The Research Manitoba Act in 2014 to promote and support, and coordinate funding of, research in the health, natural and social sciences, engineering and the humanities in Manitoba. Research Manitoba is a registered charity and is exempt from tax under the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using the Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is reflected in income in the period in which the grant is received or becomes receivable and in accordance with the terms of the applicable funding agreements, where there are restrictions related to when the related expenditures are incurred as outlined below. Interest income is recognized as revenue when earned and is allocated to the General Fund.

The General Research Funds - General research grants are charged to expenditures in the year the funding is committed for, by the Board. Research grants returned to or rescinded by the organization are recorded as revenues when received or rescinded.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and bank, a short-term investment in a cash savings account that can be redeemed at the organization's request, and a bank overdraft.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as 20% per year for 5 years. Any changes to this policy will be Board approved. The amortization for purchases prior to this fiscal year will continue to be calculated as follows:

Office and computer equipment	20% diminishing balance basis
Computer equipment for review committees	33.3% diminishing balance basis

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Cash has been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by Research Manitoba, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses are not required for these financial statements.

Grants and Awards

All grants and awards and their renewals are recorded as an expenditure in the year they are committed for.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Short-term Investment

	2018	2017
Steinbach Credit Union, charity regular savings account, 2.25% (1.70% in 2017), no maturity date and is reduced by the deficit in the chequing account.	$ 2,746,336	$ 3,390,765

The fair value of the short-term investment approximates the carrying value.

3. Accounts Receivable

	2018	2017
University of Manitoba	$ -	$ 61,425
Miscellaneous receivables	38	147
Goods and Services Tax receivable	12,935	9,392
Winnipeg Regional Health Authority	100,000	-
	$ 112,973	$ 70,964

4. Capital Assets

		2018			2017			
		Cost		**Accumulated Amortization**		Cost		Accumulated Amortization
Office equipment	**$**	**34,151**	**$**	**24,451**	$	34,151	$	22,026
Computer equipment		**62,913**		**49,085**		62,913		44,115
	$	**97,064**	**$**	**73,536**	$	97,064	$	66,141
Net book value			**$**	**23,528**			$	30,923

5. Deferred Revenue

Deferred revenue of $5,000,000, received from the Province of Manitoba, Department of Health at the end of March 2011, is intended to fund clinical research in Multiple Sclerosis patients. During 2017-18, $282,894 of these funds were utilized to support the Canadian Multiple Sclerosis Monitoring System, support the costs associated with a Research Nurse for the MESCAMS Trial, and Support travel for participants of the Stem Cell Trial. Early completion of the MS CCSVI clinical trial funded in partnership with The Canadian Institutes of Health Research resulted in $202,988 being returned to Research Manitoba and added back into deferred revenue. An additional $594,408 was returned to deferred revenue as a result of delays to the MESCAMS Trial and no immediate funding commitments here. The deferred revenue account has a cumulative total balance of $1,312,314 and there are outstanding future commitments of $579,708.

Revenue received from the WRHA in the amount of $2,000,000 is intended to support research that will have an impact on the health of individuals, the health of populations and communities, decisions about government health policy, health system organization and healthcare delivery. During the current year, $117,000 of these funds was utilized (for a cumulative total of $1,342,658) and the unexpended balance at March 31, 2018 is $657,342. Future commitments of $604,500 have been made to expend the balance of this deferred revenue.

The total deferred revenue for 2017-18 is $1,969,656.

6. Pension Benefits

Employees of Research Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Research Manitoba, through the Civil Service Superannuation Fund (CSSF). Effective April 1, 2012, pursuant to an agreement with the Province of Manitoba, Research Manitoba transferred to the Province the pension liability for its employees.

6. Pension Benefits (continued)

Commencing April 1, 2012, Research Manitoba was required to pay to the Province the employees' current pension contributions. The plan is funded by the organization's employees at rates of 8.0% to 9.0% of the employees' salary. The organization is required to match at rates of 7.1% to 9.0% of the employees' salary. The amount contributed by Research Manitoba for 2018 was $62,568 ($68,002 in 2017) and the employee share was $67,381 ($65,045 in 2017). Under this agreement, the organization has no further pension liability.

7. Commitments

Grants

Research Manitoba has committed grants and awards under the General Research Fund, the Regional Partnership Fund, MS Fund and S Patient Oriented Research Fund as follows:

Year	General Research Fund	MS Fund	SPOR Fund	Matching Grants	Total
2019	$ 3,362,634	$ 386,729	$ 925,635	$ 3,529,072	$ 8,204,070
2020	1,877,013	192,979	925,635	1,496,338	4,491,965
2021	-	-	725,635	1,428,571	2,154,206
2022	-	-	-	1,428,571	1,428,571
2023	-	-	-	1,428,571	1,428,571
Total	$ 5,239,647	$ 579,708	$ 2,576,905	$ 9,311,123	$ 17,707,383

Commitments of future years of all the funds are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	$ 445,487
Deferred revenue	979,708
Future Province of Manitoba grants	16,282,188
	$ 17,707,383

Premises

The organization has entered into an agreement to lease its premises for $76,920 annually until the agreement expires in August 2030.

8. Related Party Transactions

Research Manitoba is related to all Province of Manitoba departments and agencies. During the year, Research Manitoba had the following transactions with related organizations:

	2018	2017
Grant revenue	**$ 16,418,898**	$ 18,216,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Economic Dependence

Research Manitoba relies almost entirely on grants from the Province of Manitoba.

10. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's Chief Executive Officer (CEO). The Board of Directors receives quarterly reports from the organization's CEO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible.

At March 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the interest revenue of the investments by $27,463 ($33,900 in 2017). These changes would be recognized in the statement of operations.

10. Financial Instrument Risks (continued)

Credit Risk

The organization is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the organization's receivables are from government entities which minimizes the risk of non-collection. The organization also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they fall due. The organization has a planning and budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

11. Comparative Information

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

RESEARCH MANITOBA
Schedule of Administrative Expenses

For the year ended March 31		2018		2017
Amortization of capital assets	$	**7,396**	$	9,991
Bank fees		**521**		1,421
Board and committee		**2,467**		3,568
Communications		**57,368**		84,122
Conference and transportation		**25,680**		52,130
Courier and postage		**1,670**		1,668
Insurance		**3,979**		5,253
IT/Telecommunications		**54,588**		74,007
Office space		**105,718**		89,080
Office supplies		**9,675**		47,703
Professional development and memberships		**4,808**		4,536
Professional fees		**45,636**		45,705
Reviewers		**7,251**		14,920
Salaries and benefits		**1,078,172**		1,032,270
	$	**1,404,929**	$	1,466,374

Shared Health Inc.

[formerly Diagnostic Services of Manitoba Inc.]

Financial statements

[Expressed in thousands of dollars]

March 31, 2018

Building a better working world

Independent auditors' report

To the Member of
Shared Health Inc.

We have audited the accompanying financial statements of **Shared Health Inc.** [formerly Diagnostic Services of Manitoba Inc.], which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets (liabilities) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Shared Health Inc.** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg Canada
March 31, 2018

Shared Health Inc.

[formerly Diagnostic Services of Manitoba Inc.]

Incorporated under the laws of Manitoba

Statement of financial position

[Expressed in thousands of dollars]

As at March 31

	2018	2017
	$	$
Assets		
Current		
Cash and cash equivalents	**34,396**	8,379
Accounts receivable *[note 3]*	**3,691**	18,768
Prepaid expenses	**2,900**	1,312
Vacation pay recoverable from		
Manitoba Health, Seniors and Active Living	**598**	598
Regional Health Authorities of Manitoba	**—**	1,544
Total current assets	**41,585**	30,601
Capital assets, net *[note 4]*	**54,530**	58,787
Pre-retirement leave benefits recoverable *[note 5]*	**12,494**	12,721
Future sick leave benefits recoverable *[note 11[c]]*	**—**	1,970
	108,609	104,079
Liabilities and net assets (liabilities)		
Current		
Accounts payable and accrued liabilities *[note 7]*	**17,514**	16,513
Accrued vacation and overtime payable	**10,636**	10,467
Total current liabilities	**28,150**	26,980
Accrued pre-retirement leave benefits *[note 11[b]]*	**13,874**	13,964
Future sick benefits payable *[note 11[c]]*	**2,407**	2,405
Deferred contributions *[note 8]*	**64,327**	61,706
Total liabilities	**108,758**	105,055
Contingent Liability and commitments [*notes 9 and 10]*		
Net assets (liabilities)	**(149)**	(976)
	108,609	104,079

See accompanying notes

On behalf of the Board:

Original Document Signed
Dan Skwarchuk
Director

Original Document Signed
Karen Herd
Director and Board Chair

Shared Health Inc.
[formerly Diagnostic Services of Manitoba Inc.]

Statement of operations

[Expressed in thousands of dollars]

Year ended March 31

	2018	2017
	$	$
Revenue		
Manitoba Health, Seniors and Active Living operating income	**183,861**	181,659
Government of Canada revenue	**202**	408
Recoveries from Regional Health Authorities	**16,532**	16,669
Revenue from non-resident out-patient services	**17**	7
Interest income	**268**	3
Other recoveries	**3,906**	3,678
Loss on disposal of capital assets	**(107)**	(38)
Recognition of deferred contributions *[note 8]*		
Capital – amortization	**9,795**	9,209
Expenses	**683**	647
	215,157	212,242
Expenses		
Direct operating *[notes 12]*	**204,473**	204,675
Amortization of capital assets	**9,857**	9,035
	214,330	213,710
Excess (deficiency) of revenue over expenses for the year	**827**	(1,468)

See accompanying notes

Shared Health Inc.
[formerly Diagnostic Services of Manitoba Inc.]

Statement of changes in net assets (liabilities)

[Expressed in thousands of dollars]

Year ended March 31

	2018			2017
	Internally restricted for capital assets	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 13]			
Net assets (liabilities), beginning of year	**554**	**(1,530)**	**(976)**	492
Excess (deficiency) of revenue over expenses for the year	**(169)**	**996**	**827**	(1,468)
Net assets (liabilities), end of year	**385**	**(534)**	**(149)**	(976)

See accompanying notes

Shared Health Inc.
[formerly Diagnostic Services of Manitoba Inc.]

Statement of cash flows

[Expressed in thousands of dollars]

Year ended March 31

	2018	2017
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**827**	(1,468)
Add (deduct) items not involving cash		
Amortization of capital assets	**9,857**	9,035
Amortization of deferred contributions, capital assets	**(9,795)**	(9,209)
Recognition of deferred contributions, future expenses	**(683)**	(647)
Loss on write-off of benefits receivable	**3,717**	—
Loss on disposal of capital assets	**107**	38
	4,030	(2,251)
Net change in non-cash working capital balances related to operations	**14,605**	(4,998)
Deferred contributions received – future expenses	**6,445**	617
Cash provided by (used in) operating activities	**25,080**	(6,632)
Capital activities		
Acquisition of capital assets	**(10,987)**	(16,711)
Cash used in capital activities	**(10,987)**	(16,711)
Financing activities		
Deferred contributions received – capital assets	**11,923**	20,932
Repayment of deferred contributions	**—**	(687)
Repayment of obligations under capital lease	**—**	(8)
Cash provided by financing activities	**11,923**	20,237
Net increase (decrease) in cash during the year	**26,016**	(3,106)
Cash and cash equivalents, beginning of year	**8,379**	11,485
Cash and cash equivalents, end of year	**34,395**	8,379

See accompanying notes

1. Nature of business

Background

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on December 20, 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing laboratory services throughout the Province of Manitoba, and imaging services within the rural environment.

Effective April 1, 2005, agreements were signed with 11 regional health authorities of Manitoba ["RHAs"] and seven non-devolved facilities [the "Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and the Facilities to commence the transition of all unionized staff, existing laboratory assets and contracts of the Facilities to DSM. The agreement also outlined the services to be provided by DSM and that related costs are to be recovered from the RHAs and the Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 RHAs to transfer all unionized staff, existing assets and contracts of the laboratory facilities in the rural regions. Similar to the Winnipeg transition agreements, the services to be provided by DSM will be recovered from the RHAs. The staff transfers from Assiniboine and Churchill in April 2009 completed Stage IV transition.

Effective April 1, 2009, DSM entered into an agreement with Westman Regional Laboratory Services Inc. ["WRL"] and Brandon Regional Health Authority to assign the responsibilities to DSM with respect to the management and operation of laboratory services for the City of Brandon. As part of this transaction, DSM assumed net assets of $(7) from WRL's operations. Capital assets with a net book value of $484 and other net assets of $1,275 were acquired, as well as bank indebtedness of $1,766 assumed. Specialized equipment funding for WRL new capital purchases was provided directly to DSM starting in 2008 by way of approved loan facilities through Manitoba Health, Seniors and Active Living ["MHSAL"].

In November 2009, the dissolution of the WRL board was executed followed by a formal dissolution of the WRL entity. It now operates under the name of Westman Lab as a division of DSM. The ongoing redevelopment of Westman Lab is expected to meet the growing demand for testing outside of Winnipeg using modern facilities and methodologies.

Provincial funding model change

Effective April 1, 2017, DSM moved to a provincial funding model whereby funding is provided directly to DSM from MHSAL rather than DSM receiving funding from the regions on a cost recovery basis. The fiscal year 2016-17 was a transition year. While funding remained with the regions, DSM recognized all funding received and costs incurred by the regions, along with the related deficit or surplus that was payable to or receivable from the regions.

Although the new funding model did not come into effect until April 1, 2017, the 2016-17 prior year balances presented here and in previously issued financial statements are reported as they would be under the new funding model, and are therefore comparable.

Medical remuneration funding for DSM pathologists located at the WRHA remains on a cost recovery basis from the WRHA, with no date set for a transition to a provincial funding model for these costs.

DSM 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.

2. Significant accounting policies

These financial statements were prepared in accordance with the *CPA Canada Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. DSM has chosen to use the standards for government not-for-profit organizations ["GNFPO"] that include sections PS 4200 to PS 4270. The significant accounting policies are described hereafter.

[a] Basis for accounting

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

Certain expenses related to University of Manitoba pathologists are incurred and paid directly by the WRHA. Since the legal obligation for these expenses lies with the WRHA, these compensation costs totaling $6,014 are not reflected in the financial statements for DSM.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

[Expressed in thousands of dollars]

[d] Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/intangibles	10%–20%
Furniture and equipment	10%–15%
Equipment under capital lease	10%–20%

System software-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate category of capital asset. No amortization is taken on system software-in-progress.

[e] Sick leave benefits

Non-vesting sick leave benefits are recorded as an expense and liability in the period in which services are rendered and benefits accumulate. The costs are actuarially determined using management's best estimate of the length of service, salary increases, rates of sick leave accumulation and utilization and ages at which employees will retire. In fiscal year 2014, the sick leave liability was determined by management using their best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates. The change in valuation arising from the change in valuation methods is being amortized over the average service life. Actuarial valuations of the liabilities are performed once every three years, with an extrapolation using updated assumptions in the interim years to support financial reporting in those years. In 2017-18, an extrapolation of 2014 data was performed for the fourth year as a full valuation will be required in 2018-19 due to significant organizational changes anticipated that year.

[f] Pre-retirement leave benefits

The costs of pre-retirement leave benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases, and ages at which employees will retire. Actuarial valuations of the liabilities are performed once every three years with an extrapolation using updated assumptions in the interim years to support financial reporting in those years. In 2017-18, an extrapolation of 2014 data was performed for the fourth year as a full valuation will be required in 2018-19 due to significant organizational changes anticipated that year.

[g] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from these estimates. The amounts estimated include amortization of capital assets, employee future benefits payable and sick leave benefits.

[Expressed in thousands of dollars]

[h] Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value, or [ii] cost or amortized cost. DSM determines the classification of its financial interest at initial recognition.

Financial instruments including cash and cash equivalents, accounts receivable, vacation pay recoverable, pre-retirement leave benefits recoverable, future sick leave benefits recoverable, accounts payable and accrued liabilities, and accrued vacation and overtime payable are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

3. Accounts receivable

	2018 $	2017 $
Due from Manitoba Health, Seniors and Active Living	**858**	9,211
Due from regional health authorities of Manitoba	**2,220**	8,204
Other	**613**	1,353
	3,691	18,768

There are no significant amounts that are past due or impaired. As part of the transition to provincial funding in 2017, DSM assumed the funding receivable from MHSAL for the regions totaling $9,004. This funding was subsequently forwarded to the regions in 2018.

Receivables from RHAs who held the funding in 2017 have been replaced in 2018 with DSM payables to RHAs for expenses incurred on DSM's behalf.

4. Capital assets

		2018	
	Cost $	Accumulated amortization $	Net book value $
Computer hardware/intangibles	**20,957**	**10,613**	**10,344**
Furniture and equipment	**95,861**	**59,453**	**36,408**
System software-in-progress	**7,778**	**—**	**7,778**
	124,596	**70,066**	**54,530**

[Expressed in thousands of dollars]

	2017		
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer hardware/intangibles	14,509	7,346	7,163
Furniture and equipment	96,158	59,145	37,013
System software-in-progress	14,611	—	14,611
	125,278	66,491	58,787

System software-in-progress is not amortized until such time as it becomes available for use.

5. Pre-retirement leave benefits recoverable

	2018	2017
	$	$
Pre-retirement leave benefits recoverable from		
Manitoba Health, Seniors and Active Living	**12,494**	628
Regional health authorities of Manitoba	**—**	12,093
	12,494	12,721

Pre-retirement leave benefits recoverable from MHSAL as at March 31, 2017 represent the amount guaranteed by the Province of Manitoba for Westman Lab. The amount recorded as a receivable for pre-retirement leave costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement leave costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through MHSAL] has included in its ongoing annual funding to DSM an amount equivalent to the change in the pre-retirement leave liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement leave liabilities.

Pre-retirement leave benefits recoverable from MHSAL as at March 31, 2018 represent the amount guaranteed by the Province of Manitoba for Westman Lab plus a portion of the RHAs' historical PRL benefits receivable from MHSAL frozen at March 31, 2004 as part of the funding transition from the RHAs to DSM. The portion of the RHA MHSAL receivable transferred to DSM is equal to the DSM pre-retirement leave valuation at March 31, 2017 and not the March 31, 2004 liability valuation. The MHSAL receivable continues to be guaranteed by the Province of Manitoba. While the liability is funded by an MHSAL receivable to March 2017, all changes from the March 2017 liability amount are reflected in the statement of operations.

[Expressed in thousands of dollars]

6. Bank indebtedness

DSM has a $7,800 [2017 – $7,800] credit facility that was not utilized at year-end. Interest is payable at bank prime less 0.90%.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2018 $	2017 $
Trade accounts payable	**4,329**	1,933
Payroll remittances payable	**5,830**	5,373
Due to regional health authorities of Manitoba	**7,355**	9,207
	17,514	16,513

Payables in 2017 of $9,004 were paid to the RHAs in 2018 for funding receivable from MHSAL and the 2017 surplus/deficit for each region. Due to the funding transfer in 2018, payables to RHAs for expenses incurred on DSM's behalf replace receivables from RHAs who held the funding and reimbursed DSM expenses in 2017.

8. Deferred contributions

Deferred contributions consist of the following:

	2018 $	2017 $
Deferred contributions		
Future expenses	**6,943**	1,487
Capital	**57,384**	60,219
	64,327	61,706

[a] Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's externally restricted operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related specifically restricted expenses are incurred.

[Expressed in thousands of dollars]

Deferred contributions, future expenses consist of the following:

	2018 $	2017 $
Balance, beginning of year	**1,487**	1,479
Funding received from Manitoba Health, Seniors and Active Living	**167**	143
Funding received from other sources	**6,278**	474
Amounts amortized to revenue	**(683)**	(647)
Transferred to capital deferred contribution	**(307)**	38
Balance, end of year	**6,943**	1,487

[b] Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018 $	2017 $
Balance, beginning of year	**60,219**	65,203
Funding received from Manitoba Health, Seniors and Active Living	**8,521**	19,909
Funding received from other sources	**3,402**	1,023
Deferred contributions disposed	**(554)**	(755)
Transfer project deferred funding to regional health authorities of Manitoba *[notes 10[b] and [e]]*	**(4,717)**	(15,914)
Transferred from future expenses contribution	**307**	(38)
Amounts amortized to revenue	**(9,795)**	(9,209)
Balance, end of year	**57,383**	60,219

9. Contingent liability

During the year ended March 31, 2018, DSM was made aware by the Healthcare Employees Pension Plan ["HEPP"] that there were unremitted pension contributions associated with HEPP related to prior fiscal years for DSM. The amount of the liability is unknown as at March 31, 2018 as DSM and HEPP have not accurately determined the amount due from DSM to HEPP. It is expected that the amount, once finalized, will not be material to DSM's financial statements.

[Expressed in thousands of dollars]

10. Commitments

[a] Lease payments

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2019	200
2020	100
	300

The lease with the landlord was amended in October 2014, increasing the base annual lease payment by $44. The lease expires September 2019.

In addition to the minimum lease payments, DSM is also required to pay for various operating costs related to the leased space. In the year ended March 31, 2018, common area costs and property taxes expensed amounted to $216 [2017 – $215].

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

In the year ended March 31, 2011, MHSAL approved an additional $8,700 to continue with the next phase of the project implementation plus $2,225 of Infoway funding received in 2014. As at March 31, 2018, $9,462 [2017 – $9,243] of the amount has been incurred. In March 2018, DSM transferred RIS/PACS capital expenditure of $2,800 to eHealth and capitalized $118 of RIS/PACS expenditure as DSM capital assets, including assets received through vendor credit of $1,066. DSM will continue its role as funds custodian for the project.

[c] Provincial (Pathology) Laboratory Information System

MHSAL approved $24,700 overall for this capital project implementation. As of March 31, 2018, $15,200 [2017 – $12,400] of the amount has been incurred, and $2,798 [2017 – $2,750] of amount was incurred from April 1, 2017 to March 31, 2018.

In the fiscal year ended March 31, 2018, MHSAL provided funding of $1,954 [2017 – $917] for project operating costs.

[d] Digital Telepathology

MHSAL approved $2,760 and Infoway approved $1,643 for this capital project implementation. As of March 31, 2018, $3,525 [2017 – $3,369] of the amount had been incurred, and $156 [2017 – $410] of the amount was incurred from April 1, 2017 to March 31, 2018. During the fiscal year ended March 2018, DSM capitalized $2,872 of Digital Telepathology expenditure as DSM capital assets.

In the fiscal year ended March 31, 2018, MHSAL provided funding of $215 [2017 – $64] for project operating costs.

[e] Digital Mammography

In 2016, MHSAL approved capital expenditures of $11,094 for the ICT solution of Stage II of the Digital Mammography initiative; this funding was increased to $12,886 in June 2017. As project sponsor, DSM established the Digital Mammography Steering Committee, which is responsible for the procurement, implementation and overall direction of the project. As of March 31, 2018, $11,584 [2017 – $9,809] of the costs have been incurred. In March 2018, DSM transferred Digital Mammography capital expenditures of $2,620 to eHealth and $291 to CCMB. DSM will continue its role as funds custodian for the project.

In the fiscal year ended March 31, 2018, MHSAL provided funding of $43 [2017 – $43] for project operating costs.

11. Employee future benefits

[a] Multi-employer pension plan

Substantially all full-time and part-time employees of DSM are members of HEPP or the Civil Service Superannuation Plan ["CSSP"]. DSM's liability is limited to the contributions required during the year under the respective agreements.

HEPP is a specified multi-employer, defined benefit pension plan. HEPP is accounted for as a defined contribution plan since DSM has insufficient information to apply defined benefit plan accounting. Employee and employer contributions were made at a rate of 7.9% [2017 – 8.9%] each on the first $56 [2017 – $55] of earnings, and at a rate of 9.5% [2017 – 10.5%] on earnings in excess of this amount. Employer contributions made to the Plan during the year by DSM and expensed amounted to $8,067 [2015 – $8,109]. The most recent actuarial valuation of the Plan was as of December 31, 2016, which disclosed an actuarial obligation of $6,701,122 [2015 – $6,246,002] resulting in a going concern surplus of $86,672 [2017 – $91,185 deficiency]. DSM is considered a "non-matching employer" in the CSSP under the *Civil Service Superannuation Act*. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement leave benefits

DSM 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.

DSM measures its accrued obligation for the pre-retirement leave benefits as at March 31 of each year. The most recent actuarial valuation report was as at March 31, 2015.

During the current year, the pre-retirement leave obligation incurred amounted to $1,496 [2017 – $1,427] and has been recorded as an expense of the year.

[Expressed in thousands of dollars]

Information about DSM's pre-retirement leave benefits is as follows:

	2018 $	2017 $
Accrued benefit obligation	**12,644**	13,913
Unamortized net actuarial loss	**1,230**	51
Accrued benefit liability	**13,874**	13,964

Change in benefit liability is as follows:

	2018 $	2017 $
Accrued benefit liability, beginning of year	**13,964**	13,701
Current expense	**1,496**	1,427
Benefit payments	**(1,586)**	(1,164)
Accrued benefit liability, end of year	**13,874**	13,964

The breakdown of the expense related to DSM's pre-retirement leave benefits is as follows:

	2018 $	2017 $
Current year service cost	**977**	956
Interest cost	**435**	410
Amortization of actuarial loss	**55**	61
Increase in valuation allowance	**29**	—
Total expense	**1,496**	1,427

	2018 $	2017 $
Current year recovery of pre-retirement leave with respect to transferred employees	**—**	1,187

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are DSM's best estimates of expected rates of the following.

[Expressed in thousands of dollars]

The significant actuarial assumptions adopted in measuring DSM's pre-retirement leave benefit obligation are as follows:

	2018 %	2017 %
Discount rate	**3.43**	3.10
Rate of base compensation increase	**3.50**	3.50
Expected average remaining service life for amortization of actuarial gains/losses	**8.60**	8.60

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

	2018 %	2017 %
Discount rate	**3.10**	3.00
Salary escalation	**3.50**	3.50

[c] Non-vested sick-leave payouts

DSM does not provide sick-leave payouts on retirement. There were no cash payments made to employees in the current year upon retirement [2017 – nil]. The benefit costs and liabilities related to this plan are included in the financial statements. An offsetting recovery with respect to transferred employees has not been recorded [2017 – $1,970].

All employees are credited 1.25 days per month for use as paid absences 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.

Information about DSM's non-vesting sick leave benefits is as follows:

	2018 $	2017 $
Accrued benefit obligation	**2,530**	2,760
Unamortized net actuarial loss	**(123)**	(355)
Accrued benefit liability	**2,407**	2,405

[Expressed in thousands of dollars]

Change in benefit liability is as follows:

	2018 $	2017 $
Accrued benefit liability, beginning of year	**2,405**	2,456
Current expense	**418**	408
Benefit payments	**(416)**	(459)
Accrued benefit liability, end of year	**2,407**	2,405

The breakdown of the expense related to DSM's non-vesting sick leave benefits is as follows:

	2018 $	2017 $
Current year service cost	**264**	259
Interest cost	**87**	88
Amortization of actuarial loss	**59**	61
Obligation transfer from regional health authorities of Manitoba	**8**	—
Total expense	**418**	408

Information about DSM's non-vesting sick leave benefits to current employees as at March 31 is as follows:

	2018 $	2017 $
Accrued benefit liability	**2,407**	2,405
Accrued offsetting recovery	**—**	1,970

The actuarial valuation is based on assumptions about future events. The economic assumptions used in these valuations are DSM's best estimates of expected rates of the following.

The significant actuarial assumptions adopted in measuring DSM's non-vested sick leave obligation are as follows:

	2018 %	2017 %
Discount rate	**3.43**	3.10
Rate of base compensation increase	**3.50**	3.50
Expected average remaining service life for amortization of actuarial gains/losses	**8.50**	8.50

[Expressed in thousands of dollars]

The significant actuarial assumptions adopted in measuring DSM's expense for the non-vested sick leave expense are as follows:

	2018 %	2017 %
Discount rate	**3.10**	3.00
Salary escalation	**3.50**	3.50

12. Direct operating expenses

Direct operating expenses consist of the following:

	2018 $	2017 $
Salaries and benefits *[note 11]*	**147,694**	150,165
Write-off – Benefits receivable from regional health authorities of Manitoba	**3,717**	—
Communications	**10**	16
Equipment	**8,921**	8,208
External consulting	**290**	314
Grants	**125**	85
Insurance	**152**	140
Laboratory and diagnostic supplies	**31,194**	32,710
Legal and audit	**158**	212
Meetings	**33**	17
Miscellaneous	**904**	894
Printer, paper and office supplies	**750**	843
Recruitment	**120**	99
Referred out services	**8,158**	8,251
Rent and utilities	**634**	667
Staff training and development	**762**	833
Telephone	**186**	208
Travel	**665**	1,013
	204,473	204,675

The write-off of benefits receivable was incurred as part of the settlement with the RHAs where it was determined that DSM should be covering the historical unfunded annual cost of the sick leave liability and a portion of the pre-retirement liability amounts that were initially set up as recoverable from the RHAs. A receivable from WRHA for medical remuneration vacation liability was also written off as this historical unfunded cost was also determined to be covered by DSM.

[Expressed in thousands of dollars]

13. Internally restricted for capital assets

Change in net assets internally restricted for capital assets is calculated as follows:

	2018 $	2017 $
[a] Deficit		
Amortization of capital assets	**(9,857)**	(9,035)
Amounts funded by deferred capital contributions, amortized to revenue	**9,795**	9,209
Loss on disposal capital assets	**(107)**	—
	(169)	174
[b] Asset acquisitions	**10,987**	16,711
[c] Assets funded by		
Manitoba Health, Seniors and Active Living loans	**7,329**	18,715
Manitoba Health, Seniors and Active Living loans – outstanding transfer	**(188)**	(3,462)
Transfer from reserves	**538**	—
Transfer to/from operating deferred contribution	**125**	702
Fund from other sources	**3,183**	756
	10,987	16,711

14. Financial instruments – risks and uncertainties

Financial risks

DSM is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of DSM's exposure to these risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. DSM's main credit risk relates to its trade accounts receivable. DSM manages and controls this risk by only dealing with recognized, credit worthy third parties.

Interest rate risk

DSM is subject to interest rate risk with respect to its operating line of credit since the interest rate fluctuates with changes in the prime rate.

Liquidity risk

Liquidity risk is the risk that DSM will encounter difficulty in meeting obligations associated with financial liabilities. DSM is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligations under capital lease, contributions to the pension plan and operating lease commitments. To manage liquidity risk, DSM keeps sufficient resources readily available to meet its obligations.

15. Comparative information

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

16. Subsequent events

Effective March 1, 2018 the legal name of DSM was changed to Shared Health Inc., which came into effect operationally on April 1, 2018. As an organization already providing lab and imaging services province-wide, the legal entity of DSM has been used to launch the new provincial entity Shared Health Inc. Shared Health will lead the planning and coordinate the integration of patient-centred clinical and preventative health services across Manitoba. The organization will also deliver specific province wide health services and supports including centralized administrative and business functions for Manitoba service delivery organizations. Clinical and support services will be transitioned to Shared Health over the next two years, beginning with a number of corporate and support functions in 2018-19.

SOUTHERN FIRST NATIONS NETWORK OF CARE

Financial Statements
For the year ended March 31, 2018

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors
Southern First Nations Network of Care

We have audited the accompanying financial statements of the **Southern First Nations Network of Care**, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Southern First Nations Network of Care** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Unaudited Information
We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 14 through 24 of the financial statements.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
September 13, 2018

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Financial Position

March 31	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 834,858	$ 1,311,844
Accounts receivable (Note 2)	2,185,365	1,846,063
Prepaid expenses	165,287	71,514
	3,185,510	3,229,421
Capital assets (Note 3)	1,545,152	1,566,325
Due from agencies (Note 4)	6,200,026	6,200,026
	$ 10,930,688	$ 10,995,772
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 1,824,044	$ 2,235,265
Current portion of obligation under capital lease (Note 12)	82,163	-
Deferred revenue (Note 6)	842,422	1,055,060
	2,748,629	3,290,325
Obligation under capital lease (Note 12)	163,498	-
Due to Province of Manitoba (Note 4)	6,200,026	6,200,026
	9,112,153	9,490,351
Commitments (Note 8)		
Net assets	1,818,535	1,505,421
	$ 10,930,688	$ 10,995,772

Approved by:

Original Document Signed ____________________ Chairperson

Original Document Signed ____________________ Treasurer

Original Document Signed ____________________ Chief Executive Officer

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

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Operations

For the year ended March 31	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Revenue			
Province of Manitoba (Note 7)			
Network Core (Schedule 1)	$ 3,014,839	$ 2,898,823	$ 3,033,272
Education and Training (Schedule 5)	536,723	536,938	537,156
IT Support (Schedule 2)	712,400	713,017	713,017
Agency Grants (Schedule 3)	51,050,296	51,928,158	50,330,305
Golden Eagle	1,175,000	1,098,582	1,104,593
Adele Site Programming (Schedule 4)	1,289,306	639,408	2,033,424
Emergency Foster Care Stand By Fees	14,000	(895)	895
SCO Liaison Co-ordinator	-	177,500	177,501
Deferred revenue - recognized	153,980	102,455	207,190
Customary Care (Schedule 6)	244,769	113,688	101,621
Total Province of Manitoba	58,191,313	58,207,674	58,238,974
Department of Indigenous Services Canada (ISC)			
IT Capacity Development (Schedule 2, 7)	250,000	250,000	250,000
Regional Advisory Committee (Schedule 8)	64,525	70,000	98,000
Distinct Needs Assessment (Schedule 9)	-	-	25,000
Phoenix Sinclair Inquiry (Schedule 10)	-	-	50,000
Culturally-based Programs and Tools (Schedule 11)	75,000	75,000	-
Total Department of Indigenous Services Canada	389,525	395,000	423,000
Agency			
Rents and secondments (Schedule 1)	203,519	285,096	263,193
IT Support (Schedule 2)	550,000	449,439	447,442
Morningstar	-	-	14,523
Total agency	753,519	734,535	725,158
Other			
Rent (Schedule 1)	80,979	80,979	94,826
IT Support (Schedule 2)	-	20,250	-
Education and Training (Schedule 5)	-	7,098	1,650
Miscellaneous	-	4,151	-
Total other	80,979	112,478	96,476
	59,415,336	59,449,687	59,483,608
Expenses			
Network Core			
Staffing (Schedule 1)	2,654,039	2,564,176	2,752,955
Operating (Schedule 1)	639,373	705,547	763,326
Education and Training (Schedule 5)	483,039	441,843	410,340
IT Support (Schedule 2)	1,607,397	1,679,337	1,533,212
Agency Grants (Schedule 3)	51,050,296	51,928,158	50,330,305
Office moving expenses	-	410	93,126
Programming			
Golden Eagle	1,175,000	1,098,582	1,104,593
Adele Site Programming (Schedule 4)	1,289,306	639,408	2,035,299
Morningstar	-	-	15,915
SCO Liaison Co-ordinator	-	177,500	177,500
Customary Care (Schedule 6)	209,912	113,688	101,621
Age of Majority	73,231	46,640	21,533
Emergency Foster Care Stand by Fees	14,000	(22)	1,285
Stepping out on Saturdays	57,500	55,815	39,789
Regional Advisory Committee (Schedule 8)	53,725	84,829	69,462
Culturally-Based Programs and Tools (Schedule 11)	159,467	161,002	15,741
	59,466,285	59,696,913	59,466,002
Excess (deficiency) before amortization	(50,949)	(247,226)	17,606
Amortization	373,347	408,038	415,572
Deficiency before other items	(424,296)	(655,264)	(397,966)
Bad debt expense	-	(10,462)	(57,297)
Debt forgiveness on discontinued operations	232,341	1,104,859	86,743
Gain (loss) on disposal of capital assets	-	(126,019)	-
Excess (deficiency) of revenue over expenses	(191,955)	313,114	(368,520)
Net assets, beginning of year	-	1,505,421	1,873,941
Net assets, end of year	$ (191,955)	$ 1,818,535	$ 1,505,421

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

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Cash Flows

For the year ended March 31		2018		2017
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenses	$	**313,114**	$	(368,520)
Adjustments for items not involving cash				
Amortization of capital assets		**408,038**		415,572
Loss (gain) on disposal of capital assets		**126,019**		(19,938)
		847,171		27,114
Changes in non-cash working capital balances				
Accounts receivable		**(339,302)**		1,168,261
Prepaid expenses and deposits		**(93,773)**		164,360
Accounts payable and accrued liabilities		**(411,220)**		(945,004)
Deferred revenue		**(212,638)**		(227,199)
		(209,762)		187,532
Cash Flows from Capital Activities				
Purchase of capital assets		**(512,885)**		(199,733)
Proceeds on capital lease		**261,549**		-
Repayment of capital lease		**(15,888)**		-
		(267,224)		(199,733)
Net decrease in cash during the year		**(476,986)**		(12,201)
Cash and cash equivalents, beginning of year		**1,311,844**		1,324,045
Cash and cash equivalents, end of year	$	**834,858**	$	1,311,844

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

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The First Nations of Southern Manitoba Child and Family Services Authority (the "Southern Network") was incorporated on November 24, 2003 under the Province of Manitoba through *The Child and Family Services Authority Act*, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003. On November 15, 2015, the legal name was changed to Southern First Nations Network of Care.

The Southern Network was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Southern Network is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

The Southern Network is a non-profit organization and as such is exempt from income taxes under *The Income Tax Act* (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Network must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(b) Management's Responsibility for the Financial Statements

The financial statements of the Southern Network are the responsibility of management.

(c) Basis of Accounting

The financial statements have been prepared using the deferral method under the Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(d) Revenue Recognition

The Southern Network follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

(f) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance and straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	30% declining balance basis
Furniture and fixtures	20% declining balance basis

Leasehold improvements are amortized over the term of the lease.

(g) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian public sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period.

Certain accounts receivable amounts contain measurement uncertainty as they relate to funding based upon the latest communication with the Province of Manitoba.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

For the year ended March 31, 2018

2. Accounts Receivable

	2018	2017
Department of Indigenous Services Canada	$ -	$ 25,000
Due from agencies	657,781	398,747
Due from Province of Manitoba		
Golden Eagle	91,153	181,826
IT Support	235,067	235,067
Adele Site Programming	69,217	327,950
Stabilization	-	195,010
Differential Response	872,250	-
Other	120,939	291,955
GST receivable	120,762	148,116
Other	18,196	42,392
	$ 2,185,365	$ 1,846,063

3. Capital Assets

	2018			2017		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment under lease (Note 12)	$ 229,862	$ 34,479	$ 195,383	$ -	$ -	$ -
Computer equipment	3,654,161	2,918,738	735,423	4,672,116	3,812,886	859,230
Furniture and fixtures	206,184	139,655	66,529	454,308	348,553	105,755
Leasehold improvements	1,221,272	673,455	547,817	1,221,272	619,932	601,340
	$ 5,311,479	$ 3,766,327	$ 1,545,152	$ 6,347,696	$ 4,781,371	$ 1,566,325

4. Due from Agencies and Due to Province of Manitoba

The Province of Manitoba advanced the Southern Network a working capital advance in the amount of $6,200,026 ($6,200,026 in 2017), which in turn was advanced by the Southern Network to the agencies. The advances are repayable by the Southern Network if the Southern Network's operations cease. The amounts due from the agencies have no fixed terms of repayment and are non-interest bearing.

	2018	2017
Animikii-Ozoson Child and Family Services	$ 1,204,000	$ 1,204,000
Child and Family All Nations Coordinated Response Network	538,400	538,400
Dakota Ojibway Child and Family Services	689,610	689,610
Intertribal Child and Family Services	121,030	121,030
Peguis Child and Family Services	221,820	221,820
Sandy Bay Child and Family Services	158,700	158,700
Sagkeeng Child and Family Services	662,036	662,036
Southeast Child and Family Services	1,368,830	1,368,830
West Region Child and Family Services	1,235,600	1,235,600
	$ 6,200,026	$ 6,200,026

5. Accounts Payable and Accrued Liabilities

	2018	2017
Due to agencies	$ 1,187,535	$ 1,366,252
Trade payables	283,404	574,077
Accrued expenses	351,413	292,894
Social fund	1,692	2,042
	$ 1,824,044	$ 2,235,265

6. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred. Deferred revenue is comprised of:

	2018	2017
CFSIS/SDM compliance	$ 558,954	$ 645,698
Age of Majority	130,850	192,251
Stepping out on Saturdays	62,601	66,751
Customary care	90,017	150,360
	$ 842,422	$ 1,055,060

7. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	$ 69,976,043
Add:	
Current years receivables	2,385
CSA withheld from operating grants	1,783,841
	1,786,226
Deduct:	
Funding of prior year accounts receivable	50,470
Current year payable	1,854
Revenue deferred during the year	35,207
Advance funding received for next year	13,467,064
	13,554,595
Revenue from Province of Manitoba	$ 58,207,674

8. Commitments

The Southern Network has entered into various lease agreements for premises for its operations and to support other agencies and programs expiring between July 2018 and January 2029.

The minimum annual lease payments for the next five years are as follows:

2019	$	805,142
2020		762,750
2021		762,750
2022		653,500
2023		435,000

9. Employment Benefits

Pension Benefits

The Southern Network has a defined contribution pension plan for its employees. Employees contribute at least 4% of their salaries and the Southern Network contributes 5%. The Southern Network's total pension contribution for 2018 was $142,335 ($174,515 in 2017).

Sick Leave Benefits

Employees of the Southern Network are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are not considered to be significant by management. As such, management has not recorded a liability for these benefits in the financial statements of the Southern Network.

10. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

11. Financial Risk Management

The Southern Network is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Southern Network'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 Southern Network's activities.

Credit Risk

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

The Southern Network's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $2,185,365 ($1,846,063 at March 31, 2017).

The Southern Network is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies.

Market Risk - Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Southern Network is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Southern Network is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Liquidity Risk - Liquidity risk is the risk that the Southern Network will encounter difficulty in meeting financial obligations as they become due, and arises from the Southern Network's management of working capital. The Southern Network's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value - The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

12. Obligations Under Capital Leases

	2018	2017
Computer hardware equipment lease repayable by monthly installments of $1,507 beginning April 11, 2018, interest rate of 3.25%, due March 11, 2021.	$ 58,692	$ -
Computer hardware equipment lease repayable by monthly installments of $5,340 beginning April 11, 2018, interest rate of 3.25%, due March 11, 2021.	186,969	-
	245,661	-
Current portion	82,163	-
	$ 163,498	$ -

Minimum lease repayments are as follows:

2019	$ 82,163
2020	82,163
2021	81,335
Total minimum lease payments	$ 245,661

Option to purchase each agreement for $1 at the end of the term.

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 1
Statement of Revenues and Expenditures - Network Core
(Unaudited)

For the year ended March 31	2018	2018	2017
	Budget	Actual	Actual
Revenue			
Province of Manitoba			
Core grant	$ 2,892,125	$ 2,898,823	$ 2,895,734
Other	122,714	-	137,538
	3,014,839	2,898,823	3,033,272
Agency			
Rent	52,575	70,110	71,828
Secondments	150,944	214,986	191,365
	203,519	285,096	263,193
Other			
Rent	80,979	80,979	94,826
	3,299,337	3,264,898	3,391,291
Expenses			
Staffing			
Salaries and benefits	2,594,039	2,502,445	2,636,471
Training - staff	25,000	15,670	69,159
Travel - staff	25,000	22,305	36,231
Health and education tax levy	10,000	21,776	8,977
Recruitment	-	1,980	2,117
	2,654,039	2,564,176	2,752,955
Operations			
Rent	242,918	218,741	224,921
Reimbursable rent	133,554	151,089	151,089
Professional fees	70,000	114,608	120,782
Board costs	43,000	50,852	63,689
Office supplies	30,000	42,832	40,429
Insurance	27,000	27,671	37,173
Telephone and fax	25,001	19,374	25,874
Annual general meeting	15,000	22,643	22,659
Operational planning	19,200	3,028	20,366
Community relations	15,000	6,430	16,497
Repairs and maintenance	2,200	23,720	15,730
Agency relations	11,500	5,218	15,214
Interest	-	13,323	-
Bank service charges	5,000	4,654	8,259
Website	-	650	-
Miscellaneous	-	714	644
	639,373	705,547	763,326
	3,293,412	3,269,723	3,516,281
Deficiency of revenue over expenses	$ 5,925	$ (4,825)	$ (124,990)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 2
Statement of Revenues and Expenditures - IT Support
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Province of Manitoba	$ 712,400	$ 713,017	$ 713,017
ISC - Capacity Development	250,000	250,000	250,000
Agency	550,000	449,439	447,442
Other	-	20,250	-
	1,512,400	1,432,706	1,410,459
Expenses			
Salaries and benefits	634,477	637,882	573,343
Internet	500,000	547,035	462,465
Information technology	403,320	444,412	451,957
Rent data centre	33,600	31,481	14,471
Professional fees	-	-	12,597
Travel	10,000	11,868	10,521
Telephone and fax	6,000	6,434	6,174
Training and development	20,000	225	1,684
	1,607,397	1,679,337	1,533,212
Deficiency of revenue over expenses before capital asset purchases	(94,997)	(246,631)	(122,753)
Capital asset purchases	245,250	502,987	174,753
Deficiency of revenue over expenses	$ (340,247)	$ (749,618)	$ (297,506)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 3
Statement of Revenues and Expenditures - Agency Grants
(Unaudited)

For the year ended March 31	2018	2018	2017
	Budget	**Actual**	Actual
Revenue			
Province of Manitoba	**$ 51,050,296**	**$ 51,928,158**	$ 50,330,305
Expenses			
Protection	**26,012,990**	**26,527,052**	26,012,990
Central support	**13,724,508**	**14,192,854**	12,659,571
Core	**6,607,163**	**6,607,164**	6,607,163
Prevention	**3,830,268**	**3,830,274**	3,830,267
Other	**1,550,126**	**1,008,800**	1,158,800
CFSIS data entry clerk	**558,954**	**558,955**	558,954
Family care	**-**	**-**	541,263
Workload relief	**224,000**	**224,000**	224,000
Stabilization	**-**	**450,265**	195,010
Designated intake	**76,086**	**76,086**	76,086
Vacancy management	**(1,533,799)**	**(1,547,292)**	(1,533,799)
	51,050,296	**51,928,158**	50,330,305
Excess of revenue over expenses	**$ -**	**$ -**	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 4
Statement of Revenues and Expenditures - Adele Site Programming
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Province of Manitoba	$ 1,289,306	$ 639,408	$ 2,033,424
Expenses			
Programming	675,586	-	1,421,169
Rent	455,900	465,547	465,190
Building maintenance	125,000	138,081	121,228
Utilities	24,524	27,386	18,709
Insurance	7,785	7,404	8,021
Professional fees	-	126	1,027
Telephone and fax	511	864	(45)
	1,289,306	639,408	2,035,299
Excess (deficiency) of revenue over expenses	$ -	$ -	$ (1,875)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 5
Statement of Revenues and Expenditures - Education and Training
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Province of Manitoba	$ 536,723	$ 536,938	$ 537,156
Miscellaneous	-	7,098	1,650
	536,723	544,036	538,806
Expenses			
Rent	161,945	145,816	151,998
Salaries and benefits	74,697	81,098	146,534
Training - agency	214,537	163,707	67,997
Office supplies	1,560	15,724	17,258
Insurance	18,000	18,061	13,411
Building maintenance	10,000	9,808	8,104
Travel	1,800	1,999	3,423
Telephone and fax	-	1,731	1,615
Staff professional development	500	3,899	-
	483,039	441,843	410,340
Excess of revenue over expenses	$ 53,684	$ 102,193	$ 128,466

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 6
Statement of Revenues and Expenditures - Customary Care
(Unaudited)

For the year ended March 31	2018	2018	2017
	Budget	**Actual**	Actual
Revenue			
Province of Manitoba			
Network	$ 196,019	$ 97,438	$ 85,371
Agency	48,750	16,250	16,250
	244,769	113,688	101,621
Expenses			
Salaries and benefits	94,349	93,919	82,692
Travel	6,713	1,474	2,491
Meetings	35,100	320	188
Telephone	-	653	-
Supplies	20,000	1,020	-
Training	5,000	52	-
Programming			
Agency	48,750	16,250	16,250
	209,912	113,688	101,621
Excess of revenues over expenses	$ 34,857	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 7
Statement of ISC Funding and Expenditures - Capacity Development
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
ISC contribution	$ 250,000	$ 250,000	$ 250,000
Expenses			
Virtual	-	-	213,050
VoIP	-	-	36,950
Agency CMB System	155,000	177,697	-
Authority Centralized Database	25,000	54,282	-
Internal Database	60,000	18,021	-
Case Management System	10,000	-	-
	250,000	250,000	250,000
Excess of revenue over expenses	$ -	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 8
Statement of ISC Funding and Expenditures - Regional Advisory Committee
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
ISC			
Regional Advisory Committee	$ 3,000	$ 1,635	$ 13,500
Funding Model Working Group	30,000	14,138	68,000
North South Meeting	31,525	54,227	16,500
	64,525	70,000	98,000
Expenses			
Regional Advisory Committee	3,000	1,636	1,673
Funding Model Working Group	30,000	28,966	40,908
North South Meeting	20,725	54,227	25,501
Youth Engagement Committee	-	-	1,380
	53,725	84,829	69,462
Administrative costs	-	12,724	14,700
Funding model development support	-	-	13,838
	53,725	97,553	98,000
Excess (deficiency) of revenue over expenses	$ 10,800	$ (27,553)	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 9
Statement of ISC Funding and Expenditures - Distinct Needs Assessment
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Distinct Needs Assessment	$ -	$ -	$ 25,000
Expenses			
Distinct Needs Assessment Support	-	-	25,000
Excess of revenue over expenses	$ -	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 10
Statement of ISC Funding and Expenditures - Phoenix Sinclair Inquiry
(Unaudited)

For the year ended March 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
Revenue			
Phoenix Sinclair Inquiry	$ -	$ -	$ 50,000
Expenses			
Phoenix Sinclair Inquiry Support	-	-	50,000
Excess of revenue over expenses	$ -	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 11
Statement of ISC Funding and Expenditures - Culturally-Based Programs and Tools
(Unaudited)

For the year ended March 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
ISC Contributions	$ 75,000	$ 75,000	$ -
Expenses			
Salaries and Benefits	119,467	129,139	-
Travel	-	1,378	-
Telephone and fax	-	1,055	-
Cultural Expenses	20,000	4,776	2,357
Elders Council	20,000	24,654	13,384
	159,467	161,002	15,741
Deficiency of revenue over expenses	$ (84,467)	$ (86,002)	$ (15,741)

Financial Statements of

SPORT MANITOBA INC.

Year ended March 31, 2018

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the accompanying financial statements of Sport Manitoba Inc., which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including the Schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sport Manitoba Inc. as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 27, 2018

Winnipeg, Canada

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ –	$ 3,017,006
Accounts receivable	497,222	475,606
Inventories	29,323	31,442
Prepaid expenses and deposits	177,171	60,023
	703,716	3,584,077
Marketable securities (note 2[g])	100,000	100,564
Long-term accounts receivable	71,276	71,276
Capital assets (note 3)	41,518,758	39,616,738
	$ 42,393,750	$ 43,372,655

	2018	2017

Liabilities, Deferred Contributions and Net Assets

	2018	2017
Current liabilities:		
Bank indebtedness (note 5)	$ 529,325	$ –
Accounts payable and accrued liabilities	1,372,724	2,953,471
Current portion of loans payable (note 6)	605,483	569,375
	2,507,532	3,522,846
Loans payable (note 6)	23,178,456	23,710,782
Deferred contributions relating to (note 7):		
Expenses of future periods	677,089	569,488
Capital assets	14,871,182	14,002,679
	15,548,271	14,572,167
Net assets:		
Unrestricted	(1,894,214)	(1,056,455)
Internally restricted (note 2[f]):		
Initiatives program	87,107	87,107
Coaching	26,875	26,875
Future major repairs and upgrades	525,000	450,000
Phase 2 building expenditures	300,000	700,000
Princess Royal Pan Am Scholarship endowment (note 2[g])	100,000	100,564
Invested in capital assets (note 10)	2,014,723	1,258,769
	1,159,491	1,566,860
KidSport Canada trust assets (note 4)		
	$ 42,393,750	$ 43,372,655

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed Director

Original Document Signed Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Qualico Training Centre	Restricted Funds	Capital Asset Fund	2018 Total	2017 Total
Revenue:						
Province of Manitoba:						
Program support	$ 10,794,959	$ –	$ –	$ –	$ 10,794,959	$ 11,105,927
Bingo allocation	2,201,389	–	–	–	2,201,389	250,400
Other grants	5,560	–	–	–	5,560	255,560
Sport Medicine Centre	623,187	–	–	–	623,187	545,103
Amortization of deferred contributions	–	–	–	284,163	284,163	–
Manitoba Games	354,000	–	–	–	354,000	366,385
Other income	514,987	787,982	–	–	1,302,969	758,563
Bilateral funding:						
Province of Manitoba	312,273	–	–	–	312,273	312,273
Federal Government	312,273	–	–	–	312,273	312,273
	15,118,628	787,982	–	284,163	16,190,773	13,906,484
Expenses:						
Grants						
Sport groups for sport development	9,038,373	–	564	–	9,038,937	7,447,809
Bilateral sport development programs	377,254	–	–	–	377,254	375,063
Sport Medicine Centre	695,458	–	–	–	695,458	666,962
Administration and services provided:						
Occupancy	1,513,149	522,275	–	–	2,035,424	1,467,817
Operating	218,991	328,688	–	–	547,679	376,637
Program	861,229	146,572	–	–	1,007,801	975,576
Administration	1,062,164	35,919	–	–	1,098,083	1,122,654
Member services	1,645,363	–	–	–	1,645,363	1,720,142
Cost recovered from sport groups	(986,479)	–	–	–	(986,479)	(1,010,082)
Amortization	–	–	–	1,138,622	1,138,622	530,714
	14,425,502	1,033,454	564	1,138,622	16,598,142	13,673,292
Excess (deficiency) of revenue over expenses	$ 693,126	$ (245,472)	$ (564)	$ (854,459)	$ (407,369)	$ 233,192

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Internally restricted phase 2 building expenditures	Internally restricted future major repairs and upgrades	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2018 Total	2017 Total
Net assets, beginning of year	$ (1,056,455)	$ 87,107	$ 26,875	$ 700,000	$ 450,000	$ 100,564	$ 1,258,769	$ 1,566,860	$ 1,333,668
Excess (deficiency) of revenue over expenses	447,654	–	–	–	–	(564)	(854,459)	(407,369)	233,192
Capital assets acquired	(641,038)	–	–	(400,000)	–	–	1,041,038	–	–
Principal payments on loan payable	(569,375)	–	–	–	–	–	569,375	–	–
Internally imposed restriction (note 2[f])	(75,000)	–	–	–	75,000	–	–	–	–
Net assets, end of year	$ (1,894,214)	$ 87,107	$ 26,875	$ 300,000	$ 525,000	$ 100,000	$ 2,014,723	$ 1,159,491	$ 1,566,860

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (407,369)	$ 233,192
Items not involving cash:		
Amortization of capital assets	1,138,622	472,321
Amortization of deferred contributions	(284,163)	–
Amortization of deferred financing fee	73,157	68,528
Change in non-cash operating working capital	(1,609,227)	1,008,895
	(1,088,980)	1,782,936
Capital activities:		
Additions to capital assets	(3,040,642)	(18,474,948)
Increase in deferred contributions related to capital assets	1,152,666	5,787,374
	(1,887,976)	(12,687,574)
Financing activities:		
Proceeds of loan payable	–	10,300,000
Principal repayments of loan payable	(569,375)	(372,271)
Bank indebtedness	529,325	(1,003,082)
	(40,050)	8,924,647
Decrease in cash	(3,017,006)	(1,979,991)
Cash, beginning of year	3,017,006	4,996,997
Cash, end of year	$ –	$ 3,017,006

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires on March 31, 2020.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as an increase in net assets when received.

Revenue from the Sport Medicine Centre and other income are recognized as revenue when earned.

2. Significant accounting policies (continued):

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is complete and the asset is placed in service.

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Operating fund - Unrestricted:

The purpose of the Operating Fund is to record the operations of the organization, which includes operations of The Sport for Life Sport Medicine Centre and excludes operations of the Qualico Training Centre.

The Sport for Life Sport Medicine Centre is a multidisciplinary clinic that offers patient care for sport medicine and orthopedic injuries including sport medicine, physiotherapy, athletic therapy, massage, chiropractic and nutrition.

2. Significant accounting policies (continued):

(e) Qualico Training Centre fund - Unrestricted:

Phase 2 of the new Sport for Life Centre was completed in June of 2017 and was named the Qualico Training Centre. The revenue and expenses relating to the operation of the Qualico Training Centre, which includes an activity space, is included in this fund in the statement of operations with any deficit or surplus being recorded in unrestricted net assets.

(f) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures must be approved by the Board.

The Board of Directors has also internally restricted certain net assets to be used for coaching initiatives.

During the year, the Board of Directors internally restricted resources amounting to $75,000 (2017 - $75,000) to be used to fund future major repairs and upgrades required for 145 Pacific Avenue. The amount was transferred from the unrestricted net assets. These internally restricted amounts are not available for other purposes without prior approval of the Board of Directors

(g) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(h) Capital fund:

The purpose of the Capital Fund is to record capital assets, related debt, and the net investment of the organization in such assets.

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of re-measurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the statement of operations.

The organization did not incur any re-measurement gains and losses during the year ended March 31, 2018 or during the year ended March 31, 2017 and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

2. Significant accounting policies (continued):

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(k) Allocation of general administration expenses:

The organization classifies expenses on the statement of operations by function. The organization allocates certain costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Allocated expenses consist of salaries and benefits which are allocated 65 percent to member services expenses and 35 percent to administration expenses on the basis of the average of individual job positions responsibilities.

(l) Accounting policy changes:

On April 1, 2017, the organization adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the organization and did not result in any adjustments to the financial statements as at April 1, 2017.

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 1,200,000	$ –	$ 1,200,000	$ 1,200,000
Building	43,324,613	3,609,207	39,715,406	12,538,595
Computers	397,849	357,115	40,734	60,813
Furniture and equipment	1,416,755	856,230	560,525	111,559
Print shop equipment	248,807	246,714	2,093	2,306
Leasehold improvements	40,576	40,576	–	–
Construction in progress	–	–	–	25,703,465
	$ 46,628,600	$ 5,109,842	$ 41,518,758	$ 39,616,738

4. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding $1,181,384 of assets in trust for KidSport Canada as at March 31, 2018 (2017 - $1,288,282). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

5. Bank indebtedness:

The organization has an operating line of credit to a maximum of $2,650,000. The operating line of credit is due on demand and bears interest at prime plus 0.5 percent. The organization had utilized the operating line of credit at March 31, 2018 in the amount of $529,325 (2017 - nil).

6. Loans payable:

	2018	2017
Loan payable to Province of Manitoba bearing interest at 3.25%, unsecured, repayable in monthly installments of $78,337 including interest, maturing March 31, 2045	$ 16,882,795	$ 17,267,347
Loan payable to Province of Manitoba bearing interest at 3.375%, unsecured, repayable in monthly installments of $45,536 including interest, maturing April 30, 2047	10,115,177	10,300,000
Deferred financing fee	(3,214,033)	(3,287,190)
	23,783,939	24,280,157
Current portion of loans payable	605,483	569,375
	$ 23,178,456	$ 23,710,782

Principal repayments over the next five years are as follows:

2019	$ 605,483
2020	625,725
2021	646,644
2022	668,263
2023	690,605

7. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2018	2017
Balance, beginning of year	$ 569,488	$ 254,961
Contributions in the current year	318,309	589,346
Amounts amortized to revenue	(210,708)	(274,819)
Balance, end of year	$ 677,089	$ 569,488

7. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	2018	2017
Future bids and funding, MB Games sponsorship, coaching and programming and storage of equipment	$ 677,089	$ 569,488

Deferred contributions related to capital assets represent the unamortized amount of externally restricted contributions that have been received for the construction of the Sport for Life Centre.

	2018	2017
Balance, beginning of year	$ 14,002,679	$ 8,215,305
Contributions in the current year	1,152,666	5,787,374
Amounts amortized to revenue	(284,163)	–
Balance, end of year	$ 14,871,182	$ 14,002,679

Deferred contributions related to capital assets are comprised of the following:

	2018	2017
Sport for Life Centre Phase 1	$ 9,050	$ 9,050
Sport for Life Centre Phase 2	14,862,132	13,993,629
	$ 14,871,182	$ 14,002,679

As at March 31, 2018, the organization has received pledges of approximately $2,400,000 for the Sports for Life Centre Phase 2 that are to be collected during fiscal 2019 to 2024, with approximately $824,000 to be collected in fiscal 2019. These pledges will be recorded as deferred contributions related to capital assets when received and will then be amortized to revenue over the useful life of the Sport for Life Centre Phase 2 building.

The organization signed a promissory note dated March 31, 2016 for a total capital contribution of $6,000,000 for the Sport for Life Centre Phase 2. The promissory note is payable to the Department of Finance of the Province of Manitoba and the payment of this liability is guaranteed and funded by Department of Tourism, Culture, Heritage, Sport and Consumer Protection of the Province of Manitoba. No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. At March 31, 2018, the balance of the promissory note is $5,791,531 (2017 - $5,912,159). The promissory note bears interest at 3.38 percent, maturing on June 30, 2046, and is repayable in monthly installments of $26,536, which includes principal and interest.

8. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes and builders. The financial statements of the Hall of Fame have not been consolidated with those of the organization.

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of $65,000.

The accounts receivable from the Hall of Fame in the amount of $ 71,276 (2017 - $71,276), is non-interest bearing, and has no fixed terms of repayment.

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2018	2017
Assets	$ 647,381	$ 687,915
Liabilities and deferred contributions	$ 435,628	$ 514,809
Net assets	211,753	173,106
	$ 647,381	$ 687,915
Revenues	$ 399,899	$ 360,176
Expenses	361,252	296,841
Excess of revenues over expenses	$ 38,647	$ 63,335

9. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2018	2017
Assets	$ 557,118	$ 566,665
Deferred contributions	$ 401,015	$ 404,813
Unrestricted net assets	155,348	161,097
Restricted Bud Tinsley fund	755	755
	$ 557,118	$ 566,665

	2018	2017
Revenue	$ 24,279	$ 20,191
Expenses	30,028	526,389
Deficiency of revenue over expenses	$ (5,749)	$ (506,198)

During the year, the Foundation provided $13,998 (2017 - $11,500) of scholarship grants to Manitoba athletes.

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 41,518,758	$ 39,616,738
Amounts financed by:		
Loans payable	(23,783,939)	(24,280,157)
Deferred contributions	(14,871,182)	(14,002,679)
Working capital	(319,589)	(75,133)
Bank indebtedness	(529,325)	–
	$ 2,014,723	$ 1,258,769

11. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2018 was $141,011 (2017 - $127,530).

12. Financial risks:

The organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable, cash and marketable securities.

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at March 31, 2018 is the carrying value of these assets.

At March 31, 2018, an allowance for bad debt exists in the amount of $25,025 (2017 - $25,025). All other accounts receivable for March 31, 2018 are current.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2018.

There have been no significant changes to the credit risk exposure from 2017.

12. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2019.

There have been no significant changes to the liquidity risk exposure from 2017.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest risk. The organization is not exposed to this risk as its loans payable have fixed interest rates.

There has been no change to the risk exposures from 2017.

13. Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

SPORT MANITOBA INC.

Schedule A - Administration and Services Provided to Sports Groups

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Occupancy expenses:		
Interest on loan payable	$ 555,831	$ 567,603
Member services	181,633	180,836
Utilities	228,362	180,227
Security and janitorial services	125,952	176,679
Salaries	91,810	87,546
Property repairs and maintenance	46,832	49,640
Insurance and taxes	282,729	223,780
Sport for Life Centre	–	1,506
	$ 1,513,149	$ 1,467,817
Operating expenses:		
Courier	$ 15,089	$ 9,973
Aboriginal Sport	–	5,096
Postage	40,668	42,355
Repairs and maintenance	109,897	117,124
Service bureau fees	1,630	1,539
Stationery	25,536	29,966
Telephone	26,171	35,089
	$ 218,991	$ 241,142
Programs expenses:		
Community & Regional Development	139,290	158,191
Communications	18,850	32,217
Coaching Development	74,356	84,719
Fit Kids Healthy Kids	226,840	260,284
Special Projects - Sport Management	7,140	6,370
Kidsport	23,925	33,098
Interprovincial Games	133,024	138,067
Marketing Image & Public Relations	144,940	114,711
Partner Services	8,319	7,274
Respect in Sport	84,545	89,617
Long Term Athlete Development	–	3,376
	$ 861,229	$ 927,924

SPORT MANITOBA INC.

Schedule A - Administration and Services Provided to Sport Groups (continued)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Administration expenses:		
Advertising, marketing and media programs	$ 41,424	$ 56,107
Delivery and freight	820	557
Insurance	12,443	13,017
Meetings	13,346	12,550
Membership dues and subscriptions	3,513	2,720
Office supplies and stationery	362	10,280
Photocopying	4,936	4,735
Postage	10,121	4,974
Printing	5,203	3,937
Professional development	1,160	3,179
Professional fees	33,281	26,786
Salaries and benefits	885,965	926,230
Service bureau fees	5,774	4,896
Telephone	26,909	23,162
Travel	4,769	4,951
Volunteer and staff recognition	12,138	4,874
	$ 1,062,164	$ 1,102,955
Member services expenses:		
Salaries and benefits	$ 1,645,363	$ 1,720,142
Amortization:		
Amortization of other capital assets	$ 1,065,465	$ 462,186
Amortization of deferred financing fee	73,157	68,528
	$ 1,138,622	$ 530,714

SPORT MANITOBA INC.

Schedule B - Administration and Services Provided to Qualico Training Centre

Year ended March 31, 2018, with comparative information for 2017

		2018		2017
Occupancy expenses:				
Interest on loan payable	$	276,300	$	–
Member services		6,342		–
Utilities		40,321		–
Security and janitorial services		133,875		–
Property repairs and maintenance		25,737		–
Insurance and taxes		39,700		–
	$	522,275	$	–
Operating expenses:				
Salaries and benefits	$	310,950	$	117,800
POS Online Software		17,738		17,697
	$	328,688	$	135,497
Program expenses:				
Specialty programs/Trainers and Coaches	$	120,746	$	47,651
Membership - Trainers		25,826		–
	$	146,572	$	47,651
Administration expenses:				
Delivery and freight	$	155	$	192
Meetings		454		1,721
Office supplies and stationery		9,642		2,520
Photocopying		389		788
Printing		2,176		1,135
Professional development		13,601		10,096
Telephone		2,987		1,582
Travel		6,515		1,662
	$	35,919	$	19,696

TRAVEL MANITOBA

Financial Statements
For the year ended March 31, 2018

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of TRAVEL MANITOBA

We have audited the accompanying financial statements of **TRAVEL MANITOBA**, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets, remeasurement gains, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **TRAVEL MANITOBA** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 21, 2018

TRAVEL MANITOBA
Statement of Financial Position

As at March 31	2018	2017
Assets		
Current Assets		
Cash and short-term deposits (Note 2)	$ 1,599,970	$ 2,352,344
Trade accounts receivable	391,013	309,517
Prepaid expenses	133,668	57,366
	2,124,651	2,719,227
Due from the Province of Manitoba (Note 3)	74,839	74,839
Capital assets (Note 4)	343,904	401,093
	$ 2,543,394	$ 3,195,159
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,123,038	$ 1,980,108
Deferred revenue	248,836	166,467
	1,371,874	2,146,575
Retirement allowances and other benefits payable (Note 5)	549,161	529,702
	1,921,035	2,676,277
Contingencies and commitments (Note 7)		
Net Assets		
Unrestricted	267,492	115,181
Invested in capital assets	343,904	401,093
	611,396	516,274
Accumulated remeasurement gains	10,963	2,608
	622,359	518,882
	$ 2,543,394	$ 3,195,159

Approved on behalf of the Board of Directors:

Original Document Signed
________________ Director

Original Document Signed
________________ Director

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

TRAVEL MANITOBA
Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Province of Manitoba	**$ 12,069,000**	$ 10,596,000
Partnership and leveraged marketing	**1,022,234**	1,479,683
Other initiatives - Federal and provincial funding	**-**	1,200,000
Other	**28,846**	45,266
	13,120,080	13,320,949
Expenses		
Marketing and industry relations	**11,188,460**	11,722,462
Corporate services	**868,614**	848,509
Visitor services	**860,996**	863,950
Amortization	**106,888**	105,243
	13,024,958	13,540,164
Excess (deficiency) of revenue over expenses for the year	**$ 95,122**	$ (219,215)

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

TRAVEL MANITOBA
Statement of Changes in Net Assets

For the year ended March 31, 2018

		Unrestricted		Invested in Capital Assets		2018 Total		2017 Total
Net assets, beginning of year	$	115,181	$	401,093	$	516,274	$	735,489
Excess (deficiency) of revenue over expenses for the year		202,010		(106,888)		95,122		(219,215)
Interfund Transfer								
Acquisition of capital assets ($90,889 in 2017)		(49,699)		49,699		-		-
Net assets, end of year	$	267,492	$	343,904	$	611,396	$	516,274

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

TRAVEL MANITOBA
Statement of Remeasurement Gains

For the year ended March 31		2018		2017
Accumulated remeasurement gains, beginning of year	**$**	**2,608**	$	18,139
Unrealized gain (loss) attributable to foreign exchange		**8,355**		(15,531)
Accumulated remeasurement gains, end of year	**$**	**10,963**	$	2,608

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

TRAVEL MANITOBA
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year	$ 95,122	$ (219,215)
Adjustment for non-cash items		
Amortization of capital assets	106,888	105,243
Unrealized remeasurement gain (loss)	8,355	(15,531)
	210,365	(129,503)
Changes in non-cash working capital		
Due from the Province of Manitoba	-	1,403,693
Trade accounts receivable	(81,496)	(94,937)
Prepaid expenses	(76,302)	5,102
Accounts payable and accrued liabilities	(857,070)	1,130,197
Deferred revenue	82,369	(1,168,638)
Retirement allowances and other benefits payable	19,459	(25,035)
	(702,675)	1,120,879
Cash Flows from Financing and Investing Activities	-	-
Cash Flows from Capital Activities		
Acquisition of capital assets	(49,699)	(90,889)
Net increase (decrease) in cash and short-term deposits	(752,374)	1,029,990
Cash and short-term deposits, beginning of year	2,352,344	1,322,354
Cash and short-term deposits, end of year	$ 1,599,970	$ 2,352,344

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

For the year ended March 31, 2018

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to grow tourism revenues by harnessing the collective investment in tourism to create strong connections between visitors and Manitoba's unique experiences. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba because it derives a significant portion of its revenue from the Province of Manitoba.

b. Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

c. Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for government not-for-profit organizations.

d. Cash and Short-term Deposits

Cash and short-term deposits consist of cash and short-term deposits with a duration of less than ninety days from the date of acquisition.

e. Contributions Receivable

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

g. Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over the estimated useful lives of the assets at the following rates:

Computer hardware	30%, declining balance
Computer software	30%, declining balance
Furniture and equipment	5%, declining balance
Leasehold improvements	5%, declining balance
VIC technology	5 years, straight line
Vehicles	5 years, straight line

h. Retirement Allowances and Post-Employment Benefits

The Organization provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized in income immediately.

Employees of the Organization are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Organization is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund.

In addition, an individual has entitlement to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

Sick leave benefits that accumulate but do not vest, are determined using present value techniques and reflect management's best estimate of future cost trends associated with such benefits and interest rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

i. Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes revenue arising from non-monetary transactions in the period when services have been rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

j. Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

k. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash and Short-term Deposits

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

A dedicated account has been established to safeguard the Organization's retirement allowance obligation and enhanced pension benefit costs. Interest earned will be retained in the account. The balance at March 31, 2018 is $121,894 ($120,473 at March 31, 2017).

The Organization has a credit facility to a maximum of $500,000 with interest at prime plus 1% (effective rate of 4.20% as at March 31, 2018) which is secured by a general security agreement. As at March 31, 2018, the facility remains unused.

3. Due from the Province of Manitoba

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the Organization as severance benefits are paid to employees on record as at April 1, 2005. The receivable from the Province of Manitoba at March 31, 2018 is $74,839 ($74,839 at March 31, 2017).

4. Capital Assets

	2018		2017	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Vehicles	**$ 25,785**	**$ 2,579**	$ -	$ -
Computer hardware	**62,665**	**41,596**	57,776	33,614
Computer software	**61,213**	**46,511**	61,213	40,210
Furniture and equipment	**28,866**	**3,778**	24,940	2,561
Leasehold improvements	**46,691**	**16,116**	43,100	14,507
VIC technology	**438,462**	**209,198**	426,954	121,998
	$ 663,682	**$ 319,778**	$ 613,983	$ 212,890
Cost less accumulated amortization		**$ 343,904**		$ 401,093

5. Retirement Allowances and Other Benefits Payable

Retirement Allowances

The Organization measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at March 31 of each year. The most recent actuarial valuation report for the retirement allowance was at April 1, 2018 and the most recent finalized and approved actuarial valuation report for the enhanced pension benefits was at December 31, 2016.

The significant actuarial assumptions adopted in measuring the Organization's retirement allowance obligation and costs are as follows:

	2018	2017
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**3.75%**	3.75%
Employer contributions	**$ 196,125**	$ 199,806

The significant actuarial assumptions adopted in measuring the Organization's enhanced pension benefit and costs are as follows:

	2018	2017
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.50%
Rate of compensation increase	**3.75%**	3.75%
Employer contributions	**$ 16,202**	$ 13,202
Effect of change in assumptions	**-**	-
Experience loss/gain adjustment	**-**	-

5. Retirement Allowances and Other Benefits Payable (continued)

Sick Leave

Sick leave benefits that accumulate but do not vest, are determined using present value techniques and are estimated to be a liability as at March 31, 2018 of $40,000 ($34,000 in 2017). The amount is not considered to be significant by management, and as such has not been recorded as a liability in the financial statements of the Organization.

6. Financial Instrument Risk

The Organization is exposed to different types of risk in the normal course of operations, including credit risk and liquidity risk. The Organization'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 Organization's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Organization to credit risk consist principally of trade accounts receivable, due from the Province of Manitoba, and short-term deposits.

The Organization's maximum exposure to credit risk is as follows:

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts receivables (net of allowance of $15,000)	$ 76,898	$ 100,932	$ 213,183
Due from the Province of Manitoba	-	-	74,839
	$ 76,898	$ 100,932	$ 288,022

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

Due from the Province of Manitoba - The Organization is not exposed to significant credit risk related to these balances as there are underlying agreements to support their collection.

6. Financial Instrument Risk (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization has a planning and budgeting process in place to help determine the funds required to support the Organization's normal operating requirements on an ongoing basis. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities representing undiscounted contractual cash-flows of financial liabilities:

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts payable	$ 1,122,294	$ 744	$ -

7. Contingencies and Commitments

The Organization has entered into lease agreements for rental of facilities at various locations expiring in June 2035 with total annual payments of $468,700. In addition, the Organization has entered into lease agreements for computer equipment expiring in June 2022, for total annual payments of $15,600.

The Organization has access to a loan guarantee with the Province of Manitoba for $1,500,000. The guarantee will enable Travel Manitoba to establish a line of credit up to this amount for the purpose of providing advances and profit guarantees as part of bid proposals and preparation efforts being undertaken in attracting various events to take place in Manitoba. As at March 31, 2018, this line of credit had not been drawn upon.

8. Non-monetary Transactions

During the current year, the Organization entered into contracts with exchanges of non-monetary services for other non-monetary services with little or no monetary consideration involved. These transactions are within normal business activities and were done in order to carry out the mandate of the Organization.

The aggregate amount of all non-monetary transactions in the current year total $83,641 ($86,146 in 2017).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.