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Section 3:

CROWN ORGANIZATIONS (CONTINUED):

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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. 2013, 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. 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes that Interlake-Eastern Regional Health Authority adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the consolidated statement of financial position as at March 31, 2012 and April 1, 2011, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 20. 2013

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INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

	March 31 2013	March 31 2012 (unaudited)	April 1 2011 (unaudited)
Assets			
Current Assets			
Cash and term deposits	**$ 17,896,925**	$ 13,879,438	$ 4,826,011
Accounts receivable	**3,470,901**	3,071,060	2,948,678
Due from Manitoba Health (Note 3)	**2,472,631**	2,256,971	7,586,879
Inventories	**853,259**	1,494,138	1,531,193
Prepaid expense	**500,439**	500,915	688,893
Vacation entitlements receivable (Note 4)	**5,484,424**	5,484,424	5,484,424
	30,678,579	26,686,946	23,066,078
Retirement obligations receivable (Note 12)	**5,912,865**	5,912,865	5,912,865
Other assets	**158,217**	119,087	97,017
Capital assets (Note 5)	**93,831,741**	92,058,679	81,300,392
	$ 130,581,402	$ 124,777,577	$110,376,352
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	**$ 9,017,740**	$ 10,709,689	$ 9,763,122
Accrued vacation entitlements (Note 4)	**8,588,569**	8,228,438	7,884,094
Current portion of long-term debt (Note 7)	**167,529**	157,669	150,656
	17,773,838	19,095,796	17,797,872
Accrued retirement obligations (Note 12)	**13,754,604**	13,023,112	12,632,748
Sick leave liability (Note 12)	**3,393,169**	3,284,417	3,284,417
Long-term debt (Note 7)	**944,971**	1,114,111	1,271,780
Deferred Contributions (Note 8)			
Expenses of future periods	**4,093,815**	4,676,062	3,908,327
Capital assets	**88,425,122**	87,130,430	76,018,927
	92,518,937	91,806,492	79,927,254
Commitments and contingencies (Note 11)			
Net Assets			
Investment in capital assets (Note 9)	**4,294,119**	3,656,469	3,859,029
Externally restricted (Note 14)	**625,942**	922,080	937,175
Internally restricted (Note 14)	**131,404**	148,211	160,334
Unrestricted - RHA	**(2,864,890)**	(8,255,498)	(9,630,141)
Unrestricted - Contract Facilities	**9,308**	(17,613)	135,884
	2,195,883	(3,546,351)	(4,537,719)
	$ 130,581,402	$ 124,777,577	$110,376,352

Approved on behalf of the Board:

Director

Director

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	2013	2012
		(unaudited)
Revenue		
Province of Manitoba		
Health (Note 10)	**$ 187,505,762**	$ 176,994,891
Other	**380,709**	705,068
Client Non-Insured	**10,530,352**	10,294,602
Interest	**244,243**	135,355
Offset and other income	**6,516,726**	7,548,045
Ancillary income	**396,856**	404,231
Amortization of deferred contributions	**6,456,500**	5,821,256
	212,031,148	201,903,448
Expenditures		
Acute care services	**52,309,051**	50,870,051
Amortization of capital assets	**6,462,471**	5,890,655
Chemotherapy	**376,159**	364,705
Community health	**15,562,277**	14,387,727
Home based care	**27,483,890**	26,080,531
Diagnostic services	**12,018,680**	12,419,522
Dialysis	**3,115,338**	2,634,239
Emergency response and transport	**15,346,934**	12,686,741
Long-term care services	**46,526,038**	45,430,730
Mental health services	**7,698,663**	7,418,049
Medical remuneration	**12,376,349**	12,697,827
Nurse recruitment and retention	**102,216**	163,621
Northern patient transportation program	**198,762**	207,114
Regional undistributed expenditures	**10,064,919**	9,373,556
Safety and renovations	**544,058**	244,512
	210,185,805	200,869,580
Excess of revenue over expenditures for the year	**$ 1,845,343**	$ 1,033,868

Allocated as follows		
Regional services	**$ 1,818,422**	$ 1,188,759
Contracted services	**26,921**	(154,891)
	$ 1,845,343	$ 1,033,868

The accompanying notes are an integral part of these 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	Total
(Unaudited) Balance, April 1, 2011	$ 3,859,029	$ 937,175	$ 160,334	$ (9,630,141)	$ 135,884	$ (4,537,719)
Reallocation of interest earned on donation and externally restricted funds	-	8,493	10,377	(18,870)	-	-
Change in externally restricted net assets	-	(20,000)	(22,500)	-	-	(42,500)
Excess (deficiency) of revenue over expenditures for the year	(69,399)	-	-	1,258,158	(154,891)	1,033,868
Net changes in investment in capital assets	(133,161)	(3,588)	-	135,355	1,394	-
(Audited) Balance, March 31, 2012	**$ 3,656,469**	**$ 922,080**	**$ 148,211**	**$ (8,255,498)**	**$ (17,613)**	**$ (3,546,351)**
Reallocation of interest earned on donation and externally restricted funds	**-**	**3,862**	**9,679**	**(13,541)**	**-**	**-**
Change in externally restricted net assets	**-**	**(300,000)**	**(20,750)**	**-**	**-**	**(320,750)**
Excess of revenue over expenditures for the year	**(5,971)**	**-**	**-**	**1,824,393**	**26,921**	**1,845,343**
Net changes in investment in capital assets	**643,621**	**-**	**(5,736)**	**(637,885)**	**-**	**-**
Deficit funding - Manitoba Health (Note 15)	**-**	**-**	**-**	**4,217,641**	**-**	**4,217,641**
Balance, March 31, 2013	**$ 4,294,119**	**$ 625,942**	**$ 131,404**	**$ (2,864,890)**	**$ 9,308**	**$ 2,195,883**

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	**2013**	2012
		(unaudited)
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 1,845,343**	$ 1,033,868
Adjustments for		
Amortization of capital assets	**6,462,471**	5,890,655
Amortization of deferred contributions related to capital assets	**(6,456,500)**	(5,821,256)
Manitoba Health - Deficit Elimination	**4,217,641**	-
Deferred contributions - expenses of future periods		
Receipts	**5,499,182**	4,816,642
Expenditures	**(6,081,429)**	(4,048,907)
	5,486,708	1,871,002
Changes in non-cash working capital		
Accounts receivable	**(399,841)**	(120,674)
Due from Manitoba Health	**(215,660)**	5,329,908
Inventories	**640,879**	37,056
Prepaid expense	**476**	187,973
Accounts payable and accrued liabilities	**(1,691,949)**	946,567
Accrued vacation entitlements	**360,131**	344,344
	(1,305,964)	6,725,174
Sick leave liability	**108,752**	-
Accrued retirement obligations	**731,492**	390,364
	5,020,988	8,986,540
Cash Flows from Capital Activities		
Purchase of capital assets	**(8,235,533)**	(16,648,940)
Cash Flows from Investing Activities		
Other assets	**(39,130)**	(23,778)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(159,280)**	(150,656)
Repayment of funds to Foundations	**(20,750)**	(22,500)
Receipt of deferred contributions related to capital assets	**7,751,192**	16,932,761
Payout of externally restricted net assets	**(300,000)**	(20,000)
	7,271,162	16,739,605
Net increase in cash and term deposits	**4,017,487**	9,053,427
Cash and term deposits, beginning of year	**13,879,438**	4,826,011
Cash and term deposits, end of year	**$ 17,896,925**	$ 13,879,438
Supplementary Information		
Interest paid during the year	**$ 39,812**	$ 46,427

The accompanying notes are an integral part of these 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

Effective May 28, 2012, a Regulation was registered in respect to the Regional Health Authorities Act, affecting the amalgamation of Interlake Regional Health Authority Inc. with the North Eastman Health Association Inc. to form a new authority named the Interlake-Eastern Regional Health 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, property, liabilities and obligations and agreements with contract facilities of the predecessor organizations were transferred to the Authority on this date.

Financial information for the amalgamated regions is being presented effective April 1, 2011 in order to enhance the comparability of the information and to better meet the needs of the readers of the financial statements.

The Interlake-Eastern 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.

Two facilities within the region operate under contract arrangements for funding with the Authority - 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. Any non-RHA funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

(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 (MH). 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 MH with respect to the year ended March 31, 2013.

1. **Summary of Significant Accounting Policies** (continued)

(c) Revenue Recognition (continued)

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

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

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 MH until such time as MH reviews the financial statements. At that time, MH determines what portion of the approved surplus may be retained by the Authority, or repaid to MH.

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

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

Conversely, any operating deficits related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a receivable from MH until such time as MH reviews the financial statements. At that time, MH 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 MH are absorbed by the Authority.

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

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.

1. Summary of Significant Accounting Policies (continued)

(d) Inventories

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

(e) Employee Future Benefits

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

(f) Compensated Absences

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

1. Summary of Significant Accounting Policies (continued)

(i) Capital Assets (continued)

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

Land improvements	5%
Leasehold improvements	10%
Buildings	3.33% and 5%
Ambulances	20%
Equipment and computers	10% - 20%
Software and license fees	20%

(j) 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 Services. 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, infection control and H1N1 expenses. These costs are included in Regional Undistributed expenditures.

(k) Financial Instruments
Financial instruments are recorded at fair value when acquired or issued. Cash and term deposits 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 the corporation, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses is not required for these financial statements.

2. First-time Adoption

Effective April 1, 2012, the Authority adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the Authority's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

2. First-time Adoption (continued)

The Authority has elected to recognize all cumulative actuarial gains or losses at the date of transition directly in unrestricted net assets.

The predecessor Authorities issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards.

The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for NPOs. Since all adjustments have been made through net assets, there is no impact on the statement of operations.

Statement of Financial Position as at April 1, 2011 – Transition Date

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Cash and term deposits		$ 4,826,011	$ -	$ 4,826,011
Accounts receivable		2,948,678	-	2,948,678
Due from Manitoba Health		7,586,879	-	7,586,879
Inventories		1,531,193	-	1,531,193
Prepaid expense		688,893	-	688,893
Vacation entitlements receivable		5,484,424	-	5,484,424
Retirement obligations receivable		5,912,865	-	5,912,865
Other assets		97,017	-	97,017
Capital assets		81,300,392	-	81,300,392
		110,376,352	-	110,376,352
Liabilities				
Accounts payable and accrued liabilities		9,763,122	-	9,763,122
Accrued vacation entitlements		7,884,094	-	7,884,094
Current portion of long-term debt		150,656	-	150,656
Accrued Retirement Obligation	(i)	11,423,714	1,209,034	12,632,748
Sick leave liability	(ii)	-	3,284,417	3,284,417
Long-term Debt		1,271,780	-	1,271,780
Deferred Contribution		3,908,327	-	3,908,327
Deferred Contribution related to capital assets		76,018,927	-	76,018,927
		110,420,620	4,493,451	114,914,071
Fund balances				
Investment in capital assets		3,859,029	-	3,859,029
Internally restricted		160,334	-	160,334
Externally restricted		937,175	-	937,175
Unrestricted	(i), (ii)	(5,339,165)	(4,290,976)	(9,630,141)
Unrestricted - Contract Facilities	(i), (ii)	338,359	(202,475)	135,884
		$ 110,376,352	$ -	$ 110,376,352

2. First-time Adoption (continued)

Statement of Financial Position as at March 31, 2012

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Cash and term deposits		$ 13,879,438	$ -	$ 13,879,438
Accounts receivable		3,071,060	-	3,071,060
Due from Manitoba Health		2,256,971	-	2,256,971
Inventories		1,494,138	-	1,494,138
Prepaid Expenses		500,915	-	500,915
Vacation Entitlements receivable		5,484,424	-	5,484,424
Retirement Benefits recoverable		5,912,865	-	5,912,865
Other Assets		119,087	-	119,087
Capital assets		92,058,679	-	92,058,679
		124,777,577	-	124,777,577
Liabilities				
Accounts payable and accrued liabilities		10,709,689	-	10,709,689
Accrued vacation entitlements		8,228,438	-	8,228,438
Current portion of long-term debt		157,669	-	157,669
Accrued Retirement Obligations	(i)	11,814,078	1,209,034	13,023,112
Sick leave liability	(ii)	-	3,284,417	3,284,417
Long-Term Debt		1,114,111	-	1,114,111
Deferred Contributions		4,676,062	-	4,676,062
Deferred Contributions Related to Capital Assets		87,130,430	-	87,130,430
		123,830,477	4,493,451	128,323,928
Net Assets				
Investment in capital assets		3,656,469	-	3,656,469
Internally Restricted		148,211	-	148,211
Externally Restricted		922,080	-	922,080
Unrestricted	(i), (ii)	(3,964,522)	(4,290,976)	(8,255,498)
Unrestricted - Contract Facilities	(i), (ii)	184,862	(202,475)	(17,613)
		$ 124,777,577	$ -	$ 124,777,577

2. First-time Adoption (continued)

Explanations for the adjustments are as follows:

(i) Accrued Pre-retirement Obligations

As a result of a change in accounting policy for pre-retirement benefits, the Authority changed its assumptions for the actuarial valuation of the pre-retirement benefits. The change in assumptions was applied retrospectively to April 1, 2011 and consisted of a change in discount rate to 2.375% from 4.15% for the 2012 valuation, and to 2.875% from 4.7% for the 2011 valuation; and a change in salary increase factors to 3.0% from 3.5% for the 2012 valuation (2011 factor remained at 3.5%). This resulted in an increase of $1,209,034 of the liability relating to pre-retirement benefits as at April 1, 2011.

(ii) Sick Leave Liability

Under pre-changeover Canadian GAAP the Authority did not record a liability for sick leave benefits that accumulate but do not vest. PSAB for NPOs requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Authority in return for the benefits. As a result, an increase of $3,284,417 at April 1, 2011 to sick leave liability was required.

Financial Instruments

On April 1, 2011, the organization early adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and are effective for years beginning on or after January 1, 2012, however, early adoption is permitted. The accounting change did not result in any adjustments. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding it adoption of PSAB for NPOs.

3. Due from (to) Manitoba Health

	2013	2012
Retroactive salary and benefit increases	**$ 893,758**	$ 1,705,854
Inter-facility ambulance transfers	**439,127**	588,861
Other operations	**1,453,395**	560,924
Safety and security	**34,803**	71,381
Out of Globe - 2010/11	**1,051,467**	(17,662)
Out of Globe - 2011/12	**(186,610)**	(652,387)
Out-of-Globe 2012/13	**(1,213,309)**	-
	$ 2,472,631	$ 2,256,971

4. Accrued Vacation Entitlements

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from MH. At that date, MH 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 MH 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 MH is as follows:

	2013	2012
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:

Balance, beginning of year	**$ 8,228,438**	$ 7,884,094
Net increase in accrued vacation entitlements	**360,131**	344,344
Balance, end of year	**$ 8,588,569**	$ 8,228,438

5. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 513,702**	**$ -**	$ 513,702	$ -
Land improvements	**868,145**	**791,171**	833,375	781,825
Buildings	**124,851,721**	**59,087,518**	119,270,445	55,317,963
Ambulances	**91,811**	**91,811**	91,811	91,811
Leasehold Improvements	**321,863**	**70,747**	118,851	42,501
Equipment	**35,214,648**	**24,939,362**	32,373,256	23,427,402
Building Service Equipment	**2,287,562**	**534,817**	2,114,206	405,135
Equipment - computers	**2,333,869**	**1,766,172**	2,195,519	1,553,734
Software Licenses	**2,978,582**	**1,937,685**	2,978,582	1,455,849
Construction in progress	**13,589,121**	-	14,645,152	-
	$183,051,024	**$ 89,219,283**	$175,134,899	$ 83,076,220
Cost less accumulated amortization		**$ 93,831,741**		$ 92,058,679

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate (3% at March 31, 2013) less 0.75% and is supported by an authorization letter from MH. As at March 31, 2013 the line of credit was unutilized.

The Authority has an approved operating line of credit with the Sunova Credit Union to a maximum amount of $2,600,000. The line of credit bears interest at Bank of Canada prime rate less 0.625% and is supported by an authorization letter from MH. As at March 31, 2013 the line of credit was unutilized.

7. Long-term Debt

	2013	2012
CMHC mortgage payable, bearing interest at 1.710% compound semi-annual, due September 1, 2017 and requiring monthly principal and interest payments of $5,902, secured by a first charge on land and building	**$ 307,029**	$ 369,057
CMHC mortgage payable, bearing interest at 4.39%, due January 1, 2020 and requiring monthly principal and interest payments of $7,587, secured by a first charge on land and building	**537,336**	603,481
CMHC mortgage payable, bearing interest at 4.17%, due June 1, 2020 and requiring monthly principal and interest payments of $3,573, secured by a first charge on land and building	**268,135**	299,242
	1,112,500	1,271,780
Current portion of long-term debt	**167,529**	157,669
	$ 944,971	$ 1,114,111

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:

2014	$ 167,529
2015	171,957
2016	175,253
2017	178,519
2018	181,901
Thereafter	237,341
	$ 1,112,500

8. Deferred Contributions

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.

		2013		2012
Balance, beginning of year	$	**4,676,062**	$	3,908,327
Additional amounts received during year		**5,356,653**		4,767,455
Funding for reserve for major repairs		**142,529**		49,187
Less expenditures		**(6,081,429)**		(4,048,907)
Balance, end of year	$	**4,093,815**	$	4,676,062

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.

		2013		2012
Balance, beginning of year	$	**87,130,430**	$	76,018,927
Additional contributions received, net		**7,751,192**		16,932,759
Less amounts amortized to revenue		**(6,456,500)**		(5,821,256)
Balance, end of year	$	**88,425,122**	$	87,130,430

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 93,831,741**	$ 92,058,679
Amounts financed by		
Deferred contributions	**88,425,122**	87,130,430
Long-term debt	**1,112,500**	1,271,780
	$ 4,294,119	$ 3,656,469

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

	2013	2012
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 6,456,500**	$ 5,821,256
Amortization of capital assets	**(6,462,471)**	(5,890,655)
	$ (5,971)	$ (69,399)

	2013	2012
Net changes in investment in capital assets		
Purchase of capital assets	**$ 8,235,533**	$ 16,648,940
Amounts funded by		
MH funding	**(7,576,455)**	(16,623,305)
Donations	**(174,737)**	(309,453)
Repayment of long-term debt	**159,280**	150,656
	$ 643,621	$ (133,162)

10. Revenue from Manitoba Health

		2013	2012
Revenue from MH			
Revenue as per MH's final funding document		**$179,185,890**	$161,899,155
Debt interest allocation		**(317,201)**	(378,652)
Funds for loans held by the Province of Manitoba		**(1,453,114)**	(907,261)
Reserve for major repairs funding		**(52,175)**	(52,175)
		177,363,400	160,561,067
Add:	Retroactive salary and benefit increases	**954,378**	2,077,439
	Leap Year Funding	**-**	468,972
	PCH staffing initiative funding	**158,764**	981,701
	Inter-facility ambulance transfers	**3,639,814**	3,388,982
	Nurse recruitment and retention	**102,216**	163,621
	Influenza and immunizations	**167,012**	217,153
	Early start and healthy child programs	**1,915,295**	1,829,330
	Southern Air Ambulance Program	**256,598**	-
	Diagnostics directed funding	**131,411**	-
	Towards Flourishing / Time to Care	**42,114**	30,000
	Primary Care Network	**255,333**	151,000
	Aboriginal health transition fund	**-**	3,227
	Colonoscopies funding	**175,000**	225,650
	Endoscopy funding	**278,000**	-
	Reclaiming Hope	**13,858**	16,100
	Tobacco Initiative / Smoking Cessation	**8,540**	-
	Selkirk ER Pharmacist	**26,829**	-
	Berens River	**1,049,821**	210,285
	EMR Project	**52,392**	484,541
	Other One - Time Funding	**727,942**	7,051,930
	08/09, 09/10 & 10/11 Med Remun YE settlement	**-**	(129,993)
	Reciprocal recovery	**250,000**	347,290
	2011 Flood funding	**-**	71,192
	Medical Officer of Health	**20,000**	5,000
	Supportive Housing - 10 new units Arborg	**-**	36,400
	Out-of-globe items and adjustments	**(1,114,600)**	(613,696)
	Drug Cap Fees increase	**3,560**	9,883
	Quick Care Clinic	**746,440**	40,460
	Procura Backfill	**36,117**	117,674
	Flood recovery response team	**130,399**	28,670
	Safety and renovations	**544,058**	266,514
	Funding deferred to next fiscal year	**(465,495)**	(1,045,501)
	Software Amalgamation	**36,566**	-
		$187,505,762	$176,994,891

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, 2013, 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, 2013.

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

c) Lease Commitments

   Lease commitments exist at a variety of facilities with leases expiring at various dates up to August 31, 2017. For April 1, 2013 to March 31, 2014 the amount of the commitment is $418,851. The aggregate commitment to March 31, 2019 is $1,756,861.

12. Employee Future Benefits

a) Accrued retirement obligations

Accrued retirement obligations are based on an actuarial valuation as at December 31, 2012. 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):

1) 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.

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

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 2.125% (2.375% in 2012 and 2.875% in 2011) and a rate of salary increase of 3.0% (3.0% in 2012) 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.

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

	2013	2012
Balance, beginning of year	**$ 13,023,112**	$ 12,632,748
Net increase in pre-retirement entitlements	**731,492**	390,364
Balance, end of year	**$ 13,754,604**	$ 13,023,112

12. Employee Future Benefits (continued)

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 $51,100 and 9.5% of salary over $51,100 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, 2011 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Employer contribution rates were increased on January 1, 2011 to 7.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE" and 9.4% on earnings in excess of the YMPE. On April 1, 2012, employee contribution rates increased to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of the YMPE. On April 1, 2013, both employer and employee contribution rates will increase to 7.9% of pensionable earnings up to YMPE and 9.5% on earnings in excess of the YMPE. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $6,827,150 (2012 - $6,637,068) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuating 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 for the past three years. A salary increase of 3% was assumed for all years. The interest rates used were 2.125% - 2013, 2.375% - 2012 and 2.875% - 2011. The accumulated liability is estimated to be $3,393,169 ($3,284,417 - 2012).

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 residents. Debt is utilized for projects where specific approvals from MH 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.

Internal Restrictions

The Board of Directors has internally restricted $9,679 (2012 - $10,377) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $131,404 (2012 - $148,211). These are Board restricted community based health promotion projects and recruitment initiatives. The Authority is in compliance with these restrictions.

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. Deficit Funding - Manitoba Health

Funding was provided to the Regional Health Authority with respect to the net accumulated deficit for the predecessor organizations (see Note 1b). This amount was based on their March 31, 2012 audited financial results, prior to restatement.

16. 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	$ 105,667	$ 94,087	$ 48,295	$ 347,358	$ 595,407
Trade Receivables	279,005	105,649	37,988	650,968	1,073,610
Miscellaneous Receivables	832,878	143,840	90,564	763,937	1,831,219
GST Receivable	167,090	120,325	165,074	85,602	538,091
	1,384,640	463,901	341,921	1,847,865	4,038,327
Less allowance for doubtful accounts:					
Patients/Residents	-	-	-	(204,104)	(204,104)
Trade Receivables	-	-	-	(313,138)	(313,138)
Miscellaneous Receivables	-	-	-	(50,184)	(50,184)
Total	$ 1,384,640	$ 463,901	$ 341,921	$ 1,280,439	$ 3,470,901

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.

16. Financial Risk Management (continued)

Due from (to) Manitoba Health

	1-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Retroactive Salary Increases	$ 862,512	$ -	$ -	$ 31,242	$ 893,754
Interfacility Ambulance Transfers	289,352	262,946	328,617	609,679	1,490,594
Other Operations	1,438,725	-	-	14,669	1,453,394
Out of Globe 11/12	-	-	-	(186,610)	(186,610)
Out of Globe 12/13	(1,213,309)	-	-	-	(1,213,309)
Safety & Security	30,863	-	933	3,012	34,808
	$ 1,408,143	$ 262,946	$ 329,550	$ 471,992	$ 2,472,631

With respect to amounts due from MH, 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 MH, 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.

17. Allocated Expenditures

The Authority provides health care services to the residents of the Interlake region of Manitoba across five main health sectors: Acute Care, Long-term Care, Home Care, Community and Mental Health Services and Emergency Services. 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, district management, clinical management, education, and support services management.

General Support Function	Allocated from General Support	Allocated to Health Sector: Acute	Long-term Care	Community
Maintenance	$ 3,515,986	$ 2,353,276	$ 1,162,710	$ -
Facility administrative support	1,373,530	952,880	420,650	-
District management	420,295	195,184	117,551	107,560
Clinical management	572,632	388,242	184,390	-
Education	367,745	160,781	132,786	74,178
Support services management	442,320	323,094	119,226	-
Total	$ 6,692,508	$ 4,373,457	$ 2,137,313	$ 181,738

18. Comparative Figures

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

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Auditor's Comments on Supplementary Financial Information

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

We have audited the consolidated financial statements of **Interlake-Eastern Regional Health Authority** which comprise the consolidated statement of financial position as at March 31, 2013 and 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, and have issued a report thereon dated June 20, 2013 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 20, 2013

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INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Schedule of Expenditures by Type

For the year ended March 31	2013	2012
Salaries and Benefits		
Salaries - registered nurses	**$ 27,281,508**	$ 25,437,327
Salaries - licensed practical nurses	**9,568,669**	9,323,674
Salaries - health care aides	**26,207,840**	25,126,522
Salaries - other	**54,895,807**	49,444,117
Benefits	**20,531,229**	20,758,338
Purchased services	**3,842,326**	3,840,918
Health and education tax	**2,434,243**	2,350,365
Total salaries and benefits	**144,761,622**	136,281,261
Supplies		
Other supplies	**7,463,526**	7,697,261
Medical and surgical supplies	**3,951,014**	3,877,585
Drugs and medical gases	**3,314,922**	3,049,846
Utilities	**2,241,852**	2,153,324
Total supplies	**16,971,314**	16,778,016
Other Expenditures		
Purchased services	**15,507,492**	15,313,520
Medical remuneration	**12,225,344**	12,483,445
Other expenses	**9,424,061**	8,881,297
Amortization	**6,528,616**	5,890,655
Staff travel	**3,491,624**	3,216,858
Contracted health facilities	**332,221**	359,104
Safety and security	**544,058**	266,514
Client travel	**359,641**	1,352,671
Interest	**39,812**	46,239
Total other expenditures	**48,452,869**	47,810,303
Total expenditures	**$ 210,185,805**	$ 200,869,580

KENDALL & PANDYA

Chartered Accountants

Partners.... David Kendall, FCA *
Manisha Pandya, CA *

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* Operating as professional corporations

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Regional Health Authority Inc.

We have audited the accompanying consolidated financial statements of NORTHERN REGIONAL HEALTH AUTHORITY INC., which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and 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.

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 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 judgement, including 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 in our audits 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 Northern Regional Health Authority Inc., as at March 31, 2013 and the results of its operators and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes that Northern Regional Health Authority Inc. adopted Canadian Public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Kendall & Pandya

June 27, 2013

CHARTERED ACCOUNTANTS

NORTHERN REGIONAL HEALTH AUTHORITY INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2013

ASSETS

CURRENT ASSETS	2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Cash	**$ 5,668,871**	$ 9,053,752	$ -
Accounts Receivable (Note 19)	**7,057,094**	6,375,247	9,021,241
Due from Manitoba Health (Note 3a)	**9,433,771**	4,832,108	11,296,811
Inventories	**1,038,472**	1,162,787	1,129,633
Prepaid expenses	**981,929**	573,963	429,017
Vacation entitlement receivable-Manitoba Health	**5,429,191**	5,429,191	5,429,191
	$ 29,609,328	$ 27,427,048	$ 27,305,893
DUE FROM MANITOBA HEALTH (Note 3b)	**4,209,802**	4,209,802	4,209,802
CAPITAL ASSETS (Note 9)	**64,967,362**	69,203,610	73,939,345
	$ 98,786,492	$100,840,460	$105,455,040

LIABILITIES

	2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Bank indebtedness	**$ -**	$ -	$ 10,825,159
Manitoba Health cash advance (Note 18)	**-**	-	350,000
Accounts payable	**9,863,071**	9,543,875	9,807,401
Deferred revenue (Note 6)	**1,388,875**	2,429,033	533,709
Line of credit (Note 7)	**450,000**	1,857,760	1,500,088
Accrued vacation entitlements	**9,030,891**	9,494,700	8,647,008
Current portion of capital lease	**47,126**	247,809	235,282
Current portion of long-term debt	**219,501**	219,500	219,500
	$ 20,999,464	$ 23,792,677	$ 32,118,147
LONG-TERM DEBT (Note 16)	**$ 2,446,786**	$ 1,854,090	$ 2,073,590
CAPITAL LEASE OBLIGATION (Note 10)	**-**	6,558	235,233
DUE TO MANITOBA HEALTH	**-**	-	9,120,000
SICK LEAVE LIABILITY (Note 14)	**2,000,792**	1,955,786	1,955,786
DUE TO DSM-PRE-RETIREMENT OBLIGATION (Note 11)	**718,161**	690,994	687,956
ACCRUED PRE-RETIREMENT OBLIGATION (Note 11)	**8,462,432**	7,969,672	7,649,212
DEFERRED CONTRIBUTIONS			
Expenses of future periods (Note 4a)	**$ 2,137,647**	$ 2,743,502	$ 2,298,166
Capital assets (Note 4b)	**55,179,508**	56,910,859	61,684,507
NET ASSETS			
Invested in capital assets (Note 8)	**$ 7,932,722**	$ 9,595,243	$ 9,668,155
Restricted	**10,182**	9,697	9,185
Unrestricted	**(1,101,202)**	(4,688,618)	(22,044,897)
	$ 98,786,492	$100,840,460	$105,455,040

COMMITMENTS (Note 17)
CONTINGENCIES (Note 20)

APPROVED BY BOARD:

NORTHERN REGIONAL HEALTH AUTHORITY INC.
CONSOLIDATED STATEMENT OF SUMMARY OF OPERATIONS
YEAR ENDED MARCH 31, 2013

REVENUE	2013	2012
Amortization of deferred contributions	$ 6,261,987	$ 6,203,389
Ancillary revenue	2,129,851	2,191,987
Manitoba Health (Note 12)	184,493,368	180,844,782
Non-insured income	4,235,815	5,073,555
Northern patient transportation program recoveries	2,625,795	2,159,907
Other income	3,333,029	2,083,237
	203,079,845	198,556,857
EXPENSES		
Acute care	$ 82,203,535	$ 77,561,156
Amortization of capital assets	6,274,053	6,211,574,
Ancillary operations	2,129,851	2,391,702
Community based health	13,781,498	12,321,143
Community based home care	7,924,827	6,677,145
Community based mental health	3,927,329	3,373,832
Community services co-ordination	581,548	579,419
Interest on capital lease	32,562	12,260
Land ambulance	4,454,208	3,908,245
Long-term care	10,153,659	11,352,684
Long-term care – Aging in Place	844,548	1,357,164
Medical remunerations	33,441,775	34,009,027
Northern Patient Transportation	16,954,464	17,986,285
Personal Care Home	3,078,662	3,058,804
Rosaire House Addictions Centre	825,135	763,574
Support to seniors	30,000	30,000
Unallocated Regional Health Authority costs	16,394,666	15,965,852
	203,032,320	197,559,866
EXCESS OF REVENUE OVER EXPENSES	$ 47,525	$ 996,991

NORTHERN REGIONAL HEALTH AUTHORITY INC.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2013

	Investment in Capital Assets (Note 8)	Externally Restricted (Note 15)	Unrestricted RHA	Total
Balance, April 1, 2011	$ 9,668,155	$ 9,185	$(22,044,897)	**$(12,367,557)**
Reallocation of interest earned on donation and externally restricted funds	-	512	(512)	-
Excess (deficiency) of revenue over expenditures for the year	200,702	-	796,289	**996,991**
Net changes in investment in capital assets	(273,614)	-	273,614	-
Deficit funding – Manitoba Health	-	-	16,286,888	**16,286,888**
Balance, March 31, 2012	$ 9,595,243	$ 9,697	$(4,688,618)	**$ 4,916,322**
Reallocation of interest earned on donation and externally restricted funds	$ -	$ 485	$ (485)	$ -
Excess (deficiency) of revenue over expenditures for the year	(2,698,009)	-	2,745,535	**47,525**
Net changes in investment in capital assets	1,035,488	-	(1,035,488)	-
Deficit funding – Manitoba Health	-	-	1,877,854	**1,877,854**
Balance, March 31, 2013	$ 7,932,722	$ 10,182	$(1,101,202)	**$ 6,841,702**

See accompanying notes.

NORTHERN REGIONAL HEALTH AUTHORITY INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Excess of revenue over expenses	$ 47,525	$ 996,991
Manitoba Health – Deficit Elimination	1,877,854	16,286,888
Items not affecting cash		
Amortization of capital assets	6,274,053	6,211,574
Amortization of deferred contributions	(6,261,987)	(6,203,389)
	$ 1,937,445	$17,292,064
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	$ (681,847)	$ 2,645,994
Due from Manitoba Health	(4,601,663)	(3,005,297)
Inventories	124,315	(33,154)
Prepaid expenses	(407,966)	(144,946)
Accounts payable	319,196	(2,084,386)
Vacation entitlements payable	(463,809)	847,692
Deferred revenue	(1,040,158)	1,895,325
	(4,814,487)	17,413,292
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(2,037,805)	$(1,935,810)
Disposal of Garden Hill asset net of amortization	-	459,971
Payments of capital lease obligation	(207,241)	(188,709)
Construction in progress (expenditures)	-	1,823,674
Increase (decrease) in long-term debt	592,696	(219,500)
Receipt of contributions relating to capital assets	4,530,092	1,429,741
Receipt of contributions relating to expenses of future periods	(605,315)	444,796
Pre-retirement obligation	519,933	293,784
Sick leave liability	45,006	-
Advances on line of credit	(1,407,760)	357,672
	$ 1,429,606	$ 2,465,619
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (3,384,881)	$19,878,911
CASH (BANK INDEBTEDNESS), Beginning of year	9,053,752	(10,825,159)
CASH (BANK INDEBTEDNESS), Ending of year	$ 5,668,871	$ 9,053,752

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING / MANAGEMENT RESPONSIBILITY
These financial statements of Northern Regional Health Authority Inc. "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 AND PURPOSE OF THE ORGANIZATION
Effective May 28, 2012, a Regulation was registered in respect to the Regional Health Authorities Act, affecting the amalgamation of Burntwood Regional Health Authority Inc. with the Norman Regional Health Authority Inc. to form a new authority named the Northern Regional Health Authority Inc. 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, property, liabilities and obligations and agreements with contract facilities of the predecessor organizations were transferred to the Authority on this date.

Financial information for the amalgamated regions is being presented effective April 1, 2011 in order to enhance the comparability of the information and to better meet the needs of the readers of the financial statements.

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.

c) BASIS OF REPORTING

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

- Community Health Resources Centre
- Community Health Services
- Gillam Hospital
- Ilford Community Health Centre
- Leaf Rapids Health Centre
- Lynn Lake Hospital
- Northern Consultation Centre
- 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 Corporation
- Northern Lights Manor
- The Pas Health Complex
- The Snow Lake Medical Nursing Unit

d) 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.

e) INVENTORY
Medical, drugs and other supplies are valued at the lower of cost and net realizable value. Cost is determined on an average invoice basis.

f) EMPLOYEE FUTURE BENEFITS
Pension and other employee future benefits costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

g) 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 retirement allowances and sick liability.

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

Under the Health 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.

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. Externally restricted donations are recognized as directed increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

i) CAPITAL ASSETS
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Equipment	10.0%
Computer equipment	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

j) 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.

k) CAPITAL MANAGEMENT

The Entity's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The entity's capital consists of net assets.

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

The entity met its externally imposed capital requirements.

There were no changes in the Entity's approach to capital management during the period.

l) REVENUE FROM MANITOBA HEALTH

In Globe funding is funding approved by Manitoba Health for Regional Health Authority 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 from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to 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.

m) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Health Authority has designated its financial instrument's as follows:
Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in the statement of operations and net assets for the current period.

Accounts receivable, and the amounts due from the Province of Manitoba are classified as loans and receivables. These loans and receivables are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

Accounts payable, and accrued vacation benefit entitlements are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

Unless otherwise noted, it is management's opinion that The Health Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The Health Authority has continued to apply section 3861, Financial Instruments – Disclosures and Presentation in place of Sections 3862 and 3863.

n) USE OF ESTIMATES/MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from these estimates.

o) 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 Services. The following costs are included in Regional Undistributed expenditures: payroll, information technology, finance, human resources, executive administration, board, public relations, accreditation, spiritual care, scheduling and purchasing, risk management, community health assessment, and infection control expenditures.

2. FIRST TIME ADOPTION

Effective April 1, 2011, the Authority has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which the Authority has applied Canadian public sector accounting standards.

As these financial statements are the first financial statements for which the Authority has applied public sector standards, the financial statements have been prepared in accordance with the provisions set out in Section 2125 of public sector accounting standards, First-Time Adoption by government organizations.

The Authority is required to apply public sector standards effective for periods ending March 31, 2013 in:

a) preparing and presenting its opening statements of financial position at April 1, 2011, and
b) preparing and presenting its statement of financial position for March 31, 2013 (including comparative amounts for 2012) statement of changes in net assets, and statement of cash flows for the year ended March 31, 2013 (including comparative amounts for 2012 and disclosures (including comparative information for 2012).

Section 2125 provides organizations with certain exemptions to the principle that an organization's opening statement of financial position and shall comply with public sector standards.

The Authority has elected to recognize all cumulative actuarial gains and losses at March 31, 2012 directly in accumulated surplus (deficit) per Section PS 2125.10.

The predecessor Authorities issued financial statements for the year ended March 31, 2012 using the Canadian generally accepted accounting principles prescribed in the CICA Handbook - Accounting Part V-pre-changeover Accounting Standards.

The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for NPOs. Since all adjustments have been made through net assets, there is no impact on the statement of operations.

Reconciliation of Statement of Financial Position as at April 1, 2011 (Transition date)

ASSETS	REPORTED UNDER PREVIOUS GAAP April 1, 2011	ADJUSTMENTS	REPORTED UNDER PSAB April 1, 2011
CURRENT ASSETS			
Cash and Term Deposits	$ -	$ -	$ -
Accounts Receivable	9,021,241		9,021,241
Due from Manitoba Health	11,296,811		11,296,811
Inventory Held in Use	1,129,633		1,129,633
Prepaid expenses	429,017		429,017
Vacation Entitlement Receivable -Manitoba Health	5,429,191	-	5,429,191
	$ 27,305,893	$ -	$ 27,305,893
Retirement Receivable – Manitoba Health	$ 4,209,802	-	$ 4,209,802
Other Assets	-	-	-
Capital Assets	73,939,345	-	73,939,345
TOTAL ASSETS	$105,455,040	$ -	$105,455,040

LIABILITIES	REPORTED UNDER PREVIOUS GAAP April 1, 2011	ADJUSTMENTS	REPORTED UNDER PSAB April 1, 2011
CURRENT LIABILITIES			
Bank Indebtedness	$10,825,159	$ -	$ 10,825,159
Manitoba Health Cash Advance	350,000	-	350,000
Accounts payable	9,807,401	-	9,807,401
Deferred Revenue	533,709	-	533,709
Line of Credit	1,500,088	-	1,500,088
Accrued Vacation Benefit Entitlement	8,647,008	-	8,647,008
Current portion of Capital Lease	235,282	-	235,282
Current portion of long-term debt	219,500	-	219,500
	$32,118,147	$ -	$ 32,118,147
LONG TERM DEBT	$ 2,073,590	$ -	$ 2,073,590
CAPITAL LEASE	235,233	-	235,233
DUE TO MANITOBA HEALTH	9,120,000	-	9,120,000
SICK LEAVE LIABILITY	-	1,955,786	1,955,786
DUE TO DSM- PRE-RETIREMENT OBLIGATIONS	423,540	64,320	487,860
ACCRUED PRE-RETIREMENT OBLIGATIONS	7,058,650	790,658	7,849,308
	$18,911,013	$ 2,810,764	$21,721,777
DEFERRED CONTRIBUTIONS			
Expenses of Future Periods	$ 2,298,166	$ -	$ 2,298,166
Capital Assets	61,684,507	-	61,684,507
	$63,982,673	$ -	$63,982,673
NET ASSETS			
Invested in Capital Assets	$ 9,668,155	-	$ 9,668,155
Restricted	9,185	-	9,185
Unrestricted	(19,234,133)	(2,810,764)	(22,044,897)
	$(9,556,793)	$(2,810,764)	$(12,367,557)
TOTAL LIABILITIES	$105,455,040	$ -	$105,455,040

ASSETS	REPORTED UNDER PREVIOUS GAAP March 31, 2012	ADJUSTMENTS	REPORTED UNDER PSAB March 31, 2012
CURRENT ASSETS			
Cash and Term Deposits $ -	$ 9,053,752	$ -	$ 9,053,752
Accounts Receivable	6,375,247	-	6,375,247
Due from Manitoba Health	4,832,108	-	4,832,108
Inventory Held in Use	1,162,787	-	1,162,787
Prepaid expenses	573,963	-	573,963
Vacation Entitlement Receivable -Manitoba Health	5,429,191	-	5,429,191
	$27,427,048	-	$27,427,048
Retirement Receivable – Manitoba Health	$ 4,209,802	-	$ 4,209,802
Other Assets	-	-	-
Capital Assets	69,203,610	-	69,203,610
	73,413,412	-	73,413,412
TOTAL ASSETS	$100,840,460	$ -	$100,840,460
CURRENT LIABILITIES			
Bank Indebtedness	$ -	$ -	$ -
Manitoba Health Cash Advance	-	-	-
Accounts payable	9,543,875	-	9,543,875
Deferred Revenue	2,429,033	-	2,429,033
Line of Credit	1,857,760	-	1,857,760
Accrued Vacation Benefit Entitlement	9,494,700	-	9,494,700
Current portion of Capital Lease	247,809	-	247,809
Current portion of long-term debt	219,500	-	219,500
	$ 23,792,677	$ -	$ 23,792,677
LONG TERM DEBT	$ 1,854,090	$ -	$ 1,854,090
CAPITAL LEASE	6,558	-	6,558
DUE TO MANITOBA HEALTH	-	-	-
SICK LEAVE LIABILITY	-	1,955,786	1,955,786
DUE TO DSM- PRE-RETIREMENT OBLIGATIONS	453,254	237,740	690,994
ACCRUED PRE-RETIREMENT OBLIGATIONS	7,352,434	617,238	7,969,672
	$ 9,666,336	$ 2,810,764	$12,477,100
DEFERRED CONTRIBUTIONS			
Expenses of Future Periods	$ 2,743,502	$ -	$ 2,743,502
Capital Assets	56,910,859	-	56,910,859
	$ 59,654,361	$ -	59,654,361
NET ASSETS			
Invested in Capital Assets	$ 9,595,243	-	$ 9,595,243
Restricted	9,697	-	9,697
Unrestricted	(1,877,854)	(2,810,764)	(4,688,618)
	$ 7,727,086	$(2,810,764)	$ 4,916,322
TOTAL LIABILITIES	$100,840,460	$ -	$100,840,460

Explanations for the adjustments are as follows:

i. Accrued Pre-retirement Obligations
As a result of a change in accounting policy for pre-retirement benefits the Authority changed its assumptions for the actual valuation of the pre-retirement benefits. The change in assumptions was applied retrospectively to April 1, 2011 and consisted of a change in discount rate to 2.375% from 4.15% for the 2012 valuation and 2.875% from 4.7% for the 2011 valuation: and a change in salary increase factors to 3.0% from 3.5% for the 2012 valuation (2011 factor remained at 3.5%). This resulted in an increase of $854,978 of the liability relating to pre-retirement benefits as at April 1, 2011.

ii. Sick Leave Liability
Under pre-changeover Canadian GAAP the Authority did not record a liability for sick leave benefits that accumulate but do not vest. PSAB for NPOs require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Authority in return for the benefits. As a result, an increase of $1,955,786 at April 1, 2011 to sick leave liability was required.

Financial Instruments

On April 1, 2011, the organization early adopted the Public Sector Accounting Handbook Section 3450-Financial Instruments and 1201-Financial Instrument Presentation. The new standards address the classification, recognition and measurement of financial instruments and are effective for years beginning on or after January 1, 2012, however, early adoption is permitted. The accounting change did not result in any adjustments. These sections have been applied prospectively, as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding it adoption of PSAB for NPOs.

3. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2013	2012
a) Due (to) from Manitoba Health	$ -	$ -
Facility Support Settlement – 2009	-	123,570
2011-2012 Board Expenses	-	1,109
2011-2012 Colonoscopy Funding	-	7,700
2010-2011 Community Support Wage Standardization	-	83,678
2010-2011 Debt Servicing	-	37,002
2011-2012Debt Servicing	-	(24,847)
2011-2012 Extended Health Benefit	184,926	184,926
2011-2012 HEB Spending Account	-	45,005
2010-2011 HEPP Contribution increase	-	314,252
2011-2012 HEPP Contribution increase	-	286,680
2011-2012 Immunization Funding	-	50,743
2011-2012 Maternity Leave Top-Up	-	144,531
2011-2012 Medical Renumeration	2,917,824	2,917,824
2011-2012 Northern Youth Crisis Funding	-	491,687
2011-2012 Pine Service – Education Coordinator	-	55,000
2012-2013 Medical Renumeration	2,826,738	-
2012-2013 MAHCP Retention bonus	1,718,449	-
2012-2013 Garden Hill Structural Floor Project	80,677	-
2012-2013 Northern Youth Crisis Funding	718,260	-
2012-2013 MNU Maternity Top-Up	188,159	-
2012-2013 Facility Support Maternity Top-Up	80,237	-
2012-2013 Colonoscopy Funding	87,500	-
2012-2013 Health Spending Account	115,057	-
2012-2013 EMS Wage Standardization	6,850	-
2012-2013 Medical Education Coordinator	55,000	-
2012-2013 MNU Retention Bonus Shortfall	34,672	-
2012-2013 HEPP Contribution Increase	419,422	-
PCH Staffing	-	113,248
	$ 9,433,771	$4,832,108

b) ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2013	2012
Due (to) from Manitoba Health		
Pre-retirement obligation entitlements	$ 4,209,802	$4,209,802

c) ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

Due from Manitoba Health

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 Norman Regional Health Authority inc., 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 it is determined that the funding is required to discharge the related pre-retirement liabilities.

4. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

i) Funds in reserve for major repairs and improvements

Deferred contributions related to funds in reserve for major repairs and improvements represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

	2013	2012
Balance, beginning of year	**$2,743,502**	$2,298,166
Add amount received during year	**178,332**	452,051
Deduct: transfer re: Personal Care Home / Grants	**(784,187)**	(6,715)
Balance, end of year	**$2,137,647**	$2,743,502

ii) Donations

Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

iii) Grants

Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

b.Related to capital assets

Deferred capital contributions 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.

	2013	2012
Balance, beginning of year	**$ 56,910,859**	$61,684,507
Additional contributions received	**4,542,702**	1,437,926
Less amount amortized to revenue	**(6,274,053)**	(6,211,574)
Balance, end of year	**$ 55,179,508**	$56,910,859

5. BANK INDEBTEDNESS

The Regional Health Authority Inc. has an authorized operating line of credit of $8.9 million bearing interest at the bank's prime minus 1/2%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

6. 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:

	2013	2012
Balance, beginning of year	**$ 2,429,033**	$ 533,709
Amount recognized as revenue in the current year	**(2,030,619)**	(1,419,698)
Funding received	**990,461**	3,315,022
Balance, end of year	**$ 1,388,875**	$2,429,033

7. LINE OF CREDIT

	2013	2012
Demand capital line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65%	**$ 450,000**	$ 1,857,760

8. NET ASSETS INVESTED IN CAPITAL ASSETS

a. Net assets invested in capital assets are calculated as follows:

	2013	2012
Capital assets	**$64,967,362**	$ 69,203,610
Amount financed by:		
Deferred contributions	**(55,179,508)**	(56,910,859)
Long-term debt	**(1,855,132)**	(2,516,592)
Capital leases	**-**	(180,916)
	$ 7,932,722	$ 9,595,243

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

	2013	2012
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	$ 6,261,987	$ 6,203,389
Amortization of capital assets	(6,274,053)	(6,211,574)
Less: reduction of Garden Hill asset amortization	-	11,794
	$ (12,066)	$ 3,609
Net changes in investment in capital assets		
Purchase of capital assets	$ 2,037,897	$ 1,935,810
Disposal of Garden Hill assets	-	(471,765)
Payment of capital lease obligation	207,241	216,149
Advances on line of credit	1,407,760	(357,672)
Manitoba Health – Capital asset funding	(5,303,353)	(1,399,043)
	(1,650,455)	(76,521)
	$(1,662,521)	$ (72,912)

9. CAPITAL ASSETS

2013	Cost	Accumulated Amortization	Net Book Value
Land & Land improvements	$ 761,177	$ 327,598	$ 433,579
Buildings	105.462,640	50,944,710	54,517,930
Computer equipment	2,651,247	2,298,415	352,832
Equipment	26,606,428	19,615,385	6,991,043
Construction in Progress	2,671,978	-	2,671,978
Energy Retro Fit Guarantee	-	-	-
	$138,153,470	$73,186,108	$64,967,362

2012	Cost	Accumulated Amortization	Net Book Value
Land & Land improvements	$ 834,528	$ 319,558	$ 514,970
Buildings	105,385,740	47,028,806	58,356,934
Computer equipment	2,715,536	2,074,753	640,783
Equipment	25,915,421	18,561,757	7,353,664
Construction in Progress	1,752,416	-	1,752,416
Energy Retro Fit Guarantee	584,843	-	584,843
	$137,188,484	$67,984,874	$69,203,610

Included in Regional Health Authority Inc. capital asset additions during the year is interest of $ - (2012 - $30,308) which has been capitalized.

10. CAPITAL LEASE OBLIGATIONS

	2013	2012
The BCHRC obligation under the capital lease is at an interest rate of 2% Above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of $16,681 (principal and interest)	$ -	$ 180,916
Lease payable - Royal Bank of Canada, monthly payments of $4,846 including interest at 5.74%. Due January 2013	47,126	47,126
Lease payable - GE Capital, monthly payments of $1,130 Including interest at 2.9%. Due March, 2014. Amount due within 1 year:	-	26,325
Amount due within one year included in current liabilities	(47,126)	(247,809)
	$ -	$ 6,558

The obligations under capital leases is secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2014	$47,126
2015	-
2016	-
2017	-
2018	-

11. ACCRUED PRE-RETIREMENT OBLIGATION

	2013	2012
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$8,930,463	$8,436,332
Members of the Civil Service Superannuation Plan	250,133	224,334
	$9,180,596	$8,660,666

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan 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 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
iii. retire at or after age 65
iv. terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the accrued retirement entitlements as at March 31, 2013. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 2.125% (2012-2.375% and 2011–2.875%) and a rate of salary increase of 3.0% (2012 - 3.0%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of $4,209,802.

The Regional Health Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

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

12. REVENUE FROM MANITOBA HEALTH

	2013	2012
Revenue as per Manitoba Health's Funding Document	**$184,324,395**	$192,249,886
Deduct:		
Payments on prior year receivables	**(777,259)**	1,623,736
Capital Equipment funding	**(1,095,782)**	(679,166)
Nelson House PCH funding - flow through	**(665,904)**	(665,883)
Account Receivable Allowance	**(293,310)**	(823,386)
Ancillary Program	**(19,900)**	(57,772)
Deferred Volume Funding	-	(1,118,600)
Recovery of LTD	-	6,120,000
NPTP Receivable Allowance	-	(5,257,747)
Ambulance	**(236,935)**	(55,375)
Interest funding (actual)	**(48,782)**	(63,864)
Other	**(46,287)**	(384,125)
	$ 3,184,159	$ 1,362,182

Add: Accruals approved by Manitoba Health

Medical Remuneration	$ 2,826,738	$ 2,917,823
Maternity Leave Top-Up MNU	267,924	60,156
Maternity Leave Top-Up CUPE	-	19,710
HEB Health Spending Account	129,821	45,005
HEPP Contribution Increase	-	314,252
MB Health for Debt Servicing	-	(24,865)
PCH Staffing	-	113,249
HEPP Funding	419,422	450,582
Health Spending Account	-	12,180
NPTP one-time Funding	-	5,300,000
Medical Education Reimbursement	55,000	55,000
MNU Northern Retention Allowance shortfall	34,672	1,474,959
Mobile Youth Crisis Program	718,260	421,026
Community Support Wage Funding	-	83,678
Reciprocal Revenue	550,000	444,902
Colonoscopy Funding	87,500	35,000
Leap Year Wage Funding	-	232,871
Lab Supplies Funding	-	502,000
Professional Tech Maternity Leave	141,322	16,317
Drug Volume Pressures Funding	618,600	24,900
Volume Funding	-	1,118,600
Facility support maternity leave	52,880	-
EMS Wage Standardization	6,850	-
MAHCP retention bonus	1,718,449	-
DSM admin assistant position	52,700	-
Family MD forum	2,823	-
Physician funding for Dialysis	70,399	-
Maternity Top Up	-	156,722
A/R Funding	-	68,990
	7,753,360	13,843,057
Total Funding Approved by Manitoba Health	$188,893,596	$204,730,761
Deduct:		
Prior Years Deficit Elimination	1,877,854	16,286,888
Medical remuneration allowance	-	7,542,238
Amounts recorded as deferred contributions:		
Debt Servicing - Principal & Interest	2,515,914	48,693
PCH Reserve	6,460	8,160
	4,400,228	23,885,979
Revenue from Manitoba Health	$ 184,493,368	$180,844,782

13. PENSION PLAN

Substantially all of the employees of the Authority 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 Canadian Institute of Chartered Accountant's Handbook section 3461.

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 estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up the Canada Pension Plan 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 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 a December 31, 2010, indicates a deficiency actuarial value of net assets over actuarial present value of accrued pension benefits of $264,841,000 as well as a solvency deficiency of $927,089,000. Effective January 1, 2011, the contribution rates increased by 1.0% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $4,837,942 (2012 - $4,474,314) and are included in the statement of operations.

Some of the employees of the Authority 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 financial statements relating to the effects of participating in the plan by the Authority and its employees.

14. SICK LEAVE CALCULATIONS

Previously, the Authority was not required to record an accrued benefit obligation related to sick leave benefits as the benefits do not vest. PSA standards, including PS4022-1270 require that a liability and an expense be recognized as a post-employment benefit and compensated absences that vest or accumulate in the period in which employees rendered services to the Authority in return for benefits. An adjustment was made recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for employees at April 1, 2011 was $1,955,786. The accumulated liability is estimated to be $2,000,792 (2012 - $1,955,786).

15. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (The Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Health Complex facilities. While there is no formal relationship between the Authority and this registered Charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at $80,205 (2012- $38,676).

16. ENERGY RETROFIT/MANUFACTURER'S LIFE INSURANCE COMPANY LOAN

In the 2007-2008 fiscal year, the Health Authority entered into an agreement with the Government of Canada, Department of Natural Resource to receive Energy Retro-Fit Assistance. Under the terms of the agreement, MCW Custom Energy Solutions Ltd. (MCW) manages and contracts the work to be performed with the amounts, net of the grants funded by Manufacturers Life Insurance Company (Manufacturers). The Health Authority pays a monthly amount equivalent to the energy savings to Manufacturers with MCW providing an annual payment to the Health Authority for any deficiency of estimated energy savings to actual energy savings.

This project has an expected payout September, 2021 implicit with interest at the rate of 6.3%.

17. COMMITMENTS

a) The Authority has entered into operating leases for rental units to assist with accommodation needs of the organization. Lease commitments for the next five years are as follows:

March 31, 2014	$ 859,421
2015	784,843
2016	625,918
2017	565,918
2018	354,718

Aggregate future minimum operating lease payments total $3,190,818.

b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

March 31, 2014	$ 358,450
2015	312,000
2016	304,226
2017	255,007
2018	244,000
	$1,473,683

18. MANITOBA HEALTH CASH ADVANCE

The Regional Health Authority had received monies from Manitoba Health to assist in the cash flow of the organization. Repayment of the first advance was at a rate of $150,000/year for a period of 20 years commencing in fiscal 2011 and ending in fiscal 2026. During the year it was determined by Manitoba Health that the entire advance would be repaid in the current year.

Balance, at March 31, 2011	$ 2,150,000
Less amount repaid	(2,150,000)
Balance, at March 31, 2012	$ -

The Regional Health Authority had received a further $1,500,000 cash advance during the fiscal year 2011. Repayment on this advance was at a rate of $200,000 per year for a period of seven years commencing in fiscal year 2012 and ending in fiscal 2017. During the year it was determined by Manitoba Health that the entire advance would be repaid in the current year.

Balance, at March 31, 2011	$ 1,200,000
Less amount repaid	(1,200,000)
Balance, at March 31, 2012	$ -

19. 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:

	1 – 30 Days	31 – 60 Days	61- 90 Days	91 + Days	Total
Patients/Residents	$766,321	$ 286,996	$52,699	$2,364,184	$3,470,200
NPTP Receivables	717,261	361,757	110,302	8,624,480	9,813,800
Misc. Receivables	52,224	12,738	16,410	66,912	148,284
GST Receivable	72,362				72,362
	$1,608,168	$661,491	$179,411	$11,055,576	$13,504,646
Less allowance for doubtful accounts:					
Patients/Residents	$ -	$ -	$ -	$(1,044,221)	$(1,044,221)
NPTP Receivables	-	-	-	(5,257,747)	(5,257,747)
Misc. Receivables	-	-	-	(145,582)	(145,582)
	$1,608,168	$661,491	$179,411	$4,608,026	$7,057,096

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.

	1 – 30 Days	31 – 60 Days	61- 90 Days	91 + Days	Total
Retroactive Salary Increases	$ 991,743	$ 69,055	$ 103,726	$ 673,403	$1,837,927
Out of Globe 11/12	-	-	-	2,917,824	2,917,824
Out of Globe 12/13	347,976	347,976	347,976	1,782,809	2,826,737
In Globe 12/13	1,848,569	-	2,714	-	1,851,283
	$3,188,288	$417,031	$454,416	$5,374,036	$9,433,771

Due from Manitoba Health, vacation entitlement receivable and retirement obligations receivable: The Authority is not exposed to significant credit risk as these receivable 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 Manitoba Health, 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.

20. CONTINGENCIES

I. 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, 2013, management believes the Authority 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 Authority's financial position.

II. 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 permits 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 of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2013.

III. Due to the dismissal of three senior executives in a previous period in the Burntwood RHA, litigation proceedings were on going at the time of the audit report. The likelihood or financial implications if any, are not determinable at the time of this report.

21. INTER PROGRAM CHARGES

Included in the statement of operations are inter-program charges whish result in a reduction in Regional Health Authority cost of $36,000 and an increase in ancillary costs of $36,000.

22. ECONOMIC DEPENDENCE

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

23. AMALGAMATION

As a result of the Province of Manitoba announcement, the Board unanimously endorsed the amalgamation proposal which amalgamated Norman Regional Health Authority Inc. and Burntwood Regional Health Authority Inc. to form a new Regional Health Authority with an effective date of the amalgamation of May 18, 2012.

The amalgamation subsequently took effect pursuant to Regulations on May 30, 2012.

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.

Management　　　　　　　　　　Management

Independent Auditors' Report

To the Members 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, 2013, and the consolidated statements of operations, changes in net assets, cash flows and remeasurement of gains and losses 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, 2013 and the results of their consolidated operations, changes in net assets, cash flows and their remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information
Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes that Prairie Mountain Health adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statement of financial position as at March 31, 2012 and April 1, 2011, and the consolidated statements of operations, changes in net assets, cash flows and remeasurement gains and loses for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Brandon, Manitoba

June 19, 2013

MNP LLP
Chartered Accountants

1401 Princess Avenue, Brandon, Manitoba, R7A 7L7, Phone: (204) 727-0661, 1 (800) 446-0890

MNP LLP

Prairie Mountain Health
Consolidated Statement of Financial Position
As at March 31, 2013

	March 31 2013	Unaudited Restated March 31 2012	Unaudited Restated April 1 2011
ASSETS			
Current Assets			
Cash and cash equivalents	$ 48,824,991	$ 48,138,482	$ 36,258,783
Short-term investments *(Note 7)*	1,772,559	1,758,801	627,227
Accounts receivable *(Note 4)*	7,239,669	4,854,260	4,882,091
Due from Manitoba Health *(Note 5)*	19,928,164	22,732,538	29,012,762
Current portion of loan receivable *(Note 6)*	27,697	13,491	-
Inventories held for use	4,446,142	4,658,983	4,477,164
Prepaid expenses	3,680,418	2,964,824	2,908,104
	85,919,640	85,121,379	78,166,131
Due from Manitoba Health *(Note 5)*	21,933,303	21,933,303	21,933,303
Loan receivable *(Note 6)*	278,812	306,509	320,000
Investments *(Note 7)*	6,165,964	6,080,158	7,090,133
Capital assets *(Note 8)*	301,772,611	305,266,617	309,473,255
	330,150,690	333,586,587	338,816,691
	$ 416,070,330	$ 418,707,966	$ 416,982,822
LIABILITIES			
Current Liabilities			
Demand loans *(Note 9)*	$ 566,699	$ 656,699	$ 3,159,962
Accounts payable and accrued liabilities	36,667,690	33,107,047	33,669,958
Employee future benefits *(Note 10)*	28,258,054	29,924,599	27,582,124
Current portion of obligation under capital lease *(Note 12)*	244,139	130,785	125,816
Current portion of long-term debt *(Note 11)*	477,333	451,197	426,145
	66,213,915	64,270,327	64,964,005
Employee future benefits *(Note 10)*	55,406,424	52,181,046	50,359,854
Obligation under capital lease *(Note 12)*	666,420	411,709	542,494
Long-term debt *(Note 11)*	2,909,791	3,380,936	3,832,134
Deferred contributions *(Note 13)*	296,503,166	300,934,444	302,406,088
	421,699,716	421,178,462	422,104,575
Commitments and contingencies *(Note 19)*			
NET ASSETS			
Invested in capital assets *(Note 15)*	8,570,602	8,915,174	9,472,945
Internally restricted *(Note 16)*	4,396,553	4,677,798	4,345,709
Externally restricted *(Note 16)*	28,149	28,354	28,317
Unrestricted	(18,624,690)	(16,091,822)	(18,968,724)
	(5,629,386)	(2,470,496)	(5,121,753)
	$ 416,070,330	$ 418,707,966	$ 416,982,822

Approved on behalf of the Board

Director **Director**

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

Prairie Mountain Health
Consolidated Statement of Operations
For the year ended March 31, 2013

		2013		Unaudited Restated 2012
REVENUE				
Manitoba Health operating income *(Note 17)*	$	482,190,944	$	473,507,522
Authorized/residential charges		31,451,370		30,518,977
Amortization of deferred contributions		20,629,924		19,909,457
Non-insured income		2,037,387		1,931,329
Ancillary revenue		5,103,269		5,488,377
Other income		10,224,874		11,841,523
Province of Manitoba		3,305,092		3,090,533
Investment income		181,153		233,917
		555,124,013		546,521,635
EXPENSES				
Acute care services		237,972,194		234,601,879
Personal care home services		131,054,464		129,908,482
Medical remuneration		35,068,829		34,382,243
Community based mental health services		21,996,385		28,358,927
Community based home care services		34,836,721		34,276,139
Community based health services		23,383,910		16,694,955
Community based services administration		1,682,978		827,178
Emergency medical services		14,920,110		13,961,017
Regional undistributed costs		21,571,000		19,168,035
Amortization of capital assets		20,586,876		19,648,337
Interest on long-term debt		9,512		49,075
Pre-retirement benefits		5,713,254		4,907,817
Therapy services		2,851,405		1,178,481
Sick leave benefits		1,094,048		1,305,162
Ancillary expenses		4,464,716		5,050,887
		557,206,402		544,318,614
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER EXPENSES	**$**	**(2,082,389)**	$	2,203,021
OTHER EXPENSES				
Appropriation of Prior Year Accumulated Surplus/Deficit *(Note 24)*		**(1,368,007)**		-
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	**$**	**(3,450,396)**	$	2,203,021

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

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	2013
Balance, beginning of year	**$ 8,915,174**	**$ 4,677,798**	**$ 28,354**	**$ (16,091,822)**	**$ (2,470,496)**
Excess (Shortfall) of revenue over expenses	(2,184,511)	771,981	(205)	(2,037,661)	**(3,450,396)**
Transfer (to) from deferred contributions	401,354	(9,149)	-	(73,250)	**318,955**
Investment in capital assets	1,438,585	(1,289,882)	-	(150,203)	**(1,500)**
Change in fair value of investments	-	8,925	-	(56,222)	**(47,297)**
Internally restricted assets	-	236,880	-	(49,103)	**187,777**
Elderly Persons Housing adjustments	-	-	-	(37,115)	**(37,115)**
Employee benefit obligation adjustments	-	-	-	(129,314)	**(129,314)**
Balance, end of year	**$ 8,570,602**	**$ 4,396,553**	**$ 28,149**	**$ (18,624,690)**	**$ (5,629,386)**

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	Unaudited 2012
Balance, beginning of year	9,472,945	4,345,709	28,317	(18,968,724)	(5,121,753)
Excess (Shortfall) of revenue over expenses	(2,010,710)	907,321	37	3,306,373	2,203,021
Transfer (to) from deferred contributions	33,825	81,303	-	(31,395)	83,733
Investment in capital assets	1,182,188	(797,865)	-	(384,323)	-
Change in fair value of investments	-	11,192	-	120,814	132,006
Internally restricted assets	-	130,138	-	(48,096)	82,042
Elderly Persons Housing adjustments	-	-	-	26,867	26,867
Net assets acquired on amalgamation	236,926	-	-	(78,727)	158,199
Transferred to Municipalities	-	-	-	(34,611)	(34,611)
Balance, end of year	$ 8,915,174	$ 4,677,798	$ 28,354	$ (16,091,822)	$ (2,470,496)

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

		2013		Unaudited 2012
OPERATING TRANSACTIONS				
Excess (Shortfall) of revenue over expenses	$	(3,450,396)	$	2,203,021
Adjustments to determine net cash provided by (used in) operating activities				
Gain/(loss) on disposal of capital assets		-		(3,253)
Amortization adjustment for fully amortized assets removed		(2,169,351)		-
Amortization of capital assets		20,586,876		19,648,337
Amortization of deferred contributions		(20,629,924)		(19,909,457)
Change in deferred revenue		16,198,646		18,437,813
Changes in non-cash operating working capital items:				
Accounts receivable		(2,385,409)		27,831
Due from Manitoba Health		2,804,374		6,280,224
Loan receivable		13,491		-
Inventories held for use		212,841		(181,819)
Prepaid expenses		(715,594)		(56,720)
Accounts payable and accrued liabilities		3,560,643		(562,911)
Employee future benefits		1,558,833		4,163,667
Net assets		291,506		451,489
		15,876,536		30,498,222
CAPITAL TRANSACTIONS				
Proceeds on sale of capital assets		-		10,659
Cash used to acquire capital assets		(14,923,519)		(15,452,358)
		(14,923,519)		(15,441,699)
INVESTING TRANSACTIONS				
Portfolio investment transactions		**(99,564)**		(121,599)
FINANCING TRANSACTIONS				
Repayment of loans and advances		**(166,944)**		(3,055,225)
NET CHANGE IN CASH		**686,509**		11,879,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**48,138,482**		36,258,783
CASH AND CASH EQUIVALENTS, END OF YEAR	$	**48,824,991**	$	48,138,482
Supplementary Information				
Interest received		**673,989**		241,798
Interest paid		**9,512**		49,075

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

Prairie Mountain Health

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31, 2013

		2013	Unaudited 2012
Accumulated remeasurement gains and (losses) at beginning of year	$	**383,419**	$ 251,413
Unrealized gains (losses) attributable to:			
Portfolio investments		(47,297)	132,006
Accumulated remeasurement gains and (losses) at end of year	$	**336,122**	$ 383,419

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. Adoption of accounting standards for government not-for-profit organizations

These financial statements were prepared in accordance with Canadian public sector accounting standards ("PSAS", "PSA"). The Region's first reporting period using public sector standards is for the year ended March 31, 2013. As a result, the date of transition to public sector standards is April 1, 2011. The Region presented financial statements under its previous Canadian generally accepted accounting principles (CGAAP) annually to March 31st of each fiscal year up to, and including, March 31, 2012.

As these financial statements are the first financial statements for which the Region has applied public sector standards, the financial statements have been prepared in accordance with the provisions set out in Section 2125 of public sector accounting standards, First-time Adoption by government organizations. The Region is required to apply public sector standards effective for periods ending on March 31, 2013 in:

(i) preparing and presenting its opening statement of financial position at April 1, 2011; and
(ii) preparing and presenting its statement of financial position for March 31, 2013 (including comparative amounts for 2012), statement of operations, statement of remeasurement gains and losses, statement of changes in net assets, and statement of cash flows for the year ended March 31, 2013 (including comparative amounts for 2012) and disclosures (including comparative information for 2012).

Section PS 2125 provides organizations with certain exemptions to the principle that an organization's opening statement of financial position shall comply with public sector standards. The Region has elected to use the following exemptions upon adoption of public sector standards:

Pre-retirement benefits
(i) The Region has elected to recognize all cumulative actuarial gains and losses at April 1, 2011 (the date of transition to PSA standards) directly in unrestricted net assets per Section PS 2125.10.

Capital assets
The accounting for write-downs of capital assets is to be applied on a prospective basis from the date of transition April 1, 2011.

Business combinations
Acquisitions incurred prior to the date of transition to PSAS have not been restated to comply with the purchase method, as required by PS 2510 *Additional Areas of Consolidation*, with the exception of accounting for purchase premiums. Purchase premiums incurred as part of a business combination have been recognized as an expense in accordance with PS 2510. In addition, any assets or liabilities that do not qualify for recognition in accordance with PSAS have been excluded from the opening statement of financial position.

Adjustments to the Statement of Financial Position as at April 1, 2011 and March 31, 2012 as a result of adopting Canadian public sector accounting standards:

	Ref Below	Reported under previous CGAAP April 1, 2011	Adjustments	Reported under CPSAS April 1, 2011
Cash and cash equivalents	A	$ 36,524,350	$ (265,567)	$ 36,258,783
Accounts payable and accrued liabilities	A	33,935,525	(265,567)	33,669,958
Employee future benefits	C	35,178,058	15,181,796	50,359,854
Unrestricted net assets	C	(3,786,928)	(15,181,796)	(18,968,724)

2. Adoption of accounting standards for government not-for-profit organizations *(continued)*

	Ref Below	Reported under previous CGAAP March 31, 2012	Adjustments	Reported under CPSAS March 31, 2012
Cash and cash equivalents	A	$ 48,423,181	$ (284,699)	$ 48,138,482
Accounts payable and accrued liabilities	A	33,109,608	(2,561)	33,107,047
Employee future benefits	D	37,383,141	14,797,905	52,181,046
Unrestricted net assets	C/D	1,193,304	(17,285,126)	(16,091,822)

A Trusts under administration were previously recorded on the statement of financial position of the Region (see Note 22).

Adjustments to the Statement of Operations for the year ended March 31, 2012 **as a result of adopting Canadian public sector accounting standards:**

	Ref Below	Reported under previous CGAAP March 31, 2012	Adjustments	Reported under CPSAS March 31, 2012
Other income	**B**	$ 12,075,440	$ (233,917)	$ 11,841,523
Investment income	**B**	-	233,917	233,917
Pre-retirement benefits	**D**	4,391,787	516,030	4,907,817
Sick leave benefits	**D**	-	1,305,162	1,305,162
Excess (Shortfall) of revenue over expenses	**D**	4,306,361	(2,103,330)	2,203,021

B *Adjustments to investment income*
Investment income was previously reported in other income.

Reconciliation of unrestricted net assets reported under previous CGAAP to unrestricted net assets reported under CPSAS beginning April 1, 2011:

Total unrestricted net assets reported under previous CGAAP at April 1, 2011	$ (3,786,928)
C *Adjustments to employee future benefits April 1, 2011*	
To recognize the change in discount rate related to pre-retirement benefits	(5,794,290)
To recognize the unrecorded benefits related to sick leave	(9,387,506)
Unrestricted net assets reported under CPSAS April 1, 2011	(18,968,724)
Excess (Shortfall) of revenue over expenses reported under previous CGAAP for March 31, 2012 related to unrestricted net assets	5,409,703
Other items affecting unrestricted net assets for the year ending March 31, 2012	(711,609)
D *Adjustments to employee future benefits March 31, 2012*	
To recognize the change in discount rate related to pre-retirement benefits	(516,030)
To recognize the unrecorded benefits related to sick leave	(1,305,162)
Unrestricted net assets reported under CPSAS March 31, 2012	$ (16,091,822)

2. Adoption of accounting standards for government not-for-profit organizations *(continued)*

Adjustments to the Statement of Cash Flows for the year ended March 31, 2012 **as a result of adopting Canadian public sector accounting standards:**

	Ref Above	Reported under previous CGAAP March 31, 2012	Adjustments	Reported under CPSAS March 31, 2012
Excess (Shortfall) of revenue over expenses	**D**	$ 4,306,351	$ (2,103,330)	$ 2,203,021
Accounts payable and accrued liabilities	**A**	(417,743)	(145,168)	(562,911)
Employee future benefits	**A**	3,374,535	789,132	4,163,667
Net assets	**D**	1,249,657	(798,168)	451,489
Cash and cash equivalents	**D**	50,396,016	(2,257,534)	48,138,482

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
Country Meadows Personal Care Home
Child and Adolescent Treatment Centre - Brandon
Cypress River Health Centre
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
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
Ste. Rose Ambulance Service
Sandy Lake Health Centre
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-The Sherwood Lodge
Virden – Westman PCH

3. Significant accounting policies *(continued)*

***(a) Basis of Reporting** (continued)*

Waterhen Ambulance Service
Wawanesa Health Centre
Winnipegosis and District Ambulance Service
Emergency Medical Services –25 sites

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 General Hospital
Winnipegosis General Hospital
Mossey River Personal Care Home Inc. – Winnipegosis
St. Paul's Home – Dauphin
Dr. Gendreau Personal Care Home Inc. – Ste. Rose
The Salvation Army Dinsdale Personal Care Home – Brandon

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

The Region has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act. Operating fund surpluses are payable to the Region.

The other non-devolved organizations are referred to as affiliates. For the Region's affiliate organizations, if the retainable surplus exceeds 1.5% of the annual in-globe operating budget, as approved by the Region, the surplus in excess of 1.5% is an obligation payable to the Region.

The Region also receives funding from the Brandon Regional Health Centre Foundation, the Fairview Foundation and Dauphin Hospital Foundation and other community foundations 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, 2013.

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.

3. Significant accounting policies *(continued)*
(b) Revenue recognition *(continued)*

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.

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 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.

3. Significant accounting policies *(continued)*

(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. Funds restricted for capital purposes are held in a capital deposit, but can be withdrawn for operating purposes with Board approval.

(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

3. Significant accounting policies *(continued)*
(e) Financial instruments *(continued)*

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.

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.

Credit risk

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 uncollectibility: 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.

3. Significant accounting policies *(continued)*
(e) Financial instruments *(continued)*

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 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, 2017. 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.

If the retainable surplus exceeds 2% of the annual in globe operating budget, as approved by the Region, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2013, the Region was in compliance with this requirement.

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.

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 2013
Patients/residents	$	579,886	$	363,559	$	179,881	$	988,208	$	2,111,533
Trade receivables		2,898,439		386,191		75,862		1,721,980		5,082,472
GST receivable		289,352		138,651		94,268		11,878		534,149
Brandon Regional Health Centre Foundation		182,110		-		-		-		182,110
Dauphin General Hospital Foundation		611		684		479		191,789		193,563
Accrued interest		57,128		-		-		-		57,128
		4,007,526		889,085		350,490		2,913,855		8,160,955
Less allowance for doubtful accounts:										
Patients/residents		(66)		-		(72)		(793,210)		(793,347)
Trade receivables		-		-		(540)		(127,399)		(127,939)
		(66)		-		(612)		(920,609)		(921,286)
	$	4,007,460	$	889,085	$	349,878	$	1,993,246	$	**7,239,669**

		1-30 Days		31-60 Days		61-90 Days		91-120+ Days		Unaudited Total 2012
Patients/residents	$	510,100	$	290,505	$	111,660	$	984,250	$	1,896,515
Trade receivables		1,962,182		496,206		61,367		821,643		3,341,398
GST receivable		374,806		85,181		78,097		22,958		561,042
Brandon Regional Health Centre Foundation		30,167		-		-		-		30,167
Dauphin General Hospital Foundation		602		611		38,546		-		39,759
		2,877,857		872,503		289,670		1,828,851		5,868,881
Less allowance for doubtful accounts:										
Patients/residents		(1,916)		(1,792)		(3,921)		(785,146)		(792,775)
Trade receivables		-		(540)		(996)		(220,310)		(221,846)
		(1,916)		(2,332)		(4,917)		(1,005,456)		(1,014,621)
	$	2,875,941	$	870,171	$	284,753	$	823,395	$	4,854,260

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.

5. Due from Manitoba Health *(continued)*

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2013
Retroactive Salary Increases	$ 301,421	$ 3,819	$ 3,819	$ 31,967	341,026
Other Operations	1,865,270	5,839	63,350	549,998	2,484,457
Out of Globe 2012/13	(3,017,213)	-	-	-	(3,017,213)
Approved Capital Funding	385,590	3,285	-	162,325	551,201
Ambulance and interfacility transfers	246,898	211,700	252,908	495,001	1,206,507
Vacation	-	-	-	17,906,173	17,906,173
Vacation-Non-Devolved Facilities	-	-	-	954,578	954,578
	(218,034)	224,643	320,077	20,100,042	20,426,729
Less allowance for doubtful accounts:	(410,999)	(1,366)	(1,611)	(84,589)	(498,565)
Current	(629,033)	223,277	318,466	20,015,453	**19,928,164**
Pre-retirement	-	-	-	20,863,685	20,863,685
Pre-retirement-Non-Devolved Facilities	-	-	-	1,069,618	1,069,618
	$ -	$ -	$ -	$ 21,933,303	**$ 21,933,303**

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Unaudited Total 2012
Retroactive Salary Increases	$ 548,793	$	$	$ 1,552,184	2,100,977
Other Operations	3,271,870	70,061	480,924	768,144	4,590,999
Out of Globe 2010/11	-	-	-	(124,421)	(124,421)
Out of Globe 2011/12	(3,820,625)	-	-	-	(3,820,625)
Approved Capital Funding	693,111	26,574	158,384	192,167	1,070,236
Ambulance and interfacility transfers	402,938	185,210	420	582	589,150
Vacation	-	-	-	17,906,173	17,906,173
Vacation-Non-Devolved Facilities	-	-	-	954,578	954,578
	1,096,087	281,845	639,728	21,249,407	23,267,067
Less allowance for doubtful accounts:	(3,710)	(6,888)	(7,058)	(516,873)	(534,529)
Current	1,092,377	274,957	632,670	20,732,534	22,732,538
Pre-retirement	-	-	-	20,863,685	20,863,685
Pre-retirement-Non-Devolved Facilities	-	-	-	1,069,618	1,069,618
	$ -	$ -	$ -	$ 21,933,303	$ 21,933,303

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.

6. Loan receivable *(continued)*

		2013		Unaudited 2012
The Brandon YMCA 3.5% compounded semi-annually, repayable at $9,516 quarterly, including interest, with the first quarterly payment on Nov 30, 2012. Loan is secured by property, matures August 31, 2022	$	306,509	$	320,000
Less: current portion		(27,697)		(13,491)
	$	**278,812**	$	306,509

Principal payments due in the next five years are as follows:	2014	$	27,697
	2015		28,680
	2016		29,697
	2017		30,750
	2018		31,840

7. Investments

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 .02%-8% paid semi-annually.

Fair value measurements are based on Level 2 inputs

	2013		2012 - Unaudited	
	Cost	**Fair Value**	Cost	Fair Value
Various provincial, municipal and other bonds at interest rates from .1%-.4%, maturing in 90 days or less	$ 1,088,134	$ 1,081,983	$ 1,140,685	$ 1,149,267
Various provincial, municipal and other bonds at interest rates from .02% to .06% , maturing in 91 days to one year	677,370	667,576	561,647	542,534
Guaranteed investment certificates at interest rates from 1.5%-2.2%, maturing within one year	23,000	23,000	67,000	67,000
Short-term investments	**1,788,504**	**1,772,559**	1,769,332	1,758,801
Various provincial, municipal and other bonds at interest rates from 2.65%-8.5%, with varying maturities up to December 18, 2022	4,907,974	5,165,624	4,832,555	5,077,619
Government of Canada bonds at interest rates from 3.15%-8%, maturing June 1, 2014	602,943	740,340	603,261	739,539
Guaranteed investment certificates at interest rates from 2%-4.5%, with varying maturities up to June 22, 2017	234,000	234,000	237,000	237,000
Investment in Tiger Hills Villa	26,000	26,000	26,000	26,000
Long-term investments	**5,770,917**	**6,165,964**	5,698,816	6,080,158
	$ 7,559,421	**$ 7,938,523**	$ 7,468,148	$ 7,838,959

8. Capital assets

	2013 Cost	2013 Accumulated Amortization	2013 Net Book Value
Land & parking lots	$ 6,618,332	$ 1,443,028	$ 5,175,304
Land improvements	2,584,448	1,385,051	1,199,397
Buildings & leasehold improvements	392,976,732	148,383,155	244,593,577
Building service equipment/equipment	177,262,828	132,623,980	44,638,848
Assets under capital lease	1,247,380	371,761	875,619
Construction in Progress	5,289,866	-	5,289,866
	$ 585,979,586	**$ 284,206,975**	**$ 301,772,611**

	2012 - Unaudited Cost	2012 - Unaudited Accumulated Amortization	2012 - Unaudited Net Book Value
Land & parking lots	$ 6,613,658	$ 1,272,709	$ 5,340,949
Land improvements	2,460,906	1,240,758	1,220,148
Buildings & leasehold improvements	386,427,413	139,347,002	247,080,411
Building service equipment/equipment	169,295,724	126,464,477	42,831,247
Assets under capital lease	678,577	147,024	531,553
Construction in Progress	8,262,309	-	8,262,309
	$ 573,738,587	$ 268,471,970	$ 305,266,617

9. Demand loans

The demand loans have been authorized by the Province of Manitoba and are used to finance capital purchases for small projects. Interest is paid monthly based on interest rates of prime less 1%.

	2013	Unaudited 2012
Royal Bank demand loans at prime less 1%	**$ 566,699**	$ 656,699

10. Employee future benefits

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

Pre-retirement benefits obligation

The accrued benefit obligation for pre-retirement benefits are 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, 2013. 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, 2013 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):

10. Employee future benefits *(continued)*

The Region'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
iii. retires at or after age 65
iv. terminates employment at any time due to permanent disability

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 service past the 15 years of service up to 35 years of service

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:

	2013	2012 - Unaudited
Discount rate - March 31	**2.13%**	2.38%
Rate of salary increase - April 1	**3.00%**	3.50%
Rate of salary increase - March 31	**3.50%**	3.50%
EARSL - March 31 (in years)	**8**	8

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.

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, 2013:

Pre-retirement benefit obligation March 31, 2012 per previous CGAAP	$	37,383,141
Adjustment for change in discount rate		4,105,237
		41,488,378
Current period service cost		2,715,129
Interest cost		956,177
Benefits paid		(3,407,024)
Actuarial gain/(loss)		1,867,048
Pre-retirement benefit obligation at end of the period	$	43,619,708

10. Employee future benefits *(continued)*

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 3255. 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 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 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, plus these additional assumptions:

An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for employee future benefits at April 1, 2011 was $9,387,506. An additional expense of $1,305,162 was recognized in the 2012 fiscal year. The liability for employee future benefits recorded at March 31, 2012 was increased by $10,692,668 related to the accrual for accumulated sick leave entitlement. The following table presents information about the accrued sick leave benefit obligation, the change in value and the balance of the obligation:

Sick leave benefit obligation March 31, 2012 per previous CGAAP	$	-
Sick leave benefit obligation per valuation at March 31, 2012		10,692,668
Current period service cost		759,312
		11,451,980
Interest cost		149,526
Benefits paid		(10,319,286)
Actuarial gain/(loss)		10,504,496
Sick leave benefit obligation at end of the period	$	11,786,716
Pre-retirement benefit obligation at end of the period	$	43,619,708
Employee future benefits, March 31, 2013	**$**	**55,406,424**

Vacation benefits obligation

The accrued benefit obligation for vacation benefits is valued using employee vacation bank balances at March 31 and salary rates. The total reported on the financial statements for vacation benefits at March 31, 2013 is $28,258,054 ($29,924,599 – 2012).

11. Long-term debt

		2013		Unaudited 2012
Loan payable to City of Brandon at 6.5% interest, with annual payments of principal and interest of $159,529, unsecured, maturing 2015	$	267,002	$	400,499
Mortgage payable to Canada Mortgage and Housing Corporation at a rate of 4.31% due in 2021, with monthly payments of principal and interest of $15,058		1,297,291		1,419,869
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.00%, due from December 1, 2013 to March 1, 2018, with monthly payments of principal and interest from $142 to $2,854, secured by buildings		286,117		352,640
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479, secured by buildings		932,310		988,775
Mortgage payable to the Royal Bank of Canada at 5.00%, monthly payments of $8,684 principal and interest, 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.		604,404		670,350
		3,387,124		3,832,133
Less: current portion		(477,333)		(451,197)
	$	**2,909,791**	$	3,380,936

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

2014	$	477,333
2015		478,827
2016		373,943
2017		1,115,796
2018		197,703
Thereafter		743,522
	$	3,387,124

12. Obligation under capital lease

		2013		Unaudited 2012
Royal Bank of Canada monthly payments including interest of $12,460, bears interest at 3.88%, secured by the underlying equipment, expiring March 2016	$	411,709	$	542,494
Royal Bank of Canada monthly payments including interest of $10,391, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017		498,850		-
		910,559		542,494
Less: current portion		(244,139)		(130,785)
	$	**666,420**	$	411,709

MNP LLP

12. Obligation under capital lease *(continued)*

Minimum lease payments due in the next five years are as follows:

2014	$	244,139
2015		256,547
2016		250,859
2017		120,765
2018		38,249
		910,559

13. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received. Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations that were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

Changes in the deferred contributions balance are as follows:

	Expended	Unexpended	Other	2013	Unaudited 2012
Balance, beginning of year	$ 288,073,218	$ 10,156,013	$ 2,705,213	$ 300,934,444	$ 300,563,468
Manitoba Health funding	21,619,092	3,138,231	-	24,757,323	16,581,540
Donations received	960,226	1,015,440	894,288	2,869,954	3,101,112
Interest earned	-	2,634	49,137	51,771	121,401
Other funding	4,150,867	2,231,880	-	6,382,747	6,242,902
Capital asset purchases	8,938,027	(1,978,790)	(789,111)	6,170,126	4,272,710
Operating expenses	(154,041)	(5,304,282)	(345,652)	(5,803,975)	(4,957,049)
Amortization	(18,084,311)	(7,311)	-	(18,091,622)	(17,564,839)
Principal payments	(20,376,853)	-	-	(20,376,853)	(7,600,514)
Reclassification	(372,584)	(18,165)	-	(390,749)	173,713
Balance, end of year	$ 284,753,641	$ 9,235,650	$ 2,513,875	$ 296,503,166	$ 300,934,444

During the 2006 fiscal year, the Province of Manitoba assumed the long-term and third-party debt of the Region which was recognized as borrowings in the Public Accounts of the Province of Manitoba. Accordingly, the Region has classified the long-term debt and short term financing as deferred contributions. The following long-term debt and short-term financing related to third parties are included in deferred contributions:

13. Deferred contributions *(continued)*

		2013		Unaudited 2012
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings	$	273,189	$	310,351
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings		222,399		255,049
Fairview Home 7.5% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings		240,454		255,425
Royal Bank Promissory Notes Flex Financing Notes including 1.87% interest, BRHC general borrowings, maturing June 11, 2013		3,696,218		3,457,534
Flex Financing Notes totaling $3,919,000 including 1.88% interest, redevelopment borrowings, maturing May 29, 2012		-		3,900,502
Loan payable to the Province of Manitoba		-		222,014
Lines of Credit at prime less .8% - .9%		2,775,781		6,461,427
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.64% to 10.50%, due from December 1, 2013 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings		4,033,064		4,382,464
	$	11,241,105	$	19,244,766

14. 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.

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, 2011 the Plan's going concern ratio was 93.2%.

14. Pension plan *(continued)*

As at December 2008, the actuarial valuation shows a deficit of $388 million. In order to ensure the long-term sustainability of the Plan combination rates will increase 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 Region are eligible for membership in the provincially operated Civil Service Superannuation Fund. The pension liability for the Region'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 pension plan by the Region and its employees. The Region is in receipt of an actuarial report on the Statement of Pension Obligations under the Civil Service Superannuation Act as at December 31, 2010.

	2013		2012 - Unaudited	
	Apr 1 - Dec 31	**Jan 1 - Mar 31**	Apr 1 - Dec 31	Jan 1 - Mar 31
Employee contributions				
% of Basic Annual Earnings below YMPE*	7.6%	7.6%	7.6%	6.8%
% of Basic Annual Earnings above YMPE	9.2%	9.2%	9.2%	8.4%
Employer contributions				
% of Basic Annual Earnings below YMPE	7.8%	7.8%	7.8%	7.8%
% of Basic Annual Earnings above YMPE	9.4%	9.4%	9.4%	9.4%
(*YMPE-Yearly Maximum Pensionable Earnings)				
Actual contributions to the Plan in the year	$	19,015,920	$	19,004,406

15. Invested in capital assets

	2013	Unaudited 2012
Capital assets	$ 301,772,611	$ 305,266,617
Amounts financed by:		
Deferred contributions	(284,753,641)	(289,834,558)
Due from (to) operating account	(3,580,986)	(1,485,559)
Long-term debt, bank advances and capital lease obligation	(4,867,382)	(5,031,326)
	$ **8,570,602**	$ 8,915,174

16. Restricted assets

Internally restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $4,396,553 ($4,677,798 - 2012). 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.

17. Manitoba Health revenue

		2013		Unaudited 2012
Allocation per Funding Document	$	474,405,672	$	452,154,703
Add:				
One-time funding		1,600,000		8,601,223
Salary and benefit settlements		542,419		3,723,541
Personal Care Home funding		-		2,608,081
Emergency services billings		2,062,524		2,377,408
Pension Employer Contribution increase		-		1,808,593
Interfacility transfers		1,261,158		1,526,195
Maternity leave top-ups		1,203,313		899,332
Health spending account		1,209,491		739,072
GPS agreement		415,207		490,000
Colonoscopy funding		321,650		348,600
Flood recovery funding		220,792		183,089
Westman Cancer Care		-		176,683
Immunization program		321,314		145,035
Releasing Time to Care		4,264		38,776
Suicide prevention strategy		27,963		33,125
Medical remuneration adjustments		959		14,027
Program improvement initiatives		186,648		-
Amalgamation costs		73,589		-
Total Funding Approved by Manitoba Health		483,856,963		475,867,483
Add/(Deduct):				
Fee for service income		4,293,115		4,099,455
Separately funded programs		178,440		135,090
Amounts recorded in deferred contributions		(3,425,817)		(3,150,700)
Non-global reconciliation		(2,711,757)		(3,443,806)
Total revenue from Manitoba Health	**$**	**482,190,944**	**$**	473,507,522

18. 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 approval of project costs.

19. Commitments and contingences

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

2014	$	1,455,841
2015		1,289,640
2016		529,712
2017		113,640
2018		111,707

(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, 2013.

20. 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. Manitoba Health will be working with the Region's finance and capital planning departments in the upcoming year to profile and identify potential contaminated sites in order to move toward compliance with these reporting requirements. Sites identified will be subject to Environmental Site Assessments by third party consultants.

21. 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 (Note 3(a)). Transactions between the related parties are recorded at the exchange amount.

22. Trusts under administration

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

		2013		Unaudited 2012
Resident trust funds	$	311,657	$	303,655
Public trustee trust funds		2,004		1,738
	$	**313,661**	$	305,393

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

23. Disclosure of allocated expenses

The Region has allocated expenses amongst departments as follows:

	Acute	Personal Care Homes	Community	Total 2013
Administration	$ 761,440	$ 737,310	$ -	$ 1,498,750
Education	41,994	39,709	25,827	107,530
Food services	2,525,163	7,271,050	39,293	9,835,506
Housekeeping	1,820,359	1,297,552	-	3,117,911
Human resources	332,629	294,393	204,552	831,574
Information technology	988,457	449,952	312,683	1,751,092
Laundry	1,071,580	1,519,568	-	2,591,148
Nursing	1,282,993	934,377	-	2,217,370
Plant-Operations	3,206,932	1,150,185	-	4,357,117
Plant-Maintenance	1,686,973	1,214,501	-	2,901,474
Quality assurance	99,561	88,154	61,189	248,904
	$ 13,818,081	$ 14,996,751	$ 643,544	$ 29,458,376

	Acute	Personal Care Homes	Community	Unaudited Total 2012
Administration	$ 719,857	$ 689,398	$ -	$ 1,409,255
Education	38,487	37,287	23,909	99,683
Food Services	2,586,824	7,053,003	45,818	9,685,645
Housekeeping	1,832,112	1,306,190	-	3,138,302
Human resources	307,402	271,418	187,356	766,176
Information technology	1,091,446	483,242	335,774	1,910,462
Laundry	1,022,062	1,531,673	-	2,553,735
Nursing	1,439,042	901,595	-	2,340,637
Plant-Operations	3,227,318	-	-	3,227,318
Plant-Maintenance	1,879,641	1,160,211	-	3,039,852
Quality Assurance	116,269	1,519,443	71,505	1,707,217
	$ 14,260,460	$ 14,953,460	$ 664,362	$ 29,878,282

24. Economic dependence

The Region received approximately 87% (88% - 2012) 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.

In 2012/13, Manitoba Health enacted a one-time accumulated surplus/deficit funding adjustment in order to position the new Region at a balanced net position at the opening of its operations. This resulted in a one-time surplus recovery of $1,368,007 for Prairie Mountain Health.

25. Comparative figures

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

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INDEPENDENT AUDITORS' REPORT

To The Governing Council of The Salvation Army in Canada

We have audited the accompanying financial statements of The Salvation Army Dinsdale Personal Care Home, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

Chartered Accountants

June 21, 2013

Winnipeg, Canada

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash and cash equivalents (note 2)	$ 551,882	$ 349,695	$ 526,671
Accounts receivable (note 13)	23,465	55,994	16,429
Inventory	44,382	33,273	35,720
Prepaid expenses	10,157	1,380	2,343
Employee benefits recoverable from Prairie Mountain Health [note 5(a)]	190,916	190,916	190,916
Due from Prairie Mountain Health	12,325	223,891	83,805
	833,127	855,149	855,884
Employee future benefits recoverable from Prairie Mountain Health [note 5(b)]	199,105	199,105	199,105
Capital assets (note 4)	2,207,032	1,911,080	1,962,525
	$ 3,239,264	$ 2,965,334	$ 3,017,514
Liabilities, Deferred Contributions and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	$ 199,669	$ 227,547	$ 228,758
Accrued vacation payable [note 5(a)]	255,165	256,211	256,562
Current portion of long-term debt (note 8)	127,781	122,577	117,195
	582,615	606,335	602,515
Accrued pre-retirement entitlement obligation [note 5(b)]	394,000	369,600	328,139
Long-term debt (note 8)	1,169,511	1,297,292	1,419,869
Deferred contributions (note 7):			
Expenses of future periods	80,887	75,031	72,613
Capital assets	787,656	410,480	396,313
	868,543	485,511	468,926
Net assets:			
Unrestricted	(183,123)	(174,704)	(107,404)
Internally restricted (note 12)	219,057	208,224	186,341
Invested in capital assets (note 9)	188,661	173,076	119,128
	224,595	206,596	198,065
	$ 3,239,264	$ 2,965,334	$ 3,017,514

See accompanying notes to financial statements.

Approved by:

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statements of Operations

Years ended March 31, 2013 and 2012

	Prairie Mountain Health services	Contributed and other services	Capital	2013 Total	Prairie Mountain Health services	Contributed and other services	Capital	2012 Total
Revenue:								
Government grants - Prairie Mountain Health (note 10)	$ 3,347,927	$ –	$ –	$ 3,347,927	$ 3,337,309	$ –	$ –	$ 3,337,309
Donations and fundraising	–	11,817	–	11,817	–	16,415	–	16,415
Residential charges	1,046,106	–	–	1,046,106	1,028,035	–	–	1,028,035
Amortization of deferred contributions (note 7)	12,984	–	151,707	164,691	16,422	–	127,455	143,877
Ministry grant (note 12)	50,000	60,000	–	110,000	30,000	60,000	–	90,000
Grants from The Salvation Army DHQ (note 13)	–	125,000	–	125,000	–	122,349	–	122,349
Other	17,381	8,629	–	26,010	17,894	10,405	–	28,299
	4,474,398	205,446	151,707	4,831,551	4,429,660	209,169	127,455	4,766,284
Expenses:								
Salaries	2,999,905	61,338	–	3,061,243	2,946,814	60,536	–	3,007,350
Employee benefits	601,082	10,537	–	611,619	660,262	10,838	–	671,100
Management support assessment - Salvation Army THQ (note 13)	–	72,292	–	72,292	–	69,774	–	69,774
Health and education levy	61,429	–	–	61,429	60,143	–	–	60,143
Other supplies and expenses	605,449	41,297	–	646,746	578,273	46,138	–	624,411
Physical plant	190,974	–	–	190,974	172,268	–	–	172,268
Interest on long-term debt (note 8)	9,512	–	–	9,512	14,895	–	–	14,895
Amortization of capital assets	–	–	159,737	159,737	–	–	137,812	137,812
	4,468,351	185,464	159,737	4,813,552	4,432,655	187,286	137,812	4,757,753
Excess (deficiency) of revenue over expenses	$ 6,047	$ 19,982	$ (8,030)	$ 17,999	$ (2,995)	$ 21,883	$ (10,357)	$ 8,531

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Unrestricted	Internally restricted funds	Invested in Capital assets	2013 Total
Balances, beginning of year	$ (174,704)	$ 208,224	$ 173,076	$ 206,596
Excess (deficiency) of revenue over expenses	6,047	19,982	(8,030)	17,999
Inter-fund transfer	(14,466)	(9,149)	23,615	–
Balances, end of year	$ (183,123)	$ 219,057	$ 188,661	$ 224,595

	Unrestricted	Internally restricted funds	Invested in Capital assets	2012 Total
Balances, beginning of year	$ (107,404)	$ 186,341	$ 119,128	$ 198,065
Excess (deficiency) of revenue over expenses	(2,995)	21,883	(10,357)	8,531
Inter-fund transfer	(64,305)	–	64,305	–
Balances, end of year	$ (174,704)	$ 208,224	$ 173,076	$ 206,596

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Operating activities:		
Excess of revenue over expenses	$ 17,999	$ 8,531
Items not affecting cash:		
Amortization of capital assets	159,737	137,812
Amortization of deferred contributions	(164,691)	(143,877)
	13,045	2,466
Changes in non-cash working capital balances:		
Accounts receivable	32,529	(39,565)
Inventory	(11,109)	2,447
Prepaid expenses	(8,777)	963
Accrued pre-retirement entitlement obligation	24,400	41,461
Accrued vacation payable	(1,046)	(351)
Due from Prairie Mountain Health	211,566	(140,086)
Accounts payable and accrued liabilities	(27,878)	(1,211)
	232,730	(133,876)
Financing activities:		
Additional deferred contributions received (note 7)	134,718	160,462
Repayments of long-term debt	(122,577)	(117,195)
	12,141	43,267
Investing activities:		
Capital asset purchases	(42,684)	(86,367)
Increase (decrease) in cash and cash equivalents	202,187	(176,976)
Cash and cash equivalents, beginning of year	349,695	526,671
Cash and cash equivalents, end of year	$ 551,882	$ 349,695

Non-cash investing activities:

During the year, $413,005 (2012 - nil) in capital purchases were funded directly through deferred contributions.

See accompanying notes to financial statements.

The Salvation Army Dinsdale Personal Care Home (the “Ministry Unit” or “Home”) is an incorporated 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 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 Prairie Mountain Health (includes the former Brandon Regional Health Authority).

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 Ministry Unit provides long-term care in the community of Brandon.

The Ministry Unit, a controlled entity of The Governing Council, has its financial data included in the consolidated financial statements of The Governing Council.

On April 1, 2012, the Ministry Unit adopted Canadian Accounting Standards for Not-For-Profit Organization in Part III of The Canadian Institute of Chartered Accountants (“CICA”) Handbook (“Not-For-Profit Standards”). These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions for Not-For-Profit Standards, the Ministry Unit has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to net assets as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Not-For-Profit Standards.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Not-For-Profit Standards and present the assets, liabilities, net assets, revenue and expenses and cash flows of the Ministry Unit.

(i) Unrestricted funds:

Unrestricted funds represent the operations of the Ministry Unit, including the revenue and expense related to the Personal Care Home and receipt and use of donations and legacies with no external restrictions, other than that they be used in operations.

(ii) Internally restricted funds:

Internally restricted funds consist of donations, bequests and other contributions receive by the Ministry Unit and by The Salvation Army on behalf of the Ministry Unit. It is drawn upon to cover costs not covered by funding from Prairie Mountain Health.

(iii) Capital fund:

The purpose of the Capital fund is to record capital assets, related debt and the net investment of the Ministry Unit in such assets.

(b) Revenue recognition:

The Ministry Unit follows the deferral method of accounting for contributions.

The Ministry Unit is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Prairie Mountain Health. 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 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):

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.

Interest income is recorded on the accrual basis.

Grants from the Salvation Army DHQ 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.

(c) Cash and cash equivalents:

The Salvation Army 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.

(d) Capital assets:

Land is carried at cost or fair market value at the date of acquisition and is not amortized.

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 an 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 using the straight-line method over the estimated useful life of the assets:

Asset	Term
Buildings	40 years
Vehicles	5 years
Equipment and furnishings	5 - 10 years
Computer equipment	5 years

1. Significant accounting policies (continued):

(e) 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.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the investments 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, interest or foreign exchange risks.

(g) Operating fund surpluses:

Operating fund surpluses are repayable to Prairie Mountain Health.

(h) Pre-retirement entitlement obligation:

The Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria:

- 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 Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at each period end and an estimate for the remainder of the employees who have not yet met the criteria above.

1. Significant accounting policies (continued):

(i) Employee future benefits recoverable from Prairie Mountain Health:

Funding for vacation entitlement and pre-retirement obligations is provided by Manitoba Health through Prairie Mountain Health as part of its regular budget in the period in which the expenditures are made. Vacation entitlements and pre-retirement entitlements that will be funded by Prairie Mountain Health have been recorded in the statement of financial position as recoverable from Prairie Mountain Health.

(j) 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.

(k) Allocation of fundraising/general administration expenses:

The Ministry Unit classifies expenses on the statement of operations by function. The Ministry Unit does not allocate expenses between functions in the statement of operations.

2. Cash and cash equivalents:

The Ministry Unit maintains a chequing account with Royal Bank of Canada for its operations, as well as several deposit accounts held with THQ or DHQ. Under the Territory's policies, all ministry units invest surplus funds with THQ, rather than with external financial institutions. THQ and DHQ accounts bear interest at prevailing market rates based on the type of account.

Cash and cash equivalents held were as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Operating bank account	$ 348,888	$ 99,032	$ 285,618
THQ general deposit account	74,852	93,799	86,738
THQ capital deposit account	111,795	131,465	129,184
DHQ property maintenance account	–	9,149	9,067
Other	16,347	16,250	16,064
	$ 551,882	$ 349,695	$ 526,671

2. Cash and cash equivalents (continued):

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 and replacement of long-lived assets); however, these funds can be withdrawn for operating purposes with the agreement of DHQ, provided the foreseeable capital needs of the Ministry Unit have been met.

Funds held in property maintenance accounts represent funds that have been set aside by the Ministry Unit and are available for building repairs and maintenance, property and liability insurance and property taxes. Effective October 1, 2012, funds in the property maintenance account were merged with the capital deposit to provide one pool of funds for capital improvements and maintenance.

3. Cash held in trust:

The Ministry Unit has cash held in trust totaling $16,053 (March 31, 2012 - $20,693; April 1, 2011 - $14,825) on behalf of the residents. These funds are not reflected in these financial statements.

4. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 133,615	$ –	$ 133,615
Buildings	4,710,982	2,767,456	1,943,526
Vehicles	6,045	2,217	3,828
Equipment and furnishings	711,510	585,447	126,063
	$ 5,562,152	$ 3,355,120	$ 2,207,032

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 133,615	$ –	$ 133,615
Buildings	4,297,978	2,625,357	1,672,621
Vehicles	6,045	1,008	5,037
Equipment and furnishings	668,825	569,018	99,807
	$ 5,106,463	$ 3,195,383	$ 1,911,080

4. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 133,615	$ –	$ 133,615
Buildings	4,249,499	2,501,903	1,747,596
Equipment and furnishings	636,983	555,669	81,314
	$ 5,020,097	$ 3,057,572	$ 1,962,525

Title to the Home's land and buildings is held by The Governing Council of The Salvation Army in Canada, which owns and operates the Home.

5. Employee benefits:

(a) Vacation payable:

Prairie Mountain Health funds a portion of the vacation pay benefits of the Home, which is limited to the amount established at March 31, 2004 of $190,916. This amount is included in employee benefits recoverable from Prairie Mountain Health in the statement of financial position. Each year the Home is expected to fund the change in the liability from its annual funding.

(b) Pre-retirement entitlement obligation:

The Home has undertaken an actuarial valuation as of March 31, 2013 of the accrued pre-retirement entitlement obligation. The significant actuarial assumptions adopted in measuring the Home's accrued pre-retirement entitlement obligation include mortality and withdrawal rates, a discount rate of 3.15 percent (March 31, 2012 - 4.10 percent; April 1, 2011 - 4.7 percent), a rate of salary increase of 3.0 percent (March 31, 2012 - 3.0 percent; April 1, 2011 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 3.0 percent (March 31, 2012 - 0 - 3.0 percent; April 1, 2011 - 0 - 3.0 percent) for disability.

The amount of funding which will be provided by Prairie Mountain Health for these pre-retirement benefits of $199,105 was initially determined based on the accrued pre-retirement entitlement obligation at March 31, 2004, and was recorded as employee future benefits recoverable from Prairie Mountain Health. The Home is responsible for funding the pre-retirement entitlement obligation accumulated after March 31, 2004, including the interest accretion, through its annual funding from Prairie Mountain Health.

5. Employee benefits (continued):

The employee future benefits recoverable from Prairie Mountain Health have no specified terms of repayment.

The fair value of the employee future benefits recoverable from Prairie Mountain Health approximates its carrying value as the interest component described above is comparable to current market rates.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $45,311 (March 31, 2012 - $30,245; April 1, 2011 - $30,573), which include amounts payable for federal and municipal tax, payroll taxes and workers safety insurance.

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted funds for major repairs:

	2013	2012
Balance, beginning of year	$ 75,031	$ 72,613
Add funding received in current year	18,840	18,840
Less major repairs	(12,984)	(16,422)
	5,856	2,418
Balance, end of year	$ 80,887	$ 75,031

7. 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 and replacement of equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2013	2012
Balance, beginning of year	$ 410,480	$ 396,313
Add:		
Loan from Province of Manitoba	413,005	–
Payments of mortgage principal (note 10)	122,577	117,195
Major equipment funding	21,960	21,960
Transfer from capital deposit account (note 2)	1,181	2,281
Other	160	186
Less:		
Amounts amortized to revenue	(151,707)	(127,455)
Major repairs funded from capital deposit account (note 2)	(30,000)	–
	377,176	14,167
Balance, end of year	$ 787,656	$ 410,480

During the year, the Province of Manitoba provided a loan to the Ministry Unit amounting to $413,005 to fund the construction of the new sprinkler system. The Province has committed to fund payments of interest and principal on this loan, but does so directly, and does not include these amounts in funding provided directly to the Home. As the Province is funding the payment of principal and interest directly, the loan is not presented as a separate liability on the statement of financial position, but was recognized as an increase in deferred capital contributions when first incurred.

The Ministry Unit has outstanding loans included in deferred contributions of $584,478 payable to the Province of Manitoba as at March 31, 2013 (March 31, 2012 - $222,014; April 1, 2011 - $253,730).

8. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$ 1,297,292	$ 1,419,869	$ 1,537,064
Current portion	(127,781)	(122,577)	(117,195)
	$ 1,169,511	$ 1,297,292	1,419,869

The Province of Manitoba, via Prairie Mountain Health, provides funding for all payments of principal [note 7(b)] and interest on this debt. Interest expense, net of subsidies received from Manitoba Housing for fiscal 2013 was $9,512 (2012 - $14,895). Principal payments expected to maturity are as follows:

2014	$ 127,781
2015	133,347
2016	139,067
2017	145,023
2018 and thereafter	752,074
	$ 1,297,292

9. Invested in capital assets:

	March 31, 2013	March 31 2012	April 1, 2011
Capital assets	$ 2,207,032	$ 1,911,080	$ 1,962,525
Amounts financed by:			
Deferred contributions, excluding unspent CDA (note 7)	(685,010)	(279,015)	(267,129)
Long-term debt	(1,297,292)	(1,419,869)	(1,537,064)
Relating to capital assets within internally restricted funds	(36,069)	(39,120)	(39,204)
	$ 188,661	$ 173,076	$ 119,128

10. Revenue - Prairie Mountain Health:

	2013	2012
Total approved funding	$ 3,511,304	$ 3,495,304
Less funding allocated to deferred contributions:		
Equipment	(21,960)	(21,960)
Major repairs	(18,840)	(18,840)
Mortgage principal	(122,577)	(117,195)
Funding for operations	$ 3,347,927	$ 3,337,309

11. Pension plan:

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan - Manitoba (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 their length of service and on their 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 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.

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, 2011 reported the Plan had a solvency deficiency. In November 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $190,077 (2012 - $198,054) and are recorded as expense in the statement of operations.

Contributions rates increased on April 1, 2012 to 7.9 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.5 percent on earnings in excess of the YMPE.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Internally restricted fund balance:

The internally restricted fund balance comprises the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Property maintenance deposit (note 2)	$ –	$ 9,149	$ 9,067
Other	219,057	199,075	177,274
	$ 219,057	$ 208,224	$ 186,341

Ministry grant revenue of $60,000 (2012 - $60,000) has been recorded in contributed services (internally restricted) with an offsetting charge to Prairie Mountain Health services for management support services received during the year ended March 31, 2013.

13. Related party transactions:

The Ministry Unit received grants of $175,000 (2012 - $152,349) from DHQ during the year in addition to the contributed services described in note 12. In addition, the Ministry Unit received $1,181 (2012 - $2,281) of interest from THQ and DHQ on funds held in deposit accounts which is included in other revenue in the statements of operations.

During the year, the Ministry Unit paid THQ $72,292 (2012 - $69,774) for management support assessment charges.

Included in accounts receivable at year-end are balances receivable from THQ of nil (March 31, 2012 - $30,000; April 1, 2011 - nil). The outstanding balance at year-end represents the reimbursement of expenses related to major repairs incurred by the Ministry Unit.

The above 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.

14. Economic dependence:

The Ministry Unit receives majority of its revenue in the form of grants from the Prairie Mountain Health and The Salvation Army. In management's opinion, the Ministry Unit's continued operations are dependent on the continuance of these grants.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Schedule - Prairie Mountain Health Services Expenses

Years ended March 31, 2013 and 2012

		2013		2012
Salaries:				
Activity	$	114,517	$	98,114
Administration		131,426		127,896
Dieticians		306,763		315,175
Housekeeping		168,161		168,023
In-service director		47,635		47,127
Laundry		65,300		67,672
Nursing		2,048,581		2,012,062
Physical plant and equipment		117,522		110,745
	$	2,999,905	$	2,946,814
Employee benefits	$	601,082	$	660,262
Health and education levy	$	61,429	$	60,143
Other supplies and expenses:				
Activity	$	3,208	$	2,449
Drug capitation		27,504		28,570
Administration		138,174		147,151
Housekeeping		21,849		18,302
In-service education		1,454		1,335
Laundry and linen		75,494		73,656
Nursing		84,461		76,762
Nutritional services		172,692		162,866
Plant maintenance		80,613		67,182
	$	605,449	$	578,273
Physical plant:				
Heat and lights	$	62,719	$	60,173
Insurance		2,741		2,741
Property taxes		37,836		34,462
Water and sewer		22,977		22,459
Major repairs		64,701		48,933
Property		–		3,500
	$	190,974	$	172,268

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Independent Auditor's Report

To the Board of Directors of Southern Health/Santé Sud

We have audited the accompanying consolidated financial statements of Southern Health/Santé Sud, which comprise the consolidated statement of financial position as at March 31, 2013, and the 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 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.

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 Southern Health/Santé Sud as at March 31, 2013, 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describe that Southern Health/Santé Sud adopted Canadian public sector accounting standards on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retroactively by management to the comparative information in these consolidated financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, change in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Deloitte LLP.

Chartered Accountants
June 26, 2013
Winnipeg, Manitoba

Membre de / Member of Deloitte Touche Tohmatsu Limited

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Consolidated Statement of Financial Position
March 31, 2013

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
ASSETS			
CURRENT			
Cash and short term investments	**$ 39,042,031**	$ 37,336,580	$ 35,585,639
Accounts receivable, net	**7,178,920**	5,864,852	3,166,175
Accounts receivable - Manitoba Health (Note 5)	**2,654,760**	4,495,770	587,654
Inventories	**1,986,293**	2,702,621	2,892,034
Prepaid expenses	**1,088,007**	1,630,900	1,198,197
Due from Manitoba Health - vacation entitlements	**10,429,477**	10,429,477	10,429,477
	62,379,487	62,460,200	53,859,176
NON-CURRENT			
Due from Manitoba Health - retirement entitlements	**11,463,152**	11,463,152	11,463,152
Capital assets (Note 6)	**158,594,878**	144,427,287	134,528,133
Other assets	**109,516**	87,425	119,414
	$ 232,547,033	$ 218,438,064	$ 199,969,874
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT			
Bank indebtedness (Note 7)	**$ -**	$ -	$ 23,850
Accounts payable and accrued liabilities	**21,052,279**	20,388,285	16,017,336
Accounts payable - Diagnostic Services of Manitoba	**2,862,478**	1,416,312	2,028,247
Accrued vacation benefit entitlements	**18,239,765**	16,496,548	15,811,212
Current portion of long term debt (Note 8)	**354,845**	332,348	289,923
	42,509,366	38,633,493	34,170,569
NON-CURRENT			
Accrued retirement benefit entitlements	**20,446,405**	19,831,175	18,995,344
Accrued sick leave benefit entitlements	**8,575,088**	8,536,741	7,996,930
Long term debt (Note 8)	**1,949,624**	2,114,127	2,291,722
	30,971,117	30,482,043	29,283,996
DEFERRED CONTRIBUTIONS (Note 9)			
Expenses of future periods	**7,128,147**	5,915,748	4,899,239
Capital assets	**150,215,404**	137,663,567	128,745,094
	157,343,551	143,579,315	133,644,333
COMMITMENTS AND CONTINGENCIES (Note 13)			
NET ASSETS			
Invested in capital assets (Note 10)	**6,075,193**	4,317,431	3,201,580
Contract facilities (Note 11)	**(88,496)**	161,163	(16,789)
Internally restricted (Note 12)	**101,970**	490,132	171,641
Unrestricted - Ancilliary	**2,781,307**	2,251,451	-
Unrestricted	**(7,146,976)**	(1,476,963)	(485,456)
	1,722,999	5,743,213	2,870,976
	$ 232,547,033	$ 218,438,064	$ 199,969,874

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Consolidated Statement of Operations
For the year ended March 31, 2013

	2013	2012 (Unaudited)
REVENUE		
Manitoba Health (Note 14)	**$ 301,628,218**	$ 287,628,424
Other government departments	**126,243**	151,372
Non-global patient and resident income	**19,826,381**	19,418,049
Other income	**9,852,033**	9,125,569
Amortization of deferred contributions - expenses of future periods	**3,995,645**	4,303,791
Amortization of deferred contributions - capital and foundations	**7,459,326**	7,563,574
Interest and donations	**646,606**	513,343
Ancillary operations (Schedule 1a)	**2,650,064**	2,788,155
	346,184,516	331,492,278
EXPENSES		
Acute care services	**102,869,521**	97,249,153
Long term care services	**79,203,410**	77,915,564
Medical remuneration	**24,002,182**	24,065,916
Community based therapy services	**4,437,757**	4,100,549
Community based mental health services	**15,501,079**	14,023,266
Community based home care services	**37,288,617**	35,889,392
Community based health services	**14,555,291**	13,281,966
Emerency medical services	**12,883,848**	12,038,926
Diagnostic services	**15,794,452**	15,316,328
Regional health authority undistributed	**22,667,503**	21,018,782
Interest on long term debt	**244,686**	197,719
Pre-retirement leave	**2,444,936**	2,503,720
Sick leave	**38,347**	539,811
Amortization of capital assets	**7,769,442**	7,700,113
Major repairs	**175,057**	465,046
Ancillary operations (Schedule 1a)	**2,064,038**	2,150,504
	341,940,165	328,456,754
EXCESS OF REVENUES OVER EXPENSES BEFORE MANITOBA HEALTH - SURPLUS CLAWBACK	**4,244,351**	3,035,524
MANITOBA HEALTH - SURPLUS CLAWBACK (Note 15)	**(7,869,245)**	-
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	**$ (3,624,894)**	$ 3,035,524

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Consolidated Statement of Changes in Net Assets
March 31, 2013

	Invested in Capital Assets	Contract Facilities (Note 11)	Internally Restricted	Unrestricted Ancilliary	Unrestricted	March 31, 2013 Total
Balance, beginning of year	**$ 4,317,431**	**$ 161,163**	**$ 490,132**	**$ 2,251,451**	**$ (1,476,963)**	**$ 5,743,213**
(Deficiency) excess of revenue over expenses	**(293,749)**	**(77,163)**	**-**	**520,679**	**(3,774,660)**	**(3,624,894)**
Repayment of non-Manitoba Health funded long term debt	**321,946**	**(41,900)**	-	**-**	**(280,046)**	**-**
Investment in capital assets	**1,729,565**	**(130,596)**	**-**	**(270,140)**	**(1,328,829)**	**-**
Internal transfer	**-**	**-**	**44,635**	**279,317**	**(323,952)**	**-**
Changes to internally restricted funds	-		**(432,797)**	-	**37,476**	**(395,321)**
Balance, end of year	**$ 6,075,193**	**$ (88,496)**	**$ 101,970**	**$ 2,781,307**	**$ (7,146,974)**	**$ 1,722,999**

	Invested in Capital Assets (Unaudited)	Contract Facilities (Unaudited) (Note 11)	Internally Restricted (Unaudited)	Unrestricted Ancilliary (Unaudited)	Unrestricted (Unaudited)	March 31, 2012 Total (Unaudited)
Balance, beginning of year, as previously stated	$ 3,201,580	$ (16,789)	$ 171,641	$ -	$ 8,734,892	$ 12,091,324
Impact of transition to new accounting standards (Note 3)	-	-	-	-	(9,220,348)	(9,220,348)
Balance, beginning of year, as restated	3,201,580	(16,789)	171,641	-	(485,456)	2,870,976
(Deficiency) excess of revenue over expenses	(44,746)	(90,463)	-	-	3,170,733	3,035,524
Repayment of non-Manitoba Health funded long term debt	295,298	(33,102)	-	-	(262,196)	-
Investment in capital assets	865,299	(126,271)	-	-	(739,028)	-
Internal transfer	-	437,216	-	-	(437,216)	-
Changes to internally restricted funds	-	(9,428)	318,491	2,251,451	(2,723,800)	(163,286)
Balance, end of year	$ 4,317,431	$ 161,163	$ 490,132	$ 2,251,451	$ (1,476,963)	$ 5,743,213

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Consolidated Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012 (Unaudited)
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 4,244,351**	$ 3,035,524
Items not affecting cash		
Amortization of capital assets	**7,876,691**	7,819,829
Loss (gain) on sale of assets	**165**	(6,784)
Amortization of deferred contributions related to expenses of future periods	**(3,995,645)**	(4,303,791)
Amortization of deferred contributions related to capital assets	**(7,582,942)**	(7,775,083)
	542,620	(1,230,305)
Changes in non-cash operating working capital items	**5,639,540**	(2,429,583)
Increase in sick leave and retirement entitlements	**653,577**	1,375,642
	6,835,737	(2,284,246)
FINANCING ACTIVITIES		
Principal payments on long term debt	**(386,735)**	(315,170)
Proceeds from issuance of new debt	**244,728**	180,000
Deferred contributions received related to expenses of future periods	**5,208,044**	5,320,300
Deferred contributions received related to capital assets	**20,134,779**	16,693,556
	25,200,816	21,878,686
INVESTING ACTIVITIES		
Purchase of capital assets	**(22,068,590)**	(17,721,859)
Change in other assets	**(22,091)**	31,989
Proceeds on sale of assets	**24,143**	9,660
Change in net assets	**(8,264,566)**	(153,861)
Contribution to Eden Foundation	**-**	(9,428)
	(30,331,104)	(17,843,499)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**1,705,450**	1,750,941
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**37,336,580**	35,585,639
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 39,042,031**	$ 37,336,580
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:		
Cash	**$ 23,706,170**	$ 26,360,528
Short-term investments	**15,335,861**	10,976,052
	$ 39,042,031	$ 37,336,580

1. NATURE OF BUSINESS

Southern Health-Santé Sud (the "Region") was incorporated under the laws of Manitoba on May 29, 2012, as an amalgamation of the former Regional Authority 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

On May 29, 2012 the Regional Authority – Central Manitoba Inc. and the South Eastman Health/Santé Sud-Est Inc., two health authorities controlled by the Province of Manitoba, amalgamated, continuing operations under the name Southern Health-Santé Sud. The assets and liabilities of the former health authorities were recorded in the Region at their carrying values at the date of amalgamation.

The Statement of Operations for the 12 months ending March 31, 2013 reflects the combination of the operating results of the newly formed Southern Health-Santé Sud for the 306 day period from May 29, 2012 to March 31, 2013, as well as the results of operations for the 59 day period from April 1, 2012 to May 28, 2012 for the former regional health authorities. The prior year comparatives for the Statement of Financial Position and Statement of Operations reflect the combined carrying values of the assets and liabilities and operating results of the predecessor health authorities. All intercompany balances and transactions have been eliminated.

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

Effective April 1, 2012, the Region adopted the new accounting standards for government not-for-profit organizations (the "new standards") issued by the Public Sector Accounting Board ("PSAB"). Under the new standards, the Region has elected to adopt the Public sector accounting standards including PS 4200-4270.

These are the Region's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125 - First-time Adoption by Government Organizations ("PS 2125") have been applied. Under Section PS 2125, the date of transition to the new standards is April 1, 2011 and the Region has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards. In its opening statement of financial position, under the recommendations of PS 2125, the Region:

a) recognized all assets and liabilities whose recognition is required by the new standards;
b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of PS 2125, the accounting policies set out in Note 4 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively. The Region has not elected to apply any of the elections available under PS 2125.

The Region issued financial statements for the year ended March 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook- Accounting Part V - Pre-Changeover Accounting Standards. The adoption of PSAS for Government not-for-profit organizations resulted in adjustments to previously reported liabilities, net assets, and excess of revenue over expenses as outlined below:

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

Impact of the new standards on the balance sheet and net assets as at April 1, 2011

The impact of the adoption of the new standards on the Statement of Financial Position as at April 1,

	As Previously Reported March 31, 2011	Adjustment		Balance as Adjusted at April 1, 2011
Assets	$ 199,969,874	$ -		$ 199,969,874
Liabilities	187,878,550	9,220,348	(a) and (b)	197,098,898
Net Assets	12,091,324	(9,220,348)		2,870,976

Impact of the new standards on the statement of operating for the year ended March 31, 2012

The impact of the adoption of the new standards on the statement of operations for the year ended March 31, 2012 is summarized as follows:

	As Previously Reported March 31, 2012	Adjustment		Balance as Adjusted at March 31, 2012
Operating expenses	$ 328,330,896	$ 125,858	(c)	$ 328,456,754

Explanation of adjustments

a) Employee future benefits liability as at April 1, 2011

Under PS 3255 - Post-employment Benefits, Compensated Absences, and Termination Benefits the Region is required to recognize a liability for sick leave which has accumulated, but does not vest. The Region has a sick leave plan which allows employees to accumulated and carry-forward unused sick time for use at a future date. The determination of this liability was based on the Region's historical experience of sick leave usage by its employees, an estimated average remaining service life of 8.1 years, and a discount rate of 3.4%. As at April 1, 2011 this liability was determined to be $6,881,372 for the Region and $1,619,000 for the contract facilities for a total of $8,500,372, which has been recorded as a liability and an adjustment to the opening net assets as at April 1, 2011.

b) The discount rate used in the valuation of pre-retirement entitlements of the former South Eastman Health/Santé Sud-Est Inc. was adjusted to reflect a rate equivalent to the Region's cost of borrowing as opposed to a rate reflecting high quality debt instruments. The impact of the change in rate used in determining the actuarial liability for the accrued retirement benefit entitlements obligation was to increase the liability by $719,976 at April 1, 2011.

c) Represents the additional expense on account of the change in the sick leave liability for the year ended March 31, 2012 offset by a recovery of expense on account of the change in the discount rate as described in b) above when applied to the March 31, 2012 year-end.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 (PSAB for Government NPOs) and reflect the following significant accounting policies:

a) *Principles of Consolidation*

The Region provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District, and Prairie View Lodge, Inc. The health care services provided by the contract facilities are delivered under the control of the Region as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Region. A financial summary of these contract facilities is provided in Schedules 2 and 3.

In addition, the personal care home divisions of Menno Home for the Aged Inc., Rest Haven Inc., and Villa Youville Inc., for which the Region has an economic interest and funding arrangements, have been included in these consolidated financial statements. The excluded divisions of these legal entities relate to the apartments and assisted-living divisions whose assets and liabilities consist principally of fixed assets and a mortgages payable. The Region has no economic interest, influence or funding obligations to these divisions and on this basis are excluded from these consolidated financial statements. These assisted-living divisions are audited under a special report pursuant to the funding agreements with Manitoba Housing and Renewal Corporation and Canada Mortgage and Housing Corporation.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) *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. 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 Manitoba Health with respect to the year ended March 31, 2013.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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 the financial statements.

d) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

e) 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:

Buildings	2% - 2.5%
Building renovations and upgrades	5%
Major equipment	10%
Computers, software and automobiles	20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

f) Vacation

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Pre-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 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee or
iii) retire at of 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 3.4% (3.4% in 2012) and a rate of salary increase of 3.0% (3.0% in 2012) 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 $9,106,000 has been set up as a non-current receivable from the Province. 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 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 the organization requires the funding to discharge the related pre-retirement liabilities.

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, compesated absence liabilities and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Manitoba Health, 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 Company 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.

k) Adoption of new accounting standards

As at April 1, 2012, the Hospital adopted Public Sector Accounting Handbook Section 3450, "Financial Instruments". This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts Public Sector Accounting Standards for government not-for-profit organizations for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards, or Part V of the CICA Handbook-- Accounting. The impact of the adoption of this new standard did not have a significant impact on these financial statements. The required disclosures are included in Note 19.

5. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH

Accounts Receivable/Payable - Manitoba Health includes the following:

	March 31, 2013	March 31, 2012 (Unaduited)	April 1, 2011 (Unaduited)
Current year's operating funding			
Medical year end adjustments	**$ (2,079,508)**	$ (2,105,120)	$ (1,644,437)
MGEU Community Support contract increase	**-**	-	1,762,703
Inter Facility Transfers	**1,112,999**	328,250	824,676
Quick Care Clinic	**-**	191,661	-
Volume Funding	**-**	2,500,000	-
Waittime Staffing costs of expansion	**1,162,160**	-	-
Wage standardization Facility Support	**-**	186,145	243,159
Employer share health benefit (HEBB)	**-**	220,000	1,157,381
HEPP 1% Employer portion increase	**161,106**	1,451,186	321,910
PCH Staffing	**-**	445,866	483,891
Maternity leave top ups	**224,375**	414,669	316,184
Health Spending Account reimbursement	**436,967**	339,183	304,856
Additional wait-time procedures	**652,716**	257,584	246,400
DSM Ultrasound Locums	**135,594**	-	-
EMS Flight Program secondment	**-**	50,535	-
MGEU PT Market Adjustments	**268,018**	-	-
Other programs	**97,800**	82,265	412,009
	2,172,227	4,362,225	4,428,732
Medical year end adjustments - 2008/2009	**-**	-	(1,761,692)
Medical year end adjustments - 2009/2010	**-**	-	(2,269,104)
Approved capital projects	**482,533**	133,545	189,718
	$ 2,654,760	$ 4,495,770	$ 587,654

In Globe funding is funding approved by Manitoba Health for Regional Region 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 from within the global funding provided by Manitoba Health.

Any operating surplus greater than 2% of budget 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.

5. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH (continued)

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.

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 the responsibility of the Region.

6. CAPITAL ASSETS

	Cost	**March 31 2013 Accumulated Amortization**	**Net Book Value**	March 31 2012 Net Book Value (Unaudited)	April 1, 2011 Net Book Value (Unaudited)
Land	**$ 2,214,898**	**$ -**	**$ 2,214,898**	$ 2,164,426	$ 1,908,855
Buildings & Improvements	**152,766,099**	**43,360,920**	**109,405,179**	108,107,457	110,057,154
Equipment	**72,571,625**	**52,914,988**	**19,656,637**	17,029,869	15,844,731
Construction in progress	**27,318,165**	**-**	**27,318,165**	17,125,535	6,717,393
	$ 254,870,786	**$ 96,275,908**	**$ 158,594,878**	$ 144,427,287	$ 134,528,133

7. BANK INDEBTEDNESS

Manitoba Health has authorized the Region to set up a credit facility with the Region's financial institutions for working operating requirements in the amount of $12,100,000, with an interest rate of between prime minus .65% and prime minus .80%. The balance drawn at March 31, 2013 was nil.

8. LONG TERM DEBT

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
CMHC mortgage payable in monthly blended installment of $14,795 bearing interest at 4.170% due June 1, 2020. Secured by land and building.	**$ 1,110,406**	$ 1,239,228	$ 1,362,617
CMHC mortgage payable in monthly blended installment of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and building.	**22,700**	27,081	31,215

8. LONG TERM DEBT (continued)

CMHC mortgage payable in monthly blended installment of $5,178 bearing interest at 1.53% due November 1, 2017. Secured by land and building.	**279,726**	332,608	381,496
CMHC mortgage payable in monthly blended installment of $7,768 bearing interest at 10.0% due June 1, 2014. Secured by land and building.	**109,227**	187,524	258,541
CMHC mortgage payable in monthly blended installment of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and building.	**59,903**	65,663	70,995
Automobile loan payable in monthly blended installment of $872 bearing interest at 4.9% due October 1, 2013, secured by the vehicle.	**6,011**	15,917	25,353
Mortgage payable in monthly blended installment of $505 bearing interest at 6.875%, due 2019, secured by land and building .	**176,434**	195,496	215,370
Mortgage payable in monthly blended installment of $505 bearing interest at prime, due 2024, secured by land and building.	**62,972**	67,201	71,057
Mortgage payable in monthly blended installment of $650 bearing interest at prime, due 2028, secured by land and building.	**66,273**	72,127	77,539
Mortgage payable in monthly blended installment of $500 bearing interest at prime, due 2028, secured by land and building.	**80,514**	84,078	87,462
Mortgage payable in monthly blended installment of $2,390 bearing interest at prime, due 2018, secured by land and	**135,716**	159,553	-
Mortgage payable in monthly blended installment of $498 bearing interest at prime, due 2028, secured by land and building.	**85,000**	-	-
Mortgage payable in monthly blended installment of $622 bearing interest at prime, due 2028, secured by land and building.	**109,584**	-	-
	2,304,467	2,446,475	2,581,645
Less: current portion	**354,845**	332,348	289,923
	$ 1,949,624	$ 2,114,127	$ 2,291,722

8. LONG TERM DEBT (continued)

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

2014	$	354,845
2015		301,812
2016		287,566
2017		298,789
2018		287,552

9. 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.

	March 31 2013	March 31 2012 (Unaudited)
Balance, beginning of year	**$ 5,915,748**	$ 4,899,239
Additional contributions received	**5,208,044**	5,320,300
Less amounts amortized to revenue	**(3,995,645)**	(4,303,791)
	$ 7,128,147	$ 5,915,748

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized 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.

	March 31 2013	March 31 2012 (Unaudited)
Balance, beginning of year	**$ 137,663,567**	$ 128,745,094
Additional contributions received	**20,134,779**	16,693,556
Less amounts amortized to revenue	**(7,582,942)**	(7,775,083)
	$ 150,215,404	$ 137,663,567

10. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	March 31 2013	March 31 2012 (Unaudited)	April 1 2011 (Unaudited)
Capital assets	**$ 158,594,878**	$ 144,427,287	$ 134,528,133
Amounts financed by:			
Deferred contributions	**(150,215,404)**	(137,663,567)	(128,745,094)
Long term debt	**(2,304,469)**	(2,446,475)	(2,581,645)
Working capital	**188**	186	186
	$ 6,075,193	$ 4,317,431	$ 3,201,580

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

	March 31 2013	March 31 2012 (Unaudited)
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	**$ 7,582,942**	$ 7,775,083
Amortization of capital assets	**(7,876,691)**	(7,819,829)
	(293,749)	(44,746)
Repayment of non-Manitoba Health funded long term debt	**321,946**	295,298
Investment in capital assets	**22,068,590**	17,721,859
Purchase of capital assets		
Amounts funded by deferred contributions	**(20,134,779)**	(16,693,556)
Amounts funded with debt	**(204,246)**	(163,004)
	1,729,565	865,299
	$ 1,757,762	$ 1,115,851

11. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Region.

The amounts are as follows:

	March 31 2013	March 31 2012 (Unaudited)	April 1 2011 (Unaudited)
Internally restricted	**$ 25,087**	$ 43,433	$ 43,433
Externally restricted	**(232,873)**	(136,990)	(208,036)
Unrestricted	**119,290**	254,720	147,814
	$ (88,496)	$ 161,163	$ (16,789)

12. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $101,970 (2012 - $490,132; 2011 - $171,642) in net assets to be used for the purchase of specified capital assets.

The Region also maintains a parking maintenance/operations reserve, paid for by employee deductions, who elect to use staff parking lots. The employee contributions pay for parking lot upkeep as well as operating such as electricity and snow removal. Yearly surpluses in deductions after costs are used to fund the reserve. The total of the reserve at March 31, 2013 is $49,957.

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, 2013.

14. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	March 31 2013	March 31 2012 (Unaudited)
Revenue as per final approved budget	**$ 296,626,926**	$ 273,310,700
Province of Manitoba loan principal	**(1,333,230)**	(788,167)
Amounts recorded as deferred contributions	**(94,771)**	(94,771)
	295,198,925	272,427,762
Current year's estimated out of globe amounts	**(88,459)**	(54,888)
One time funding - 3rd party ER	**180,000**	-
One time funding - contract settlements	**268,018**	-
One time funding - wait list	**1,873,692**	2,776,734
One time funding - volume/general	**-**	4,738,421
One time funding - Bethesda ER decant	**1,100,000**	-
One time funding - Quick Care Clinic	**108,000**	191,661
One time funding - leap year day	**-**	704,637
One time funding - EMS Inter-facility transfer	**2,373,514**	2,239,801
One time funding - medical remuneration	**(2,079,508)**	(2,105,102)
One time funding - maternity leave top up	**820,735**	755,257
One time funding - reciprical recoveries	**600,000**	647,174
One time funding - personal care home staffing guideline	**-**	1,770,426
One time funding - HEPP 1% contribution	**161,106**	1,280,369
One time funding - HEBP employer portion health	**-**	1,185,961
One time funding - HEBP health spending account	**646,460**	517,738
One time funding - other	**465,735**	552,473
	$ 301,628,218	$ 287,628,424
One time surplus clawback	**(7,869,245)**	-
	$ 293,758,973	$ 287,628,424

15. MANITOBA HEALTH - SURPLUS CLAWBACK

On January 25, 2013, Manitoba Health indicated its intention to action a one-time Unrestricted Net Asset claw back of $7,869,245 from the Authority, which is comprised of a surplus of $6,783,564 from former Regional Authority – Central Manitoba Inc. and a surplus of $1,085,681 from former the South Eastman Health/Santé Sud-Est Inc. This was achieved during the 2012/13 fiscal year through a reduction of operating funding.

16. RELATED PARTY AND ECONOMIC DEPENDENCE

The Region receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

17. 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.

18. 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 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 7.6% of basic annual earnings up to the Canada Pension Plan ceiling and 9.2% 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, 2011, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $309,100,000 (2010 - $264,841,000) as well as a solvency deficiency of $2,095,047,000 (2010 - $927,089,000). Actual contributions to the plan made during the year by the Region on behalf of its employees amounted to $12,207,988 (2012 - $10,995,391) 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, 2013.

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, 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 fall due. The Region maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

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 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 the 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 risk as virtually all financial instruments are denominated in Canadian dollars and the number of transactions undertaken in a foreign currency is minimal.

20. SUBSEQUENT EVENT

Subsequent to March 31, 2013, the Region became aware of a significant liability related to the Ste. Anne Hospital Operating Room Re-Development project. Due to a number of unforeseen site conditions, pricing uncertainties and delays in the project, the Region estimates that the final cost of the project will be approximately $3,000,000 higher than the original project approval provided by Manitoba Health. The Region is continuing to work with the contractors, suppliers and Manitoba Health to complete the project and resolve the issues around the project overage.

21. COMPARATIVE FIGURES

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

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Statement of Operations - Ancillary Operations
For the year ended March 31, 2013

Schedule 1a

	Elderly Person's Housing	Handivan	Retail Pharmacy	Other	Contract Facilities	**2013**	2012 (Unaudited)
REVENUE							
Outside sources	$ 1,013,087	$ 29,176	$ 1,222,618	$ 7,054	$ 254,513	**$ 2,526,447**	$ 2,576,646
Amortization of deferred contributions	94,616	24,938	-		4,063	**123,616**	211,509
	1,107,703	54,113	1,222,618	7,054	258,576	**2,650,064**	2,788,155
EXPENSES							
Operating	674,086	25,897	980,991	13,725	94,507	**1,789,206**	1,737,388
Amortization of capital assets	103,186		-		4,063	**107,249**	119,716
Interest on long term debt	81,494	-	-		-	**81,494**	101,368
Major repairs	86,088	-	-		-	**86,088**	192,032
	944,854	25,897	980,991	13,725	98,570	**2,064,038**	2,150,504
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 162,849	$ 28,216	$ 241,626	$ (6,670)	$ 160,006	**$ 586,027**	$ 637,651

SOUTHERN HEALTH/SANTÉ SUD
(operating as Southern Health-Santé Sud)
Statement of Operations - Elderly Person's Housing
For the year ended March 31, 2013

Schedule 1b

	Regency House	Rotary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	**2013**	2012 (Unaudited)
REVENUE							
Rental Income	$ 318,825	$ 190,797	$ 45,095	$ 134,141	$ 225,500	**$ 914,358**	$ 882,801
MHRC Subsidy	21,032	2,691	1,573	18,724	31,029	**75,049**	133,351
Amortization of deferred contributions	34,622	13,204	1,917	13,557	31,316	**94,616**	200,560
Other	14,147	4,267	1,305	1,335	2,626	**23,680**	14,920
	388,626	210,959	49,890	167,757	290,470	**1,107,703**	1,231,632
EXPENSES							
Purchased Services	23,046	23,046	10,032	15,048	2,653	**73,826**	77,699
Interdepartmental Services	10,100	15,900	4,900	5,800	24,492	**61,192**	72,450
Salaries and Benefits	-	-	-	-	19,478	**19,478**	22,116
Mortgage Interest	48,277	4,849	1,435	12,654	14,280	**81,494**	101,368
Property Taxes	33,710	15,336	7,146	22,252	18,081	**96,524**	79,304
Insurance	5,000	3,000	1,000	4,000	4,408	**17,408**	17,408
Major repairs	28,698	13,125	1,806	12,973	29,486	**86,088**	192,032
Maintenance	43,871	25,532	2,128	5,562	38,680	**115,772**	133,603
Reserve for Major Repairs	10,300	22,700	4,000	9,600	15,900	**62,500**	62,230
Electricity	49,344	13,944	11,817	28,109	42,222	**145,436**	136,499
Natural Gas	-	13,587	-	-	4,499	**18,086**	19,777
Water and Sewer	18,656	12,972	4,201	4,563	1,702	**42,094**	51,246
Professional Fees - Audit	800	800	800	800	820	**4,020**	4,020
Telephone	7,415	1,922	-	-	787	**10,125**	9,853
Supplies	2,051	3,230	19	266	2,058	**7,625**	7,894
Amortization of capital assets - Building	55,246	3,390	2,184	19,745	20,733	**101,298**	101,298
Amortization of capital assets - Equipment	1,888	-	-	-	-	**1,888**	1,888
	338,402	173,333	51,468	141,372	240,279	**944,854**	1,090,685
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 50,225	$ 37,626	$ (1,579)	$ 26,385	$ 50,192	**$ 162,849**	$ 140,947
ACCUMULATED SURPLUS / (DEFICIT)	(214,998)	93,320	(65,065)	(64,554)	(25,454)	**(276,751)**	(439,600)

SOUTHERN HEALTH/SANTÉ SUD **Schedule 2**
(operating as Southern Health-Santé Sud)
Statement of Financial Position - Segmented
March 31, 2013

	Devolved	Contract	**March 31, 2013**	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
ASSETS					
CURRENT					
Cash and short term investments	$ 33,963,552	$ 5,078,479	**$ 39,042,031**	$ 37,336,580	$ 35,585,639
Accounts receivable, net	8,661,030	(1,482,111)	**7,178,920**	5,864,852	3,166,175
Accounts receivable - Manitoba Health	2,638,713	16,048	**2,654,760**	4,495,770	587,654
Inventories	1,764,025	222,268	**1,986,293**	2,702,621	2,892,034
Prepaid expenses	1,026,573	61,434	**1,088,007**	1,630,900	1,198,197
Due from MBH - vacation entitlements	8,839,967	1,589,510	**10,429,477**	10,429,477	10,429,477
	56,893,859	5,485,627	**62,379,487**	62,460,200	53,859,176
NON-CURRENT					
Due from MBH - retirement entitlements	9,743,575	1,719,577	**11,463,152**	11,463,152	11,463,152
Capital assets	135,922,033	22,672,845	**158,594,878**	144,427,287	134,528,133
Other assets	-	109,516	**109,516**	87,425	119,414
	$ 202,559,467	$ 29,987,565	**$ 232,547,033**	$ 218,438,064	$ 199,969,874
LIABILITIES					
CURRENT					
Bank indebtedness	$ -	$ -	**$ -**	$ -	$ 23,850
Accounts payable and accrued liabilities	18,368,948	2,683,331	**21,052,279**	20,388,285	16,017,336
Accounts payable - Diagnostic Services of MB	2,862,478	-	**2,862,478**	1,416,312	2,028,247
Due to contract sites	43,481	(43,481)	**-**	-	-
Accrued vacation benefit entitlements	15,958,075	2,281,690	**18,239,765**	16,496,548	15,811,212
Current portion of long term debt	287,691	67,154	**354,845**	332,348	289,923
	37,520,673	4,988,693	**42,509,366**	38,633,493	34,170,568
NON-CURRENT					
Due to Contract Sites - retirement entitlements	906,421	(906,421)	**-**	-	-
Accrued retirement benefit entitlements	17,820,407	2,625,998	**20,446,405**	19,831,175	18,995,344
Accrued sick leave benefit entitlements	6,956,088	1,619,000	**8,575,088**	8,536,741	7,996,930
Long term debt	1,300,285	649,339	**1,949,624**	2,114,127	2,291,722
	26,983,201	3,987,916	**30,971,117**	30,482,043	29,283,996
DEFERRED CONTRIBUTIONS					
Expenses of future periods	6,366,236	761,912	**7,128,147**	5,915,748	4,899,239
Capital assets	129,744,278	20,471,126	**150,215,404**	137,663,567	128,745,093
	136,110,514	21,233,037	**157,343,551**	143,579,315	133,644,332
NET ASSETS					
Invested in capital assets	4,589,779	1,485,414	**6,075,193**	4,317,431	3,201,580
Internally restricted - contract	-	(88,496)	**(88,496)**	161,163	(16,789)
Internally restricted	101,970	-	**101,970**	490,132	171,641
Unrestricted - Ancilliary	2,781,307	-	**2,781,307**	2,251,451	-
Unrestricted	(5,527,976)	(1,619,000)	**(7,146,976)**	(1,476,963)	(485,456)
	1,945,080	(222,082)	**1,722,999**	5,743,213	2,870,976
	$ 202,559,467	$ 29,987,565	**$ 232,547,033**	$ 218,438,064	$ 199,969,874

SOUTHERN HEALTH/SANTÉ SUD **Schedule 3**
(operating as Southern Health-Santé Sud)
Statement of Operations - Segmented
For the year ended March 31, 2013

	Devolved	Contract	**2013**	2012 (Unaudited)
REVENUE				
Manitoba Health	$266,527,977	$ 35,100,241	**$301,628,218**	$287,628,424
Other government departments	53,247	72,996	**126,243**	151,372
Non-global patient / resident income	13,259,324	6,567,057	**19,826,381**	19,418,049
Other income	8,336,727	1,515,307	**9,852,033**	9,125,569
Amortization of deferred contributions - operating	3,919,018	76,627	**3,995,645**	4,303,791
Amortization of deferred contributions - capital	6,301,557	1,157,769	**7,459,326**	7,563,574
Interest and donations	615,712	30,894	**646,606**	513,343
Ancillary operations	2,391,488	258,576	**2,650,064**	2,788,155
	301,405,049	44,779,467	**346,184,516**	331,492,278
EXPENSES				
Acute care services	100,872,633	1,996,888	**102,869,521**	97,249,153
Long term care services	46,994,420	32,208,990	**79,203,410**	77,915,564
Medical remuneration	21,641,380	2,360,802	**24,002,182**	24,065,916
Community based therapy services	4,437,757	-	**4,437,757**	4,100,549
Community based mental health services	8,926,593	6,574,486	**15,501,079**	14,023,266
Community based home care services	37,288,617	-	**37,288,617**	35,889,392
Community based health services	14,427,004	128,287	**14,555,291**	13,281,966
Emerency medical services	12,883,848	-	**12,883,848**	12,038,926
Diagnostic services	15,794,452	-	**15,794,452**	15,316,328
Regional health authority undistributed	22,667,503	-	**22,667,503**	21,018,782
Interest on long term debt	244,686	-	**244,686**	197,719
Pre-retirement leave	2,235,313	209,623	**2,444,936**	2,503,720
Sick leave	38,347	-	**38,347**	539,811
Amortization of capital assets	6,493,778	1,275,663	**7,769,442**	7,700,113
Major repairs	171,736	3,321	**175,057**	465,046
Ancillary operations	1,965,468	98,570	**2,064,038**	2,150,504
	297,083,535	44,856,630	**341,940,165**	328,456,754
EXCESS OF REVENUES OVER EXPENSES BEFORE MANITOBA HEALTH - SURPLUS CLAWBACK	4,321,515	(77,163.33)	**4,244,351**	3,035,524
MANITOBA HEALTH - SURPLUS CLAWBACK (Note 15)	(7,869,245)	-	**(7,869,245)**	-
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	$ (3,547,730)	$ (77,163)	**$ (3,624,894)**	$ 3,035,524

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

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 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.

Arlene Wilgosh President & Chief Executive Officer	Glenn McLennan, CMA Vice-President & Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the accompanying consolidated financial statements of the Winnipeg Regional Health Authority [the "Authority"], which comprise the consolidated statements of financial position as at March 31, 2013 and 2012, and April 1, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and 2012, and the consolidated statement of remeasurement gains and losses for the year ended March 31, 2013, 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 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 audits 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 in our audits 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, 2013 and 2012, and April 1, 2011, and the results of its operations and changes in its net assets and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Winnipeg, Canada,
September 24, 2013.

Chartered Accountants

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statements of Financial Position
(in thousands of dollars)

	As at March 31, 2013	As at March 31, 2012 (Restated)	As at April 1, 2011 (Restated)
ASSETS			
CURRENT			
Cash and cash equivalents	**$ 154,803**	$ 89,560	$ 40,519
Accounts receivable (Note 5)	**98,826**	163,459	171,200
Inventory (Note 6)	**31,666**	30,470	29,163
Prepaid expenses	**12,651**	12,327	13,511
Investments (Note 9)	**10,560**	6,099	7,182
Employee benefits recoverable from Manitoba Health (Note 7)	**78,957**	78,957	78,957
	387,463	380,872	340,532
CAPITAL ASSETS, NET (Notes 8 and 14)	**1,437,462**	1,352,277	1,212,058
OTHER ASSETS			
Employee future benefits recoverable from Manitoba Health (Note 22)	**82,499**	82,499	82,499
Investments (Note 9)	**61,450**	64,205	55,931
Accounts held in trust (Note 10)	**4,434**	4,853	3,576
Nurse recruitment and retention fund (Note 11)	**4,870**	4,169	3,512
	$ 1,978,178	$ 1,888,875	$ 1,698,108
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities (Note 12)	**$ 209,922**	$ 215,955	$ 200,954
Demand loans (Note 13)	**-**	-	18,000
Employee benefits payable (Note 7)	**103,303**	97,340	95,712
Current portion of long-term debt (Note 14)	**45,215**	47,345	50,898
	358,440	360,640	365,564
NON-CURRENT			
Long-term debt (Note 14)	**20,527**	24,948	27,918
Employee future benefits payable (Note 22)			
Accrued retirement entitlement	**177,753**	170,512	162,361
Sick leave liability	**35,336**	34,876	34,876
Accounts held in trust (Note 10)	**4,434**	4,853	3,576
Deferred contributions (Note 16)	**1,326,978**	1,233,261	1,043,077
Nurse recruitment and retention fund (Note 11)	**4,870**	4,169	3,512
	1,569,898	1,472,619	1,275,320
COMMITMENTS AND CONTINGENCIES (Note 18)			
NET ASSETS	**49,423**	55,616	57,224
ACCUMULATED REMEASUREMENT GAINS	**417**	-	-
	$ 1,978,178	$ 1,888,875	$ 1,698,108

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

Dr. Jerry Gray, Board Chair

Reg Kliewer, Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statements of Operations

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

	2013	2012 (Restated)
REVENUE		
Manitoba Health operating income	$ 2,386,750	$ 2,303,890
Other income (Schedule 1)	111,408	113,151
Amortization of deferred contributions, capital	74,413	66,511
Recognition of deferred contributions, future expenses	18,699	12,871
	2,591,270	2,496,423
EXPENSES		
Direct operations	2,152,491	2,080,523
Interest	527	722
Amortization of capital assets	80,381	72,162
	2,233,399	2,153,407
FACILITY FUNDING		
Long-term care facility funding (Schedule 2)	294,949	284,735
Community health agency funding (Schedule 3)	40,318	38,067
Adult day care facility funding (Schedule 4)	3,254	3,249
Long-term care community therapy services	764	735
GRANT FUNDING		
Grants to facilities and agencies (Schedule 5)	27,223	19,993
	2,599,907	2,500,186
OPERATING DEFICIT	(8,637)	(3,763)
NON-INSURED SERVICES		
Non-insured services income	75,085	82,451
Non-insured services expenses	70,939	80,296
NON-INSURED SERVICES SURPLUS	4,146	2,155
DEFICIT FOR THE YEAR	$ (4,491)	$ (1,608)

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statements of Changes in Net Assets

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

	2013			
	Unrestricted Net Assets	Investment in Capital Assets (Note 17)	Internally Restricted Net Assets (Schedule 6)	Total
Balance, beginning of year	$ (104,613)	$ 131,379	$ 28,850	$ 55,616
Adjustment upon adoption of financial instruments standard	(1,702)	-	-	(1,702)
Surplus (deficit) for the year	5,872	(11,036)	673	(4,491)
Purchase of capital assets, net	(31,306)	33,869	(2,563)	-
Net asset restrictions	(2,945)	-	2,945	-
Balance, end of year	$ (134,694)	$ 154,212	$ 29,905	$ 49,423

	2012 (Restated)				2011 (Restated)
	Unrestricted Net Assets	Investment in Capital Assets (Note 17)	Internally Restricted Net Assets (Schedule 6)	Total	Total
Balance, beginning of year	$ (72,721)	$ 102,126	$ 27,819	$ 57,224	$ 47,183
Amalgamation of Churchill RHA	-	-	-	-	934
Adjustments on transition to PSAB	-	-	-	-	(50,821)
Adjusted balance, beginning of year	(72,721)	102,126	27,819	57,224	(2,704)
Correction of accounting error (note 27)	-	-	-	-	57,765
Surplus (deficit) for the year	8,392	(10,813)	813	(1,608)	2,163
Purchase of capital assets, net	(39,394)	40,066	(672)	-	-
Net asset restrictions	(890)	-	890	-	-
Balance, end of year	$ (104,613)	$ 131,379	$ 28,850	$ 55,616	$ 57,224

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 years ended March 31

(in thousands of dollars)

		2013
Accumulated remeasurement gains at beginning of year	$	-
Adjustment upon adoption financial instruments standard		1,702
Financial instruments		
Portfolio Investments - change in market value		406
Amounts realized during the year		(916)
Unrealized loss attributable to:		
Derivative ! interest rate swap		(775)
Net remeasurement loss for the year		(1,285)
Accumulated remeasurement gains at end of year	$	417

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

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

	2013	2012 (Restated)
OPERATING ACTIVITIES		
Deficit for the year	$ (4,491)	$ (1,608)
Items not affecting cash		
Amortization of capital assets	88,349	80,144
Amortization of deferred contributions related to capital assets	(77,313)	(69,331)
Recognition of deferred contributions related to future expenses	(30,178)	(30,864)
Net change in employee future benefits	13,664	9,779
	(9,969)	(11,880)
Changes in non-cash operating working capital balances	55,795	22,621
Deferred contributions received - future expenses	32,160	68,374
	77,986	79,115
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	169,048	222,005
Demand loan repayments	-	(18,000)
Proceeds of long-term debt	-	144
Long-term debt repayments	(6,551)	(6,667)
	162,497	197,482
CAPITAL ACTIVITIES		
Construction in progress	(75,979)	(70,837)
Purchase of capital assets (net)	(97,555)	(149,529)
	(173,534)	(220,366)
INVESTING ACTIVITIES		
Increase in investments	(1,706)	(7,191)
	(1,706)	(7,191)
INCREASE	65,243	49,041
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	89,560	40,519
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 154,803	$ 89,560
Comprised of:		
Cash	$ 153,544	$ 88,804
Cash equivalents	1,259	756
Total	$ 154,803	$ 89,560
Supplementary Information:		
Interest paid	$ 5,783	$ 6,550

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

(in thousands of dollars)

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority "#the Authorit$%, #WRH&%) 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 directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Churchill Health Centre, Deer Lodge Centre, Grace General Hospital and Pan Am Clinic sites. Acute care services are also provided by non-devolved hospitals Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital "#the Community Hospitals%), the non-devolved hospitals Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital "#the Other Hospital' %), and the Manitoba Adolescent Treatment Centre "#MATC%(. In addition, the Authority also 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. Volunteer Enterprises of the Health Sciences Centre Inc. "#VENT%) operates services within the Authority and their results are included in these financial statements. Long-term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies, as well as through a number of not-for-profit organizations. Note 21 provides details of the relationships that the Authority has with these related entities.

The Authority is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. AMALGAMATION

On May 28, 2012, the Authority acquired the assets and assumed the liabilities of Churchill Regional Health Authority (now #Churchill Health Centre% or #Churchill%(. Continuity of interests accounting has been applied to this transaction. As a result, the former carrying values of Churchill Regional Health Authority)s assets, liabilities and net assets as at March 31, 2013, March 31, 2012 and April 1, 2011 and its operations and cash flows for the years ended March 31, 2013 and 2012 are included in these financial statements as if the authorities had always been combined.

A financial summary of Churchill Regional Health Authority is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Financial Position			
Total assets	$ 7,257	$ 9,555	$ 6,425
Total liabilities and deferred contributions	6,528	8,365	6,466
Total net assets	$ 729	$ 1,190	$ (41)

	2013	2012
Statement of Operations		
Total revenue	$ 15,341	$ 15,442
Total expenses	14,766	15,187
Surplus from operations	$ 575	$ 255

(in thousands of dollars)

2. AMALGAMATION (continued)

Cash Flows		2013		2012
(Used in) from operating activities	$	(1,870)	$	3,111
From (used in) financing, capital, and investing activities		1,608		(3,010)
(Decrease) increase in cash	$	(262)	$	101

3. FIRST-TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board "#* +A, %(issued new standards for government not-for-profit organizations "#GNFPO%(. For years beginning on or after January 1, 2012, GNFPO are given a choice of Public Sector Accounting standards or Public Sector Accounting standards including sections PS 4200 ! 4270. The Authority has chosen to follow Public Sector Accounting standards including PS 4200 ! 4270 "#* +&, for GNFPO%(.

Amounts related to March 31, 2012 and April 1, 2011 were previously presented in accordance with Canadian generally accepted accounting principles "#Canadian G&&* %(. These amounts have been restated as necessary to be compliant with our accounting policies under PSAB for GNFPO. Reconciliations and descriptions relating to the transition from Canadian GAAP to PSAB for GNFPO are included in Note 24.

These are the Authority)s first set of financial statements prepared in accordance with the PSAB for GNFPO framework. In preparing its opening balance sheet as at April 1, 2011 (the #transition date%), the Authority has applied the transitional provisions included in Section 2125, #First-time Adoption by Government Organization' %.

Section 2125 requires retroactive application of accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies in Note 4 #+ignificant Accounting Policie' % have been consistently applied in the preparation of the consolidated financial statements with the exception of PS 3450 ! Financial Instruments which has been applied with an effective date of April 1, 2012.

4. SIGNIFICANT ACCOUNTING POLICIES

a) The reporting entity

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, Acute Care services (Health Sciences Centre, Churchill Health Centre, Deer Lodge Centre, Grace General Hospital and Pan Am sites), and Medical Remuneration.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) The reporting entity (continued)

- Community Hospitals - by means of agreements to further regionalization and operating agreements.
- Other Hospitals and 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.

b) Definition of controlled entity

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.

As permitted by PSAB for GNFPO, the controlled Community Hospitals, Other Hospitals, MATC, and VENT have been consolidated into the Authority)s 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 21 provides a financial summary of these controlled non-consolidated entities.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions ! recorded as revenue in the period to which they relate.

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

iii. Externally restricted contributions ! recognized as revenue in the year in which the related expenses are recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

iv. 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.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

vi. Non-insured services income is primarily recognized as revenue in the period in which it is received as they do not contain external restrictions.

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2013.

d) 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.

e) Inventory

Inventory consists of medical supplies, drugs, linen and other supplies that are measured at the lower of cost and replacement cost. Cost is calculated using the weighted average cost formula. Inventory is expensed when sold or put into use.

f) 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%
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.

g) Surplus retention

Non-proprietary personal care homes and community health agencies are eligible to retain insured services surpluses based on an agreed upon formula. The non-retainable portion of the surplus is recorded on their statement of financial position as a payable to the Authority.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of estimates

The preparation of financial statements in conformity with PSAB 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

i) Internally restricted net assets

The Authority has allocated some of the net assets to future purchases through internal restrictions by the Boards of Directors.

j) Financial instruments

The Authority classifies its financial instruments at either fair value or amortized cost. The Authority)s accounting policy for each category is as follows:

Fair value

This category includes derivatives and investments. 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 entered into interest rate swaps to manage the interest rate cash flow exposure associated with certain debt obligations. The contracts have an effect of converting the floating rate of interest on certain debt to a fixed rate.

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

The derivatives 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 and in accounts receivable or accounts payable and accrued liabilities in the consolidated statement of financial position. In the year of settlement or disposal, the gains or losses are reclassified to the consolidated statement of operations.

It is the Authority)s policy not to speculate on derivative instruments. These instruments are purchased for risk management purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Investments are initially recognized at fair value and subsequently carried at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

The Authority recognizes investments based on settlement 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.

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and 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.

Write-downs 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 write-down being recognized in the consolidated statement of operations.

Adoption of accounting standards related to financial instruments

PSAB approved the following new public sector accounting standards:

PS 1201 ! Financial statement presentation (replacing PS 1200, Financial statement presentation)
PS 2601 ! Foreign currency translation (replacing PS 2600, Foreign currency translation)
PS 3041 ! Portfolio investments (replacing PS 3040, Portfolio investments)
PS 3450 ! Financial instruments

Adoption of all of these standards must take place in the same fiscal period. In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. Accordingly, consolidated financial statements of prior periods, including comparative information, have not been restated and no comparative information is presented for the first time presentation of the consolidated statement of remeasurement gains and losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Prior to April 1, 2012, investments were recorded at fair value with changes in unrealized gains and losses recorded in the consolidated statement of operations.

k) Due to/from Manitoba Health

In-Globe funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority 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 areas must be absorbed from within the global funding provided.

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

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

Out-of-Globe funding

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

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the consolidated statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the consolidated 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 deficits related to Out-of-Globe funding arrangements are recorded on the consolidated statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the consolidated 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.

(in thousands of dollars)

5. ACCOUNTS RECEIVABLE

	2013	2012 (Restated)
Manitoba Health - operating, capital and fee for service	$ 62,622	$ 130,131
Accounts receivable from other Province of Manitoba departments	332	406
Facility advances and receivables	2,729	1,599
Patient related and other	35,606	33,912
Allowance for doubtful accounts	(2,463)	(2,589)
	$ 98,826	$ 163,459

There are no significant amounts that are past due or impaired.

6. INVENTORY

	2013			2012 (Restated)
	Held for Sale	Held for Internal Use	Total	Total
Balance, beginning of year	$ 1,305	$ 29,165	$ 30,470	$ 29,163
Amount purchased in year	6,233	183,011	189,244	158,414
Amount expensed in year	(4,339)	(181,585)	(185,924)	(156,702)
Amount written down in year	(7)	(2,237)	(2,244)	(502)
Write-downs reversed in year	7	113	120	97
Balance, end of year	$ 3,199	$ 28,467	$ 31,666	$ 30,470

7. 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. Manitoba Health advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

The employee benefits recoverable from Manitoba Health is as follows:

	2013	2012 (Restated)
Balance, beginning of year	$ 78,957	$ 78,957
Balance, end of year	$ 78,957	$ 78,957

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

	2013	2012 (Restated)
Balance, beginning of year	$ 97,340	$ 95,712
Increase in vacation/overtime/statutory holiday entitlements	5,963	1,628
Balance, end of year	$ 103,303	$ 97,340

(in thousands of dollars)

8. CAPITAL ASSETS

	2013		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 18,308	$ -	$ 18,308
Buildings	1,190,362	(474,751)	715,611
Furniture and equipment	849,381	(713,532)	135,849
Computer hardware and software	195,300	(78,802)	116,498
Leasehold improvements	61,977	(17,402)	44,575
Construction in progress	406,621	-	406,621
	$ 2,721,949	$ (1,284,487)	$ 1,437,462

	2012 (Restated)		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 18,307	$ -	$ 18,307
Buildings	1,180,693	(445,439)	735,254
Furniture and equipment	822,973	(680,425)	142,548
Computer hardware and software	139,051	(57,782)	81,269
Leasehold improvements	61,302	(17,045)	44,257
Construction in progress	330,642	-	330,642
	$ 2,552,968	$ (1,200,691)	$ 1,352,277

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year was $2,308 (2012 - $2,299).

9. INVESTMENTS

	Fair value hierarchy level	2013	2012 (Restated)
Investments at fair value			
Money market investments	Level 2	$ 2,166	$ 1,655
Government bonds	Level 2	25,326	34,791
Corporate bonds	Level 2	41,543	32,554
Guaranteed Investment Certificates (GICs)	Level 2	6,575	4,503
		75,610	73,503
Less: amounts included with cash and cash equivalents		(1,259)	(756)
Less: amounts included with specific purpose funds		(2,341)	(2,443)
		72,010	70,304
Less: amounts maturing/redeemable within one year, included in current assets		(10,560)	(6,099)
		$ 61,450	$ 64,205

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)

None of the above investments are considered impaired, and no write-down 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.

(in thousands of dollars)

9. INVESTMENTS (continued)

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.

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 Government and Corporate bonds and GICs by staggering maturity dates. As at March 31, 2013, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	$ 5,717	$ 3,501	$ 1,494	4.37%
2 to 5 years	10,723	25,468	5,081	3.11%
5 to 10 years	8,859	11,547	-	3.73%
Over 10 years	27	1,027	-	3.95%
	$ 25,326	$ 41,543	$ 6,575	

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

10. ACCOUNTS HELD IN TRUST

Cash and cash equivalents and investments held in trust include the following:

	2013	2012 (Restated)
Cash and cash equivalents	$ 2,093	$ 2,410
Investments, at fair value	2,341	2,443
	$ 4,434	$ 4,853

The Authority maintains numerous trust accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2013	2012 (Restated)
Balance, beginning of year	$ 4,853	$ 3,576
Grants, bequests and donations	1,166	2,513
Investment income	31	(337)
Disbursements	(1,616)	(899)
Balance, end of year	$ 4,434	$ 4,853

(in thousands of dollars)

11. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tripartite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and cash equivalents held for the Nurse Recruitment and Retention Fund include the following:

	2013	2012 (Restated)
Cash and cash equivalents	$ 4,870	$ 4,169

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	2013	2012 (Restated)
Balance, beginning of year	$ 4,169	$ 3,512
Additions to fund	3,200	3,600
Interest earned on investment	20	13
Fund expenditures	(2,519)	(2,956)
Balance, end of year	$ 4,870	$ 4,169

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012 (Restated)
Accounts payable and accrued liabilities	$ 156,423	$ 163,681
Accounts payable to Manitoba Health	7,542	7,572
Accrued salaries	37,972	40,755
Holdbacks on construction contracts	7,985	3,947
	$ 209,922	$ 215,955

13. DEMAND LOANS

The demand loan represents an interest free cash advance from Manitoba Health. The interest free demand loan has a balance at March 31, 2013 of $nil (2012 - $nil, 2011 - $18,000) and was issued on October 31, 2009 in the amount of $20,000. This loan was repaid in full in 2012.

(in thousands of dollars)

14. LONG-TERM DEBT

		2013		2012 (Restated)
1.720% Banker)s Acceptance, maturing April 15, 2013 Health Sciences Centre Tecumseh Street Parkade Original Obligation $38,319, Fair value $34,344 (2012 - $35,635)	$	34,344	$	35,635
Prime minus 0.65% Mortgage payable, maturing December 31, 2015 Health Sciences Centre Kleysen Institute Original Obligation $13,999, Fair value $8,818 (2012 - $11,302)		8,818		11,302
7.38% Mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition and Food Services Original Obligation $18,976, Fair value $8,906 (2012 - $9,982)		8,406		9,624
5.8% Bank Loan, maturing September 30, 2014 Monthly principal and interest payments $87 St. Boniface General Hospital Atrium Original Obligation $12,400, Fair value $9,975 (2012 - $10,272)		8,787		9,309
1.405% Banker)s Acceptance, maturing April 28, 2013 Health Sciences Centre Emily Street Parkade Original Obligation $7,256, Fair value $3,857 (2012 - $4,654)		3,857		4,654
Prime minus 0.65% Term Loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot Original Obligation $1,255, Fair value $993 (2012 - $1,098)		993		1,098
Prime Non-Revolving Term Credit Facility, no fixed maturity Riverview Health Centre Boilers Original Obligation $1,286, Fair value $286 (2012 - $406)		286		406
Prime plus 0.30% Demand Loan Monthly principal and interest payments $3 Churchill Health Centre Original Obligation $213, Fair value $180 (2012 - $144)		180		144
Prime plus 0.25% Term Loan, maturing September 1, 2015 Monthly principal and interest payments $4 Grace General Hospital Hospice Original Obligation $500, Fair value $71 (2012 - $121)		71		121
		65,742		72,293
Less amounts due within one year, included in current liabilities		(45,215)		(47,345)
	$	20,527	$	24,948

The fair value of long-term debt has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

(in thousands of dollars)

14. LONG-TERM DEBT (continued)

The Health Sciences Centre Tecumseh Street Parkade Loan has been secured with the Tecumseh Street Parkade, which at March 31, 2013 had a net book value of $38,747 (2012 - $40,287). The Health Sciences Centre Emily Street Parkade Loan has been secured with the Emily Street Parkade which at March 31, 2013 had a net book value of $5,011 (2012 - $5,570). The assigned results of the HSC Business and Innovative Services have also been secured against both of the parkade loans.

The Health Sciences Centre Kleysen Institute loan, which has been secured against an assignment of funding pledges, had at March 31, 2013 a net book value of $61,404 (2012 - $58,989). Principal repayments will match the timing of the receipt of the pledges. The Authority anticipates approximately $4,527 of repayment in the next year.

The St. Boniface General Hospital Atrium Loan maturing on September 30, 2014 is secured 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 Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any building or land associated with the Atrium without the lender)s consent.

The Grace General Hospital Ancillary Parking Lot Loan has been secured with the revenue from the Grace Ancillary parking lot. The Grace General Hospital Hospice Loan has been secured with the Hospice building which at March 31, 2013 had a net book value of $3,178 (2012 - $3,284).

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which at March 31, 2013 amount to $36,000 (2012 - $36,000). As at March 31, 2013, $nil is being utilized (2012 - $nil).

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

2013/14	$	45,215
2014/15		11,969
2015/16		3,715
2016/17		1,739
2017/18		1,864
Thereafter		1,240

15. 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 and Tecumseh Street Parkade at the Health Sciences Centre. These interest rate swaps relate to banker)s acceptances (listed in Note 14), which are automatically renewed monthly until the end of the swap agreement. The notional amount of the Emily swap at March 31, 2013 is $3,857 (2012 - $4,654), maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated as $(113) (2012 - $(136)), resulting in a derivative liability of $113 (2012 - $136).

The notional amount of the Tecumseh swap at March 31, 2013 is $34,236 (2012 - $35,635) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(1,532) (2012 - $(734)), resulting in a derivative liability of $1,532 (2012 - $734).

This derivative is 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 and in accounts payable and accrued liabilities in the consolidated statement of financial position.

The counterparty to this contract is a major Canadian financial institution. The Authority does not anticipate any material adverse effect on its 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)

16. DEFERRED CONTRIBUTIONS

	2013	2012 (Restated)
Deferred contributions, future expenses		
-funding provided by Manitoba Health	$ 52,636	$ 50,824
-funding provided by other sources	45,246	45,167
	97,882	95,991
Deferred contributions, capital	1,229,096	1,137,270
Deferred contributions, total	$ 1,326,978	$ 1,233,261

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority)s operating expenses. The recognition of deferred contributions, future expenses is recorded as revenue in the consolidated statement of operations.

	2013	2012 (Restated)
Balance, beginning of year	$ 95,991	$ 58,484
Amount received during the year	32,160	68,374
Transferred to deferred contributions, capital	(91)	(3)
Less: amount recognized as revenue - programs	(18,699)	(12,871)
Less: amount recognized as revenue - non-insured services	(11,479)	(17,993)
Balance, end of year	$ 97,882	$ 95,991

b) 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.

	2013	2012 (Restated)
Balance, beginning of year	$ 1,137,270	$ 984,593
Amount received during the year	169,048	222,005
Transferred from deferred contributions, future expenses	91	3
Less: amount amortized to revenue - programs	(74,413)	(66,511)
Less: amount amortized to revenue - non-insured services	(2,900)	(2,820)
Balance, end of year	$ 1,229,096	$ 1,137,270

(in thousands of dollars)

16. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

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 has incorporated the following long-term debt as part of its deferred contributions balance:

	2013	2012 (Restated)
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, Prime less 1.0% to Prime plus 0.50%	$ 160,509	$ 90,009
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	51,410	51,386
	$ 211,919	$ 141,395

At March 31, 2013 the value of the sinking fund assets and accumulated interest aggregated $36,910 (2012 - $33,825).

Repayment on the above demand bank loans for capital projects begins when the related capital projects are substantially complete. For those substantially complete projects, the scheduled principal repayments are as follows:

2013/14	$ 2,305
2014/15	2,246
2015/16	2,232
2016/17	2,194
2017/18	2,118

(in thousands of dollars)

17. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets represents the amount of capital assets internally funded and is calculated as follows:

	2013	2012 (Restated)
Capital assets	$ 1,437,462	$ 1,352,277
Amounts financed by:		
Deferred contributions	$ (1,229,096)	$ (1,137,270)
Loans and accounts payable	(54,154)	(83,628)
Investment in capital assets	$ 154,212	$ 131,379

Change in investment in capital assets is calculated as follows:

	2013	2012 (Restated)
a) Surplus (deficit) for the year		
Amortization of capital assets included in programs	$ (80,381)	$ (72,162)
Amortization of capital assets included in non-insured services	(7,968)	(7,982)
Amortization of deferred contributions related to capital assets included in programs	74,413	66,511
Amortization of deferred contributions related to capital assets included in non-insured services	2,900	2,820
	$ (11,036)	$ (10,813)
b) Purchase of capital assets	$ 173,534	$ 220,366
Amounts funded by:		
Capital contributions received during the year	(169,048)	(222,005)
Capital contributions transferred from future expenses	(91)	(3)
Change in capital contributions receivable, loans and accounts payable	29,474	41,708
	$ 33,869	$ 40,066
Change in investment in capital assets	$ 22,833	$ 29,253

(in thousands of dollars)

18. 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) At March 31, 2013, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2013/14	$	17,911
2014/15		15,554
2015/16		15,035
2016/17		14,481
2017/18		14,394

c) At March 31, 2013, the Authority had capital commitments of approximately $203,218 (2012 - $83,014) and equipment purchase commitments of approximately $3,400 (2012 - $7,533).

d) The Authority has entered into various equipment lease commitments. The minimum amounts payable over the next five fiscal years are as follows:

2013/14	$	8,366
2014/15		6,049
2015/16		4,575
2016/17		1,881
2017/18		461

19. 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 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, 2013.

20. ECONOMIC DEPENDENCE

The Authority received approximately 92% (2012 - 92%) 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.

(in thousands of dollars)

21. 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 (Notes 1 and 4a). Transactions between the related parties are recorded at the exchange amount. For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, MATC and VENT are controlled (Note 4b) and have been consolidated into the Authority)s 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 and, accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

A financial summary of these entities is as follows:

	2013	2012
Financial Position		
Total assets	$ 1,837	$ 2,068
Total liabilities and deferred contributions	211	191
Total net assets	$ 1,626	$ 1,877
Results of Operations		
Total revenue	$ 1,332	$ 1,607
Total expenses	1,173	1,063
Surplus from operations	$ 159	$ 544
Cash Flows		
(Used in) from operating activities	$ (330)	$ 368
Used in financing, capital and investing activities	(183)	(135)
(Decrease) increase in cash	$ (513)	$ 233

21. RELATED ENTITIES (continued)

a) Controlled entities (continued)

During the year, the entities listed contributed $610 (2012 - $571) to various facilities within the Authority. The Authority incurred expenses of $nil (2012 - $nil) with the listed entities. As at March 31, 2013, various facilities within the Authority had aggregate amounts of $58 (2012 - $76) receivable from and $nil (2012 - $nil) payable to the entities above.

b) 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 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 $6,043 (2012 - $6,895) to various facilities within the Authority. The Authority incurred expenses of $nil (2012 - $39) with the above entities. As at March 31, 2013, various facilities within the Authority had aggregate amounts of $929 (2012 - $1,680) receivable from and $127 (2012 - $35) payable to the entities above.

c) Economic interest

The consolidated entities within the Authority have an economic interest in a number of 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 $3,796 (2012 - $6,242) to various facilities within the Authority. The Authority incurred expenses of $nil (2012 - $9) with these entities. As at March 31, 2013, various facilities within the Authority had aggregate amounts of $1,110 (2012 - $2,547) receivable from and $89 (2012 - $100) 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. Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service. As at March 31, 2013, the Authority had aggregate amounts of $nil (2012 - $nil) receivable from and $17,383 (2012 - $27,013) payable to proprietary and non-proprietary personal care homes and community health agencies.

22. 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 one of the following (dependent on the agreement/policy applicable to the employee):

1. Four days of salary per year of service upon retirement if the employee meets one of the following conditions:
    i. has 10 years of continuous employment and retires after the age 55 but before age 65;
    ii. has 10 years of continuous employment and who meet the # agic 80% provisions of the HEB Pension Plan;
    iii. retires at or after age 65;
    iv. terminates employment at any time due to permanent disability

2. One week of pay for each year of service up to 15 years of service upon retirement if the employee meets the following conditions:
    i. has 10 or more years of service

3. One week of pay for each year of accumulated service or portion thereof to a maximum of 15 weeks pay upon retirement if the employee meets the following conditions:
    i. has 10 or more years of service
    ii. has reached the age of 55

4. Payment or pre-retirement leave equivalent to the number of unused sick leave days accumulated during the last 5 years of service plus 25% of the unused sick leave days accumulated prior to the last 5 years of service multiplied by the daily rate of the employee)s permanent or regular position in effect on the employee)s last day of service payable upon retirement, death, or termination of service caused by a transfer of departmental function.

(in thousands of dollars)

22. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

The Authority accrues its obligations under the defined benefit employee benefit plans and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit service pro-rated on service actuarial cost method and management)s best estimate assumptions.

The most recent valuation of the obligation was performed at December 31, 2012, projected to March 31, 2013 using PS 3250. Actuarial gains (losses) are amortized on a straight-line basis. The period of amortization is equal to the expected average remaining service life (EARSL) of active employees. Past service cost 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.

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

	2013	2012
Accrued benefit obligation	$ 180,850	$ 169,515
Funded status ! plan deficit	(180,850)	(169,515)
Unamortized net actuarial loss (gain)	3,097	(997)
Accrued benefit (liability)	$ (177,753)	(170,512)

The change in the Authority)s accrued retirement benefit plan is comprised of the following:

	2013	2012
Accrued benefit (liability) ! beginning of year	$ (170,512)	$ (162,361)
In-year (expense)	(16,676)	(16,763)
Benefits paid	9,435	8,612
Accrued benefit (liability) ! end of year	$ (177,753)	$ (170,512)

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

	2013	2012
Current service cost	$ 12,834	$ 12,276
Amortization of actuarial (gain) loss	(54)	-
Interest cost	3,896	4,487
	$ 16,676	$ 16,763

The significant actuarial assumptions adopted for measuring the Authority)s accrued benefit obligations are:

	March 31, 2013	March 31, 2012	April 1, 2011
Discount rate	2.125 %	2.375 %	2.875 %
Salary escalation	3.000 %	3.000 %	3.500 %
EARSL	8.2	8.3	8.2

(in thousands of dollars)

22. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

The amount of funding which 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 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.

	2013	2012
Employee future benefits recoverable from Manitoba Health	$ 82,499	$ 82,499

b) Pension plan

Most of the employees are members of the Healthcare Employees Pension Plan (the #*lan%), 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 and as such all of the relevant financial information is contained within the financial information of the Plan. 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 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 PSAB for GNFPO Section 3250.110.

The Pla.)s assets consist of investment grade securities. Market and credit risks on these securities are managed by the Plan through the use of multiple professional investment advisors who are guided by the Plan investment policy. Pension expense is based on the best estimates of the Pla.)s management, in consultation with its actuaries, of the amount, together with a rate of basic annual earnings up to the Canada Pension Plan 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 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 for funding purposes occurred on December 31, 2012, but the results of this valuation are not yet publicly available. As at December 31, 2011, the valuation determined that the Plan was not fully funded, a contribution rate increase was ratified by the Plan Settlors, and it continues to be gradually implemented. Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $74,658 (2012 - $74,662) and are included as an expense in the consolidated statement of operations.

(in thousands of dollars)

22. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan (continued)

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 Manitob/)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.

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 $1,280 (2012 - $1,243) for current year)s contributions.

Some employees are eligible for membership in the multi-employer Home Care Workers)0 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 $1,490 (2012 - $1,388) to this plan.

c) Sick Leave Liability

Under previous Canadian GAAP, non-vesting sick leave benefits were not recognized in the consolidated financial statements. PS 3255, Post-Employment Benefits, Compensated Absences, and Termination Benefits requires the recording of a liability for sick leave benefits that accumulate, but do not vest. As a result, the Authority has recognized a liability and charge to net assets as at the transition date, and an adjustment to excess revenues over expenses for the year ended March 31, 2012.

An analysis of the changes in the sick leave liability are as follows:

	2013	2012
Balance, beginning of year	$ 34,876	$ 34,876
Net increase sick leave liability	460	-
Balance, end of year	$ 35,336	$ 34,876

Assumptions used in determining valuation are as follows:

	March 31, 2013 (%)	March 31, 2012 (%)	April 1, 2011 (%)
Discount rate	2.125	2.375	2.375
Salary escalation	3.000	3.000	3.000

23. 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 are comprised 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 on-going 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 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, 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 is 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.

23. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings. The Authority has entered into an interest rate swap (Note 15) to manage a proportion of total debt that is subject to variable rates.

The fair value of our bond portfolio is subject to changes in the interest rate. The bonds held as investments have interest rates ranging from 1.70 to 6.38%, and maturities from April 1, 2013 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $2,728 on net assets and accumulated remeasurement gains (losses).

The interest payments on our 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 $483 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 $3,665 on net assets and accumulated remeasurement gains (losses).

Foreign exchange and other price risk

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

24. TRANSITION TO PSAB FOR GNFPO

CICA PS 2125 provides a number of elective exemptions related to standards in PSAB. The Authority has elected to use the following exemptions and exceptions were used at the date of transition to PSAB for GNFPOs:

Optional exemptions

Retirement and post-employment benefits

The Authority has elected to recognize all cumulative actuarial gains and losses related to employee future benefits at April 1, 2011 (the transition date) directly in accumulated surplus (deficit) per Section PS 2125.10. Actuarial gains and losses subsequent to the date of transition to PSAB for GNFPO are accounted for in accordance with PS 3250, Retirement Benefits.

The Authority has not elected to use any other exemptions.

(in thousands of dollars)

24. TRANSITION TO PSAB FOR GNFPO (continued)

Reconciliation of net assets and excess of revenues over expenses

Certain accounting policies previously applied under pre-changeover Canadian GAAP financial statements have been amended to comply with PSAB for GNFPO. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and notes that accompany the reconciliations provide a description of the effect of transition.

	Excess of revenue over expenses for the year ended March 31, 2012	Net assets at April 1, 2011
Excess of revenue over expenses and net assets, Previous Canadian GAAP	$ (33)	$ 108,045
Adjustments:		
Election to recognize cumulative actuarial losses	(1,575)	(14,895)
Recognition of sick leave obligation	-	(35,926)
Excess of revenue over expense and net assets, PSAB	$ (1,608)	$ 57,224

Election to recognize cumulative actuarial losses

Using an elective exemption available at the transition date, the Authority has recognized actuarial losses related to employee future benefits in the opening net assets at the transition date.

Recognition of sick leave obligation

As required under PS 3255, the Authority has recognized a liability with respect to sick leave that accumulates but does not vest.

25. SUBSEQUENT EVENTS

The Victoria General Hospital "#1GH%) Board of Trustees passed a resolution transferring all assets, obligations, and ownership of VGH to the Authority effective April 1, 2013, pursuant to the Regional Health Authorities Act and approved by the Minister of Health of the Province of Manitoba.

26. COMPARATIVE FIGURES

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

27. ADJUSTMENTS IN PRIOR PERIOD FINANCIAL STATEMENTS

a) Manitoba Health Funding

In the current fiscal year, the Authority was advised by Manitoba Health that it had established a liability to the Authority with respect to its program deficits that were incurred in each year up until March 31, 2011. The correction of this prior period error has been reported retroactively, and comparative information has been restated as it is considered an oversight of information available at the time the financial statements were prepared that ought to have been taken into account. The impact of this correction has been an increase in unrestricted net assets of $58,475 in 2011 and an increase in accounts receivable of $58,475 in 2011. No corresponding receivable has been established for 2012. In 2013, this receivable was fulfilled by Manitoba Health. As such, the accounts receivable reduced by $58,475 in 2013 and cash increased $58,475 in 2013.

Also in 2013, miscellaneous funding adjustments related to the 2011/12 fiscal year were corrected resulting in a $2,077 reduction in net assets and accounts receivable from Manitoba Health.

b) Invested in capital assets

Accounting errors were noted impacting deferred contributions, invested in capital assets, and unrestricted net assets. The correction has been reported retroactively, and comparative information has been restated. The impact of these corrections at March 31, 2012 has been an increase of $nil (April 1, 2011 - $710) to deferred contributions, an increase of $13,770 (April 1, 2011 - $21,033) to invested in capital assets, and a decrease of $13,770 (April 1, 2011 - $21,743) to unrestricted net assets.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the year ended March 31

(in thousands of dollars)

	2013	2012 Restated
Separately funded primary health programs	$ 4,914	$ 4,501
Patient and resident income	42,894	46,598
Recoveries from external sources	55,860	57,045
Investment income	5,768	1,998
Other revenue	1,972	3,009
Total	$ 111,408	$ 113,151

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 2 - Long Term Care Facility Funding
For the years ended March 31
(in thousands of dollars)

		2013		2012 (Restated)
Non-Proprietary Personal Care Homes				
Actionmarguerite - St. Boniface (formerly Tach2 Centre)	$	17,773	$	17,970
Actionmarguerite - St. Vital (formerly Foyer Valade)		7,399		7,167
Bethania Mennonite Personal Care Home		6,960		6,802
Calvary Place Personal Care Home		5,365		5,292
Convalescent Home of Winnipeg		3,909		3,546
Donwood Manor Personal Care Home		5,995		5,797
Fred Douglas Lodge		6,827		6,506
Golden Links Lodge		4,105		4,091
Golden West Centennial Lodge		5,174		5,156
Holy Family Nursing Home		13,419		13,133
Lions Personal Care Centre		5,415		5,196
Luther Home		3,996		3,901
Meadowood Manor		4,174		3,895
Middlechurch Home of Winnipeg		9,978		9,724
Park Manor Personal Care Home		4,852		4,673
Pembina Place Mennonite Personal Care Home		3,003		2,968
Southeast Personal Care Home		3,919		2,959
Sharon Home		9,729		9,641
St. Joseph's Residence		4,927		4,839
West Park Manor		6,552		6,556
Faith Gardens Inc.		15		15
Miscellaneous Funding Adjustments		2,706		1,658
Total	$	136,192	$	131,485
Proprietary Personal Care Homes				
Central Park Lodge - Beacon Hill	$	8,570	$	8,484
Central Park Lodge - Charleswood Care Centre		7,150		6,889
Central Park Lodge - Heritage Lodge		4,247		4,277
Central Park Lodge - Kildonan Personal Care Home		6,291		6,123
Central Park Lodge - Maples Personal Care Home		10,096		9,726
Central Park Lodge - Parkview Place		14,522		13,648
Central Park Lodge - Poseidon Care Centre		10,481		10,182
Extendicare - Oakview Place		11,010		10,847
Extendicare - Tuxedo Villa		9,422		9,131
Golden Door Geriatric Centre		3,676		3,547
River East Personal Care Home		6,162		5,806
St. Norbert Nursing Home		4,002		3,808
Vista Park Lodge		4,853		4,752
Miscellaneous Funding Adjustments		1,344		919
Total	$	101,826	$	98,139
Rural Proprietary Personal Care Homes				
Central Park Lodge - Valley View	$	4,222	$	4,091
Extendicare - Hillcrest Place		4,561		4,562
Extendicare - Red River Place		5,172		4,923
St. Adolphe Personal Care Home		2,123		2,025
Tudor House Personal Care Home		3,793		3,659
Miscellaneous Funding Adjustments		-		-
Total	$	19,871	$	19,260
Residential Care				
Supportive Housing	$	8,170	$	8,070
St. Amant Centre		28,890		27,781
Total	$	37,060	$	35,851
Total	$	294,949	$	284,735

The facility funding reported on this schedule reflects approximately 75% (2012 - 74%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2013, Drug Capitation Fees of $2,261 (2012 - $2,829) were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 3 - Community Health Agency Funding

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

	2013	2012 (Restated)
Aboriginal Health & Wellness Centre	$ 1,368	$ 1,292
Centre de Sante	2,633	2,603
Hope Centre Health Care Incorporated	1,045	1,047
Klinic Incorporated	7,010	6,848
Main Street Project Inc.	2,745	2,555
MFL Occupational Health and Safety Inc.	797	789
Mount Carmel Clinic	7,398	7,417
Nine Circles Community Health Centre Inc.	3,580	3,482
Nor'West Co-op Community Health Centre, Inc.	2,083	1,688
Rehabilitation Centre for Children, Inc.	2,814	2,750
Sexuality Education Resource Centre Manitoba, Inc.	1,191	1,103
Women's Health Clinic, Inc.	4,998	3,890
Clinique Youville Clinic Inc.	2,654	2,602
Miscellaneous Funding Adjustments	2	1
Total	$ 40,318	$ 38,067

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 4 - Adult Day Care Facility Funding

For the years ended March 31

(in thousands of dollars)

	2013	2012 (Restated)
Convalescent Home of Winnipeg	$ 57	$ 57
Fred Douglas Lodge	210	210
Golden Links Lodge	96	96
Golden West Lodge	182	182
Holy Family Nursing Home	269	269
Independent Living Resource Centre	114	114
Lions Personal Care Centre	176	175
Lions Place - Charleswood	324	322
Lions Place - Concordia	209	207
Lions Place - 610 Portage	244	243
Luther Home	107	107
Middlechurch Home of Winnipeg	272	272
Extendicare - Oakview Place	159	159
Park Manor Personal Care Home	158	157
Sharon Home	86	86
South YM/YWCA	170	170
Tach2 Centre	421	421
Miscellaneous Funding Adjustments	-	2
Total	$ 3,254	$ 3,249

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the years ended March 31
(in thousands of dollars)

	2013	2012 (Restated)
Aboriginal Seniors Resource Centre	$ 172	$ 172
Age & Opportunity Centre Inc.	507	507
ALS House (Brummit Feasby)	408	415
Alzheimer's Society of Manitoba	238	93
Andrews Street Family Centre	7	40
Artbeat Studio Inc.	50	-
Betelstadur Housing Co-op	7	7
Bethania Personal Care Home	11	9
Bethel Place	38	38
Bonivital Council for Seniors	40	40
Broadway Seniors Resource Council Inc.	40	40
Brooklands Pioneer Senior Citizens Club	25	25
Canadian Mental Health Association-Winnipeg Region	1,623	1,303
Central Speech & Hearing Clinic Inc.	292	266
Charleswood Senior Centre	48	48
Chez Nous Inc.	20	20
City of Winnipeg - Emergency Services	13,675	5,609
Clubhouse of Winnipeg Inc.	420	420
CNIB	13	13
Columbus Manor	20	20
Community Therapy Services - Mental Health	225	219
Creative Retirement Manitoba	48	48
Donwood Manor	121	121
Fort Garry Services Inc.	38	38
Foyer Vincent Inc.	20	20
Friends Housing Inc.	96	96
Good Neighbours Senior Centre Inc.	131	131
Gwen Secter Creative Living Centre	60	60
Hospice & Palliative Care Manitoba	84	84
Jewish Child and Family	67	42
Jocelyn House	291	291
Keewatin Inkster Community Resource Council	97	97
KeKinan Centre Inc.	15	15
Kingsford Haus Co-op Ltd.	12	12
La Federation de Franco MB	25	25
L'Accueil Colombien Inc.	19	19
Lindenwood Manor (Wpg Mennonite Seniors Care Inc.)	102	102
Lions Club	38	38
Manitoba Association of Multipurpose Senior Centres	8	8
Manitoba Brain Injury Program	50	51
Manitoba Cardiac Institute (Reh-fit)	766	766
Manitoba Eastern Star Chalet	12	12
Manitoba Housing Authority	352	355
MacDonald Youth Services	-	331
McClure	12	12
Meals on Wheels of Winnipeg Inc.	162	162
Metropolitan Kiwanis Courts	103	103

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 5 - Grants to Facilities and Agencies (continued)

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

	2013	2012 (Restated)
Middlechurch Home of Winnipeg	48	48
North End Wellness Elders	17	-
Park Manor Personal Care Home	83	83
Pembina Active Living 55+	25	25
Pembina Place	38	38
Rainbow Resource Centre	351	351
River East Council for Seniors	64	64
Rose & Max Rady Jewish Community Centre	18	18
Ruperts Land Caregiver Services	68	68
S.S.C.O.P.E. Incorporated	104	224
Salvation Army	253	253
Sara Riel Inc.	1,130	970
Seniors Home Help Inc.	77	77
Seneca House	382	382
Serena Manitoba Inc.	12	12
Seven Oaks Seniors Link	40	40
Seven Oaks Wellness Centre	892	886
Society for Manitobans with Disabilities	1,567	1,518
South Winnipeg Seniors Resource Council Inc.	64	64
St. James/Assiniboia Senior Centre Inc.	100	99
Stay Young Centre	18	18
Transcona Council for Seniors	48	48
University of Manitoba - MILE, Comm. Dentistry Prgm & WISH	120	80
University of Manitoba Dentistry - PCH Program	255	255
University of Manitoba	450	1,638
Villa Cabrini Inc.	38	38
Villa Nova	12	12
Villa Tache	31	31
Willow Centre	12	12
Winnipeg Housing Rehab Corp.	19	19
Wolseley Family Centre	99	99
YW/YMCA of Winnipeg	186	186
Miscellaneous Funding Adjustments	(6)	(6)
Total	$ 27,223	$ 19,993

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Internally Restricted Net Assets

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

	2013												2012 Restated
	Internally Restricted Net Assets												
	Laundry Capital Assets	Concordia Capital Assets	Deer Lodge Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Health Sciences Centre Internally Restricted	Riverview Internally Restricted	Misericordia Capital Assets	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total	Total
Balance, beginning of year	$ 2,632	$ 895	$ 149	$ 3,042	$ 255	$ 4,097	$ 1,984	$ 3,620	$ -	$ 5,589	$ 6,587	$ 28,850	$ 27,819
Surplus (deficit) for the year	-	-	-	-	-	26	-	44	-	629	(26)	673	813
Purchase of capital assets, net	(1,083)	(231)	-	-	-	(576)	-	-	-	(639)	(34)	(2,563)	(672)
Net asset restrictions	879	-	132	216	51	560	391	-	716	-	-	2,945	890
Balance, end of year	$ 2,428	$ 664	$ 281	$ 3,258	$ 306	$ 4,107	$ 2,375	$ 3,664	$ 716	$ 5,579	$ 6,527	$ 29,905	$ 28,850

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Nature of Expense
For the year ended March 31
(unaudited)
(in thousands of dollars)

	2013	2012 (Restated)
REVENUE		
Manitoba Health operating income	$ 2,386,750	$ 2,303,890
Other income (Schedule 1)	111,408	113,151
Amortization of deferred contributions, capital	74,413	66,511
Recognition of deferred contributions, future expenses	18,699	12,871
	2,591,270	2,496,423
EXPENSES		
Salaries and Wages	1,434,605	1,354,987
Medical Remuneration	221,060	227,052
General Supplies	58,354	55,438
Food and Dietary Supplies	7,416	6,688
Medical and Surgical Supplies	128,269	122,627
Pharmaceutical Supplies	60,609	59,401
Utilities	18,106	18,130
Miscellaneous	44,576	57,656
Equipment Expense	52,982	51,980
Contracted Out Services	99,108	101,504
Buildings and Grounds Expense	27,406	25,057
Interest	527	722
Amortization	80,381	72,165
Non-acute care facility and grant funding	366,508	346,779
	2,599,907	2,500,186
OPERATING DEFICIT	(8,637)	(3,763)
NON-INSURED SERVICES		
Non-insured services income	75,085	82,451
Non-insured services expenses	70,939	80,296
NON-INSURED SERVICES SURPLUS	4,146	2,155
DEFICIT FOR THE YEAR	$ (4,491)	$ (1,608)

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program
For the year ended March 31
(unaudited)
(in thousands of dollars)

	2013	2012 (Restated)
REVENUE		
Manitoba Health operating income	$ 2,386,750	$ 2,303,890
Other income (Schedule 1)	111,408	113,151
Amortization of deferred contributions, capital	74,413	66,511
Recognition of deferred contributions, future expenses	18,699	12,871
	2,591,270	2,496,423
EXPENSES		
Program costs		
Anaesthesia	15,603	15,458
Breast health	2,779	2,689
Cardiac sciences	76,228	75,863
Child health	113,670	106,477
Child, adolescent and mental health	20,507	20,050
Critical care	64,907	62,480
Diagnostic imaging	67,076	66,333
Diagnostic imaging - Radiology Fee for Service	13,685	13,729
Emergency	94,379	90,263
Family medicine	42,433	39,736
Genetics	1,542	1,483
Health Links	6,822	6,600
Laboratories	89,020	84,418
Medicine	122,872	118,629
Renal health	61,563	59,042
Mental health	42,085	40,338
Oncology	8,648	5,184
Oral health	640	660
Palliative care	12,484	12,081
Psychology	4,728	4,372
Rehab/Geriatrics	47,966	62,435
Surgery	239,343	226,002
Women)s health	52,964	50,932
Long-term care	75,988	63,308
Residents and interns	38,353	33,706
Other diagnostic and therapeutic services	45,892	46,927
Pharmacy	41,168	37,333
Community based home care services	211,595	205,784
Community based mental health services	23,131	21,910
Community based primary health services	42,055	39,622
Separately funded primary health programs	10,483	9,823
	1,690,609	1,623,667

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program (continued)
For the year ended March 31
(unaudited)
(in thousands of dollars)

	2013	2012 (Restated)
Indirect service costs		
Corporate and support services	76,394	83,423
Clinical and non-clinical support services	108,351	92,822
Information services		
eHealth information services (Schedule A)	82,182	75,369
Other information services	792	4,186
Facility services	156,375	157,478
Marketed services	3,397	97
Research and education services	8,555	9,621
	436,046	422,996
Other costs		
Non-acute care facility and grant funding	366,508	346,779
Aboriginal services and strategies	2,971	2,890
Other costs	15,164	22,819
Employee future benefits	7,701	8,151
Interest	527	722
Amortization of capital assets	80,381	72,162
	473,252	453,523
	2,599,907	2,500,186
OPERATING DEFICIT	(8,637)	(3,763)
NON-INSURED SERVICES		
Non-insured services income	75,085	82,451
Non-insured services expenses	70,939	80,296
NON-INSURED SERVICES SURPLUS	4,146	2,155
OPERATING AND NON-INSURED DEFICIT	$ (4,491)	$ (1,608)

WINNIPEG REGIONAL HEALTH AUTHORITY

Supplementary Information

Schedule A - Manitoba eHealth Operating Results

For the year ended March 31

(unaudited)

(in thousands of dollars)

	2013	2012
REVENUE		
Manitoba Health operating income	$ 67,471	$ 61,798
Recoveries	14,968	13,847
	82,439	75,645
EXPENSES		
Salaries, wages, and employee benefits	45,197	42,017
Data communications	1,711	2,240
License fees	3,247	2,821
Hardware and software maintenance	18,020	17,462
Buildings and ground expense	2,668	2,724
Miscellaneous and other	11,339	8,105
	82,182	75,369
OPERATING SURPLUS	257	276
Manitoba Health operating income reduction	(257)	(276)
SURPLUS FOR THE YEAR	$ -	$ -

The above results are exclusive of items such as employee future benefits and the revenue and expenses related to capital assets, as these items are recorded outside of eHealth operations.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
As at March 31, 2013
(unaudited)
(in thousands of dollars)

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.

The most current definition of administrative costs determined by CIHI includes: General Administration (including Acute/Long-term Care/Community Administration, Patient Relations, Community Needs Assessment, Risk Management, Quality Assurance, and Executive costs), Finance, Human Resources, Labour Relations, Nurse/Physician Recruitment and Retention, and Communications.

The administrative cost percentage indicator (administrative costs as a percentage of total operating costs) adheres to CIHI definitions.

At the request of Manitoba Health, the presentation of administrative costs has been modified to include new categorizations in order to increase transparency in financial reporting. These categories and their inclusions are as follows:

Corporate
Includes: General Administration, Acute Care/Long-term Care/Community Services Administration, Executive Offices, Board of Trustees, Planning & Development, Community Health Assessment, Risk Management, Internal Audit, Finance & Accounting, Communications, Telecommunications, and Mail Service.

Recruitment & Human Resources
Includes: Personnel Records, Recruitment & Retention (General, Physicians, Staff, and Nurses), Labour Relations, Employee Compensation & Benefits Management, Employee Health & Assistance Programs, Occupational Health & Safety, and Provincial Labour Relations Secretariat.

Patient Care Related
Includes: Utilization Management, Cancer Standards & Guidelines, Patient Relations, Infection Control, Quality Assurance (Medical, Nursing, and Other), and Accreditation.

(in thousands of dollars)

ADMINISTRATIVE COSTS (continued)

Administrative costs and percentages for the Authority (including hospitals, non-proprietary personal care homes and community health agencies) are:

	2013						2012					
	Acute Care Facilities and Corporate Office		Personal Care Homes and Community Health Agencies		Total		Acute Care Facilities and Corporate Office		Personal Care Homes and Community Health Agencies		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
							(Restated)		(Restated)		(Restated)	
Corporate	$55,326	2.23%	$13,616	5.71%	$68,941	2.54%	$53,966	2.27%	$14,379	6.12%	$68,345	2.62%
HR and Recruitment	22,891	0.92%	1,841	0.77%	24,733	0.91%	23,065	0.97%	1,237	0.53%	24,302	0.93%
Patient Care Related	17,343	0.70%	19	0.01%	17,362	0.64%	16,400	0.69%	18	0.01%	16,418	0.63%
	$95,560	3.85%	$15,476	6.49%	$111,036	4.09%	$93,431	3.93%	$15,634	6.66%	$109,065	4.18%

The 2013 figures presented are based on preliminary data available at time of publication. Restatements were made to the 2012 figures to reflect the final data that was submitted after the publication date and for the removal of Telehealth information (previously included in Patient Care Related category above).

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.

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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations and changes in net assets, and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 audits 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 Calvary Place Personal Care Home as at March 31, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants

June 24, 2013
Winnipeg, Manitoba

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Operations and Changes in Net Assets
Years Ended March 31, 2013 and 2012

	2013	2012 (Note 2)
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 5,501,600**	$ 5,426,698
Residential charge	**1,800,455**	1,755,313
Amortization of deferred contributions - property	**269,733**	277,043
Other income	**38,104**	35,494
	7,609,892	7,494,548
EXPENSES		
Salaries	**4,764,031**	4,691,620
Employee benefits	**966,213**	906,155
Payroll tax	**101,411**	100,577
Incontinence supplies	**43,913**	51,635
Medical and surgical supplies	**46,190**	40,386
Operating - Schedule	**894,397**	897,392
Physical plant - Schedule	**270,461**	291,617
Amortization of fixed assets	**269,733**	277,043
Administration - Schedule	**82,030**	101,168
Nursing - Schedule	**166,984**	176,657
	7,605,363	7,534,250
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES FOR THE YEAR	**4,529**	(39,702)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**410,873**	450,575
UNRESTRICTED NET ASSETS, END OF YEAR	**$ 415,402**	$ 410,873

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Financial Position
March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011 (Note 2)
ASSETS			
CURRENT			
Cash	$ 809,586	$ 523,750	$ 1,766,986
Accounts receivable	172,646	373,345	536,396
G.S.T. recoverable	4,994	6,439	5,135
Supplies	20,921	16,751	17,629
Prepaid expenses	9,480	6,215	6,137
Due from Manitoba Health - vacation pay	228,184	228,184	228,184
	1,245,811	1,154,684	2,560,467
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	463,380	391,848	348,032
FIXED ASSETS (Note 4)	6,417,456	6,565,795	6,819,717
TRUST AND ACTIVITY FUND ASSETS	165,397	156,249	141,136
	$ 8,292,044	$ 8,268,576	$ 9,869,352
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (Note 5)	$ 667,981	$ 590,304	$ 548,073
Government remittances payable	84,453	79,640	71,619
Due to Winnipeg Regional Health Authority	77,975	73,867	1,490,200
	830,409	743,811	2,109,892
PRE-RETIREMENT ENTITLEMENTS	463,380	391,848	348,032
DEFERRED CONTRIBUTIONS (Note 6)	6,417,456	6,565,795	6,819,717
TRUST AND ACTIVITY FUND LIABILITIES	165,397	156,249	141,136
	7,876,642	7,857,703	9,418,777
CONTINGENCY (Note 7)			
NET ASSETS			
Unrestricted	415,402	410,873	450,575
	$ 8,292,044	$ 8,268,576	$ 9,869,352

APPROVED BY THE BOARD

Director Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Cash Flows
Years Ended March 31, 2013 and 2012

	2013	2012 (Note 2)
OPERATING ACTIVITIES		
Excess (deficiency) of income over expenses for the year	$ **4,529**	$ (39,702)
Items not affecting cash		
Amortization of fixed assets	**269,733**	277,043
Amortization of deferred contributions - property	**(269,733)**	(277,043)
	4,529	(39,702)
Changes in non-cash operating working capital items		
Accounts receivable	**200,699**	163,051
G.S.T. recoverable	**1,445**	(1,304)
Supplies	**(4,169)**	878
Prepaid expenses	**(3,265)**	(78)
Due from Manitoba Health - pre-retirement entitlements	**(71,532)**	(43,816)
Accounts payable and accrued liabilities	**77,677**	42,231
Government remittances payable	**4,813**	8,021
Due to Winnipeg Regional Health Authority	**4,108**	(1,416,333)
Pre-retirement entitlements	**71,532**	43,816
	285,837	(1,243,236)
FINANCING ACTIVITY		
Deferred contributions received	**121,394**	23,121
INVESTING ACTIVITY		
Fixed asset purchases	**(121,394)**	(23,121)
NET INCREASE (DECREASE) IN CASH POSITION	**285,837**	(1,243,236)
CASH POSITION, BEGINNING OF YEAR	**523,750**	1,766,986
CASH POSITION, END OF YEAR	$ **809,587**	$ 523,750

1. DESCRIPTION OF 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. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Personal Care Home adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time Adoption for Not-for-Profit Organizations, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and the Personal Care Home has prepared and presented a statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 1501, the entity:

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

Impact of the new standards on the statement of financial position as at April 1, 2011

The impact of the adoption of the new standards on the statement of financial position as at April 1, 2011 is a reclassification of government remittances from accounts payable and accrued liabilities to government remittances payable in the amount of $71,619 as the new standards require separate disclosure of government remittances payable.

Impact of the new standards on the statement of operations and changes in net assets for the year ended March 31, 2012

There was no impact of the adoption of the new standards on the statement of operations and changes in net assets for the year ended March 31, 2012.

Impact of the new standards on the statement of cash flows for the year ended March 31, 2012

The Operating activities section of the cash flow statement has been adjusted to reflect, as appropriate, the above changes to the statement of financial position.

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 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.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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 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.

4. FIXED ASSETS

	March 31, 2013			March 31, 2012	April 1, 2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Land	$ 424,712	$ -	$ 424,712	$ 424,712	$ 424,712
Building	8,600,765	2,834,751	5,766,014	5,962,406	6,158,608
Computer equipment and software	60,969	60,969	-	-	-
RDF equipment	300,947	300,947	-	-	-
Nursing equipment	199,329	110,390	88,939	23,585	25,345
Furniture	655,131	541,287	113,844	146,392	189,171
Major equipment	156,335	132,388	23,947	8,700	21,881
	$ 10,398,188	$ 3,980,732	$ 6,417,456	$ 6,565,795	$ 6,819,717

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2013	March 31, 2012	April 1, 2011
Trade	$ 156,229	$ 199,662	$ 132,077
Wages	162,561	67,878	75,836
Accrued vacation pay	349,191	322,764	331,116
Other	-	-	9,044
	$ 667,981	$ 590,304	$ 548,073

6. DEFERRED CONTRIBUTIONS – FIXED ASSETS

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.

	March 31, 2013	March 31, 2012
Balance, beginning of year	$ 6,565,795	$ 6,819,717
Contributions	121,394	23,121
Amortization	(269,733)	(277,043)
Balance, end of year	$ 6,417,456	$ 6,565,795

7. 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.

8. 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 $412,374 (2012 - $374,859) and are included in the statement of operations.

9. 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.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedules of Operating, Physical Plant, Administration and Nursing Expenses
Years Ended March 31, 2012 and 2013

	2013	2012 (Note 2)
OPERATING EXPENSES		
Food	$ 759,455	$ 763,827
Other supplies and expenses	60,592	60,498
Purchased services	74,350	73,067
	$ 894,397	$ 897,392
PHYSICAL PLANT EXPENSES		
Heat, light and power	$ 98,678	$ 108,707
Insurance and property taxes	86,114	94,457
Repairs and maintenance	44,597	49,714
Water	41,072	38,739
	$ 270,461	$ 291,617
ADMINISTRATION EXPENSES		
Membership fees	$ 3,202	$ 3,149
Postage and delivery	1,398	1,733
Printing, stationery and office supplies	23,137	25,696
Professional fees	40,865	57,022
Sundry	1,739	2,092
Telephone and fax	10,494	11,199
Travel and education	1,195	277
	$ 82,030	$ 101,168
NURSING EXPENSES		
Oxygen	$ 2,299	$ 584
Department supplies	-	60
Travel - ambulance, stretcher, taxi	14,378	17,881
One on One care	134,260	137,680
Companion Regular	16,047	17,315
Minor equipment purchase	-	3,137
	$ 166,984	$ 176,657

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc., which comprise the combined statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the combined statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 combined 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011, and its combined results of operations and its combined cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Other Matter

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information in the Schedule is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG LLP

Chartered Accountants

June 7, 2013

Winnipeg, Canada

Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc.

Exhibit 1

Combined Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash and cash equivalents	$ 4,510,114	$ 5,055,229	$ 5,107,699
Construction holdback held in trust	-	-	9,638
Accounts receivable	308,044	260,634	159,405
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3)	1,209,435	1,209,435	1,209,435
Receivable from Winnipeg Regional Health Authority (note 4)	1,128,962	2,234,986	1,617,886
Current portion of investments (note 5)	500,000	-	-
Current portion of long-term receivables from Winnipeg Regional Health Authority (note 6)	103,284	53,107	-
Inventory	97,953	118,994	112,977
Prepaid expenses	172,609	178,767	209,518
	8,030,401	9,111,152	8,426,558
Investments (note 5)	1,180,431	680,431	-
Long-term receivables from Winnipeg Regional Health Authority (note 6)	842,278	437,912	-
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 3)	3,441,996	3,435,962	3,351,803
Capital assets (note 7)	18,566,847	18,535,275	18,340,975
Leasehold estate (note 8)	59,141	62,475	65,806
Other assets	1,000	1,000	1,000
	$32,122,094	$32,264,207	$30,186,142

	March 31, 2013	March 31, 2012	April 1, 2011
Liabilities, Deferred Contributions and Fund Balances			
Current liabilities:			
Bank indebtedness (note 9)	$ 118,645	$ 128,645	$ 215,798
Accounts payable	871,075	433,838	683,000
Accrued liabilities	3,457,774	4,244,409	3,959,355
Advances from Winnipeg Regional Health Authority (note 10)	888,043	450,000	100,000
Bank loan (note 11)	81,653	102,533	123,413
Current portion of obligation under capital lease (note 12)	-	9,119	9,119
Current portion of long-term debt (note 13)	235,817	174,891	111,917
	5,653,007	5,543,435	5,202,602
Employee future benefits (note 3)	3,823,214	3,817,180	3,733,021
Obligation under capital lease (note 12)	-	-	9,119
Long-term debt (note 13)	3,492,878	3,225,590	2,904,923
	7,316,092	7,042,770	6,647,063
	12,969,099	12,586,205	11,849,665
Deferred contributions for (note 14):			
Expenses of future periods	28,874	1,031,194	22,458
Capital assets	15,165,099	15,071,610	14,971,475
	15,193,973	16,102,804	14,993,933
Fund balances:			
Capital Fund (note 15)	1,060,071	955,813	689,955
Internally restricted fund (note 16)	2,898,951	2,619,385	2,652,589
	3,959,022	3,575,198	3,342,544
	$32,122,094	$32,264,207	$30,186,142

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:

Date June 7/2013

Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc.

Exhibit 2

Combined Statements of Operations and Changes in Fund Balances

Year ended March 31, 2013

	Operating Fund	Ancillary Operations Fund	Internally Restricted Fund	Capital Fund	2013 Total
Revenue:					
Winnipeg Regional Health Authority	$26,583,930	$ -	$ -	$ -	$26,583,930
Resident and service fees	8,054,375	-	-	-	8,054,375
	34,638,305	-	-	-	34,638,305
Amortization of deferred contributions (note 14)	-	-	-	910,292	910,292
Offset income:					
Cafeteria	162,505	-	-	-	162,505
Interest	4,758	-	84,907	-	89,665
Donations	12,751	-	73,000	-	85,751
Fundraisers	-	-	12,330	-	12,330
Parking	118,288	-	-	-	118,288
Grants	10,081	-	-	-	10,081
Recoveries:					
General	373,980	-	-	-	373,980
Ancillary operations (note 14)	-	29,575	-	-	29,575
	682,363	29,575	170,237	-	882,175
	35,320,668	29,575	170,237	910,292	36,430,772
Expenses:					
Amortization	-	-	-	1,016,736	1,016,736
Salaries and wages	24,654,554	-	-	-	24,654,554
Employee benefits	5,542,121	-	-	-	5,542,121
Other supplies and expenses	725,713	-	16,252	-	741,965
Medical and surgical supplies	480,326	-	-	-	480,326
Drugs	17,226	-	-	-	17,226
Food costs	1,333,305	-	-	-	1,333,305
Utilities	666,476	-	-	-	666,476
Telephone and sundry	142,502	-	-	-	142,502
Travel	254,961	-	-	-	254,961
Professional and other fees	128,240	-	-	-	128,240
Advertising and public relations	12,983	-	-	-	12,983
Insurance	78,382	-	-	-	78,382
Equipment	410,987	-	-	-	410,987
Buildings and grounds	300,827	-	-	-	300,827
Interest	235,782	-	-	-	235,782
Ancillary operations	-	29,575	-	-	29,575
	34,984,385	29,575	16,252	1,016,736	36,046,948
Excess (deficiency) of revenue over expenses before the undernoted	336,283	-	153,985	(106,444)	383,824
Winnipeg Regional Health Authority employee future benefits recoverable (note 3)	6,034	-	-	-	6,034
Employee future benefits (note 3)	(6,034)	-	-	-	(6,034)
Excess (deficiency) of revenue over expenses	336,283	-	153,985	(106,444)	383,824
Fund balances, beginning of year	-	-	2,619,385	955,813	3,575,198
Transfer to Capital Fund	(179,862)	-	(30,840)	210,702	-
Transfer of Personnal Care Home Program surplus	(112,262)	-	112,262	-	-
Transfer of Adult Day Program surplus	(8,413)	-	8,413	-	-
Transfer of Supportive Housing Program surplus	(35,746)	-	35,746	-	-
Fund balances, end of year	$ -	$ -	$ 2,898,951	$ 1,060,071	$ 3,959,022

See accompanying notes to combined financial statements

Actionmarguerite (Saint-Boniface) Inc. and
Actionmarguerite (Saint-Vital) Inc.
Combined Statements of Operations and Changes in Fund Balances

Year ended March 31, 2012

	Operating Fund	Ancillary Operations Fund	Internally Restricted Fund	Capital Fund	2012 Total
Revenue:					
Winnipeg Regional Health Authority	$ 26,214,514	$ -	$ -	$ -	$ 26,214,514
Resident and service fees	7,864,232	-	-	-	7,864,232
	34,078,746	-	-	-	34,078,746
Amortization of deferred contributions (note 14)	-	-	-	913,370	913,370
Offset income:					
Cafeteria	171,173	-	-	-	171,173
Interest	4,549	-	70,526	-	75,075
Donations	18,180	-	43,678	-	61,858
Fundraisers	-	-	6,535	-	6,535
Parking	116,106	-	-	-	116,106
Shared services	-	-	-	-	-
Grants	10,666	-	-	-	10,666
Recoveries:					
General	373,062	-	-	-	373,062
Ancillary operations (note 14)	-	13,905	-	-	13,905
	693,736	13,905	120,739	-	828,380
	34,772,482	13,905	120,739	913,370	35,820,496
Expenses:					
Amortization	-	-	-	983,745	983,745
Salaries and wages	24,462,430	-	-	-	24,462,430
Employee benefits	5,378,239	-	-	-	5,378,239
Other supplies and expenses	717,101	-	6,072	-	723,173
Medical and surgical supplies	484,276	-	-	-	484,276
Drugs	8,796	-	-	-	8,796
Food costs	1,309,133	-	-	-	1,309,133
Utilities	643,375	-	-	-	643,375
Telephone and sundry	138,866	-	-	-	138,866
Travel	255,838	-	-	-	255,838
Professional and other fees	213,432	-	-	-	213,432
Advertising and public relations	16,453	-	-	-	16,453
Insurance	74,955	-	-	-	74,955
Equipment	362,834	-	-	-	362,834
Buildings and grounds	354,183	-	14,887	-	369,070
Interest	229,521	-	-	-	229,521
Ancillary operations	-	13,905	-	-	13,905
	34,649,432	13,905	20,959	983,745	35,668,041
Excess (deficiency) of revenue over expenses before the undernoted	123,050	-	99,780	(70,375)	152,455
Winnipeg Regional Health Authority prior year adjustments	-	-	80,199	-	80,199
Winnipeg Regional Health Authority employee future benefits recoverable (note 3)	84,159	-	-	-	84,159
Employee future benefits (note 3)	(84,159)	-	-	-	(84,159)
Excess (deficiency) of revenue over expenses	123,050	-	179,979	(70,375)	232,654
Fund balances, beginning of year	-	-	2,652,589	689,955	3,342,544
Transfer to Capital Fund	(144,623)	-	(191,610)	336,233	-
Transfer of Personnal Care Home Program deficit	50,974	-	(50,974)	-	-
Transfer of Adult Day Program surplus	(4,907)	-	4,907	-	-
Transfer of Supportive Housing Program surplus	(24,494)	-	24,494	-	-
Fund balances, end of year	$ -	$ -	$ 2,619,385	$ 955,813	$ 3,575,198

See accompanying notes to combined financial statements

Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc.

Combined Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 383,824	$ 232,654
Adjustments for:		
Amortization of capital assets	1,016,736	983,745
Amortization of deferred contributions related to capital assets	(910,292)	(913,370)
Change in the following:		
Construction holdback held in trust	-	9,638
Accounts receivable	(47,410)	(101,229)
Receivable from Winnipeg Regional Health Authority	1,106,024	(617,100)
Inventory	21,041	(6,017)
Prepaid expenses	6,158	30,751
Accounts payable	437,237	(249,162)
Accrued liabilities	(786,635)	285,054
Advances from Winnipeg Regional Health Authority	438,043	350,000
Net increase (decrease) in deferred contributions related to future periods	(1,002,320)	1,008,736
	662,406	1,013,700
Investing:		
Investments	(1,000,000)	(680,431)
Long-term receivables from Winnipeg Regional Health Authority	(510,087)	(491,019)
Repayments of long-term receivables from Winnipeg Regional Health Authority	55,544	-
	(1,454,543)	(1,171,450)
Capital:		
Additions to capital assets	(1,044,974)	(1,174,714)
	(1,044,974)	(1,174,714)
Financing:		
Bank indebtedness	(10,000)	(87,153)
Increase in deferred contributions related to capital assets	1,003,781	1,013,505
Repayments on bank loan	(20,880)	(20,880)
Repayments on obligation under capital lease	(9,119)	(9,119)
Proceeds from long-term financing	505,544	495,562
Repayments of long-term debt principal	(177,330)	(111,921)
	1,291,996	1,279,994
Decrease in cash	(545,115)	(52,470)
Cash and cash equivalents, beginning of year	5,055,229	5,107,699
Cash and cash equivalents, end of year	$ 4,510,114	$5,055,229
Supplemental cash flow information:		
Cash and cash equivalents is comprised of the following:		
Cash	$ 3,570,114	$3,450,041
Cash equivalents	940,000	1,605,188
	$ 4,510,114	$5,055,229

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 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.

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.

On April 1, 2012, both Corporations adopted Canadian public sector accounting standards. The Corporations have also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Corporations have adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to fund balances and excess of revenue over expenses is provided in note 20.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including 4200 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 and Saint-Vital (together, the Corporations), which are under common control. All significant inter-company balances and transactions have been eliminated.

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.

(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 on March 31, 2012, however they continue to be in effect until new agreements are 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 will expire September 30, 2013. Operating grants are recorded as revenue in the period to which they relate.

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.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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.

(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 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%

1. Significant accounting policies (continued):

(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:

Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured 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 not elected to carry 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 Corporations determine 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 of the amount the Corporations expect 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.

(i) Inventory:

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

(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.

1. Significant accounting policies (continued):

(j) Employee benefits (continued):

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. Change in accounting policy:

On April 1, 2012, the Corporations adopted Public Accounting Standard *PS 3450 - Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Corporations' accounting policy choices (see note 1).

There were no adjustments to fund balances as at April 1, 2012 as a result of the adoption of PS 3450.

3. Employee benefits:

(a) Employee future benefits:

Employee future benefits consist of:

	2013	2012	2011
Pre-retirement benefits	$ 3,093,025	$ 3,020,420	$ 2,936,261
Accumulated non-vested sick leave benefits	730,189	796,760	796,760
	$ 3,823,214	$ 3,817,180	$ 3,733,021

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 2.13 percent (2012 - 2.38 percent; 2011 - 2.88 percent), a rate of salary increase of 3.00 percent (2012 - 3.00 percent; 2011 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

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

	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	$3,020,420	2,936,261
Current benefit cost	226,380	225,503
Interest	72,561	87,956
Benefits paid	(225,922)	(229,300)
Balance, end of year	3,093,439	3,020,420
Amortized actuarial loss	(414)	-
Pre-retirement benefits	$3,093,025	$3,020,420

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.

3. Employee benefits (continued):

(a) Employee future benefits (continued):

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 increase recorded in fiscal 2013 was $72,605 (2012 - increase of $84,159) and is recorded in the combined statements of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2013 aggregates $2,711,807 (2012 - $2,639,202; 2011 - $2,555,043) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grants provided to the Corporations. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Since 2010, including 2013, actual funding provided by WRHA has been 100 percent of actual pre-retirement benefits paid.

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 2.13 percent (2012 - 2.38 percent; 2011 - 2.38 percent) and a rate of salary increase of 3.00 percent (2012 - 3.00 percent; 2011 - 3.00 percent).

A recoverable from the WRHA of $730,189 (2012 - $796,760; 2011 - $796,760) for the accumulated non-vested sick leave benefits has been recorded in the combined statements 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 decrease recorded in 2013 was $66,571 (2012 - nil) and is recorded in the combined statements of operations.

(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 statements of financial position. The vacation benefits liability at March 31, 2013 is $1,848,028 (2012 - $1,795,983; 2011 - $1,715,517).

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of $1,209,435 as included on the combined statements 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:

	2013 Saint-Boniface	2013 Saint-Vital	2013 Combined	2012 Combined	2011 Combined
Receivable:					
Prior years	$ 704,557	$ 137,768	$ 842,325	$ 1,480,461	$ 518,097
Resident charges	-	15,299	15,299	28,868	168,233
Salaries and benefits	103,109	41,244	144,353	1,000,845	479,220
Employee pre-retirement benefits	208,963	33,860	242,823	229,300	187,414
Other	65,494	89,600	155,094	226,244	441,962
	1,082,123	317,771	1,399,894	2,965,718	1,794,926
Payable:					
Prior years	100,937	30,783	131,720	636,415	147,265
Resident charges - Resident fees	107,010	-	107,010	66,670	27,904
Interest	2,597	205	2,802	1,614	1,314
Other	29,400	-	29,400	26,033	557
	239,944	30,988	270,932	730,732	177,040
	$ 842,179	$ 286,783	$1,128,962	$2,234,986	$1,617,886

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, 2013 the Corporations have invested in government investment certificates aggregating $1,680,431 (2012 - $680,431; 2011 - nil) which are interest bearing from 2.30% to 3.15% (2012 - 2.75% to 3.15%) and mature between fiscal 2014 and 2016. During the year ended March 31, 2014, $500,000 (2012 - nil mature in fiscal 2013) of the government investment certificates mature and have been disclosed in current assets on the combined statement of financial position.

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

	2013	2012	2011
Sprinkler system upgrade (Saint-Boniface)	$ 300,303	$ 335,283	-
Nurse call system upgrade (Saint-Boniface)	139,715	155,736	-
Replacement of windows and bricks (Saint-Boniface)	505,544	-	-
	945,562	491,019	-
Current portion	103,284	53,107	-
	$ 842,278	$ 437,912	-

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

The Corporations have three long-term receivables from WRHA relating to capital projects. The long-term receivable for the nurse call system upgrade requires monthly principal payments of $1,340 plus interest at prime less 0.25 percent and matures December 31, 2021; the long-term receivable for the sprinkler system upgrade requires monthly principal payments of $2,794 plus interest at prime less 0.25 percent and matures March 31, 2022; and the long-term receivable for the replacement of windows and bricks requires monthly principal payments of $4,357 plus interest at prime less 0.25 percent and matures December 31, 2022.

7. Capital assets:

			2013
	Cost	Accumulated amortization	Net book value
Land improvements	$ 462,568	$ 443,228	$ 19,340
Buildings	27,999,355	12,400,629	15,598,726
Building service equipment	2,578,270	891,572	1,686,698
Equipment	5,056,148	4,096,365	959,783
Software licences and fees	517,483	301,893	215,590
Work in progress	86,710	-	86,710
	$36,700,534	$ 18,133,687	$18,566,847

			2012
	Cost	Accumulated amortization	Net book value
Land improvements	$ 462,568	$ 437,912	$ 24,656
Buildings	27,290,853	11,740,693	15,550,160
Building service equipment	2,506,768	749,726	1,757,042
Equipment	4,942,702	3,975,521	967,181
Software licences and fees	284,431	284,431	-
Work in progress	236,236	-	236,236
	$35,723,558	$ 17,188,283	$18,535,275

7. Capital assets (continued):

			2011
	Cost	Accumulated amortization	Net book value
Land improvements	$ 462,568	$ 397,445	$ 65,123
Buildings	27,290,854	11,115,348	16,175,506
Building service equipment	1,284,700	613,349	671,351
Equipment	4,654,620	3,814,524	840,096
Software licences and fees	284,431	283,092	1,339
Work in progress	587,560	-	587,560
	$34,564,733	$ 16,223,758	$18,340,975

8. Leasehold estate:

The original building 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 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, 2013, the Corporations had authorized lines of credit of $1,700,000 (2012 - $1,535,686; 2011 - $1,885,508) of which $118,645 (2012 - $128,645; 2011 - $215,798) was used to finance the following projects:

		2013		2012		2011
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Operating line of credit	$ 1,500,000	-	$ 900,000	-	$ 900,000	-
38 bed addition (Saint-Vital)	200,000	$ 118,645	200,000	$ 128,645	200,000	$ 138,645
Behavioural unit renovation (Saint-Boniface)	-	-	435,686	-	435,686	-
Sprinkler system upgrade (Saint-Boniface)	-	-	-	-	349,822	77,153
	$1,700,000	$ 118,645	$1,535,686	$ 128,645	$1,885,508	$ 215,798

The lines of credit bear interest at the bank's prime rate less 0.25 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.

The Corporations have issued letters of guarantee aggregating $1,090,000 (2012 - nil; 2011 - nil) through its lender to provide guarantees to a supplier.

10. Advances from Winnipeg Regional Health Authority:

During the fiscal year, to offset related funding commitments outstanding from prior year receivables, funding advances from the WRHA increased to $888,043 (2012 - $450,000; 2011 - $100,000). These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Bank loan:

The bank loan is held by Caisse Financial Group, is repayable on demand, is supported by a borrowing resolution of the Board of Directors together with borrowing approval from the WRHA, and bears interest at the Caisse Financial Group's prime lending rate minus 0.50 percent. The loan is being repaid at $1,740 monthly, plus interest.

12. Obligation under capital lease:

During fiscal 2011, the Corporations had entered into a capital lease obligation for building service equipment. The obligation is non-interest bearing, requires monthly payments of $760 and matured on March 1, 2013.

13. Long-term debt:

	2013	2012	2011
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	$ 139,715	$ 160,279	-
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	300,303	335,283	-
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	505,544	-	-
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	1,238,625	1,316,723	$1,389,017
First mortgage on 1978 construction, payable in monthly blended payments of $13,375, due February 1, 2028. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,544,508	1,588,196	1,627,823
	3,728,695	3,400,481	3,016,840
Current portion	235,817	174,891	111,917
	$3,492,878	$3,225,590	$2,904,923

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:

2014	$ 235,817
2015	247,529
2016	260,290
2017	274,198
2018	289,351
Thereafter	2,421,510
	$3,728,695

14. 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 and WRHA funding received at 2012 fiscal year-end for 2013.

	2013	2012	2011
Balance, beginning of year	$ 1,031,194	$ 22,458	$ 17,473
Add amount received related to future periods	42,039	1,022,641	18,982
Less amount recognized as revenue in the year	(1,044,359)	(13,905)	(13,997)
	$ 28,874	$ 1,031,194	$ 22,458

(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 statements of operations.

	2013	2012	2011
Balance, beginning of year	$15,071,610	$14,971,475	$15,134,011
Additional contributions received	1,003,781	1,013,505	695,893
Less amounts amortized to revenue	(910,292)	(913,370)	(858,429)
	$15,165,099	$15,071,610	$14,971,475

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

	2013	2012	2011
Unamortized capital contributions used to purchase assets	$14,582,486	$14,496,721	$14,419,690
Unspent contributions:			
Equipment reserve	436,647	456,092	460,156
Major repairs	131,818	104,762	77,706
Donations	14,148	14,035	13,923
	$15,165,099	$15,071,610	$14,971,475

14. Deferred contributions (continued):

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, 2013, the outstanding principal balance on the note was $3,618,334 (2012 - $3,878,334; 2011 - $4,138,334). 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.

15. Capital fund:

	2013	2012	2011
Capital assets	$ 18,566,847	$ 18,535,275	$ 18,340,975
Leasehold estate	59,141	62,475	65,806
	18,625,988	18,597,750	18,406,781
Amount financed by:			
Deferred contributions	(14,582,486)	(14,496,721)	(14,419,690)
Mortgages	(2,783,133)	(2,904,919)	(3,016,840)
Bank loan	(81,653)	(102,533)	(123,413)
Line of credit	(118,645)	(128,645)	(138,645)
Obligation under capital lease	-	(9,119)	(18,238)
	$ 1,060,071	$ 955,813	$ 689,955

16. Internally Restricted Fund:

	2013	2012	2011
To be expended only with the approval of the Member of the Corporation	$2,448,848	$2,212,480	$2,244,056
Other internal projects	450,103	406,905	408,533
	$2,898,951	$2,619,385	$2,652,589

17. Related party transactions:

During the year ended March 31, 2013, Fondation Actionmarguerite Foundation Inc. provided donations of $83,000 (2012 - $44,015; 2011 - $92,066) to the Corporations.

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. Employee pension plan:

During the year, the Corporations contributed $1,608,940 (2012 - $1,603,850; 2011 - $1,375,817) 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, 2011, reported the plan had a deficiency 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 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. Employer contribution rates increased on January 1, 2011 to 7.8% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4% on earnings in excess of the YMPE. On April 1, 2012 employee contribution rates increased to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of YMPE with further increase to 7.9% and 9.5%, respectively, on April 1, 2013 for both employer and employee contribution rates.

19. 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.

19. Financial risks and concentration of credit risk (continued):

(a) Credit risk (continued):

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, 2013 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, 2013, March 2102 or April 1, 2011. As at March 31, 2013, March 31, 2012 or April 1, 2011 there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2012.

(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, bank loan and long-term debt are disclosed in note 9, 11 and 13, respectively.

There have been no significant changes to the liquidity risk exposure from 2012.

19. 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 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 Corporations to cash flow interest rate risk. The Corporations is exposed to this risk on its variable interest long-term financing loans and its bank loan.

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 2012.

20. Transitional adjustments:

(a) Fund balances:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Corporations' fund balances as of April 1, 2011:

Fund balances:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$3,342,544
Adjustment to recognize accumulated non-vested sick leave benefits	(796,760)
Adjustment to recognize receivable from Winnipeg Regional Health Authority for accumulated non-vested sick leave benefits	796,760
Transition election to recognize all cumulative actuarial gains and losses and impact of change in discount rate on employee future pre-retirement benefits	(248,260)
Adjustment to recognize impact on receivable from Winnipeg Regional Health Authority for changes to employee future pre-retirement benefits	248,260
Restated, April 1, 2011	$3,342,544

20. Transitional adjustments (continued):

(a) Fund balances (continued):

In accordance with transitional provisions of Canadian public sector accounting standards, the Corporations have elected to use the exemption for employee future benefits. The Corporations have elected to recognize all cumulative actuarial gains and losses for the employee future pre-retirement benefits plan in fund balances at April 1, 2011.

(b) Combined statement of operations:

As a result of the above noted election and the retrospective applications of Canadian public sector accounting standards, the Corporations recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for the year ended March 31, 2012	$ 232,654
Decrease to employee future benefit expense as a result of change in discount rate for employee future pre-retirement benefits	(33,916)
Decrease to revenue from Winnipeg Regional Health Authority to recognize funding of change in employee future pre-retirement benefits	33,916
Restated for the year ended March 31, 2012	$ 232,654

21. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Actionmarguerite (Saint-Boniface) Inc. and
Actionmarguerite (Saint-Vital) Inc.

Schedule of Combined Statements of Operations - Operating Fund

Years ended March 31, 2013 and 2012

	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2013 Total	2012 Total
Revenue:						
Winnipeg Regional Health Authority	$7,404,531	$ 18,025,782	$ 397,473	$ 756,144	$26,583,930	$26,214,514
Resident and service fees	2,707,940	4,937,740	39,460	369,235	8,054,375	7,864,232
	10,112,471	22,963,522	436,933	1,125,379	34,638,305	34,078,746
Offset income:						
Cafeteria	36,474	126,031	-	-	162,505	171,173
Interest	1,584	3,174	-	-	4,758	4,549
Donations	8,798	3,953	-	-	12,751	18,180
Fundraisers	-	-	-	-	-	-
Parking	40,046	76,183	-	2,059	118,288	116,106
Shared services	240,561	629,201	-	-	869,762	637,191
Grants	5,081	5,000	-	-	10,081	10,666
Recoveries:						
General	113,818	260,001	-	161	373,980	373,062
Ancillary operations	-	-	-	-	-	-
	446,362	1,103,543	-	2,220	1,552,125	1,330,927
	10,558,833	24,067,065	436,933	1,127,599	36,190,430	35,409,673
Expenses:						
Salaries and wages	7,613,087	16,968,978	211,226	731,025	25,524,316	25,099,621
Employee benefits	1,561,580	3,803,733	36,049	140,759	5,542,121	5,378,239
Other supplies and expenses	260,723	421,525	3,924	39,541	725,713	717,101
Medical and surgical supplies	118,130	362,196	-	-	480,326	484,276
Drugs	5,038	12,188	-	-	17,226	8,796
Food costs	379,911	754,511	30,085	168,798	1,333,305	1,309,133
Utilities	196,508	469,968	-	-	666,476	643,375
Telephone and sundry	42,345	87,454	2,758	9,945	142,502	138,866
Travel	47,383	65,516	141,791	271	254,961	255,838
Professional and other fees	36,197	90,813	-	1,230	128,240	213,432
Advertising and public relations	2,262	10,721	-	-	12,983	16,453
Insurance	29,896	48,486	-	-	78,382	74,955
Equipment	102,501	307,804	398	284	410,987	362,834
Buildings and grounds	151,790	149,037	-	-	300,827	354,183
Interest	2,558	233,224	-	-	235,782	229,521
Ancillary operations	-	-	-	-	-	-
	10,549,909	23,786,154	426,231	1,091,853	35,854,147	35,286,623
Excess of revenue over expenses before the undernoted	8,924	280,911	10,702	35,746	336,283	123,050
Winnipeg Regional Health Authority future benefits recoverable (payable)	30,313	(24,279)	-	-	6,034	84,159
Employee future benefits	(30,313)	24,279	-	-	(6,034)	(84,159)
Excess of revenue over expenses	8,924	280,911	10,702	35,746	336,283	123,050
Transfer to Capital Fund	(25,845)	(151,728)	(2,289)	-	(179,862)	(144,623)
Program surplus (deficit)	$ (16,921)	$ 129,183	$ 8,413	$ 35,746	$ 156,421	$ (21,573)

Shared Services:

The Corporations 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 and Changes in Fund Balances.

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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations, changes in net assets (deficiency) and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 generally accepted accounting principles, 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, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP
Chartered Accountants

Winnipeg, Manitoba
June 7, 2013

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BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Restricted cash and investments (Note 3)	**$**	**142,311**	$	110,159	$	111,459
Cash and cash equivalents		**77,117**		-		-
Accounts receivable (Note 4)		**89,496**		169,119		69,809
Due from related parties (Note 5)		**138,156**		234,290		136,292
Inventories		**57,797**		57,797		57,797
Prepaid expenses		**13,227**		13,139		21,009
Vacation entitlement receivable (Note 6)		**497,632**		497,632		497,632
		1,015,736		1,082,136		893,998
Retirement obligations asset (Note 13)		**878,160**		822,956		769,255
Capital assets (Note 7)		**1,795,050**		2,044,842		1,659,736
	$	**3,688,946**	$	3,949,934	$	3,322,989
Liabilities and Net Assets (Deficiency)						
Current Liabilities						
Bank indebtedness (Note 12)	**$**	**-**	$	387,747	$	366,763
Accounts payable and accrued liabilities (Note 8)		**691,089**		635,531		602,141
Accrued vacation entitlements (Note 6)		**496,867**		520,189		523,217
Due to related parties (Note 5)		**141,416**		23,652		77,179
Current portion of legal settlement		**20,000**		20,000		20,000
		1,349,372		1,587,119		1,589,300
Accrued retirement obligations (Note 13)		**705,891**		650,687		596,986
Long term portion of legal settlement		**20,000**		40,000		60,000
Deferred contributions (Note 9)		**1,371,063**		1,543,337		1,127,399
		3,446,326		3,821,143		3,373,685
Commitments and contingencies (Note 10)						
Net assets (deficiency)		**242,620**		128,791		(50,696)
	$	**3,688,946**	$	3,949,934	$	3,322,989

Approved on behalf of the Board:

Director

Director

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 (Deficiency)

For the years ended March 31	2013	2012
Revenue		
Winnipeg Regional Health Authority	**$ 7,030,945**	$ 6,797,695
Residential charges	**2,574,154**	2,525,630
Other income (Page 19)	**109,261**	102,036
	9,714,360	9,425,361
Expenses		
Accrued vacation pay decrease	**(23,322)**	(3,028)
Drugs and medical supplies	**145,102**	147,973
Employee benefits	**1,397,872**	1,225,007
Food	**373,312**	354,422
Health and education tax levy	**172,111**	130,802
Other supplies and expenses	**694,787**	741,408
Salaries	**6,533,367**	6,347,893
Utilities and taxes	**268,220**	260,084
	9,561,449	9,204,561
Excess of revenue over expenses before amortization	**152,911**	220,800
Amortization		
Deferred contributions (Note 9)	**220,910**	170,332
Capital assets (Note 7)	**(259,992)**	(211,645)
	(39,082)	(41,313)
Excess of revenue over expenses	**113,829**	179,487
Net assets (deficiency), beginning of year	**128,791**	(50,696)
Net assets, end of year	**$ 242,620**	$ 128,791

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash Provided by (used in):		
Cash Flows from Operating Activities		
Excess of revenue over expenses	**$ 113,829**	$ 179,487
Adjustments for non-cash items		
Amortization of capital assets	**259,992**	211,645
Change in pre-retirement entitlement receivable	**55,204**	53,701
Change in accrued pre-retirement entitlement	**(55,204)**	(53,701)
Net increase (decrease) in deferred contributions	**(172,274)**	415,938
	201,547	807,070
Changes in non-cash working capital (Note 11)	**273,517**	(231,302)
Net cash provided by operating activites	**475,064**	575,768
Cash Flows from Investing Activities		
Purchase of capital assets (net of donations)	**(10,200)**	(596,752)
Net cash flows used in investing activities	**(10,200)**	(596,752)
Net increase (decrease) in cash and cash equivalents	**464,864**	(20,984)
Bank indebtedness, beginning of year	**(387,747)**	(366,763)
Cash and cash equivalents (bank indebtedness), end of year	**$ 77,117**	$ (387,747)

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 is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

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, 2013 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) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting.

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, 2013.

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 - In July 2009 the WRHA agreed that the Home could retain 100% of surpluses until the accumulated deficit has been fully recovered. After that time, 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.

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

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.

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

Restricted cash and investment balances represent assets segregated for use for replacement reserves or debenture repayment reserves.

2. First-time Adoption

Effective April 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Nature of Operations and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The organization issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the organization.

No exemptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations.

3. Restricted Cash and Investments

	2013	2012
Restricted cash	$ 88,181	$ 58,055
Guaranteed Investment Certificates	54,130	52,104
	$ 142,311	$ 110,159

The fair value of cash on deposit is equal to its carrying value. The GICs have an effective interest rate of 5.12% (2012 - 5.12%) with the latest maturing in August 2011. The fair value of the GICs is based on the year end quoted market bid price.

4. Accounts Receivable

	2013	2012
Receivable from residents	$ 12,932	$ 22,359
Accrued interest receivable	1,127	1,127
Winnipeg Regional Health Authority	-	75,774
Other	22,295	40,759
GST rebate receivable	53,142	29,100
	$ 89,496	$ 169,119

5. Due from (to) Related Parties

	2013	2012
285 Pembina Inc.	**$ 5,337**	$ 7,871
ArlingtonHaus Inc.	**2,003**	3,040
Bethania Housing & Projects Inc.	**-**	3,036
Bethania Mennonite Memorial Foundation Inc.	**1,794**	-
BethaniaHaus Inc.	**1,536**	1,030
KingsfordHaus Inc.	**119**	986
Autumn House	**377**	-
Pembina Place Mennonite Personal Care Home, Inc.	**126,952**	218,289
Kekinan Centre	**38**	38
	$ 138,156	$ 234,290

Bethania Housing & Projects Inc.	**$ (141,416)**	$ (21,288)
Bethania Mennonite Memorial Foundation Inc.	**-**	(2,364)
	$ (141,416)	$ (23,652)

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:

	2013	2012
Salary reimbursement income	**$ 602,184**	$ 468,322
Salary reimbursement expense	**156,222**	184,750
Maintenance fee recovery	**12,273**	25,711

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.

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 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:

	2013	2012
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:

	2013	2012
Balance, beginning of year	**$ 520,189**	$ 523,217
Net change in accrued vacation entitlements	**(23,322)**	(3,028)
Balance, end of year	**$ 496,867**	$ 520,189

7. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**328,502**	340,263	320,599
Building	**5,173,169**	**3,894,843**	5,173,169	3,716,270
Computer equipment	**337,093**	**337,093**	337,093	337,093
Furniture, fixtures and equipment	**4,166,355**	**3,677,119**	4,156,155	3,603,603
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 10,032,607	**$ 8,237,557**	$ 10,022,407	$ 7,977,565
Cost less accumulated amortization		**$ 1,795,050**		$ 2,044,842

Amortization of capital assets for the year ended March 31, 2013 is $259,992 (2012 - $211,645).

8. Accounts Payable and Accrued Liabilities

	2013	2012
Trade accounts payable	**$ 137,750**	$ 176,477
Accrued liabilities	**48,707**	97,357
Salaries and employee benefits payable	**379,908**	342,089
Winnipeg Regional Health Authority	**74,415**	-
Government remittances payable	**50,309**	19,608
	$ 691,089	$ 635,531

9. Deferred Contributions

Changes in the deferred contribution balance are as follows:

	2013	2012
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.		
Balance, beginning of year	**$ 1,417,990**	$ 998,586
Funding for principal repayments on debenture	**85,296**	29,400
Transfer from replacement reserves	**10,150**	90,181
Long-term debt principal reductions	**(80,477)**	(34,311)
Proceeds from financing	**-**	504,466
Amounts amortized to revenue	**(220,910)**	(170,332)
Balance, end of year (carried forward)	**1,212,049**	1,417,990
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	**31,265**	50,753
Contributions - Winnipeg Regional Health Authority	**25,900**	25,900
Interest allocation	**2,029**	2,025
Transfer to deferred contributions - capital asset purchases	**(10,270)**	(47,413)
Balance, end of year (carried forward)	**$ 48,924**	$ 31,265

9. Deferred Contributions (continued)

	2013	2012
Capital assets (brought forward)	**$ 1,212,049**	$ 1,417,990
Unspent equipment funding (brought forward)	**48,924**	31,265
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	**80,594**	66,084
Contributions - Winnipeg Regional Health Authority	**14,424**	57,192
Interest allocation	**142**	86
Transfer to deferred contributions - capital asset purchases	**(70)**	(42,768)
Balance, end of year	**95,090**	80,594
Insurance Reserve		
Balance, beginning of year	**13,488**	11,976
Contributions - Winnipeg Regional Health Authority	**1,512**	1,512
Balance, end of year	**15,000**	13,488
Total deferred contributions balance	**$ 1,371,063**	$ 1,543,337

The long-term debt that has been incorporated in deferred contributions includes the following:

	2013	2012
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,904 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	**$ 230,829**	$ 254,124
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,787 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	**225,098**	250,342
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	**351,608**	383,348
	$ 807,535	$ 887,814

10. 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, 2013, 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, 2013. The Home is a named insured under the WRHA policy with HIROC.

11. Changes in Non-cash Working Capital

	2013	2012
Restricted cash and investments	**$ (32,152)**	$ 1,300
Accounts receivable	**79,623**	(99,310)
Prepaid expenses	**(88)**	7,870
Due from (to) related parties	**213,898**	(151,524)
Accounts payable and accrued liabilities	**55,558**	33,390
Accrued vacation payable	**(23,322)**	(3,028)
Legal settlement payable	**(20,000)**	(20,000)
	$ 273,517	$ (231,302)

12. 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 at March 31, 2013 - 3%) . The line of credit is secured by a general assignment of accounts receivable.

13. 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, 2013. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.15% (2012 - 4.1%) and a rate of salary increase of 3.0% (2012 - 3.0%) 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.

	2013	2012
Employee future benefits recoverable from		
Manitoba Health	**$ 652,360**	$ 652,360
Winnipeg Regional Health Authority	**225,800**	170,596
	$ 878,160	$ 822,956

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

		2013		2012
Balance, beginning of year	**$**	**650,687**	$	596,986
Net change in pre-retirement entitlements		**55,204**		53,701
Balance, end of year	**$**	**705,891**	$	650,687

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, 2011 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 $426,493 (2012 - $417,556) and are included in the statement of operations.

14. 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 the 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.).

15. Economic Dependence

The Home is economically dependent upon government and other agencies for funding its operations.

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.

16. Financial Risk Management (continued)

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

	2013	2012
Accounts receivable and related party receivables	**$ 227,652**	$ 403,409
Vacation entitlements receivable	**497,632**	497,632
Retirement obligations receivable	**878,160**	822,956
	$ 1,603,444	$ 1,723,997

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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information

For the year ended March 31		2013		2012
Other Income				
BethaniaHaus meal recoveries	**$**	**5,796**	$	10,822
Dietary recoveries		**22,130**		37,840
Shared service recoveries		**25,039**		33,161
Other recoveries and miscellaneous		**56,296**		20,213
	$	**109,261**	$	102,036

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 13, 2013

Winnipeg, Canada

CLINIQUE YOUVILLE CLINIC INC.

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

		March 31, 2013		March 31, 2012		April 1, 2011
Assets						
Current assets:						
Cash	$	358,124	$	247,768	$	690,430
Short-term investments		515,165		506,381		–
Accounts receivable		22,386		6,715		15,581
Receivable from Winnipeg Regional Health Authority (note 4)		20,010		57,604		31,186
Employee benefits recoverable from Winnipeg Regional Health Authority (note 5[a])		125,848		125,848		125,848
Prepaid expenses		37,520		38,261		36,720
		1,079,053		982,577		899,765
Capital assets (note 6)		137,257		243,197		315,923
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority [notes 5(b) and 5(c)]		194,277		171,762		152,898
	$	1,410,587	$	1,397,536	$	1,368,586
Liabilities, Deferred Contributions and Fund Balances						
Current liabilities:						
Accounts payable and accrued liabilities (note 5[a])	$	307,006	$	279,913	$	251,050
Future employee pre-retirement benefits payable (note 5[b])		209,702		189,780		170,916
Sick leave benefits payable (note 5[c])		22,716		20,123		20,123
		232,418		209,903		191,039
Deferred contributions for (note 7):						
Future expense		251,377		161,022		141,638
Capital assets		121,060		219,872		309,017
		372,437		380,894		450,655
Fund balances:						
Unrestricted:						
Operations		67,200		93,626		93,112
Internally restricted		415,329		409,875		375,824
Capital fund		16,197		23,325		6,906
		498,726		526,826		475,842
Commitments (note 10)						
	$	1,410,587	$	1,397,536	$	1,368,586

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date JUNE 13, 2013

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2013

	Operations	Ancillary Programs	Internally Restricted	Capital Fund	2013 Total
Revenue:					
Winnipeg Regional Health Authority	$ 2,655,143	$ –	$ –	$ –	$ 2,655,143
Other	137,875	3,280	–	–	141,155
Insurance recoveries	6,473	–	–	–	6,473
Amortization of deferred contributions related to capital assets [note 7(b)]	–	–	–	106,612	106,612
Interest and donations	–	–	18,165	–	18,165
Communication and Special Projects	–	9,486	–	–	9,486
Diabetes Cardiac Initiative		74	–	–	74
Healthy Baby Program	–	38,817	–	–	38,817
Intergenerational Community Outreach	–	8,490	–	–	8,490
Pathways	–	9,912	–	–	9,912
Manitoba in Motion	–	1,242	–	–	1,242
Nobody’s Perfect Special Projects	–	24,488	–	–	24,488
Nobody’s Perfect Program	–	83,421	–	–	83,421
On the Move	–	312	–	–	312
Safeway	–	857	–	–	857
Seniors on the Move	–	3,431	–	–	3,431
Teen Clinic Volunteer Funding	–	4,176	–	–	4,176
Welcoming Communities	–	3,460	–	–	3,460
WPA/CED Project	–	1,474	–	–	1,474
Young Adult Type 1	–	10,172	–	–	10,172
	2,799,491	203,092	18,165	106,612	3,127,360
Expenses:					
Amortization of capital assets	–	–	–	113,740	113,740
Salaries and benefits	2,349,263	121,899	–	–	2,471,162
Building, equipment and maintenance	371,127	1,518	–	–	372,645
Printing, stationery and telephone	47,369	3,977	–	–	51,346
Supplies and services	34,260	71,176	12,711	–	118,147
Clinical supplies	23,898	4,522	–	–	28,420
	2,825,917	203,092	12,711	113,740	3,155,460
Excess (deficiency) of revenue over expenses	(26,426)	–	5,454	(7,128)	(28,100)
Fund balances, beginning of year	93,626	–	409,875	23,325	526,826
Fund balances, end of year	$ 67,200	$ –	$ 415,329	$ 16,197	$ 498,726

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances (continued)

Year ended March 31, 2012

	Operations	Ancillary Programs	Internally Restricted	Capital Fund	2012 Total
Revenue:					
Winnipeg Regional Health Authority	$ 2,619,930	$ –	$ –	$ –	$ 2,619,930
Other	97,398	4,823	–	–	102,221
Insurance recoveries	6,572	–	–	–	6,572
Amortization of deferred contributions related to capital assets [note 5(b)]	–	–	–	108,145	108,145
Interest and donations	–	–	63,037	–	63,037
Communication and Special Project	–	7,560	–	–	7,560
Healthy Baby Program	–	37,523	–	–	37,523
Intergenerational Community Outreach	–	6,196	–	–	6,196
Pathways	–	6,159	–	–	6,159
Manitoba in Motion	–	303	–	–	303
Nobody's Perfect Special Projects	–	17,340	–	–	17,340
Nobody's Perfect Program	–	90,814	–	–	90,814
On the Move	–	2,703	–	–	2,703
Public Health Agency Canada	–	–	–	–	–
Safeway	–	1,196	–	–	1,196
Seniors on the Move	–	234	–	–	234
Teen Clinic Volunteer Funding	–	2,224	–	–	2,224
Welcoming Communities	–	8,540	–	–	8,540
WPA/CED Project	–	–	–	–	–
Young Adult Type 1	–	3,505	–	–	3,505
	2,723,900	189,120	63,037	108,145	3,084,202
Expenses:					
Amortization of capital assets	–	–	–	113,503	113,503
Salaries and benefits	2,232,410	86,978	–	–	2,319,388
Building, equipment and maintenance	383,829	–	–	–	383,829
Printing, stationery and telephone	47,613	–	–	–	47,613
Supplies and services	39,986	98,567	7,209	–	145,762
Clinical supplies	19,548	3,575	–	–	23,123
	2,723,386	189,120	7,209	113,503	3,033,218
Excess (deficiency) of revenue over expenses	514	–	55,828	(5,358)	50,984
Fund balances, beginning of year	93,112	–	375,824	6,906	475,842
Transfer to capital fund	–	–	(21,777)	21,777	–
Fund balances, end of year	$ 93,626	$ –	$ 409,875	$ 23,325	$ 526,826

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (28,100)	$ 50,984
Items not involving cash:		
Amortization of capital assets	113,740	113,503
Amortization of deferred contributions related to capital assets	(106,612)	(108,145)
Change in non-cash working capital balances:		
Accounts receivable	(15,671)	8,866
Receivable from Winnipeg Regional Health Authority	37,594	(26,418)
Prepaid expenses	741	(1,541)
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority	(22,515)	18,864
Accounts payable and accrued liabilities	27,093	28,863
Sick leave benefits payable	2,593	–
Future employee pre-retirement benefits payable	19,922	(18,864)
Deferred contributions received related to future expense	293,447	208,504
Deferred contributions recognized as revenue in the year	(203,092)	(189,120)
	119,140	85,496
Capital activities:		
Purchase of capital assets	(7,800)	(40,777)
Deferred contributions received or receivable related to capital assets	7,800	19,000
	–	(21,777)
Investing activities:		
Increase in short-term investments	(8,784)	(506,381)
Increase (decrease) in cash	110,356	(442,662)
Cash, beginning of year	247,768	690,430
Cash, end of year	$ 358,124	$ 247,768

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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. Adoption of Canadian Public Sector Accounting Standards:

On April 1, 2012, the corporation adopted Canadian public sector accounting standards. The corporation has also elected to apply the PS 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the corporation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to fund balances and excess (deficiency) of revenue over expenses is provided in note 12.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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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 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.

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, 2015.

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. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

(c) Fund accounting:

Beginning in fiscal 2012, the corporation reports the operations and ancillary programs separately in the unrestricted fund.

Revenue and expenses related to patient care program delivery are reported in the Operations Fund.

The Ancillary Programs Fund 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 Fund is transferred to internally restricted funds once the programs are complete.

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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Significant accounting policies (continued):

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, 2013 (2012 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these 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.

(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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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2. 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. Actual results could differ from those estimates.

3. Change in accounting policy:

On April 1, 2012, the corporation adopted Public Accounting Standard PS 3450 - *Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the corporation's accounting policy choices (see note 2 - significant accounting policies).

There were no adjustments to fund balances as at April 1, 2012 as a result of the adoption of PS 3450.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

4. Receivable from Winnipeg Regional Health Authority:

The details of receivable from WRHA are as follows:

		March 31, 2013		March 31, 2012		April 1, 2011
Basic equipment funding	$	11,135	$	12,183	$	–
Enhanced health care benefit plan		–		2,521		17,464
Healthcare spending account		6,887		4,940		2,114
Pre-retirement payout		–		7,138		7,138
Pension contribution increases		–		22,245		4,470
Other		1,988		8,577		–
	$	20,010	$	57,604	$	31,186

5. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2013, accounts payable and accrued liabilities includes employee benefits payable of $162,640 (March 31, 2012 - $159,057; April 1, 2011 - $155,705).

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.

(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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. Employee benefit plans (continued):

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 2.125 percent (March 31, 2012 - 2.375 percent; April 1, 2011 - 2.875 percent) and a rate of salary increase of 3.0 percent (March 31, 2012 - 3.0 percent; April 1, 2011 - 3.5 percent) plus an age related merit/promotion scale with no provision for disability.

Information about the corporation's pre-retirement benefit plan obligations are as follows:

	2013	2012
Benefit plan obligations:		
Balance, beginning of year	$ 189,780	$ 170,916
Current service cost	15,107	13,571
Interest cost	4,842	5,293
Balance, end of year	209,729	189,780
Amortized actuarial loss	(27)	–
Benefit plan obligations, end of year	$ 209,702	$ 189,780

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 increase recorded in fiscal 2013 was $19,922 (2012 - $18,864) and is recorded as revenue in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2013 aggregates $171,561 (March 31, 2012 - $151,639; April 1, 2011 - $132,775) and has no specified terms of repayment.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. Employee benefit plans (continued):

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 2013 was 100 percent (2012 - 100 percent) of actual pre-retirement benefits paid.

(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 2.38 percent (March 31, 2012 - 2.88 percent; April 1, 2011 - 2.88 percent) and a rate of salary increase of 3.5 percent (March 31, 2012 - 3.5 percent; April 1, 2011 - 3.5 percent).

A recoverable from the WRHA of $22,716 (March 31, 2012 - $20,123; April 1, 2011 - $20,123) for the accumulated non-vested sick leave benefits has been recorded in the statements 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 2013 was $2,593 (2012 - nil) and is recorded in the statement of operations.

6. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 197,235	$ 153,662	$ 43,573
Computer equipment	301,236	256,782	44,454
Leasehold improvements	427,334	378,104	49,230
	$ 925,805	$ 788,548	$ 137,257

March 31, 2012	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 197,235	$ 142,769	$ 54,466
Computer equipment	293,436	239,401	54,035
Leasehold improvements	427,334	292,638	134,696
	$ 918,005	$ 674,808	$ 243,197

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 197,235	$ 129,153	$ 68,082
Computer equipment	252,659	224,981	27,678
Leasehold improvements	427,334	207,171	220,163
	$ 877,228	$ 561,305	$ 315,923

7. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2013	2012
Balance, beginning of year	$ 161,022	$ 141,638
Add amount received related to future periods	293,447	208,504
Less amount recognized as revenue in the year	(203,092)	(189,120)
Balance, end of year	$ 251,377	$ 161,022

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.

	2013	2012
Balance, beginning of year	$ 219,872	$ 309,017
Additional contributions received or receivable	7,800	19,000
Less amounts amortized to revenue	(106,612)	(108,145)
Balance, end of year	$ 121,060	$ 219,872

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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7. Deferred contributions (continued):

During fiscal 2013, the corporation undertook server and computer equipment upgrades totaling $7,800 (2012 - $40,777) of which $7,800 (2012 - $10,000) was funded through basic equipment funding received from the WRHA. The balance of the cost was funded by the corporation.

8. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan (the Plan). As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the corporation 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 corporation contributed $149,355 (2012 - $140,297) on behalf of its employees.

The corporation's liability under the Plan is limited to the contributions required during the year. The most recent actuarial valuation of the Plan as at December 31, 2011 reported the Plan had a solvency deficiency. In November 2010, the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. On January 1, 2011, contribution rates were increased to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

9. Other information:

From Youville's inception in 1983 to March 31, 2013, the Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,499,026 to Clinique Youville Clinic Inc. The Grey Nuns of Manitoba Inc. did not make any contributions during the year ended March 31, 2013 and 2012. There have been no contributions by Regina Grey Nuns since 1996.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through August 2018 and January 2014, respectively, as per the following schedule:

Fiscal		
2014	$	193,587
2015		121,212
2016		121,212
2017		121,212
2018 and thereafter		171,717

11. 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, 2013 is the carrying value of these assets.

At March 31, 2013 and 2012, and April 1, 2011, all accounts receivable were current. There were no amounts past due.

There have been no significant changes to the credit risk exposure from 2012.

(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 2014.

There have been no significant changes to the liquidity risk exposure from 2012.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

12. Transitional adjustments:

(a) Fund balances:

The adjustment of $20,123 to recognize the liability for sick leave benefits at April 1, 2011 had no net impact on fund balance due to the corresponding amount recoverable of $20,123 recognized from the Winnipeg Regional Health Authority.

In accordance with the transitional provisions of the Canadian public sector accounting standards, the corporation has elected to use the exemption for employee future benefits. The corporation has elected to recognize all cumulative actuarial gains and losses and past services costs in opening fund balances. As a result, future employee pre-retirement benefits payable and amount recoverable from the Winnipeg Regional Health Authority at April 1, 2011 increased by $20,505.

(b) Statement of operations:

Revenues from Winnipeg Regional Health Authority and salaries and benefits expense as previously reported each increased by $5,651 for the year ended March 31, 2012 as a result of the above changes. There was no net impact to excess of revenue over expenses for the year ended March 31, 2012.

Deloitte.

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Independent Auditor's Report

To the Board Members of
Donwood Manor Personal Care Home Inc.

We have audited the accompanying financial statements of Donwood Manor Personal Care Home Inc., which comprise the statements of financial position as at March 31, 2013 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 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 Donwood Manor Personal Care Home Inc. as at March 31, 2013 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe Donwood Manor Personal Care Home Inc.'s adoption of Canadian accounting standards for not-for-profit organizations on April 1, 2012, with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the comparative information, and as such, is unaudited.

Other Matter

The financial statements of Donwood Manor Personal Care Home Inc. for the year ended March 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements dated May 29, 2012.

Deloitte LLP

Chartered Accountants

May 28, 2013
Winnipeg, Manitoba

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2013

	March 31, 2013	March 31, 2012 (Note 2)	April 1, 2011 (Note 2)
ASSETS			
CURRENT			
Cash	$ **66,626**	$ -	$ -
Resident trust bank	**21,514**	-	-
Account receivable (Note 4)	**20,603**	26,353	10,593
Due from WRHA (Note 9)	**29,228**	419,863	182,568
Prepaid expenses	**33,800**	30,939	43,871
Inventories	**73,648**	48,590	47,698
Due from related parties (Note 5)	**86,186**	47,297	56,681
Vacation entitlements receivable (Note 6)	**273,191**	273,191	273,191
	604,796	846,233	614,602
RETIREMENT OBLIGATION ASSETS (Note 15)	**617,021**	530,431	528,146
RESTRICTED DEPOSITS			
Expenses of future periods	**46,443**	72,581	57,878
CAPITAL ASSETS (Note 7)	**5,985,771**	6,162,054	6,293,468
	$ **7,254,031**	$ 7,611,299	$ 7,494,094
LIABILITIES			
CURRENT			
Bank indebtedness (Note 8)	$ -	$ 368,081	$ 179,745
Accounts payable and accruals	**326,116**	318,745	308,499
Due to related parties (Note 5)	**39,105**	47,626	-
Mortgage amortization grant received in advance	**4,274**	4,274	4,274
Resident trust account	**20,774**	-	-
Current portion of long-term debt	**78,925**	72,717	72,500
Accrued vacation entitlements (Note 6)	**412,151**	396,255	378,770
	881,345	1,207,698	943,788
ACCRUED RETIREMENT OBLIGATIONS (Note 15)	**617,032**	530,422	528,137
LONG-TERM DEBT (Note 10)	**531,265**	610,190	682,907
DEFERRED CONTRIBUTIONS (Note 11)			
Expenses of future periods	**32,252**	53,538	56,100
Capital Assets	**5,234,737**	5,323,771	5,440,895
	7,296,631	7,725,619	7,651,827
COMMITMENTS AND CONTINGENCIES (Note 13)			
NET ASSETS			
Unrestricted net assets	**(183,444)**	(269,696)	(254,899)
Invested in capital assets (Note 12)	**140,844**	155,376	97,166
	(42,600)	(114,320)	(157,733)
	$ **7,254,031**	$ 7,611,299	$ 7,494,094

APPROVED BY THE BOARD

Director

Director

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2013

	March 31, 2013			March 31, 2012
	Invested in capital assets	Unrestricted Net Assets	Total	Total
				(Note 2)
Balance, beginning of year	**$ 155,376**	**$ (269,696)**	**$ (114,320)**	$ (157,733)
Excess of revenue over expenditures for year	**-**	**71,720**	**71,720**	43,413
Net changes in invested in capital assets	**(14,532)**	**14,532**	**-**	-
Balance, end of year	**$ 140,844**	**$ (183,444)**	**$ (42,600)**	$ (114,320)

	March 31, 2012			April 1, 2011
	Invested in capital assets	Unrestricted Net Assets	Total	Total
	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Balance, beginning of year	$ 97,166	$ (254,899)	$ (157,733)	$ (139,926)
Excess (deficiency) of revenue over expenditures for year	-	43,413	43,413	(17,807)
Net changes in invested in capital assets	58,210	(58,210)	-	-
Balance, end of year	$ 155,376	$ (269,696)	$ (114,320)	$ (157,733)

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Operations
For the Year Ended March 31, 2013

	Budget	March 31, 2013	March 31, 2012
	(Unaudited)		(Note 2)
REVENUE			
Winnipeg Regional Health Authority (Note 14)	$ 5,890,572	$ 5,991,315	$ 5,818,503
Residential charges	1,962,161	2,012,091	1,917,340
Amortization of deferred contributions related to capital assets	-	322,568	325,406
Recoveries	124,886	400,248	268,880
Interest income	-	440	2,422
Other income	6,000	6,480	-
	7,983,619	8,733,142	8,332,551
EXPENSE			
Operating (Schedule)	7,945,372	8,338,843	7,944,956
Amortization of capital assets	-	322,579	325,406
	7,945,372	8,661,422	8,270,362
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	38,247	71,720	62,189
OTHER ITEMS			
Change in accrued retirement obligations			
WRHA funding accrued	-	(86,590)	(2,285)
Liability for the year	-	86,590	2,285
WRHA prior year funding adjustment	-	-	(18,776)
	-	-	(18,776)
EXCESS OF REVENUE OVER EXPENDITURES	$ 38,247	$ 71,720	$ 43,413

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Cash Flows
For the Year Ended March 31, 2013

	March 31, 2013	March 31, 2012 (Note 2)
OPERATING ACTIVITIES		
Excess of expense over revenue	**$ 71,720**	$ 43,413
Items not affecting cash:		
Amortization of capital assets	**322,579**	325,406
Amortization of deferred contributions - capital assets	**(322,568)**	(325,406)
	71,731	43,413
Changes in non-cash operating working capital items:		
Accounts receivable	**5,750**	(15,760)
Due from WRHA	**390,635**	(237,295)
Prepaid expenses	**(2,861)**	12,932
Inventories	**(25,058)**	(892)
Accounts payable and accrued liabilities	**7,371**	10,246
Vacation entitlements accrued	**15,896**	17,485
Accrued retirement obligation change	**20**	-
	463,484	(169,871)
FINANCING ACTIVITIES		
Change in bank indebtedness	**(368,081)**	188,336
Proceeds from deferred contributions	**233,534**	208,282
Repayment of long-term debt	**(72,717)**	(72,500)
Due to related parties	**(8,521)**	47,626
Deferred contributions - expenses of future periods	**(21,286)**	(2,562)
	(237,071)	369,182
INVESTING ACTIVITIES		
Due from related parties	**(38,889)**	9,384
Acquisition of capital assets	**(146,296)**	(193,992)
Increase in resident trust	**20,774**	-
	(164,411)	(184,608)
NET INCREASE IN CASH	**62,002**	14,703
CASH, BEGINNING OF YEAR	**72,581**	57,878
CASH, END OF YEAR	**$ 134,583**	$ 72,581

Cash is comprised of the following accounts:

Cash	**$ 66,626**	$ -
Resident trust bank	**21,514**	-
Restricted deposit - expenses of future periods	**46,443**	72,581
	$ 134,583	$ 72,581

1. NATURE OF BUSINESS

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 entity 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 "WRHA") 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.

Donwood Manor Personal Care Home Inc. is a member of the Donwood Group of companies which operate under the control of a common Board of Directors and provide 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. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Home adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time Adoption for Not-for-Profit Organizations, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and the Home has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 1501, the Home:

(a) recognized all assets and liabilities whose recognition is required by the new standards;

(b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

(c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and

(d) applied the new standards in measuring all recognized assets and liabilities.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively. The Home has not elected to apply any of the elections available under Section 1501.

The adoption of the new standards did not have an impact on the statement of financial position as at April 1, 2011 or on the statement of operations for the year ended March 31, 2012.

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

Buildings	40 years
Furniture and equipment	10 years

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 WRHA 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 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, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

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 and 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 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 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.

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, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations. Financial assets measured at amortized cost include cash resident trust bank, accounts receivable, due from WRHA, due from related parties and reserve fund cash. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, resident trust account, and due to related parties.

3. 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) 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 rates:

Buildings	-40 years
Furniture and equipment	-10 years

f) Contributed services

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

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.

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 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

	2013	2012	2011
Receivable from residents	$ 634	$ 2,060	$ (122)
Accounts receivable	3,940	3,953	3,953
Goods and Services Tax	16,029	20,340	6,762
	$ 20,603	$ 26,353	$ 10,593

5. DUE FROM (TO) RELATED PARTIES

	2013	2012	2011
Due from Donwood Manor EPH Inc.	$ 12,398	$ 7,431	$ 23,302
Due from Donwood South Inc.	15,331	14,627	5,587
Due from Donwood Manor Foundation Inc.	47,851	15,665	23,604
Due from Valhalla Cove Inc.	2,882	9,327	-
Due from Donwood Management Inc.	1,267	-	-
Due from Winnipeg Condominium Corporation No. 297	6,457	247	4,188
	$ 86,186	$ 47,297	$ 56,681

	2013	2012	2011
Due to Donwood Manor Foundation Inc.	$ (39,105)	$ (47,626)	$ -

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

Administrative salaries are charged to Winnipeg Condominium Corporation No. 297 in the amount of $15,043 (2012 - $5,547). 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.

The amount due to Donwood Manor Foundation Inc. of $39,105 is a loan payable that bears interest at 3.50% with terms of repayment including principal and interest for the next four years as follows:

2014	$ 10,587
2015	10,587
2016	10,587
2017	10,591

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 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.

7. CAPITAL ASSETS

	2013			2012
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 15,000**	**$ -**	**$ 15,000**	$ 15,000
Buildings	**9,476,211**	**4,314,422**	**5,161,789**	5,378,730
Furniture and equipment	**2,081,434**	**1,272,452**	**808,982**	768,324
	$11,572,645	**$ 5,586,874**	**$ 5,985,771**	$ 6,162,054

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 15,000	$ -	$ 15,000	$ 15,000
Buildings	9,476,211	4,097,481	5,378,730	5,614,135
Furniture and equipment	1,935,137	1,166,813	768,324	664,333
	$ 11,426,348	$ 5,264,294	$ 6,162,054	$ 6,293,468

8. BANK INDEBTEDNESS

The Home has an approved line of credit of $500,000 with the Royal Bank of Canada. This line of credit is secured by a general assignment of book debts and bears interest at prime. As at March 31, 2013 the Home had not accessed any portion of this line of credit.

9. DUE (TO) FROM WRHA

	2013	2012	2011
2004/2005 funding adjustment	**$ (107,034)**	$ (84,460)	$ (84,460)
2005/2006 funding adjustment	**26,226**	3,646	3,646
2006/2007 funding adjustment	**(39,364)**	(32,258)	(32,258)
2007/2008 funding adjustment	**23,334**	48,018	48,018
2008/2009 funding adjustment	**(66,344)**	(78,009)	(78,009)
2009/2010 funding adjustment	**(9,323)**	8,679	8,679
2010/2011 funding adjustment	**67,982**	69,572	316,952
2011/2012 funding adjustment	**126,568**	484,675	-
2012/2013 funding adjustment	**7,183**	-	-
	$ 29,228	$ 419,863	$ 182,568

10. LONG-TERM DEBT

	2013	2012	2011
Generator loan	**$ 306,598**	$ 352,258	$ 397,918
CMHC loan	**303,592**	330,649	357,489
	610,190	682,907	755,407
Less: current portion	**(78,925)**	(72,717)	(72,500)
	$ 531,265	$ 610,190	$ 682,907

The generator loan bears interest at prime less 0.5% and is repayable in monthly amounts of $3,805 plus interest. Matures January 1, 2015.

The CMHC loan bears interest at 7.875% and is repayable in monthly blended amounts of $4,469. Matures August 1, 2020.

Principal repayments over the next five years are expected to be as follows:

2014	$ 78,925
2015	79,500
2016	82,217
2017	85,153
2018	88,325

11. 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.

	2013	2012
Balance, beginning of year	$ 53,538	$ 56,100
Add: amount received during the year	24,799	24,799
Less: expenditures for the year	(46,085)	(27,361)
	$ 32,252	$ 53,538

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.

	2013	2012
Balance, beginning of year	$ 5,323,771	$ 5,440,895
Add: WRHA contributions	222,730	156,894
Add: Foundation contribution	10,815	51,388
Less: amounts amortized to revenue	(322,579)	(325,406)
	$ 5,234,737	$ 5,323,771

12. INVESTMENT IN CAPITAL ASSESTS

Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 5,985,771**	$ 6,162,054
Less: amounts financed by deferred contributions	**(5,234,737)**	(5,336,346)
Less: amounts financed by long-term debt	**(610,190)**	(670,332)
	$ 140,844	$ 155,376

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

	2013	2012
Amortization of deferred contributions	**$ 322,579**	$ 325,406
Amortization of capital assets	**(322,579)**	(325,406)
Purchase of capital assets	**146,296**	193,992
Amounts funded by WRHA capital asset funding	**(210,176)**	(84,394)
Amounts funded by Donwood Manor Foundation Inc.	**(10,815)**	(51,388)
Amounts repaid during the year	**60,143**	-
	$ (14,532)	$ 58,210

13. 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, 2013 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 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, 2013.

The Home is a named insured under the WRHA policy with HIROC.

14. REVENUE FROM THE WRHA

WRHA Revenue per final funding report	$ 5,371,075
Add:	
Capital projects	700
1:1 care	3,464
Staffing increase for hours of care	629,110
MNU salaries and benefits	3,403
PIECES training	5,060
Health care benefits	32,950
Current change in pre-retirement liability	86,590
Pre-retirement actual payouts (100% funded by WRHA)	28,011
Pension plan	2,213
Miscellaneous	592
	792,093
Less:	
Principal repayment	(74,664)
Interest repayment	(43,635)
Reserve for major repairs	(3,624)
Residential charges repayable	(49,930)
	(171,853)
Revenue from WRHA	$ 5,991,315

15. 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

15. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2012. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.10% (2012 - 4.10%) and a rate of salary increase of 3.00% (2012 - 3.00%) 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 actual 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 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.

	2013	2012	2011
Employee future benefits recovered from			
Manitoba Health	**$ 372,737**	$ 372,737	$ 372,737
WRHA	**244,284**	157,694	155,409
	$ 617,021	$ 530,431	$ 528,146

b) 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.

15. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan (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, 2010 indicates the plan is in a deficit. 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 $416,905 (2012 - $391,190) and are included in the statement of operations.

16. FUNDING OF FUTURE EMPOYEE 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 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, 2013, the unfunded portion of future employee benefits amounts to approximately $nil (2012 - $(3,740)).

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 the 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 endeavouring 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 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:

	2013	2012	2011
Account receivable	$ **20,603**	$ 26,353	$ 10,593
Due from the WHRA	**29,228**	419,863	182,568
Vacation entitlements receivable	**273,191**	273,191	273,191
Retirement obligations receivable	**617,021**	530,431	528,146
	$ **940,043**	$ 1,249,838	$ 994,498

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.

18. FINANCIAL RISK MANAGEMENT (continued)

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 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

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 are minimal. The Home is not exposed to other price risk.

19. COMPARATIVE FIGURES

Certain prior period comparatives have been reclassified to conform to the current period's presentation.

	Budget (Unaudited)	March 31, 2013	March 31, 2012 (Note 2)
OPERATING COSTS			
Salaries			
Nursing services	$ 3,887,444	$ 3,969,616	$ 3,796,622
Special services	294,471	241,518	230,320
General services	1,344,534	1,615,993	1,532,718
Employee Benefits			
Canada Pension Plan	224,208	241,907	219,236
Employment Insurance	119,279	134,909	116,656
Registered pension	454,174	416,905	391,190
Health and education levy	119,163	125,310	116,938
Workers Compensation Insurance	107,331	111,936	104,414
Dental plan insurance	119,228	122,154	108,194
Group Life Insurance	12,081	11,766	10,501
Disability and rehabilitation	108,967	112,780	106,455
Employee Assistance Program	9,831	7,183	6,432
Pre-retirement leave	-	110,975	53,684
Medical Supplies			
Medical / surgical supplies	45,000	49,681	53,703
Incontinence supplies	62,000	53,356	64,918
Hygiene supplies	10,000	11,353	-
Drugs, pharmaceutical supplies	2,000	431	664
Other supplies and expenses	7,500	5,483	5,574
Resident transportation	16,000	11,091	11,112
Recreation therapy / volunteer	8,195	8,377	7,610
Food services supplies	355,000	371,839	354,695
Laundry and linen supplies	98,850	88,057	90,130
Housekeeping supplies	27,000	26,901	28,386
Physical plant			
Natural gas	65,000	47,141	49,472
Water and sewer	49,500	42,870	44,473
Electricity	95,680	98,432	91,578
Insurance - property	10,000	7,006	9,689
Property taxes	42,545	39,934	41,139
Maintenance	111,394	124,351	161,901
Insurance - liability	4,000	3,710	3,948
Membership fees	4,100	3,806	3,552
Professional fees	26,995	21,348	22,557
Advertising	6,000	843	4,264
Staff education and travel	13,500	16,188	8,735
Computer expenses	35,402	28,484	42,053
Bank charges and interest	7,000	7,643	8,889
Office and misceleanous expenses	42,000	47,565	42,556
	$ 7,945,372	$ 8,338,844	$ 7,944,956

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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KPMG

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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Other Matter

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP

Chartered Accountants

June 25, 2013

Winnipeg, Canada

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash (note 3)	$ 372,731	$ 47,557	$ 217
Accounts receivable (note 4)	329,669	575,706	397,033
Inventories and prepaid expenses	28,004	31,448	31,464
Employee benefits recoverable from Winnipeg Regional Health Authority [note 13(iii)]	355,603	355,603	355,603
Short-term investments (note 5)	44,058	96,317	44,056
	1,130,065	1,106,631	828,373
Investments (note 5)	136,731	97,232	141,284
Receivable from related entities (note 6)	214,568	167,347	88,708
Employee future benefits recoverable from Winnipeg Regional Health Authority [note 13(i)]	1,064,606	1,090,366	1,051,361
Capital assets (note 7)	4,236,502	4,306,691	4,390,053
	$ 6,782,472	$ 6,768,267	$ 6,499,779

	March 31, 2013	March 31, 2012	April 1, 2011

Liabilities, Deferred Contributions and Net Assets

	March 31, 2013	March 31, 2012	April 1, 2011
Current liabilities:			
Bank indebtedness (note 3)	$ –	$ 146,158	$ 76,187
Accounts payable and accrued liabilities	916,445	852,620	938,451
Bank financing (note 8)	393,104	472,711	–
Current portion of long-term debt (note 9)	–	–	15,942
	1,309,549	1,471,489	1,030,580
Employee future benefits [note 13(i)]	1,037,624	1,063,384	1,024,379
Long-term debt (note 9)	–	–	269,133
Deferred contributions (note 10):			
Donations	14,491	18,658	11,827
Expenses of future periods	14,028	12,650	7,559
Capital assets	3,089,786	3,125,840	3,182,201
Equipment reserve	41,091	24,749	19,400
Reserve for major repairs	151,486	100,702	62,324
	3,310,882	3,282,599	3,283,311
Net assets:			
Unrestricted	370,805	242,655	(30,401)
Invested in capital assets (note 11)	753,612	708,140	922,777
	1,124,417	950,795	892,376
Commitment (note 14)			
	$ 6,782,472	$ 6,768,267	$ 6,499,779

See accompanying notes to financial statements.

On behalf of the Board:

Director "Lorraine Apps, Chair - Board of Directors"

Director "Larry Beeston, Chair - Finance Committee"

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 6,841,711	$ 6,570,822
Winnipeg Regional Health Authority - Adult Day Program	214,075	215,119
Resident charges	2,176,296	2,220,512
Participant charges - Adult Day Program	34,257	33,997
Donations and grants	25,588	21,463
Amortization of deferred contributions [note 10(c)]	229,835	202,283
	9,521,762	9,264,196
Other income:		
Ancillary	2,934	3,909
Investment	3,857	4,537
Cafeteria	44,588	51,407
Other	37,073	32,531
	88,452	92,384
Total revenue	9,610,214	9,356,580
Expenses:		
Operating	8,949,368	8,826,683
Adult Day Program	240,597	252,555
Amortization of capital assets	246,627	218,923
	9,436,592	9,298,161
Excess of revenue over expenses before the undernoted	173,622	58,419
Employee future benefits recovery (expense) (note 13)	25,760	(39,005)
Funding recovery (reduction) for employee future benefits (note 13)	(25,760)	39,005
Excess of revenue over expenses	$ 173,622	$ 58,419

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Unrestricted	Invested in capital assets	Total
Net assets, beginning of year	$ 242,655	$ 708,140	$ 950,795
Excess (deficiency) of revenue over expenses	197,328	(23,706)	173,622
Transfer for bank financing payments	(85,703)	85,703	–
Transfer of funds related to prior year capital asset additions	16,525	(16,525)	–
Net assets, end of year	$ 370,805	$ 753,612	$ 1,124,417

March 31, 2012	Unrestricted	Invested in capital assets	Total
Net assets, beginning of year	$ (30,401)	$ 922,777	$ 892,376
Excess (deficiency) of revenue over expenses	76,421	(18,002)	58,419
Capital asset acquisitions	(5,574)	5,574	–
Transfer of net loan proceeds related to prior year capital asset additions	202,209	(202,209)	–
Net assets, end of year	$ 242,655	$ 708,140	$ 950,795

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Operating activities:		
Excess of revenue over expenses	$ 173,622	$ 58,419
Items not involving cash:		
Amortization of capital assets	246,627	218,923
Amortization of deferred contributions related to capital assets	(229,701)	(202,283)
Change in non-cash operating working capital:		
Restricted cash	(63,610)	(47,340)
Accounts receivable	246,037	(178,673)
Inventories and prepaid expenses	3,444	16
Accounts payable and accrued liabilities	63,825	(85,831)
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	47,995	62,706
	488,239	(174,063)
Capital activities:		
Purchase of capital assets	(176,438)	(135,561)
Deferred contributions received for capital assets and equipment reserves	209,989	138,865
	33,551	3,304
Investing activities:		
Decrease (increase) in investments	12,760	(8,209)
Change in receivable from related entities	(47,221)	(78,639)
	(34,461)	(86,848)
Financing activities:		
Proceeds from bank financing	–	580,000
Repayment of bank financing	(79,607)	(107,289)
Repayment of long-term debt	–	(285,075)
	(79,607)	187,636
Increase (decrease) in cash	407,722	(69,971)
Bank indebtedness, beginning of year	(146,158)	(76,187)
Cash (bank indebtedness), end of year (note 3)	$ 261,564	$ (146,158)

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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.

On April 1, 2012, the Division adopted Canadian public sector accounting standards (PS). The Division has also elected to apply the PS 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Division has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenses is provided in note 16.

1. Significant accounting policies:

(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 expires March 31, 2015.

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.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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:

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 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 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.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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, equipment and computer software	3 to 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 2.13 percent (March 31, 2012 - 2.38 percent; April 1, 2011 - 2.88 percent), a rate of salary increase of 3.00 percent (March 31, 2012 - 3.00 percent; April 1, 2011 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

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.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(g) Income taxes:

The Society 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.

2. Change in accounting policy:

On April 1, 2012, the Organization adopted Public Accounting Standard PS 3450 - *Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Division's accounting policy.

There were no adjustments to net assets as at April 1, 2012 as a result of the adoption of PS 3450.

3. Cash (bank indebtedness):

	March 31, 2013	March 31, 2012	April 1, 2011
Cash (bank indebtedness) - unrestricted	$ 261,564	$ (146,158)	$ (76,187)
Restricted cash	111,167	47,557	217
	$ 372,731	$ (98,601)	$ (75,970)

Restricted cash, along with restricted investments disclosed in note 5, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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3. Cash (bank indebtedness) (continued):

The Division has a demand revolving credit facility with a maximum limit of $500,000 (March 31, 2012 - $500,000; April 1, 2011 - $500,000). The operating credit line bears interest at prime rate plus 1 percent (March 31, 2012 - prime rate plus 1 percent; April 1, 2011 - prime rate). The facility is secured by a general security agreement and a first charge collateral mortgage against property of the Society. At March 31, 2013, the Division has not utilized this facility (March 31, 2012 - $116,011; April 1, 2011 - nil).

4. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts receivable	$ 24,087	$ 41,921	$ 14,008
Receivable from Winnipeg Regional Health Authority:			
Pre-retirement leave	248,974	245,630	199,943
MGEU contract increases	73,256	155,156	131,816
Hours of care increase	–	206,956	100,877
Group health benefit funding	35,479	35,229	71,081
Resident charges	(53,403)	(230,376)	(234,234)
Capital funding	22,761	12,103	79,582
Pension increase funding	12,290	65,987	12,290
Surplus recovery (a)	(70,000)	–	–
Other	36,225	43,100	21,670
	$ 329,669	$ 575,706	$ 397,033

(a) In accordance with the terms and conditions of the SPA, the 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 the WRHA, in any fiscal year. The remaining operating surplus of the Division in any fiscal year is repayable to the WRHA.

5. Investments:

March 31, 2013	Average effective yield	Carrying value
Government investment certificates	3.23%	$ 180,789
Current portion, shown as short-term investments		44,058
		$ 136,731

The government investment certificates mature during fiscal years 2014 to 2017.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. Investments (continued):

March 31, 2012	Average effective yield		Carrying value
Government investment certificates	4.16%	$	141,286
Money market fund			52,263
			193,549
Current portion, shown as short-term investments			96,317
		$	97,232

April 1, 2011	Average effective yield		Carrying value
Government investment certificates	4.23%	$	185,340
Current portion, shown as short-term investments			44,056
		$	141,284

The allocation of investments between unrestricted and restricted is as follows:

		March 31, 2013		March 31, 2012		April 1, 2011
Unrestricted investments	$	73,830	$	86,989	$	83,317
Restricted investments		106,959		106,560		102,023
	$	180,789	$	193,549	$	185,340

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

6. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Fred Douglas Heritage House Inc.	$ 9,505	$ 10,704	$ 7,853
Fred Douglas Foundation, Inc.	41,785	22,667	16,042
Fred Douglas Apartments	17,746	(19,930)	9,466
Fred Douglas Courts	138,974	150,314	52,022
6032281 Manitoba Association Inc.	10,018	3,592	3,325
Fred Douglas Society Inc.	(3,460)	–	–
	$ 214,568	$ 167,347	$ 88,708

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 receivables from/payable to these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

7. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 17,137	$ –	$ 17,137
Buildings	9,751,074	6,080,809	3,670,265
Furniture, equipment and computer software	2,163,777	1,614,677	549,100
	$ 11,931,988	$ 7,695,486	$ 4,236,502

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 17,137	$ –	$ 17,137
Buildings	9,751,074	5,916,071	3,835,003
Furniture, equipment and computer software	1,987,338	1,532,787	454,551
	$ 11,755,549	$ 7,448,858	$ 4,306,691

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

7. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 17,137	$ –	$ 17,137
Buildings	9,751,074	5,770,318	3,980,756
Furniture and equipment	1,835,575	1,443,415	392,160
	$ 11,603,786	$ 7,213,733	$ 4,390,053

8. Bank financing:

	March 31, 2013	March 31, 2012	April 1, 2011
2.39% mortgage, Assiniboine Credit Union, payable $3,095 monthly including principal and interest, maturing January 25, 2014	$ 242,979	$ 266,739	$ –
Assiniboine Credit Union demand term loan, interest at 2.39%, payable $5,337 monthly including principal and interest, maturing January 25, 2014	150,125	205,972	–
	$ 393,104	$ 472,711	$ –

The Assiniboine Credit Union mortgage and term loan are secured as disclosed in note 3 for the demand revolving credit facility.

9. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
7.75% mortgage, Canada Mortgage and Housing Corporation	$ –	$ –	$ 285,075
Current portion of long-term debt	–	–	15,942
	$ –	$ –	$ 269,133

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2013	2012
Balance, beginning of year	$ 18,658	$ 11,827
Contributions received	7,618	18,640
Amounts recognized as revenue in the year	(8,886)	(9,427)
Transfer to deferred contributions - capital assets	(2,899)	(2,382)
Balance, end of year	$ 14,491	$ 18,658

(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.

	2013	2012
Balance, beginning of year	$ 12,650	$ 7,559
Contributions received	1,512	6,012
Amounts recognized as revenue in the year	(134)	(921)
Balance, end of year	$ 14,028	$ 12,650

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. 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.

	2013	2012
Balance, beginning of year	$ 3,125,840	$ 3,182,201
Transfer from deferred contributions - donations	2,899	2,382
Transfer from deferred contributions - equipment reserve	7,458	18,451
Transfer from deferred contributions - major repairs reserve	–	12,406
Contributions received	183,290	112,683
Amounts amortized to revenue in the year	(229,701)	(202,283)
Balance, end of year	$ 3,089,786	$ 3,125,840

(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.

	2013	2012
Balance, beginning of year	$ 24,749	$ 19,400
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(7,458)	(18,451)
Balance, end of year	$ 41,091	$ 24,749

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

10. 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.

	2013	2012
Balance, beginning of year	$ 100,702	$ 62,324
Contributions received	50,784	50,784
Transfer to deferred contributions - capital assets	–	(12,406)
Balance, end of year	$ 151,486	$ 100,702

11. Invested in capital assets:

Invested in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	$ 4,236,502	$ 4,306,691	$ 4,390,053
Deferred contributions - capital assets	(3,089,786)	(3,125,840)	(3,182,201)
Bank financing	(393,104)	(472,711)	–
Long-term debt	–	–	(285,075)
	$ 753,612	$ 708,140	$ 922,777

12. Related party transactions:

During the year, the Division received $15,510 (2012 - $2,083) in funding for improvements and resident services and $16,135 (2012 - nil) in funding for capital assets from Fred Douglas Foundation, Inc..

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.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

13. Employee future benefits and employee benefits:

(i) Employee future benefits consists of:

	March 31, 2013	March 31, 2012	April 1, 2011
Pre-retirement benefits	$ 811,133	$ 816,422	$ 777,417
Accumulated non-vested sick leave benefits	226,491	246,962	246,962
	$ 1,037,624	$ 1,063,384	$ 1,024,379

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:

	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	$ 816,422	$ 777,417
Current benefit cost	57,752	60,928
Interest	18,511	23,764
Amortized actuarial loss	(106)	–
Benefits paid	(81,446)	(45,687)
Liability for benefits	$ 811,133	$ 816,422

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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13. Future employee 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, 2004, 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 for fiscal years 2007-2013. The decrease in fiscal 2013 was $5,289 (2012 - increase of $39,005) and is recorded in the statement of operations.

The employee future pre-retirement benefits recoverable from WRHA at March 31, 2013 aggregates $838,115 (March 31, 2012 - $843,404; April 1, 2011 - $804,399) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Division. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 83 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2013 was 100 percent (2012 - 100 percent) of actual pre-retirement benefits paid.

The Division 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 Division's accumulated non-vested sick leave benefits include a discount rate of 2.13 percent (March 31, 2012 - 2.38 percent; April 1, 2011 - 2.38 percent) and a rate of salary increase of 3.00 percent (March 31, 2012 - 3.00 percent; April 1, 2011 - 3.00 percent).

A recoverable from the WRHA of $226,491 (March 31, 2012 - $246,962; April 1, 2011 - $246,962) for the accumulated non-vested sick leave benefits has been recorded in the statements 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 decrease recorded in 2013 was $20,471 (2012 - nil) and is recorded in the statement of operations.

(ii) Certain eligible employees of the Division are members of Healthcare Employees Pension Plan - Manitoba, 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. During the year, the Division contributed $414,093 (2012 - $422,230) on behalf of its employees.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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13. Future employee benefits and employee benefits (continued):

The most recent actuarial valuation of the plan as at December 31, 2011, reported the plan had a deficiency 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 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. Employer contribution rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE. On April 1, 2012 employee contribution rates increased to 7.6 percent of pensionable earnings up to the YMPE and 9.2 percent on earnings in excess of YMPE with further increase to 7.9 percent and 9.5 percent, respectively, on April 1, 2013 for both employer and employee contribution rates.

(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, 2013 is $451,258 (March 31, 2012 - $485,649; April 1, 2011 - $487,175).

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.

14. Commitment:

For fiscal 2014, the Division has a service purchase agreement for the adult day program for annual transportation service of approximately $100,000.

15. Financial risks:

Interest rate risk:

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. There have been no significant changes to the interest rate risk exposure from 2012.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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15. Financial risks (continued):

Liquidity 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. There has been no change to the risk exposures from 2012.

Credit risk:

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 risk exposures from 2012.

16. Transitional adjustments:

(a) Unrestricted net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Division's unrestricted net assets as of April 1, 2011:

Unrestricted net assets:		
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$	(30,401)
Transition election to recognize all cumulative actuarial gains and losses and impact of change in discount rate on employee future pre-retirement benefits		(63,832)
Adjustment to recognize accumulated non-vested sick leave benefits		(246,962)
Adjustment to recognize receivable from WRHA for change to employee future pre-retirement benefits		63,832
Adjustment to recognize funding receivable from WRHA for accumulated non-vested sick leave benefits		246,962
Restated, April 1, 2011	$	(30,401)

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

16. Transitional adjustments (continued):

In accordance with transitional provisions of Canadian public sector accounting standards, the Division has elected to use the exemption for employee future benefits. The Division has elected to recognize all cumulative actuarial gains and losses for the employee future pre-retirement benefits plan in net assets at April 1, 2011.

(b) Statement of operations:

As a result of the above noted election and the retrospective application of Canadian public sector accounting standards, the Division recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

Excess of revenue over expenses:		
As previously reported under Canadian generally accepted accounting principles for the year ended March 31, 2012	$	58,419
Decrease to employee future pre-retirement benefits expense as a result of change in discount rate		10,318
Decrease to revenue from the WRHA to recognize the funding of change in employee future pre-retirement benefits		(10,318)
Restated for the year ended March 31, 2012	$	58,419

17. Trusts under administration:

At March 31, 2013, the balance of funds held in trust on behalf of the residents who reside at the Division was $21,728 (March 31, 2012 - 21,861; April 1, 2011 - $16,820).

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Years ended March 31, 2013 and 2012

	2013	2012
Nursing services:		
Medical supplies and services	$ 57,722	$ 42,180
Resident transportation	57,086	30,690
Incontinence supplies	52,898	60,222
Nursing administration	16,560	16,560
	184,266	149,652
Resident services:		
Activities	11,396	10,631
Other	9,883	4,478
	21,279	15,109
General administration:		
Advertising	5,160	2,134
Audit and professional fees	102,606	67,361
Bank charges and interest	4,967	6,935
Bonding and insurance	4,931	6,315
Data processing and communications	47,827	54,530
Delivery and courier	1,506	2,078
Equipment lease and maintenance	38,041	38,283
Meetings and miscellaneous	2,059	3,025
Licenses and membership fees	6,512	5,008
Postage	3,135	3,077
Printing, stationery and office supplies	11,970	10,714
Staff and resident events and appreciation	16,939	18,287
Travel	1,546	1,446
	247,199	219,193
Dietary:		
Food	289,560	304,350
Glassware and cutlery	4,797	2,723
Supplies	19,555	17,552
	313,912	324,625
Laundry:		
Supplies	10,348	8,433
Linen:		
Supplies and service	76,364	84,789
Housekeeping:		
Supplies	28,258	27,672
Carried forward	881,626	829,473

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Years ended March 31, 2013 and 2012

	2013	2012
Brought forward	$ 881,626	$ 829,473
Physical plant:		
Operations:		
Electricity	81,920	89,257
Natural gas	36,448	57,246
Insurance	8,308	11,105
Taxes	26,950	21,927
Water	70,213	60,335
Maintenance and repairs:		
Buildings and grounds	159,244	107,365
Equipment	37,800	25,993
Other	5,905	4,941
Bank loan interest	4,052	1,698
Interest on long-term debt and bank financing	6,096	24,366
	436,936	404,233
Salaries:		
Nursing	4,507,893	4,440,132
Administration	461,345	386,567
Resident services	251,245	255,283
Dietary	524,473	529,010
Support services	495,850	587,815
Employee benefits	1,423,114	1,404,465
Accrued vacation	(33,114)	(10,295)
	7,630,806	7,592,977
Total operating expenses	$ 8,949,368	$ 8,826,683

INDEPENDENT AUDITORS' REPORT

PKBW
GROUP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

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, 2013, and March 31, 2012, 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.

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 the auditors' 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, 2013, March 31, 2012, 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.

PKBW Group
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

Winnipeg, Manitoba
June 28, 2013

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	March 31 2013 TOTAL	March 31 2012 TOTAL	April 1 2011 TOTAL
CURRENT ASSETS					
Cash (Note 3)	$ 1,597,529	317,888	1,915,417	1,131,721	1,127,270
Accounts receivable	165,626	-	165,626	177,647	174,078
Due from WRHA (Note 2(b))	1,095,905	-	1,095,905	1,557,553	1,143,362
Due from WRHA - Accrued vacation pay (Note 4)	719,492	-	719,492	719,492	719,492
Due from revenue/ plant fund	531,148	-	531,148	116,517	-
Inventory	58,314	-	58,314	70,290	59,044
Prepaid expenses	10,936	-	10,936	10,592	9,744
	4,178,950	317,888	4,496,838	3,783,812	3,232,990
DUE FROM WRHA - PRE-RETIREMENT LEAVE (Note 4)	1,600,792	-	1,600,792	1,596,827	1,558,976
INVESTMENTS (Note 3)	-	162,489	162,489	183,587	183,587
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	-	5,410,249	5,410,249	4,727,426	4,781,593
	$ 5,779,742	5,890,626	11,670,368	10,291,652	9,757,146

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	March 31 2013 TOTAL	March 31 2012 TOTAL	April 1 2011 TOTAL
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 2,074,150	19,773	2,093,923	1,593,858	1,744,949
Source deductions payable	176,164	-	176,164	162,626	10,060
Accrued vacation pay (Note 4)	1,028,510	-	1,028,510	1,037,113	1,004,661
Loan advances	-	163,825	163,825	183,955	-
Current portion of long-term debt (Note 6)	-	191,999	191,999	123,114	114,571
Due to revenue/ plant fund	-	531,148	531,148	116,517	-
Due to SSMI Works (Note 10)	1,008,719	556,726	1,565,445	1,073,848	317,895
	4,287,543	1,463,471	5,751,014	4,291,031	3,192,136
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	1,871,106	-	1,871,106	1,867,141	1,829,290
LONG-TERM DEBT (Note 6)	-	2,455,050	2,455,050	2,651,833	2,779,889
DEFERRED CONTRIBUTIONS					
Deferred capital contributions (Notes 2(d) and 7)	-	932,940	932,940	969,263	1,100,551
Deferred contributions for major building repairs (Note 2(d) and 8)	-	241,538	241,538	218,402	229,859
	-	1,174,478	1,174,478	1,187,665	1,330,410
NET ASSETS					
Internally restricted (Schedule 1)	16,707	-	16,707	16,707	37,653
Invested in tangible capital assets	-	1,658,497	1,658,497	779,432	765,682
Unrestricted					
Unfunded employee future benefits (Note 4(d))	(579,332)	-	(579,332)	(587,935)	(555,483)
Unrestricted	183,718	(860,870)	(677,152)	85,778	377,569
	(378,907)	797,627	418,720	293,982	625,421
	$ 5,779,742	5,890,626	11,670,368	10,291,652	9,757,146

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2013

	2013	2012
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 11)	$ 13,726,381	13,401,503
Resident/ participant charges	4,778,521	4,647,351
	18,504,902	18,048,854
Offset income		
Dietary	126,171	140,527
Investment income (Note 9)	16,754	22,002
Amortization of deferred capital contributions (Note 7)	178,598	172,956
Recognition of deferred contributions for major building repairs (Note 8)	-	34,593
Debt servicing funding	148,026	130,265
Miscellaneous	106,271	144,791
	575,820	645,134
	19,080,722	18,693,988
EXPENSES		
Salaries and benefits		
Nursing	10,839,763	10,720,334
Special	1,091,279	1,044,213
General	3,552,872	3,574,823
	15,483,914	15,339,370
Nursing services	418,019	416,999
Special services	30,706	36,253
General administration	459,028	447,210
Dietary	788,421	778,996
Laundry	200,931	224,260
Linen	27,320	38,137
Housekeeping	52,856	62,504
Physical plant	784,120	849,542
Debt structure and amortization (Notes 5 and 6)	585,165	645,623
Bad debts	36,035	-
Pre-retirement leave	191,212	211,756
	19,057,727	19,050,650
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	22,995	(356,662)
OTHER ITEMS		
Unfunded employee future benefits (Note 4)	8,603	(32,452)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	31,598	(389,114)
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 11)	269,160	269,160
Participant charges	32,798	35,203
Salaries and benefits	(125,711)	(136,915)
General administration	(157,721)	(158,244)
Dietary	(25,690)	(9,204)
	(7,164)	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 24,434	(389,114)

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, 2013

2013

	UNRESTRICTED – HOLY FAMILY HOME, INC. – UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED – HOLY FAMILY HOME, INC. – UNRESTRICTED	UNRESTRICTED – SSMI PLANT FUND	UNRESTRICTED – SUB-TOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR, as previously reported	$ (587,935)	121,184	63,197	(403,554)	16,707	1,029,277	642,430
Prior period correction (Note 14)	-	(9,470)	(89,133)	(98,603)	-	(249,845)	(348,448)
BALANCE , BEGINNING OF YEAR, as restated	(587,935)	111,714	(25,936)	(502,157)	16,707	779,432	293,982
Excess (deficiency) of revenue over expenses	8,603	72,004	9,283	89,890	-	(65,456)	24,434
Transfer from SSMI Works (Note 10)	-	-	-	-	-	100,304	100,304
Transfer (Note 13)	-	-	(844,217)	(844,217)	-	844,217	-
BALANCE, END OF YEAR	$ (579,332)	183,718	(860,870)	(1,256,484)	16,707	1,658,497	418,720

2012

	UNRESTRICTED – HOLY FAMILY HOME, INC. – UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED – HOLY FAMILY HOME, INC. – UNRESTRICTED	UNRESTRICTED – SSMI PLANT FUND	UNRESTRICTED – SUBTOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR, as previously reported	$ (555,483)	328,432	49,137	(177,914)	37,653	999,660	859,399
Prior period correction (Note 14)	-	-	-	-	-	(233,978)	(233,978)
BALANCE , BEGINNING OF YEAR, as restated	(555,483)	328,432	49,137	(177,914)	37,653	765,682	625,421
Excess (deficiency) of revenue over expenses	(32,452)	(216,718)	14,060	(235,110)	(20,946)	(133,058)	(389,114)
Transfer from SSMI Works (Note 10)	-	-	-	-	-	57,675	57,675
Transfer	-	-	(89,133)	(89,133)	-	89,133	-
BALANCE, END OF YEAR	$ (587,935)	111,714	(25,936)	(502,157)	16,707	779,432	293,982

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2013

	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 24,434	(389,114)
Add non-cash item(s):		
Amortization of tangible capital assets	392,080	436,279
Amortization of deferred capital contributions	(178,598)	(172,956)
Recognition of deferred contributions for major building repairs	-	(34,593)
	237,916	(160,384)
Change in non-cash working capital:		
Accounts receivable	12,021	(3,569)
Due from WRHA	461,648	(414,191)
Due from WRHA - Accrued vacation pay and pre-retirement leave	(3,965)	(37,851)
Inventory	11,976	(11,246)
Prepaid expenses	(344)	(848)
Accounts payable and accrued liabilities	500,065	(151,091)
Source deductions payable	13,538	152,566
Accrued vacation pay and pre-retirement leave	(4,638)	70,303
	1,228,217	(556,311)
INVESTING ACTIVITIES		
Reduction in investments held for capital purposes	21,098	-
Purchase of tangible capital assets - equipment and building improvements	(1,074,903)	(382,112)
	(1,053,805)	(382,112)
FINANCING ACTIVITIES		
Long-term debt funding received	-	183,955
Long-term debt principal repayments	(127,898)	(119,513)
Loan advance principal repayments	(20,130)	-
Additions (utilization) of externally restricted fund balances - reserves	23,136	23,136
Deferred capital contributions	142,275	41,668
Due to (from) related parties	491,597	755,953
Transfers from (to) related parties	100,304	57,675
	609,284	942,874
INCREASE IN CASH	783,696	4,451
CASH, BEGINNING OF YEAR	1,131,721	1,127,270
CASH, END OF YEAR	$ 1,915,417	1,131,721

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013

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. These are the organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations and CICA Handbook Section 1501 First Time Adoption has been applied. An explanation of how the transition to Canadian accounting standards for not-for-profit organizations has affected the financial statements is provided in Note 2 (j).

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 CICA 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.

(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 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.

During the year the organization determined that the estimated useful lives of Building - Phase II and Building - Link to be 65 years from the date of addition. The change in accounting estimate has been accounted for on a prospective basis and has decreased amortization of tangible capital assets in the current year by $60,368.

(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 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.

(j) Transition to Canadian Accounting Standards for Not-for-Profit Organizations

These are the organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The accounting policies above have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in the financial statements for the year ended March 31, 2012, and in the preparation of an opening Canadian accounting standards for not-for-profit statement of financial position at the Organization's date of transition, April 1, 2011.

There is no impact on the previously reported financial statements for the year ended March 31, 2012, or any impact on net assets at date of transition, April 1, 2011.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2013	Total 2012
Holy Family Home, Inc.	$ 1,597,529	-	1,597,529	446,378
SSMI Plant fund	70,906	-	70,906	650,178
Major building repairs reserve fund	68,254	162,489	230,743	218,401
Equipment amortization fund	178,728	-	178,728	351
	$ 1,915,417	162,489	2,077,906	1,315,308

The investments are part of a jointly held investment pool by SSMI with yields of 1.20% to 3.80% maturing between April 9, 2013 and July 18, 2015.

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Due from WHRA Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2012	Vacation pay	$ 719,492	1,037,113	(317,621)
	Pre-retirement leave	1,596,827	1,867,141	(270,314)
		$ 2,316,319	2,904,254	(587,935)
March 31, 2013	Vacation pay	$ 719,492	1,028,510	(309,018)
	Pre-retirement leave	1,600,792	1,871,106	(270,314)
		$ 2,320,284	2,899,616	(579,332)

(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 $nil (2012 - $32,452).

(b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,600,792 (2012 - $1,596,827) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years 2006/2007 to 2010/2011. 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, 2013 of $1,871,106 (2012 - $1,867,141) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2013, HFH paid out retirement allowances to their employees in the amount of $191,212 (2012 - $211,756) in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2013 was $nil (2012 - $nil).

(d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which include Vacation Pay and Pre-retirement Leave) 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.

5. TANGIBLE CAPITAL ASSETS

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 191,548	-	191,548	-
Park Improvements	196,806	-	196,806	-
Redwood Park	69,158	-	69,158	-
Building - Phase I	1,616,588	1,350,349	1,616,588	1,317,213
Building - Phase II	3,957,077	2,723,982	3,957,077	2,685,069
Building - Phase V	1,621,247	1,022,091	1,621,247	951,602
Building - Phase VI	483,175	-	48,221	-
Building - Link	1,500,962	857,706	1,500,962	836,264
Building - Canopy	70,161	51,153	70,161	48,230
Building Improvements	1,251,831	217,333	911,433	163,895
Equipment	2,653,334	2,021,598	2,353,784	1,849,860
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Religious Mosaic and Icons	42,574	-	42,574	-
	$ 14,124,278	8,714,029	13,049,376	8,321,950
Net book value	$ 5,410,249		4,727,426	

Building improvements includes $120,699 related to a boiler which was in the process of being installed at year end. Amortization will not commence until the boiler is fully installed.

Building – Phase VI is in the pre-construction phase. The balance included in tangible capital assets represents the accumulated cost of engineering consulting fees to date. Amortization will not commence until the construction of the building is complete.

Total amortization expensed in the statement of operations is $392,080 (2012 - $436,279).

6. LONG-TERM DEBT

	2013	2012
Toronto Dominion Bank due March 1st, 2014, prime plus 0.50%, repayable in monthly installments of $1,850 plus interest. Accrued interest $368 (2012 - $368).	$ 130,195	152,395
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 $3,194 (2012 - $3,765).	565,371	666,395
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 $15,934 (2012 - $16,766).	1,951,483	1,956,157
	2,647,049	2,774,947
Less: current portion	191,999	123,114
	$ 2,455,050	2,651,833

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2014	$ 191,999
	2015	66,407
	2016	71,361
	2017	76,690
	2018	82,427
	Thereafter	2,158,165
		$ 2,647,049

Total interest expensed in the statement of operations is $193,085 (2012 - $209,344).

7. DEFERRED CAPITAL CONTRIBUTIONS

	Funds for Future Capital Purchases	Tangible Capital Assets	2013 Total	2012 Total
BALANCE, BEGINNING OF YEAR	$ 351	968,912	969,263	1,100,551
Add: Deferred contributions - WRHA	48,300	77,353	125,653	39,615
Transfer for tangible capital assets purchased	(36,844)	36,844	-	-
Donations - HFH Ladies Auxiliary	-	16,622	16,622	2,053
	11,807	1,099,731	1,111,538	1,142,219
Deduct: Amortization of deferred contributions	-	178,598	178,598	172,956
BALANCE, END OF YEAR	$ 11,807	921,133	932,940	969,263

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2013 Total	2012 Total
BALANCE, BEGINNING OF YEAR	$ 123,616	94,786	218,402	229,859
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
Deduct: Amortization of deferred contributions	-	-	-	34,593
BALANCE, END OF YEAR	$ 131,752	109,786	241,538	218,402

9. INVESTMENT INCOME

	2013	2012
Holy Family Home, Inc. investment income	$ 7,471	7,942
SSMI Plant Fund investment income	9,283	14,060
	$ 16,754	22,002

10. RELATED PARTY TRANSACTIONS

Holy Family Home, Inc. (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to various Sisters Servants of Mary Immaculate Works associated with HFH 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.

During the current year the Sisters Servants of Mary Immaculate approved a transfer of net assets totaling $100,304 (2012 - $57,675) from Sisters Servants of Mary Immaculate Works to Sisters Servants of Mary Immaculate Plant Fund to fund equipment additions and building improvements.

11. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2013	2012
Total funds received during year	$14,668,680	12,863,684
Add:		
Year end adjustments receivable	-	847,839
Residential charges top-up	-	112,764
	14,668,680	13,824,287
Deduct:		
Loan funding deferred	196,468	130,488
Year end adjustments receivable	431,004	-
Major reserves funding deferred	23,136	23,136
Residential charges claw back	22,531	-
	673,139	153,624
	$13,995,541	13,670,663
Funding broken down as follows:		
Resident Services	$13,726,381	13,401,503
Adult Day Care	269,160	269,160
	$13,995,541	13,670,663

12. 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, 2013, the organization has a cash balance of $1,915,417.

(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 pursuing collections when they are due.

12. FINANCIAL RISK MANAGEMENT (Continued)

(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.

13. TRANSFER OF NET ASSETS

During the year $844,217 was transferred from the SSMI Plant Fund to net assets invested in tangible capital assets. The transfer relates to self-funded purchases of tangible capital assets including the construction of Phase VI, building improvements, and equipment.

Subsequent to year end the organization received 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.

14. PRIOR PERIOD CORRECTION

A prior period correction has been made to adjust deferred capital contributions to properly only recognize the funded portion of tangible capital assets, exclusive of debt servicing commitments. Previously, the organization had been amortizing deferred capital contribution based upon the full cost of the related tangible capital asset, when deferred capital contribution amortization should have only been based upon the funded portion of the tangible capital asset. As a result, over a period of years, too much amortization of deferred capital contributions had been recorded in income and the deferred capital contribution balance recorded on the books was understated. In accordance with Part III of the CICA HB Section 4410, funding received for the repayment of debt that had been obtained to purchase a tangible capital asset will be recognized in the same period received to match the related amortization expense. Lump sum payments received by the organization to satisfy outstanding debts that were originally obtained to purchase a tangible capital asset are deferred and recognized to income over the remaining estimated useful life of the related asset. As a result of this prior period correction, net assets invested in tangible capital assets decreased by $237,978 and deferred capital contributions increased by $237,978 as at April 1, 2011. At March 31, 2012, net assets invested in tangible capital assets decreased by $249,845, unrestricted net assets decreased by $98,603, accounts receivable decreased by $14,338, deferred capital contributions increased by $331,561, accounts payable and accrued liabilities increased by $2,549, amortization of deferred capital contributions decreased by $235,266, debt servicing funding increased by $130,265, and debt structure and amortization increased by $9,469.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

SCHEDULE 1

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
SCHEDULE OF INTERNALLY RESTRICTED NET ASSETS
YEAR ENDED MARCH 31, 2013

	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2013 TOTAL	2012 TOTAL
BALANCE, BEGINNING OF YEAR	$ 2,502	14,205	-	16,707	37,653
Deficiency of revenue over expenses from operations	-	-	-	-	(20,946)
BALANCE, END OF YEAR	$ 2,502	14,205	-	16,707	16,707

David Hildebrand
Certified General Accountant

INDEPENDENT AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporation
Winnipeg, Manitoba

I have audited the accompanying financial statements of Hope Centre Health Care Incorporation, which comprise the balance sheet as at March 31, 2013 and the statement of income and accumulated surplus 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 generally accepted accounting principles, 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

My responsibility is to express an opinion on these financial statements based on our audit. I 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.

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

Qualified Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of the Hope Centre Health Care Incorporation as at March 31, 2013, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

David Hildebrand C G A

Certified General Accountant

June 20, 2013
2 – 715 Lanark Street
Winnipeg, R3N 1M4

Hope Centre Health Care Incorporated
Balance Sheet
As at March 31, 2013

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 64,863	$ 51,428
Accounts Receivable	198,068	232,780
Prepaid Expenses	2,820	2,636
Total Current Assets	265,751	286,844
Capital Assets (Note 3 & 4)	44,500	32,000
Total Assets	**$ 310,251**	**$ 318,844**
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	25,654	14,325
Surplus Payable - WRHA	33,395	-
Government Remittances Payable	$ 18,190	$ 15,431
Total Current Liabilities	77,239	29,756
EQUITY		
Investment in Capital Assets	44,500	32,000
Unrestricted	188,512	257,088
Total Owners' Equity	233,012	289,088
Total Liabilities and Surplus	**$ 310,251**	**$ 318,844**

Approved By:

Director

Director

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

Hope Centre Health Care Incorporated
Statement of Income and Accumulated Surplus
For the year ended March 31, 2013

	2013	2012
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 1,028,140	$ 1,038,568
Medical Receipts	8,548	7,006
Other	3,152	3,309
	1,039,840	1,048,883
EXPENSES		
Administration	87,677	88,212
Primary Health Care	874,693	834,372
Occupancy	100,151	89,582
	1,062,521	1,012,166
Excess of revenue over expenses for the year	(22,681)	36,717
Add: Repayment to WRHA re 2009-'10 & 2010-'11	(33,395)	-
	-56,076	36,717
Accumulated surplus (deficiency), beginning of year	289,088	252,371
Accumulated surplus (deficiency), end of year	**$ 233,012**	**$ 289,088**

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

Hope Centre Health Care Incorporated
Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012
Cash flows from operating activities		
Excess of revenue over expenses	$ (22,681)	$ 36,717
Amortization	3,152	2,020
	(19,529)	38,737
Changes in other non-cash operating accounts	32,964	(36,357)
	13,435	2,380
Adjustment of prior years' income	-	-
Increase (decrease) In cash during the year	13,435	2,380
Cash beginning of year	51,428	49,048
Cash end of year	**$ 64,863**	**$ 51,428**

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

Hope Centre Health Care Incorporated
Schedule of Expenses
For the year ended March 31, 2013

	Budget 2,013	Actual 2013	Actual 2012
Administration			
Salaries and benefits	$ 72,280	$ 72,280	$ 72,558
Professional fees	5,500	5,421	7,478
Bank charges and interest	3,500	4,115	3,448
Advertising	-	4,921	1,154
Insurance - Liabilities	3,800	940	3,574
	$ 85,080	$ 87,677	$ 88,212
Primary Health Care			
Salaries - Physicians	$188,793	$ 216,913	$ 238,784
Salaries - Health Care	457,241	469,600	445,636
Professional Development	-	-	2,369
Benefits - Salaries	111,105	122,093	95,231
Auto Allowance	800	568	811
Program Supplies	20,500	20,509	27,355
Program Equipment	1,500	25,239	5,467
Public Relations	1,500	2,536	4,322
Communications	10,500	10,932	8,645
Postage	1,200	1,384	1,499
Professional Fees	4,500	4,919	4,253
	$797,639	$ 874,693	$ 834,372
Occupancy			
Cleaning - Janitorial	$ 14,000	$ 16,808	$ 11,880
Cleaning Supplies	3,000	3,430	3,426
Properties - Heat	2,600	4,196	6,080
Properties - Light	3,200	3,468	3,110
Properties - Water	1,900	1,936	1,985
Properties - Maintenance	19,000	21,313	15,354
Properties - Taxes	1,600	1,554	1,580
Hardware Supplies	-	-	-
Rental - 240 Powers St.	42,504	42,867	42,504
Alarm Monitoring	1,500	1,454	1,643
Amortization	-	3,125	2,020
	$ 89,304	$ 100,151	$ 89,582

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

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2013

1. Purpose of the Organization

Hope Centre Health Care Inc. is committed to the provision of 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. and worthy of a competent standard of care, rendered with respect, dignity and compassion.

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.

2. Adoption of a New Accounting Framework

During the year ended March 31, 2013, Hope Cente Health Care Incorporaed adopted the new accountings standards for not-for-profit organizations (the "new standards") issued by the Canadian Institue of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, first-time adoption for not-for-profit organizations, ("Section 1501") , the date of transition to the new standards is January 1, 2011 and the Society has prepared and presented an opening balance sheet s at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards.

In its opening balance sheet, under the recommendations of section 1501, the Society:

a) Recognized all assets and liabilities whose recognition is required by the new standards;

b) Did not recognize items as assets or liabilities if the new standards do not permit such recogmition:

c) Reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and,

d) Applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2013

2. Adoption of a New Accounting Framework (continued)

Impact of the new standards on the balance sheet as at April 1,2012

The impact of the adoption of the new standards on the balance sheet as at April 1, 2012 is a reclassification of government remittances from accounts payable and accrued liabilities to government remittances payable in the amount of $ 0.00. as the new standards require separate disclosure of government remittances payable.

Impact of the new standards on the statement of Operations for the year ended Mar. 31, 2012

There was no impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012.

3. Accounting Policies

a) Basis of Accounting
- Thedeferred method of accounting is being used.

- Inventories ae insignigicant, thus all inventory is charged to operations in the current year of operations.

b) Capital Assets
Property, Plant and Equipment are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

Building	5%	Straight- line basis
Furniture and fixtures	20%	Straight- line basis
Equipment	30%	Straight- line basis

c) Manitoba Health funding
Manitoba Health provides funding to the organization based on their assessment of the organization's annual operating budgets and on approved capital expenditures. Periodically, Manitoba Health reviews actual operating results and processes adjustments to amounts previously provided. The organization accounts for these adjustments as a credit or charge to accumulated surplus.

d) Income Tax
The corporation is a not-for-profit organization and thus is exempt under the provisions of the Canada Revenue Agency.

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2013

4. Capital Assets

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2012	2011
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	73,213	0	0
Furniture and fixtures	50,898	50,898	0	0
Equipment	47,908	35,408	12,500	0
	$ 204,019	$ 159,519	$ 44,500	$ 32,000

5. Non-Pension Pre-retirement Leave Benefit

An acturarial report called the 'Mercer Valluation Report' has been issued. The report indicted that Hope Centre Health Care Inc. has an unrecorded actuarial valuation liability in the amount of $157,198 (2012 - $143,722).

6. Economic Dependence

The organization is dependent on support from Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

booke
& partners
CHARTERED ACCOUNTANTS

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 Klinic Incorporated as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 22, 2013

Chartered Accountants

Klinic Incorporated
Statements of Operations

Years Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2013 Total**	2012 Total
Revenues						
Grants and other revenue (Page 14)	$ 9,487,798	$ -	$ -	$ -	**$ 9,487,798**	$ 9,252,150
Donations	-	-	-	40,174	**40,174**	15,038
Interest	-	-	-	4,095	**4,095**	4,042
Amortization of deferred revenues	-	1,843	72,140	-	**73,983**	73,983
	9,487,798	1,843	72,140	44,269	**9,606,050**	9,345,213
Expenses						
Expenditures (Page 14)	9,539,509	-	-	-	**9,539,509**	9,224,492
Amortization	20,947	2,834	67,679	-	**91,460**	79,273
Special projects	-	-	-	2,734	**2,734**	1,663
	9,560,456	2,834	67,679	2,734	**9,633,703**	9,305,428
(Deficiency) excess of revenues over expenses from operations	(72,658)	(991)	4,461	41,535	**(27,653)**	39,785
Pre-retirement leave (Note 10)	(32,786)	-	-	-	**(32,786)**	(21,111)
(Deficiency) excess of revenues over expenses	$ (105,444)	$ (991)	$ 4,461	$ 41,535	**$ (60,439)**	$ 18,674

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statements of Changes in Fund Balances
Years Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2013 Total**	2012 Total
Fund balances, beginning of years	$ (3,495)	$ 17,382	$ 175,942	$ 381,868	**$ 571,697**	$ 553,023
(Deficiency) excess of revenues over expenses	(105,444)	(991)	4,461	41,535	**(60,439)**	18,674
Fund balances, end of years	$ (108,939)	$ 16,391	$ 180,403	$ 423,403	**$ 511,258**	$ 571,697

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statements of Financial Position

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**March 31, 2013** **Total**	March 31, 2012 Total	April 1, 2011 Total
Assets							
Current							
Cash (Note 4)	$ 1,529,333	$ -	$ -	$ 220,647	**$ 1,749,980**	$ 1,725,709	$ 1,642,444
Cash in trust - external projects (Note 5)	44,097	-	-	-	**44,097**	47,614	62,889
Receivables (Note 6)	1,065,465	-	-	-	**1,065,465**	1,093,575	959,362
Prepaid expenses	11,380	-	-	-	**11,380**	7,384	9,964
	2,650,275	-	-	220,647	**2,870,922**	2,874,282	2,674,659
Interfund balances (Note 9)	(271,771)	-	69,015	202,756	**-**	-	-
Capital assets (Note 7)	64,517	42,187	904,929	-	**1,011,633**	1,026,389	1,105,662
	$ 2,443,021	$ 42,187	$ 973,944	$ 423,403	**$ 3,882,555**	$ 3,900,671	$ 3,780,321
Liabilities							
Current							
Payables and accruals	$ 1,314,874	$ -	$ -	$ -	**$ 1,314,874**	$ 1,187,245	$ 1,140,707
Deferred revenue (Note 8)	307,982	-	-	-	**307,982**	494,355	431,520
Current portion of obligation under capital lease (Note 12)	24,530	-	-	-	**24,530**	-	-
Funds in trust - external projects (Note 5)	44,097	-	-	-	**44,097**	47,614	62,889
	1,691,483	-	-	-	**1,691,483**	1,729,214	1,635,116
Deferred revenue (Note 8)	-	25,796	793,541	-	**819,337**	893,320	967,303
Obligation under capital lease (Note 12)	37,757	-	-	-	**37,757**	-	-
Pre-retirement leave (Note 10)	822,720	-	-	-	**822,720**	706,440	624,879
	2,551,960	25,796	793,541	-	**3,371,297**	3,328,974	3,227,298
Fund balances							
Invested in capital assets	-	16,391	111,388	-	**127,779**	124,309	120,839
Unrestricted - retainable	(108,939)	-	69,015	423,403	**383,479**	447,388	432,184
	(108,939)	16,391	180,403	423,403	**511,258**	571,697	553,023
	$ 2,443,021	$ 42,187	$ 973,944	$ 423,403	**$ 3,882,555**	$ 3,900,671	$ 3,780,321

On behalf of the Board

__________________ Director __________________ Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statements of Cash Flows
Years Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2013 Total	2012 Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 7,169,957	$ -	$ -	$ -	**$ 7,169,957**	$ 6,886,219
Province of Manitoba	1,360,402	-	-	-	**1,360,402**	1,516,055
Government of Canada	244,511	-	-	-	**244,511**	250,591
University of Winnipeg	145,229	-	-	-	**145,229**	116,182
Workshops and honorariums	34,388	-	-	-	**34,388**	39,798
Donations	(18,165)	-	-	40,174	**22,009**	32,323
External projects	160,144	-	-	-	**160,144**	179,976
Interest	15,018	-	-	4,095	**19,113**	18,326
Other sources	499,943	-	-	-	**499,943**	397,573
Cash paid for:						
Human resources and benefits	(8,477,582)	-	-	-	**(8,477,582)**	(8,074,370)
Materials and services	(974,150)	-	-	(2,734)	**(976,884)**	(1,090,316)
External projects	(163,661)	-	-	-	**(163,661)**	(202,009)
Interest	(2,358)	-	-	-	**(2,358)**	(2,358)
	(6,324)	-	-	41,535	**35,211**	67,990
Cash flows from financing and investing activities						
Winnipeg Regional Health Authority Purchase of capital assets	(14,457)	-	-	-	**(14,457)**	-
Net cash used in financing and investing activities	(14,457)	-	-	-	**(14,457)**	-
Net (decrease) increase in cash	(20,781)	-	-	41,535	**20,754**	67,990
Cash, beginning of years	1,586,421	-	-	186,902	**1,773,323**	1,705,333
Interfund adjustments	7,790	-	-	(7,790)	**-**	-
Cash, end of years (Note 4)	$ 1,573,430	$ -	$ -	$ 220,647	**$ 1,794,077**	$ 1,773,323

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

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

The organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are 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 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.

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CHARTERED ACCOUNTANTS

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 salvage 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	20 years	straight line
Wilson House Fund		
Building	20 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 3.15% (2012 - 4.1%), a rate of salary increase of 3.0% (2012 - 3.0%) 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.

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.

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

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

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. Impact of the change in the basis of accounting

Effective April 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASfNPO statement of financial position at April 1, 2011 (the organization's date of transition).

The organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities and fund balances of the organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in fund balances and the statement of cash flows. Certain of the organization's disclosures included in these financial statements reflect the new disclosures required of ASfNPO.

4. Cash

	2013	2012
Operating Fund		
Cash and short-term investments	**$ 1,529,333**	$ 1,538,807
Cash in trust - external projects	**44,097**	47,614
	1,573,430	1,586,421
Donation Fund	**220,647**	186,902
	$ 1,794,077	$ 1,773,323

The organization has available an operating line of credit with an authorized limit of $25,000 (2012 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2013 (2012 - $NIL).

5. Cash in trust - external projects

Funds in trust for external projects is as follows:

	2013	2012
Manitoba Public Health Association	**$ 17,685**	$ 18,919
Downtown Parent Coalition	**11,533**	12,421
West Central Community Guide	**3,855**	4,466
Manitoba Network for Suicide Prevention	**3,765**	3,765
Wellness Committee	**2,509**	3,293
Pregnancy Prevention Media Campaign	**1,857**	1,857
Trauma Forum	**1,790**	1,790
Mothers Support Circle	**434**	434
Male Childhood Abuse Workshop	**669**	669
	$ 44,097	$ 47,614

6. Receivables

	2013	2012
Winnipeg Regional Health Authority	**$ 658,516**	$ 743,149
Other	**406,949**	350,426
	$ 1,065,465	$ 1,093,575

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CHARTERED ACCOUNTANTS

7. Capital assets

2013

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 145,568	$ 143,493	$ 2,075
Computer equipment under capital lease	73,591	11,149	62,442
	219,159	154,642	64,517
Capital Asset Fund			
Building	2,401,770	2,375,972	25,798
Furniture and equipment	295,328	278,939	16,389
	2,697,098	2,654,911	42,187
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	609,152	744,429
	1,514,081	609,152	904,929
	$ 4,430,338	$ 3,418,705	$ 1,011,633

2012

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 142,455	$ 133,695	$ 8,760
Capital Asset Fund			
Building	2,401,770	2,374,130	27,640
Furniture and equipment	295,328	277,947	17,381
	2,697,098	2,652,077	45,021
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	541,473	812,108
	1,514,081	541,473	972,608
	$ 4,353,634	$ 3,327,245	$ 1,026,389

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CHARTERED ACCOUNTANTS

8. 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:

	2013	2012
Beginning balance	**$ 494,355**	$ 431,520
Less: amounts recognized as revenue during the year	**(225,976)**	(169,984)
Add: amounts received related to next year	**39,603**	232,819
	$ 307,982	$ 494,355

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

Beginning balance	**$ 27,639**	$ 29,482
Less: amounts recognized as revenue during the year	**(1,843)**	(1,843)
	$ 25,796	$ 27,639

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	**$ 865,681**	$ 937,821
Less: amounts recognized as revenue during the year	**(72,140)**	(72,140)
	$ 793,541	$ 865,681

Deferred revenue reported in the Capital Asset Fund and Wilson House Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

9. Interfund balances

The interfund balances are non interest bearing and have no fixed terms of repayment.

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CHARTERED ACCOUNTANTS

10. 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	**2013**	2012
Opening balance	**$ 706,440**	$ 624,879
Increase in obligation	**116,280**	81,561
Ending balance	**$ 822,720**	$ 706,440

Pre-retirement leave		
Current year retirement benefits paid	**$ (21,586)**	$ -
Current year recovery	**21,586**	-
Increase in obligation	**(116,280)**	(81,561)
Increase in receivable	**83,494**	60,450
	$ (32,786)	$ (21,111)

11. 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, $525,460 (2012 - $509,389) 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.

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CHARTERED ACCOUNTANTS

12. Obligation under capital lease		**2013**		2012
Obligation under capital lease	**$**	**62,287**	$	-
Less: current portion of obligation		**24,530**		-
	$	**37,757**	$	-

Approximate future minimum lease payments in the next three years are as follows:

2014	$	24,530
2015		24,530
2016		13,227
	$	62,287

Obligation under capital lease includes interest rates between 14.51% and 15.46%. The lease is secured by computer equipment.

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.

Klinic Incorporated
Schedules of Operations
Years Ended March 31

	General Operations	Teen Talk	Klinic Student Health Services	Rural Farm	Dream Catcher	GLBTT	Choices	Knowledge Exchange Network	2013 Total	2012 Total
Revenues										
Grants										
Winnipeg Regional Health Authority										
Fixed payments	$ 6,737,714	$ 147,511	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,885,225	$ 6,845,852
Other funding	46,686	-	-	-	-	37,471	-	-	84,157	138,738
Province of Manitoba										
Manitoba Health	56,484	225,558	-	354,725	46,600	-	-	-	683,367	878,205
Healthy Child	-	310,667	-	-	-	-	144,335	-	455,002	402,549
Healthy Living, Seniors and Consumer Affairs	289,733	-	-	-	-	-	-	-	289,733	25,173
Education	-	15,000	-	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	88,679	-	-	-	-	-	-	-	88,679	84,024
Family Violence and Prevention Branch	-	-	-	-	-	-	-	-	-	3,500
Aboriginal and Northern Affairs	-	25,000	-	-	-	-	-	-	25,000	-
Government of Canada										
Canada Drug Strategy	-	-	-	-	-	-	-	66,519	66,519	187,157
Public Health Agency Canada	-	49,855	-	-	-	-	-	-	49,855	50,061
First Nations Inuit Health	69,991	-	-	-	-	-	-	-	69,991	-
Workers Compensation Board	55,000	-	-	-	-	-	-	-	55,000	55,000
Winnipeg Foundation	15,732	-	-	-	-	-	-	-	15,732	20,000
University of Winnipeg	-	-	130,706	-	-	-	-	-	130,706	130,706
Other	403,723	48,183	-	4,800	165	-	-	2,850	459,721	364,045
Workshops	90,477	-	-	-	-	-	-	-	90,477	34,270
Donations	1,799	-	-	6,687	130	-	-	-	8,616	3,086
Foundations	-	-	-	-	-	-	-	-	-	500
Interest	15,018	-	-	-	-	-	-	-	15,018	14,284
Total revenues	7,871,036	821,774	130,706	366,212	46,895	37,471	144,335	69,369	9,487,798	9,252,150
Expenditures										
Salaries	5,359,785	563,132	108,708	268,564	37,766	-	73,281	49,680	6,460,916	6,172,363
Medical remuneration	756,804	-	-	-	-	-	-	-	756,804	760,830
Benefits and payroll tax	1,084,976	115,853	20,817	50,344	6,999	-	14,227	4,850	1,298,066	1,264,724
Food and dietary supplies (recovery)	31,460	(20)	-	965	1,241	-	-	-	33,646	32,723
Housekeeping	14,296	-	-	-	-	-	-	-	14,296	15,120
Medical supplies	34,115	-	562	-	-	-	-	-	34,677	33,993
Office supplies	131,973	22,275	365	9,785	1,953	-	52,441	972	219,764	193,026
Other	217,788	106,205	254	21,850	4,967	23,647	4,386	11,541	390,638	416,683
Professional fees	36,033	-	-	-	-	-	-	-	36,033	34,027
Rent	7,646	-	-	14,520	-	-	-	2,100	24,266	28,461
Repairs and maintenance	148,706	871	-	215	-	6,181	-	226	156,199	179,317
Pharmacy and drugs	3,646	-	-	-	-	7,643	-	-	11,289	2,659
Reproductive health supplies	14,480	13,458	-	-	-	-	-	-	27,938	21,102
Utilities and property taxes	67,231	-	-	-	-	-	-	-	67,231	63,538
Volunteer services	7,746	-	-	-	-	-	-	-	7,746	5,926
Total expenditures	7,916,685	821,774	130,706	366,243	52,926	37,471	144,335	69,369	9,539,509	9,224,492
(Deficiency) excess of revenues over expenditures from operations	$ (45,649)	$ -	$ -	$ (31)	$ (6,031)	$ -	$ -	$ -	$ -	$ 27,658

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

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, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flow for the years ended March 31, 2013 and March 31, 2012, 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 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 **LHC PERSONAL CARE HOME INC.** as at March 31, 2013, March 31, 2012 and April 1, 2011, and (of) its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
June 20, 2013

310-70 Albert Street, Winnipeg, Manitoba R3B 1E7
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STATEMENT OF FINANCIAL POSITION

		March 31, 2013	March 31, 2012	April 1, 2011
ASSETS				
CURRENT				
Cash	$	**725,054**	152,481	
Restricted cash - resident trust		**14,994**	16,202	20,342
Restricted cash - reserve fund		**196,104**	173,753	155,572
Accounts receivable (note 4)		**32,473**	6,803	2,070
Due from Winnipeg Regional Health Authority (note 5)			29,873	
Due from a related party (note 9)				22,799
Vacation entitlement receivable (note 6)		**138,650**	138,650	138,650
Prepaid expenses		**22,449**	12,955	10,720
		1,129,724	530,717	350,153
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 6)		**169,871**	169,788	159,015
CAPITAL ASSETS (note 7)		**8,654,553**	8,913,872	9,176,071
		9,954,148	9,614,377	9,685,239
LIABILITIES				
CURRENT				
Bank indebtedness (note 8)				48,511
Accounts payable and accrued liabilities		**142,572**	72,412	38,796
Resident trust payable		**14,994**	16,202	20,342
Accrued vacation payable		**352,125**	354,216	327,519
Due to Winnipeg Regional Health Authority (note 5)		**499,746**		22,536
Due to a related party (note 9)		**34,425**	67,373	
		1,043,862	510,203	457,704
COMMITMENTS AND CONTINGENCIES (note 10)				
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 6)		**190,418**	190,335	179,562
DEFERRED CONTRIBUTIONS (note 11)		**7,784,676**	8,025,697	8,269,716
DEFERRED FUNDS		**4,360**	3,495	2,998
		9,023,316	8,729,730	8,909,980
NET ASSETS				
NET ASSETS (page 4)		**930,832**	884,647	775,259
	$	**9,954,148**	9,614,377	9,685,239

Approved on behalf of the Board

Director　　　　　　　　Director

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

STATEMENT OF OPERATIONS

For the year ended March 31, 2013

		2013	2012
REVENUE			
Winnipeg Regional Health Authority	$	**5,425,900**	5,228,817
Resident charges		**2,025,231**	1,959,069
Other		**28,390**	30,876
		7,479,521	7,218,762
EXPENDITURES			
Electricity		**138,060**	127,757
Health and education levy		**98,899**	98,354
Insurance		**43,943**	43,087
Medical remuneration		**17,592**	17,592
Medical supplies and equipment		**142,439**	130,233
Natural gas		**73,649**	70,990
Operational supplies and services		**245,751**	231,206
Other employee benefits		**760,365**	701,962
Other nursing expenses		**4,819**	8,196
Plant maintenance		**116,326**	112,207
Pre-retirement payout		**18,879**	
Professional fees		**16,555**	17,602
Property taxes		**88,320**	91,719
Purchased meals (note 9)		**842,260**	832,917
Resident travel		**4,770**	4,590
Salaries		**4,627,016**	4,475,922
Water and waste		**42,172**	42,597
Workers Compensation premiums		**87,959**	91,670
		7,369,774	7,098,601
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS		**109,747**	120,161
OTHER ITEMS			
Amortization of deferred contributions		**325,721**	320,364
Amortization of capital assets		**(325,721)**	(320,364)
Change in retirement obligation		**(83)**	(10,773)
		(83)	(10,773)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE PRIOR YEAR ADJUSTMENTS		**109,664**	109,388
PRIOR YEAR ADJUSTMENTS			
Winnipeg Regional Health Authority		**(63,479)**	
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$	**46,185**	109,388

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

STATEMENT OF CHANGES IN NET ASSETS
March 31, 2013

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2013	TOTAL 2012
NET ASSETS, beginning of year	$ 1,066,211	(181,564)	884,647	775,259
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		46,185	46,185	109,388
NET ASSETS, end of year	$ 1,066,211	(135,379)	930,832	884,647

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

STATEMENT OF CASH FLOWS

For the year ended March 31, 2013

		2013	2012
OPERATING ACTIVITIES			
Excess of revenue over expenditures for the year	$	**46,185**	109,388
Adjustments for			
Amortization of capital assets		**325,721**	320,364
Net decrease in resident trust		**1,208**	4,140
Net increase in reserve funds		**(22,351)**	(18,181)
Change in deferred contributions		**(241,021)**	(244,019)
Change in deferred funds		**865**	497
		110,607	172,189
Changes in non-cash working capital balances			
Accounts receivable		**(25,670)**	(4,733)
Prepaid expenses		**(9,494)**	(2,235)
Pre-retirement entitlement receivable		**(83)**	(10,773)
Accounts payable and accrued liabilities		**70,160**	33,616
Resident trust payable		**(1,208)**	(4,140)
Accrued vacation payable		**(2,091)**	26,697
Accrued pre-retirement entitlement		**83**	10,773
		142,304	221,394
INVESTING ACTIVITIES			
Purchase of capital assets		**(66,402)**	(58,165)
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		**529,619**	(52,409)
Due to (from) a related party		**(32,948)**	90,172
		496,671	37,763
NET INCREASE IN CASH		**572,573**	200,992
CASH POSITION, beginning of year		**152,481**	(48,511)
CASH POSITION, end of year	$	**725,054**	152,481

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

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 service purchase agreement with the W.R.H.A. As the entity is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. **CHANGE IN ACCOUNTING STANDARDS**
The organization has adopted the Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations which have been applied retrospectively.

Upon adoption of the new accounting framework, there have been no adjustments required to opening assets, liabilities, net assets, or deficiency of revenue over expenditures for the year.

3. **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 organization's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they 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 organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The organization's financial instruments consist of cash, accounts receivable, due from a related party, vacation entitlement receivable, pre-retirement entitlement receivable, bank indebtedness, demand loan payable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, due to WRHA, due to a related party, and accrued pre-retirement entitlement.

Transaction costs for financial instruments are expensed in the period incurred and recognized in excess of revenue over expenditures.

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 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 residual value.

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

Buildings	- 2.5%
Furniture, fixtures and equipment	- 10%
Land improvements	- 10%

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

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

The Health Insurance Act and regulations hereto, the organization 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, 2013.

With respect to actual operating results, certain adjustments to funding will 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.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the organization 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 organization other than those set forth in the service purchase agreement.

b) Surpluses - The organization 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.

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.

4. ACCOUNTS RECEIVABLE

		2013	2012
Receivable from residents	$	**18,208**	(325)
Other		**14,265**	7,128
	$	**32,473**	6,803

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

5. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2013	2012
Bridge funding	$	**(551,786)**	(405,000)
Capital interest		**(3,685)**	(3,685)
Employer assistance program		**4,516**	4,516
Employer pension increases		**8,470**	54,342
Enhanced orientation new LTC nurses		**258**	
Extended health benefit plan increase		**6,823**	6,823
Flu immunization costs		**534**	1,318
Health spending account		**15,690**	7,584
Leap year residential charges		**5,261**	27,413
MNU maternity leave top up		**7,580**	7,580
Median adjustment		**6,210**	12,659
PIECES		**1,265**	
Pre-retirement payout		**48,726**	7,695
Principle payment		**(144)**	(144)
Residential charges		**3,838**	24,205
Sara Lift/electric beds		**10,177**	
Staffing increase hours of care			284,567
Year end assessments		**(63,479)**	
	$	**(499,746)**	29,873

6. 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 retirement benefits recoverable and payable are classified as long-term 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 are 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. This 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.

7. CAPITAL ASSETS

	2013 Cost	2013 Accumulated Amortization	2012 Cost	2012 Accumulated Amortization
Land	$ **189,282**		189,282	
Buildings	**12,324,767**	**4,003,567**	12,324,767	3,695,375
Furniture, fixtures and equipment	**1,222,910**	**1,082,161**	1,156,507	1,066,360
Land improvements	**17,289**	**13,967**	17,289	12,238
	13,754,248	**5,099,695**	13,687,845	4,773,973
Cost less accumulated amortization	$ **8,654,553**		8,913,872	

Amortization of capital assets for the year ended March 31, 2013 is $325,721 (2012 - $320,364).

8. 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.

9. RELATED PARTY TRANSACTIONS

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 role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services. Dietary is charged based on a rate per resident meal day.

The following table summarizes the organization's related party transactions:

	2013	2012
Dietary	$ **842,260**	832,917

The transactions are in the normal course of operations and are recorded at the exchange amount.

The identified related parties are governed by a common Board of Directors.

At the end of the year, the amount due from (to) a related party is as follows:

	2013	2012
Lions Manor	$ **(34,425)**	(67,373)

The balances are non-interest bearing, due on demand and are unsecured.

At the end of the year, $43,984 (2012 - $40,866) of donations are being held as restricted funds by Lions Manor, a related party.

10. COMMITMENTS AND 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, 2013, no litigation is in process. With respect to potential claims at March 31, 2013, management believes 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.

11. 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.

	2013	2012
Balance, beginning of year	$ **7,851,944**	8,114,143
Transfers from equipment funding	**62,350**	58,165
Less amounts amortized to revenue	**(325,721)**	(320,364)
Balance, end of year	$ **7,588,573**	7,851,944

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.

	2013	2012
Balance, beginning of year	$ **66,767**	59,087
Contributions - Winnipeg Regional Health Authority	**7,680**	7,680
Balance, end of year	$ **74,447**	66,767

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.

	2013	2012
Balance, beginning of year	$ **106,986**	96,486
Contributions - Winnipeg Regional Health Authority	**77,020**	68,665
Purchases	**(62,350)**	(58,165)
Balance, end of year	$ **121,656**	106,986
Total deferred contributions balance	$ **7,784,676**	8,025,697

12. 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.

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, 2007 indicates the Plan is fully funded. Contributions to the Plan made during the year by the organization on behalf of its employees amounted to $325,267 (2012 - $309,450) and are included in the statement of operations.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation. Excess of revenues over expenditures remains as previously reported.

MANAGEMENT'S RESPONSIBILITY

To the Directors of the
Luther Home Corporation:

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 generally accepted accounting principles. 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 design 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 is composed 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 Board is also responsible for recommending the appointment of the Organization's external auditors.

Craig & Ross, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

CRAIG & ROSS
CHARTERED ACCOUNTANTS

Approved by the Executive Committee on May 16, 2013.

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, 2013, and the statements of operations, changes in net assets and cash flows, and supporting schedules 1 to 11 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 generally accepted accounting principles, 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 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 Luther Home Corporation as at March 31, 2013, 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.

(continues)

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Independent Auditors' Report to the Directors of the Luther Home Corporation *(continued)*

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Luther Home Corporation adopted Canadian Accounting Standards for Not-for-Profit Organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures.

Craig & Ross

Chartered Accountants

LUTHER HOME CORPORATION

Statement of Financial Position

March 31, 2013

		March 31 2013		March 31 2012		April 1 2011
ASSETS						
CURRENT						
Cash and marketable securities *(Note 4)*	$	**596,311**	$	519,286	$	676,822
Accounts receivable		**77,949**		210,888		104,803
Prepaid expenses		**26,494**		38,034		47,686
Inventory		**20,477**		17,334		16,546
		721,231		785,542		845,857
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 5)*		**548,499**		492,014		470,706
CAPITAL ASSETS *(Note 6)*		**5,955,167**		6,145,848		6,065,607
	$	**7,224,897**	$	7,423,404	$	7,382,170
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued expenses	$	**926,634**	$	857,037	$	795,385
Subsidy due to Manitoba Housing		**27,233**		14,639		90,582
Current portion of long-term debt *(Note 7)*		**92,374**		84,474		78,000
Accrued benefit entitlement		**342,624**		327,076		307,301
		1,388,865		1,283,226		1,271,268
Term loans due on demand *(Note 7)*		**777,636**		671,071		550,896
		2,166,501		1,954,297		1,822,164
LONG-TERM DEBT *(Note 6)*		**2,103,283**		2,195,496		2,283,115
DEFERRED CONTRIBUTIONS						
Capital assets		**519,571**		799,994		777,969
Subsidy surplus reserve		**77,118**		75,889		74,180
Replacement reserve *(Note 8)*		**170,930**		174,662		274,731
		5,037,403		5,200,338		5,232,159
NET ASSETS						
Investment in capital assets		**1,630,830**		1,737,200		1,553,457
Internally restricted - Memorial Fund *(Note 9)*		**15,503**		33,041		46,686
Unrestricted		**541,161**		452,825		549,868
		2,187,494		2,223,066		2,150,011
	$	**7,224,897**	$	7,423,404	$	7,382,170

APPROVED ON BEHALF OF THE BOARD

Director

Director

LUTHER HOME CORPORATION

Statement of Operations

Year Ended March 31, 2013

		2013		2012
REVENUE				
Long term care *(Schedule 1)*	$	**5,843,764**	$	5,812,678
1080 Powers *(Schedule 2)*		**511,236**		496,101
1084 Powers *(Schedule 3)*		**316,530**		321,980
364 Leila *(Schedule 4)*		**437,233**		444,959
Adult Day Program *(Schedule 5)*		**123,337**		123,914
Home Care Program *(Schedule 6)*		**332,688**		332,680
Management Services *(Schedule 7)*		**19,403**		15,770
Memorial Fund *(Schedule 8)*		**20,485**		21,964
		7,604,676		7,570,046
EXPENSES				
Long term care *(Schedule 1)*		**5,908,025**		5,786,584
1080 Powers *(Schedule 2)*		**511,236**		496,101
1084 Powers *(Schedule 3)*		**255,164**		217,552
364 Leila *(Schedule 4)*		**426,165**		448,023
Adult Day Program *(Schedule 5)*		**124,415**		124,219
Home Care Program *(Schedule 6)*		**331,481**		336,281
Management Services *(Schedule 7)*		**30,191**		32,846
Memorial Fund *(Schedule 8)*		**38,023**		35,609
		7,624,700		7,477,215
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER		**(20,024)**		92,831
OTHER				
Benefit bank value change - vacation		**(15,548)**		(19,776)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$	**(35,572)**	$	73,055

LUTHER HOME CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2013

	Invested in Capital Assets	Internally Restricted	Unrestricted	2013	2012
NET ASSETS - BEGINNING OF YEAR	**$ 1,737,200**	**$ 33,041**	**$ 452,825**	**$ 2,223,066**	$ 2,150,011
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(265,385)**	**(17,538)**	**247,351**	**(35,572)**	73,055
CAPITAL ASSET ADDITIONS	**74,702**	**-**	**(74,702)**	**-**	-
DEBT REPAYMENT	**84,313**	**-**	**(84,313)**	**-**	-
NET ASSETS - END OF YEAR	**$ 1,630,830**	**$ 15,503**	**$ 541,161**	**$ 2,187,494**	$ 2,223,066

LUTHER HOME CORPORATION

Statement of Cash Flow

Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
(Deficiency) Excess of revenue over expenditures for the year	$ (35,572)	$ 73,055
Adjustments for:		
Amortization of capital assets	265,386	264,618
Amortization of deferred contributions related to capital assets	(45,666)	(51,626)
	184,148	286,047
Adjustments for changes in non-cash working capital:		
Accounts receivable	132,939	(106,085)
Inventories	(3,143)	(788)
Prepaid expenses	11,540	9,652
Accounts payable and accrued expenses and Manitoba Housing	82,191	(14,291)
Accrued benefit entitlement	15,548	19,775
Changes in non-cash working capital	423,223	194,310
FINANCING ACTIVITIES		
Proceeds of term loans	275,802	242,435
Change in deferred contributions	(237,263)	(24,709)
Repayment of term loans	(169,237)	(122,260)
Repayment of long-term debt	(84,313)	(81,146)
Cash flow from financing activities	(215,011)	14,320
INVESTING ACTIVITIES		
Purchase of capital assets	(74,702)	(344,858)
Due from Winnipeg Regional Health Authority	(56,485)	(21,308)
Cash flow from investing activities	(131,187)	(366,166)
DECREASE IN CASH FLOW	77,025	(157,536)
CASH, BEGINNING OF YEAR	519,286	676,822
CASH, END OF YEAR	$ 596,311	$ 519,286

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2013

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year, Luther Home Corporation adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO). These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in some changes to the presentation and disclosure on the balance sheet.

2. INCORPORATION AND OPERATIONS

Luther Home Corporation was incorporated on May 25, 1968 as a non-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 is a group home for mentally challenged individuals.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, 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 generally accepted accounting principles 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.

Other accounting policies that the financial statements have been prepared with that do not differ from Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO). are as follows:

<u>Revenue recognition</u>

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. 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.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 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.

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.

The Organization performs impairment testing on long-lived assets held for use whenever changes in circumstances indicate that the carrying value of an asset, or group of assets, 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.

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)*

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.

For 1084 Powers Street, amortization is provided on the building, furniture and equipment purchased from loans by Canada Mortgage and Housing Corporation (CMHC) at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Organization is registered as a non-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 CMHC, a replacement reserve liability has been established. The replacement reserve is funded from the Organization'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 Organization.

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 current replacement cost. 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 service and have reached the age of 55; or
(b) qualify for the "eighty" rule which is calculated by adding the number of years 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)*

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 Organization has restricted donations in the Memorial Fund. These funds may be designated for specific projects to enhance the care of residents of the Organization.

Financial instruments

Held for trading

The Organization has classified cash and marketable securities as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Loans and receivables

The Organization has classified accounts receivable and Due from WRHA as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

Other financial liabilities

The Organization has classified accounts payable and accrued liabilities, accrued benefit entitlement, term loans due on demand, and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Comprehensive income
All gains and losses, including those arising from all financial instruments, have been recognized in operations for the year. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.

4. CASH AND MARKETABLE SECURITIES

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 2.3% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to restrictions.

	2013	2012
Cash and marketable securities, restricted	**$ 248,048**	$ 250,551
Cash and marketable securities, unrestricted	**348,263**	268,735
	$ 596,311	$ 519,286

5. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

	2013	2012
Vacation entitlement	**$ 133,100**	$ 133,100
Pre-retirement asset entitlement	**415,399**	358,914
	$ 548,499	$ 492,014

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 obligation. For the period April 1, 2006 to March 31, 2013, the WRHA fully funded the change in the pre-retirement obligation.

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2013

6. CAPITAL ASSETS

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land – 1081 Andrews St.	$ 51,952	$ -	$ 51,952	$ -
Buildings – 1081 Andrews St.	2,502,598	1,162,954	2,502,598	1,094,625
Automotive – 1081 Andrews St.	74,399	65,557	74,399	62,093
Real time locating system – computer	9,335	9,335	9,335	9,335
Computer and system software – 1081 Andrews St.	183,011	180,856	180,926	170,414
Furniture, equipment and improvements – 1081 Andrews St.	2,685,247	1,892,188	2,661,111	1,790,156
Emergency generator	234,066	-	234,066	-
Boiler replacement	314,795	-	266,314	-
Real time locating system	167,863	109,110	167,863	92,324
Buildings – 364 Leila Ave	229,430	91,351	229,430	85,976
Furniture and fixtures – 364 Leila Ave.	24,404	23,212	24,404	22,819
Land, building and equipment – 1080 Powers St.	2,889,843	506,007	2,889,843	447,445
Land, building and equipment – 1084 Powers St.	1,925,129	1,296,335	1,925,129	1,296,336
	$ 11,292,072	$ 5,336,905	$ 11,217,370	$ 5,071,522
Net book value	$ 5,955,167		$ 6,145,848	

7. LONG-TERM DEBT

	2013	2012
Mortgage loan, with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387, including interest and secured by the land and building at 1080 Powers Street, due July 1, 2027	**$ 1,964,348**	$ 2,022,909
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	**231,308**	257,060
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $2,633, secured by assignment of proceeds of the contract with the WRHA for the laundry project, due February 1, 2016	**121,113**	152,733
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	**167,634**	191,334
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $5,580, secured by assignment of proceeds of the contract with the WRHA for the building improvements, due September 1, 2013	**17,609**	84,569
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	**292,910**	242,436
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, for renovations at 1084 Powers Street, due September 1, 2017. Secured by investments.	**178,371**	-
	2,973,293	2,951,041
Less: Term loans due on demand	**777,636**	671,071
Less: Current portion of long-term debt	**92,374**	84,474
	$ 2,103,283	$ 2,195,496

(continues)

7. LONG-TERM DEBT *(continued)*

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

2014	$ 92,374
2015	101,000
2016	109,000
2017	120,000
2018	131,000

8. REPLACEMENT RESERVE

1081 Andrews Street

Under the terms of the agreement with WRHA, the replacement reserve account was credited in the amount of $18,776 (2012 -$67,786). 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 $15,000 (2012 - $15,000) 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 - MEMORIAL FUND

During the 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) for the current year in the amount of $17,538.

10. PROVINCIAL HOME CARE

1084 Powers Street received $332,688 (2012 - $332,680) from the WRHA – Home Care Division during the year as a reimbursement of staff salaries and benefits paid.

11. RESIDENTIAL SUPPORT PROGRAM

364 Leila Avenue received $434,192 (2012 - $435,834) from Family Services during the year for residential services.

12. ECONOMIC DEPENDENCE

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of total revenue 70% (2012 – 70%) is from these organizations.

13. CAPITAL MANAGEMENT

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits for its residents.

The Organization considers its capital to be the balance maintained in net assets. The Organization 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, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization monitors capital on a quarterly basis, as well as annually, through the input of the Board of Directors, as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy was to protect the capital through maintaining low risk investments, as well as to minimize the deficiency of revenues over expenses.

14. 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 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 $314,764 (2012 - $310,332). This amount was determined by contributing 7.9% of eligible salaries up to $51,100 and 9.5% of the portion of salaries in excess of $51,100 and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions.

14. PENSION PLAN *(continued)*

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2011, indicates the Plan is fully funded.

LUTHER HOME CORPORATION

Schedule 1

Statement of Operations
Long-Term Care

Year Ended March 31, 2013

	2013	2012
REVENUE FROM RESIDENT SERVICES		
Winnipeg Regional Health Authority	$ 4,222,082	$ 4,161,439
Amortization of deferred contributions	45,666	51,626
Residential charges	1,259,269	1,269,999
	5,527,017	5,483,064
OFFSET REVENUES		
Dietetics	126,597	129,895
Interest	6,178	7,991
Parking	9,775	8,710
Project maintenance	131,866	135,293
Other	42,331	47,725
	316,747	329,614
	5,843,764	5,812,678
EXPENSES		
Administration	88,638	77,980
Allocation to replacement reserve	19,784	68,794
Amortization of capital assets	183,318	183,797
Food	256,815	252,544
Interest on long-term debt	41,354	41,217
Maintenance and repairs	72,368	55,114
Medical supplies	89,115	87,172
Other supplies and expenses	144,635	148,567
Purchased services	23,942	23,832
Salaries, benefits and payroll levy	4,870,644	4,726,901
Utilities	117,412	120,666
	5,908,025	5,786,584
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ (64,261)	$ 26,094

LUTHER HOME CORPORATION

Schedule 2

Statement of Operations
1080 Powers St.

Year Ended March 31, 2013

	Budget 2013	Actual 2013	Actual 2012
REVENUES			
Manitoba Housing Renewal Corporation - subsidy	$ -	$ 279,225	$ 274,992
Rental revenue	228,100	209,465	201,465
Cablevision	-	16,542	14,973
Other	6,800	6,004	4,671
	234,900	511,236	496,101
EXPENSES			
Administration (Schedule A1)	20,400	30,008	30,008
Allocation to replacement reserve	15,000	15,000	15,000
Amortization of capital assets	-	58,562	52,553
Cablevision	-	15,793	15,034
Electricity	39,100	44,586	39,416
Insurance	3,500	2,952	3,317
Interest on long-term debt	-	198,085	204,094
Repairs and maintenance (Schedule A3)	58,950	70,968	72,742
Natural gas	28,300	8,953	12,919
Property taxes	-	22,578	20,936
Water	14,100	16,518	15,443
	179,350	484,003	481,462
EXCESS SUBSIDY DUE TO MANITOBA HOUSING RENEWAL CORPORATION	(55,550)	(27,233)	(14,639)
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -	$ -

LUTHER HOME CORPORATION

Schedule 3

Statement of Operations
1084 Powers St.

Year Ended March 31, 2013

		2013		2012
REVENUES				
Rental revenue	$	**307,670**	$	311,049
Other		**8,860**		10,931
		316,530		321,980
EXPENSES				
Administration		**37,200**		37,200
Allocation to replacement reserve		**21,028**		4,546
Cablevision		**16,772**		16,302
Electricity		**25,067**		21,648
Insurance		**3,518**		4,046
Interest on long term debt		**3,462**		5,752
Janitorial services		**16,143**		15,142
Maintenance and repairs		**69,662**		49,157
Natural gas		**15,259**		19,334
Other supplies and expenses		**1,575**		1,694
Professional fees		**2,408**		2,408
Property taxes		**27,056**		25,652
Security		**1,789**		1,690
Water		**14,225**		12,981
		255,164		217,552
EXCESS OF REVENUE OVER EXPENSES	$	**61,366**	$	104,428

LUTHER HOME CORPORATION

Schedule 4

Statement of Operations
364 Leila Ave.

Year Ended March 31, 2013

		2013		2012
REVENUES				
Province of Manitoba - residential support program	$	**405,829**	$	404,591
Province of Manitoba - residential support program - Extra staffing		**21,117**		23,490
Province of Manitoba - residential support program - Benefits		**7,246**		7,753
Other		**3,041**		9,125
		437,233		444,959
EXPENSES				
Administration		**12,600**		12,600
Amortization of capital assets		**5,770**		6,024
Electricity		**3,754**		3,849
Food supplies		**18,243**		21,167
Insurance		**387**		441
Interest on long term debt		**-**		2,304
Janitorial services		**4,021**		4,480
Maintenance and repairs		**7,337**		15,153
Natural gas		**921**		525
Other supplies and expenses		**2,765**		3,238
Professional fees		**2,408**		2,408
Property taxes		**3,962**		4,294
Salaries, benefits and payroll levy		**358,696**		366,572
Telephone		**3,751**		3,229
Water		**1,550**		1,739
		426,165		448,023
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$	**11,068**	$	(3,064)

LUTHER HOME CORPORATION

Schedule 5

Statement of Operations
Adult Day Program

Year Ended March 31, 2013

	2013	2012
REVENUES		
Winnipeg Regional Health Authority	$ **106,704**	$ 106,778
Participant charges	**16,633**	17,136
	123,337	123,914
EXPENSES		
Other supplies and expenses	**16,057**	16,296
Salaries, benefits and payroll levy	**58,892**	57,421
Travel	**49,466**	50,502
	124,415	124,219
DEFICIENCY OF REVENUE OVER EXPENSES	$ **(1,078)**	$ (305)

LUTHER HOME CORPORATION

Schedule 6

Statement of Operations
Home Care Program

Year Ended March 31, 2013

		2013		2012
REVENUES				
Winnipeg Regional Health Authority	$	**332,688**	$	332,680
EXPENSES				
Other supplies and expenses		**14,400**		14,400
Salaries, benefits and payroll levy		**317,081**		321,881
		331,481		336,281
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$	**1,207**	$	(3,601)

LUTHER HOME CORPORATION

Schedule 7

Statement of Operations
Management Services

Year Ended March 31, 2013

		2013		2012
REVENUE				
Other	$	**19,403**	$	15,770
EXPENSES				
Amortization of capital assets		**17,736**		17,719
Miscellaneous		**2,343**		3,065
Scholarship		**499**		998
Staff appreciation		**8,940**		10,042
Tenant and staff gifts		**673**		1,022
		30,191		32,846
DEFICIENCY OF REVENUE OVER EXPENSES	$	**(10,788)**	$	(17,076)

LUTHER HOME CORPORATION

Schedule 8

Statement of Operations
Memorial Fund

Year Ended March 31, 2013

		2013		2012
REVENUES				
General contributions	$	**20,485**	$	21,964
EXPENSES				
Miscellaneous		**5,552**		6,107
Salaries, benefits and payroll levy		**32,471**		29,502
		38,023		35,609
DEFICIENCY OF REVENUE OVER EXPENSES	$	**(17,538)**	$	(13,645)

LUTHER HOME CORPORATION

Schedule 9

Supplementary Information

Year Ended March 31, 2013

	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
REPLACEMENT RESERVE					
RESERVE FOR CAPITAL ASSETS					
Opening balance	$ 18,790	$ 131,712	$ -	$ -	$ 150,502
Current allocation	14,000	15,000	-	-	29,000
Interest earned	531	1,621	-	-	2,152
Current expenditures	-	(35,336)	-	-	(35,336)
Ending balance	33,321	112,997	-	-	146,318
RESERVE FOR MAJOR REPAIRS					
Opening balance	17,103	-	-	-	17,103
Current allocation	4,776	-	-	-	4,776
Interest earned	227	-	-	-	227
Current expenditures	(5,558)	-	-	-	(5,558)
Ending balance	16,548	-	-	-	16,548
RESERVE FOR INSURANCE DEDUCTIBLE					
Opening balance	7,056	-	-	-	7,056
Current allocation	1,008	-	-	-	1,008
Ending balance	8,064	-	-	-	8,064
TOTAL	$ 57,933	$ 112,997	$ -	$ -	$ 170,930
CAPITAL ASSETS AND ACCUMULATED DEPRECIATION					
CAPITAL ASSETS					
Opening balance	$ 6,148,559	$ 2,889,844	$ 1,925,129	$ 253,835	$ 11,217,367
Additions	74,705	-	-	-	74,705
Ending balance	6,223,264	2,889,844	1,925,129	253,835	11,292,072
ACCUMULATED DEPRECIATION					
Opening balance	3,218,944	447,446	1,296,335	108,794	5,071,519
Current year depreciation	201,054	58,562	-	5,770	265,386
Ending balance	3,419,998	506,008	1,296,335	114,564	5,336,905
NET BOOK VALUE	$ 2,803,266	$ 2,383,836	$ 628,794	$ 139,271	$ 5,955,167
SUBSIDY SURPLUS					
Opening balance	$ -	$ -	$ 75,888	$ -	$ 75,888
Interest earned	-	-	1,230	-	1,230
Ending balance	$ -	$ -	$ 77,118	$ -	$ 77,118
LONG-TERM DEBT					
Opening balance	$ 928,131	$ 2,022,909	$ -	$ -	$ 2,951,040
Additional loan	78,075	-	197,728	-	275,803
Principal payment	(175,631)	(58,562)	(19,358)	-	(253,551)
Ending balance	830,575	1,964,347	178,370	-	2,973,292
Less: Current portion and term loans due on demand	(599,266)	-	(178,370)	-	(777,636)
	$ 231,309	$ 1,964,347	$ -	$ -	$ 2,195,656

LUTHER HOME CORPORATION

Schedule

Combined Statement of Revenues and Expenditures

Year Ended March 31, 2013

	Long-Term Care	Other	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Adult Day Program	Home Care Program	Management Services	Memorial Fund *(Restricted)*	2013 Total	2012 Total
REVENUE											
Regional Health Authority	4,222,082					106,704	332,688			4,661,474	4,600,897
Manitoba Housing			279,225							279,225	274,992
Residential support	1,259,269				434,192					1,693,461	428,081
Rental			209,465	307,670		16,633				533,768	1,799,649
Amortization	45,666									45,666	51,626
Other	316,747		22,546	8,860	3,041			19,403	20,485	391,082	414,801
	5,843,764	-	511,236	316,530	437,233	123,337	332,688	19,403	20,485	7,604,676	7,570,046
EXPENDITURES											
Allocation to reserve	19,784		15,000	21,028						55,812	88,340
Amortization	183,318		58,562		5,770			17,736		265,386	260,093
Interest on long-term debt	41,354		198,085	3,462						242,901	253,367
Other	651,571		144,002	126,998	44,966	65,523	14,400	12,455	5,552	1,065,467	1,019,735
Purchased services	23,942		-	2,408	2,408					28,758	31,056
Utilities	117,412		95,587	85,125	14,325					312,449	307,205
Salaries, benefits, levy	4,870,644			16,143	358,696	58,892	317,081		32,471	5,653,927	5,517,419
	5,908,025	-	511,236	255,164	426,165	124,415	331,481	30,191	38,023	7,624,700	7,477,215
	(64,261)		-	61,366	11,068	(1,078)	1,207	(10,788)	(17,538)	(20,024)	92,831
BENEFIT BANK CHANGE	-	(15,548)	-	-	-	-	-	-	-	(15,548)	(19,776)
EXCESS (DEFICIENCY)	(64,261)	(15,548)	-	61,366	11,068	(1,078)	1,207	(10,788)	(17,538)	(35,572)	73,055

SIMON HALL CHARTERED ACCOUNTANT
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AUDITOR`S REPORT

TO THE DIRECTORS,
MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
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, 2012, and the statement of operations, statement of changes in fund balances 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 requruiements 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

SHall

SIMON HALL
CHARTERED ACCOUNTANT

May 10, 2013
Winnipeg, Manitoba

SIMON HALL CHARTEREED ACCOUNTANT
PO BOX 68068, 43 OSBORNE STREET **(204)943-9931 (T)**
WINNIPEG, MANITOBA. **(204)943-9932 (F)**
R3L 0CO

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 2012/2013 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.

SIMON HALL
CHARTERED ACCOUNTANT

May 10, 2013
Winnipeg, Manitoba

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2013

	Operating Fund	Special Projects Fund	Total 2013	Total 2012
	$	$	$	$
CURRENT ASSETS:				
Cash Note 3	159,287	-	**159,287**	155,816
Short term investments Note 4	172,253	175,000	**347,253**	340,582
Accounts Rec Note 5	85,180	-	**85,180**	114,796
	416,720	175,000	**591,720**	611,194
FIXED ASSETS: Note 6	-	-	-	-
TOTAL ASSETS	416,720	175,000	**591,720**	611,194
CURRENT LIABILITIES:				
Accounts payable & accrued liabilities Note 8	188,474	-	**188,474**	190,585
Repayable to WRHA Note 9	41,898	-	**41,898**	62,107
Deferred revenue Note 10	19,171	-	**19,171**	18,371
	249,543	-	**249,543**	271,063
CONTINGENT LIABILITIES: (note 11)				
NET ASSETS:				
Internally restricted	-	175,000	**175,000**	175,000
Unrestricted	167,177	-	**167,177**	165,131
	167,177	175,000	**342,177**	340,131
TOTAL LIABILITIES & FUND BALANCES	416,720	175,000	**591,720**	611,194

APPROVED BY BOARD:

Director _______________________ :

Director

Director

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2013

	Operating Fund $	Special Projects Fund $	**Total 2013 $**	Total 2012 $
REVENUES:				
WRHA: Medical Clinic	812,673	-	**812,673**	815,233
WRHA: recoveries	(16,122)	-	**(16,122)**	(25,776)
Interest & other	7,817	-	**7,817**	4,754
MB Labour & Immigration	95,819	-	**95,819**	92,749
Fundraising	8,328	-	**8,328**	23,886
WCB Health Projects	-	-	-	-
Deferred contribution for capital assets	-	-	-	-
Repayment of funding	-	-	-	-
United Way Projects	4,875	-	**4,875**	5,125
Deferred revenue in	-	-	-	3,465
Deferred revenue out	-	-	-	-
Total Revenues	913,390	-	**913,390**	919,436
EXPENDITURES:	911,345	-	**911,345**	904,208
EXCESS OF REVENUE OVER EXPENDITURES	2,045	-	**2,045**	15,228

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2013

	Operating Fund $	Special Projects Fund $	**Total 2013 $**	Total 2012 $
EXPENDITURES BREAKDOWN - OPERATING:				
Amortization on equip	-	-	-	-
Audit & accounting	9,925	-	**9,925**	9,448
Accreditation Fees	219	-	**219**	12,275
Computer software and services	7,021	-	**7,021**	6,215
Bank charges	327	-	**327**	169
Delivery	120	-	**120**	198
Employee benefits	102,759	-	**102,759**	88,697
Equipment rental & minor purchases	10,505	-	**10,505**	14,114
Fundraising	-	-	-	116
Insurance	4,817	-	**4,817**	4,722
Memberships	230	-	**230**	-
Legal	25	-	**25**	225
License fees	600	-	**600**	731
Meeting Expense	4,753	-	**4,753**	4,120
Miscellaneous	3,372	-	**3,372**	2,374
Newsletter	11,581	-	**11,581**	13,914
Printing/Stationery & Office Supplies	9,378	-	**9,378**	11,343
Postage	754	-	**754**	1,271
Pre-retirement	11,104	-	**11,104**	6,539
Publications	3,092	-	**3,092**	6,853
Public relations	8,285	-	**8,285**	6,251
Purchased services	21,302	-	**21,302**	19,301
Rent	70,509	-	**70,509**	70,509
Staff education & recruitment	1,611	-	**1,611**	1,345
Staff parking	6,148	-	**6,148**	5,831
Staff travel & exp.	3,398	-	**3,398**	3,582
Telephone	7,646	-	**7,646**	6,780
Video Project	196	-	**196**	12,644
Work place services	3,513	-	**3,513**	4,258
Wages & salaries	608,155	-	**608,155**	590,383
Total Operating Expenditures	911,345	-	**911,345**	904,208

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS

AS AT MARCH 31, 2013

	Operating Fund	Special Projects Fund	**Total 2013**	Total 2012
	$	$	$	**$**
Fund balance, beginning of year	165,132	175,000	**340,132**	324,903
Surplus (deficiency) for the year	2,045	-	**2,045**	15,228
Interfund transfers	-	-	-	-
Closing fund balance	167,177	175,000	**342,177**	340,131

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2013

	2013 $	2012 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	2,045	15,228
Add: amortization	-	-
	2,045	15,228
Change in working capital:		
Accounts receivable	29,616	(5,551)
Short term investments	(6,671)	(3,275)
Accounts payable & accrued liabilities	(2,111)	21,084
Repayable to WRHA	(20,208)	4,246
Deferred revenue	800	(2,665)
	1,426	13,839
Cash from (used for) operations	3,471	29,067
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	-	-
Cash from (used for) investing & financing	-	-
Increase (decrease) in cash for the year	3,471	29,067
Cash, beginning of year	155,816	126,749
Cash, end of year (note 3)	159,287	155,816

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

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 recorded at lower of cost and market 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.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

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

	2013	2012
	$	$
Operating	**159,195**	155,724
Shares	**92**	92
	159,287	155,816

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

4. SHORT TERM INVESTMENTS

	2013	2012
	$	$
Daily interest account	347,253	340,582

5. ACCOUNTS RECEIVABLE

	2013	2012
Trade receivables	83,323	112,752
Receiver General (GST)	1,857	2,044
	85,180	114,796

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012
	$	$	$	$
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	7,700	(7,700)	-	-
Total	247,846	(247,846)	-	-

7. INVESTMENT IN UNION CENTRE INC.

Union Centre Inc.

The M.F.L. - O.H.C. invested 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 M.F.L. - O.H.C. is entitled to repayment of their investment plus interest accrued to December 31, 1993 upon the disposition of the Union Centre.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013 $	2012 $
Trade payables	32,381	43,782
Accrued liabilities	142,264	137,333
Trust liabilities	13,829	9,470
	188,474	190,585

9. REPAYABLE TO WRHA

Revenue in excess of expenditures:

	2013	2012
2009/2010	-	25,409
2010/2011	-	10,922
2011/2012	25,776	25,776
2012/2013	16,122	-
	41,898	62,107

10. DEFERRED REVENUE

	2013	2012
Other	9,371	9,371
WRHA: Insurance reserve	9,800	9,000
	19,171	18,371

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

11. 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.

12. 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 M.F.L. employees:

	Wages	Benefits	Other	Total
	$	$	$	$
Executive Director - current	71,691	-	4,898	76,589
Health Educator	52,480	-	1,902	54,382
Occupational Health Specialist	55,641	-	4,783	60,424
Occupational Health Nurse	64,677	-	4,588	69,265
Occupational Health Nurse	93,252	-	4,520	97,772
Finance/Office Admin	67,952	-	4,637	72,589

13. COMPARATIVE FIGURES

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

14. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2013

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	Winnipeg Foundation	Manitoba Labour	**Total Fund 2013**	Total Fund 2012
	$	$	$	$	$	$
REVENUES:						
WRHA: Medical Clinic	812,673	-	-	-	**812,673**	815,233
: recoveries	(16,122)	-	-	-	**(16,122)**	(25,776)
Interest & other	-	7,817	-	-	**7,817**	4,754
MB Labour & Immigration	-	-	-	95,819	**95,819**	92,749
Fundraising	-	8,328	-	-	**8,328**	23,886
WCB Projects	-	-	-	-	-	-
Winnipeg Foundation	-	-	4,875	-	**4,875**	5,125
Deferred contributions for capital assets	-	-	-	-	-	-
Deferred revenue in	-	-	-	-	-	3,465
Deferred revenue out	-	-	-	-	-	-
Total Revenues	796,551	16,145	4,875	95,819	**913,390**	919,436
EXPENDITURES - OPERATING:						
Total Operating Expenditures	795,395	14,637	5,494	95,819	**911,345**	904,208
Surplus/ (deficit)	1,156	1,508	(619)	-	**2,045**	15,228

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONTINUED

FOR THE YEAR MARCH 31, 2013

OPERATING FUND EXPENDITURE BREAKDOWN

	WRHA	Donations & Other Programs	WPG Foundation	MB Labour	Total Operating Fund 2013	Total Operating Fund 2012
	$	$	$	$	$	$
EXPENDITURES BREAKDOWN - OPERATING:						
Accreditation fees	219	-	-	-	**219**	12,275
Auditing/accounting	9,925	-	-	-	**9,925**	9,448
Bank charges	327	-	-	-	**327**	169
Computer software & service	7,021	-	-	-	**7,021**	6,215
Delivery	120	-	-	-	**120**	198
Employee benefits	91,060	-	-	11,699	**102,759**	88,697
Equipment rental & minor purchases	10,505	-	-	-	**10,505**	14,114
Fundraising	-	-	-	-	**-**	116
Memberships	230	-	-	-	**230**	-
Intervention grant	-	-	-	-	**-**	-
Insurance	4,817	-	-	-	**4,817**	4,722
Legal	25	-	-	-	**25**	225
License fees	600	-	-	-	**600**	731
Meeting Expense	1,581	-	-	3,172	**4,753**	4,120
Miscellaneous	744	-	-	2,628	**3,372**	2,374
Newsletter	-	11,581	-	-	**11,581**	13,914
Office supplies/Printing/ Stationery	4,020	3,056	-	2,302	**9,378**	11,343
Postage	754	-	-	-	**754**	1,271
Pre-retirement	11,104	-	-	-	**11,104**	6,539
Publications	3,092	-	-	-	**3,092**	6,853
Public relations	2,791	-	5,494	-	**8,285**	6,251
Purchased services	3,170	-	-	18,132	**21,302**	19,301
Rent	70,509	-	-	-	**70,509**	70,509
Staff education & recruitment	1,437	-	-	174	**1,611**	1,345
Staff parking	6,148	-	-	-	**6,148**	5,831
Staff travel	1,523	-	-	1,875	**3,398**	3,582
Telephone	7,646	-	-	-	**7,646**	6,780
Video Project	-	-	-	196	**196**	12,644
Workplaces services	3,513	-	-	-	**3,513**	4,258
Wages & salaries	552,514	-	-	55,641	**608,155**	590,383
Total Operating Expenditures	795,395	14,637	5,494	95,819	**911,345**	904,208

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2013

WRHA FUNDED OPERATING PROGRAMS

	BUDGET 2013 $	**ACTUAL 2013 $**	ACTUAL 2012 $
REVENUES:			
WRHA: Medical Clinic	-	**812,673**	815,233
: recoveries capital assets	-	**(16,122)**	(25,776)
Deferred revenue in	-	**-**	-
Deferred revenue out	-	**-**	-
Total Revenues	-	**796,551**	789,457
EXPENDITURES - OPERATING:			
Accreditation Fees	-	**219**	12,275
Amortization of equipment	-	**-**	-
Audit & accounting	-	**9,925**	9,448
Bank charges & interest	-	**327**	169
Computer software & services	-	**7,021**	6,215
Delivery	-	**120**	198
Employee benefits	-	**91,060**	82,331
Equipment rental & minor purchases	-	**10,505**	14,114
Memberships	-	**230**	-
Insurance	-	**4,817**	4,722
Legal	-	**25**	225
Licence fees	-	**600**	731
Meeting expenses	-	**1,581**	1,601
Miscellaneous	-	**744**	640
Pre-retirement expenses	-	**11,104**	6,539
Printing/stationery/office	-	**4,020**	9,770
Postage	-	**754**	1,271
Public relations	-	**2,791**	1,126
Publications	-	**3,092**	6,853
Purchased services	-	**3,170**	2,145
Rent	-	**70,509**	70,509
Staff education & recruitment	-	**1,437**	830
Staff parking	-	**6,148**	5,831
Staff travel & expenses	-	**1,523**	1,701
Telephone	-	**7,646**	6,780
Workplace services	-	**3,513**	4,258
Wages & salaries	-	**552,514**	538,018
Total Operating Expenditures	-	**795,395**	788,300
EXCESS OF REVENUE OVER EXPENDITURES	-	**1,156**	1,157

"See Auditor's Report and Accompanying Notes"

booke
& partners
CHARTERED ACCOUNTANTS

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 qualified audit opinion.

booke & partners
CHARTERED ACCOUNTANTS

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Independent Auditors' Report - continued

Basis for Qualified Opinion
In common with many not-for-profit organizations, the organization derives part of its revenue from the general public in the form of donations which are not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, contributed material and services revenue, excess of revenues over expenses, current assets and fund balances.

Note 3(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.

In addition, we were unable to obtain sufficient and appropriate audit evidence over the completeness of revenue from the Province of Manitoba in regards to per diems recognized for the Mainstay Residential and Mainstay Client programs for the year ended March 31, 2013, as well as the related receivable balance, due to certain financial information being unavailable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We were also unable to obtain sufficient and appropriate audit evidence over the classification of expenses between the various programs for the years ended March 31, 2013 and March 31, 2012.

Qualified Opinion
In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Main Street Project, Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
June 25, 2013

Chartered Accountants

Main Street Project, Inc.
Statements of Operations
Years Ended March 31

	Operating Fund	Restricted Funds (Note 9)	Capital Fund	2013 Total	2012 (Notes 2, 14) Total
Revenues					
Grants	$3,718,738	$ 1,012	$ 12,995	**$3,732,745**	$3,647,297
Per diem payments	1,076,401	-	-	**1,076,401**	1,093,646
Donations	-	27,292	-	**27,292**	30,548
Interest	6,221	3,261	-	**9,482**	7,581
Loan forgiveness	700	-	-	**700**	350
Gain on disposal of asset	-	-	-	**-**	4,286
Pension funding	-	-	-	**-**	8,793
Unrealized gain (loss) on investments	-	3,390	-	**3,390**	(2,180)
Miscellaneous and other	6,546	-	68,200	**74,746**	68,155
	4,808,606	34,955	81,195	**4,924,756**	4,858,476
Expenses					
Crisis and Detoxification Centre (Page 15)	1,613,813	-	25,043	**1,638,856**	1,533,609
I.P.D.A. (Page 16)	611,520	-	8,084	**619,604**	707,702
Mainstay - Residential Component (Page 17)	140,131	-	70,769	**210,900**	251,708
Mainstay - Client Services (Page 18)	665,246	-	12,586	**677,832**	693,581
Opportunities Ahead (Page 19)	116,337	-	1,300	**117,637**	136,542
Shelter (Page 20)	430,263	-	4,192	**434,455**	408,619
Project Break Away (Page 21)	300,636	-	12,375	**313,011**	306,086
After Hours Response (Page 22)	4,271	-	-	**4,271**	97,696
Outreach Mentor (Page 23)	90,742	-	1,181	**91,923**	76,312
The Bell Hotel (Page 24)	839,871	-	3,351	**843,222**	612,175
	4,812,830	-	138,881	**4,951,711**	4,824,030
(Deficiency) excess of revenues over expenses before other item	(4,224)	34,955	(57,686)	**(26,955)**	34,446
Other item					
Non-recoverable funds	(35,000)	-	-	**(35,000)**	-
(Deficiency) excess of revenues over expenses	$ (39,224)	$ 34,955	$ (57,686)	**$ (61,955)**	$ 34,446

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statements of Changes in Fund Balances
Years Ended March 31

	Operating Fund	Restricted Funds (Note 9)	Capital Fund	2013 Total	2012 Total (Note 2)
Fund balances, beginning of years	$ 90,654	$ 472,887	$ 79,582	**$ 643,123**	$ 608,677
(Deficiency) excess of revenues over expenses	(39,224)	34,955	(57,686)	**(61,955)**	34,446
Property and equipment additions	(32,036)	-	32,036	-	-
Interfund transfers (Note 9)	58,805	(34,000)	(24,805)	-	-
Fund balances, end of years	$ 78,199	$ 473,842	$ 29,127	**$ 581,168**	$ 643,123

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statements of Financial Position

	March 31, 2013	March 31, 2012 (Note 14)	April 1, 2011 (Note 14)
Assets			
Current			
Cash and term deposits	$ 208,681	$ 179,659	$ 306,739
Receivables, net of allowance (Note 5)	505,268	388,850	280,944
Prepaids	23,104	39,916	33,666
Funds held in trust (Note 4)	7,155	5,689	12,163
	744,208	614,114	633,512
Property and equipment (Note 6)	741,306	799,505	780,939
Restricted funds (Note 9)	473,842	472,887	384,669
	$ 1,959,356	$ 1,886,506	$ 1,799,120
Liabilities			
Current			
Payables and accruals	$ 652,904	$ 511,121	$ 440,107
Funds held in trust (Note 4)	7,155	5,689	12,163
Current portion of deferred contributions for property and equipment (Note 7)	12,994	12,994	10,494
Current portion of long-term debt (Note 8)	21,239	19,779	18,420
	694,292	549,583	481,184
Deferred contributions for property and equipment (Note 7)	32,597	20,591	23,074
Long-term debt (Note 8)	651,299	673,209	686,185
	1,378,188	1,243,383	1,190,443
Fund Balances			
Operating	78,199	90,654	141,608
Restricted (Note 9)	473,842	472,887	384,669
Capital	29,127	79,582	82,400
	581,168	643,123	608,677
	$ 1,959,356	$ 1,886,506	$ 1,799,120

Contingencies (Note 10)
Commitment (Note 11)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statements of Cash Flows
Years Ended March 31

	2013	2012
Cash derived from (applied to)		
Operating		
(Deficiency) excess of revenues over expenses	$ (61,955)	$ 34,446
Amortization of property and equipment	90,236	81,805
Amortization of deferred contributions for property and equipment	(12,994)	(10,494)
Unrealized (gain) loss on investments	(3,390)	2,180
	11,897	107,937
Change in non-cash operating working capital		
Receivables	(116,418)	(107,906)
Prepaids	16,812	(6,250)
Payables and accruals	141,783	71,014
	54,074	64,795
Financing		
Reduction of long-term debt	(20,450)	(18,617)
Proceeds of forgivable loan	-	7,000
	(20,450)	(11,617)
Investing		
Purchase of property and equipment	(32,036)	(100,417)
Increase (decrease) in restricted funds	2,434	(90,353)
Grants received towards purchase of property and equipment	25,000	10,512
	(4,602)	(180,258)
Net increase (decrease) in cash	29,022	(127,080)
Cash		
Beginning of years	179,659	306,739
End of years	$ 208,681	$ 179,659

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Main Street Project, Inc. (the "organization") exists to assist individuals in the City of Winnipeg through periods of crisis and help them make the best possible use of rehabilitation and support services. 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. Impact of the change in basis of accounting

Effective April 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the organization's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASfNPO statement of financial position at April 1, 2011 (the organization's date of transition).

The organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. As required by Section 1501, the organization has recorded its equity instruments that are quoted in an active market at fair value. Except for the effects of this requirement, the adoption of ASfNPO had no impact on the previously reported assets, liabilities and fund balances of the organization. The recording of its equity instruments at fair value results in an adjustment in the comparative statement of operations for unrealized gains on investments. Accordingly, the effect of adopting ASfNPO with the requirement to record equity investments that are quoted in an active market at fair value, is as follows:

(a) Adjustment to the 2012 excess of revenues over expenses amount previously reported:

Excess of revenues over expenses, as previously reported at March 31, 2012	$ 36,626
Add: Unrealized loss on investments	(2,180)
Excess of revenues over expenses, as restated at March 31, 2012	$ 34,446

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CHARTERED ACCOUNTANTS

2. Impact of the change in the basis of accounting - continued

(b) Elective exemptions used in the transition to Canadian accounting standards for not-for-profit organizations

The rules for transition to Canadian accounting standards for not-for-profit organizations normally require that an entity prepare its opening statement of financial position using the standards that will be followed thereafter. However, certain elective exemptions from this rule are available. In preparing the opening statement of financial position the agency used none of the elective exemptions.

3. Significant accounting policies

The organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are 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.

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CHARTERED ACCOUNTANTS

3. 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 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

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.

4. 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 in 2013 was $2,620 (2012 - $958).

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CHARTERED ACCOUNTANTS

5. Receivables

	2013	2012 (Note 14)
Winnipeg Regional Health Authority	$ **195,310**	$ -
City of Winnipeg Police Department	**107,760**	114,720
Province of Manitoba	**106,412**	79,984
National Homelessness Initiative	**51,756**	14,962
Funds recoverable	**35,000**	-
City of Winnipeg	**24,000**	24,000
Other	**10,559**	18,126
Goods and Services Tax recoverable	**9,471**	11,017
Mount Carmel Clinic	-	30,000
Winnipeg Regional Health Authority (wage stabilization)	-	26,307
Aboriginal Health and Wellness Centre	-	25,000
Winnipeg Regional Health Authority (additional funding)	-	24,734
Manitoba Housing and renewal corporation	-	20,000
	540,268	388,850
Less: allowance for doubtful accounts	**(35,000)**	-
	$ **505,268**	$ 388,850

6. Property and equipment

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value (Note 14)
Land	$ 47,410	$ -	$ **47,410**	$ 47,410
Building - 71 Martha Street	554,295	215,996	**338,299**	358,049
Buildings - 75 and 77 Martha Street	421,563	213,086	**208,477**	215,204
Furniture and equipment	421,967	321,269	**100,698**	146,732
Vehicles	60,356	13,934	**46,422**	32,110
	$ 1,505,591	$ 764,285	$ **741,306**	$ 799,505

7. Deferred contributions for property and equipment

Deferred contributions for the purchase of property and equipment of $45,591 (2012 - $33,585) represent grants received for furniture and equipment and a vehicle. These grants are amortized over the life of the respective asset in the capital fund within the statements of operations.

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CHARTERED ACCOUNTANTS

8. Long-term debt

	2013	2012
M.H.R.C. first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7 1/4% per annum, due April 1, 2028.	**$ 666,588**	$ 686,338
Manitoba Housing, economic stimulus forgivable loan, maturing November 1, 2021.	**5,950**	6,650
	672,538	692,988
Less: current portion	**(21,239)**	(19,779)
	$ 651,299	$ 673,209

The mortgage is secured by a general security agreement over the building.

In a prior year, under the terms of the Financial Assistance Agreement, Manitoba Housing and Renewal Corporation 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.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2014	$ 21,239
2015	22,807
2016	24,490
2017	26,298
2018	28,239

9. Restricted funds

Externally Restricted Funds

	Insurance Reserve	Replacement Reserve	2013 Total	2012 Total
Balance, beginning of years	$ 11,094	$ 69,969	**$ 81,063**	$ 67,143
Excess of revenues over expenses	1,012	1,034	**2,046**	1,953
Transfer from Operating Fund	-	11,000	**11,000**	11,967
Balance, end of years	$ 12,106	$ 82,003	**$ 94,109**	$ 81,063

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CHARTERED ACCOUNTANTS

9. Restricted funds (continued)

Internally Restricted Funds

	Staff Development Fund	Donations Reserve	Legal Reserve	Capital Asset Reserve	**2013 Total**	2012 Total (Note 14)
Balance, beginning of years	$ 20,148	$ 231,676	$ 50,000	$ 90,000	**$ 391,824**	$ 317,526
Excess of revenues over expenses	201	32,708	-	-	**32,909**	34,448
Transfer (to) from Operating Fund	-	(45,000)	-	-	**(45,000)**	39,850
Due from Operating						
Balance, end of years	$ 20,349	$ 219,384	$ 50,000	$ 90,000	**$ 379,733**	$ 391,824
Externally and internally restricted funds balance, end of years					**$ 473,842**	$ 472,887

During the year, funds were transferred from the Operating Fund to the Replacement Reserve Fund for the purpose of funding future major repairs to the building, and from the Donations Reserve Fund to the Operating Fund in order to facilitate cash flow.

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the Board of Directors to subsidize staff training and retreat costs.

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.

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9. Restricted funds (continued)

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.

Legal Reserve

The Legal Reserve comprises funds that have been internally restricted by the Board of Directors to cover potential future legal costs.

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.

10. Contingencies

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds. WRHA has requested a repayment of surpluses in regards to the March 31, 2012 year-end in the amount of $25,241 related to the Bell Hotel program, which has been recorded against current year's revenue.

Neither the likelihood nor the amount of any possible recovery for the year ended March 31, 2013 can be foreseen. Therefore, no provision has been made in the financial statements. Any surplus recovery for this year-end will be accounted for as a charge to the surplus account in the year of recovery.

The organization has received a demand for damages as a consequence of alleged defamatory statements made against a former employee. The outcome of the demand for damages is uncertain and a quantification of any possible claim cannot be determined at this time. As of the date of the audit report, no claims have been filed.

11. Commitment

The organization is committed to monthly lease payments of $3,253 for office space at 661 Main Street expiring April 1, 2016.

12. 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, $138,283 (2012 - $131,227) was expensed for the purpose of the Plan.

13. 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.

14. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Crisis and Detoxification Centre Program

Years Ended March 31

	2013	2012 (Note 14)
Revenues		
Grant		
Winnipeg Regional Health Authority	**$ 1,623,955**	$ 1,635,322
Winnipeg Regional Health Authority - capital grant	**3,034**	3,034
United Way	**-**	8,820
Winnipeg Foundation - capital grant	**834**	-
Interest	**6,221**	2,764
Miscellaneous	**3,971**	5
Pension funding	**-**	2,458
	1,638,015	1,652,403
Expenses		
Amortization	**25,043**	20,901
Board	**648**	349
Food	**110,434**	97,992
Insurance	**7,063**	4,756
Laundry	**12,424**	11,299
Medical supplies	**11,839**	10,918
Office	**37,614**	29,991
Professional fees	**23,136**	13,943
Program	**14,403**	6,065
Realty taxes	**1,757**	4,690
Rent	**1,585**	15,944
Repairs and maintenance	**66,904**	89,178
Staff training	**6,684**	20,468
Telephone	**18,366**	14,629
Transportation	**3,380**	1,929
Utilities	**45,276**	41,908
Wages and benefits	**1,252,300**	1,148,649
	1,638,856	1,533,609
(Deficiency) excess of revenues over expenses	**$ (841)**	$ 118,794

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Intoxicated Persons Detention Area (I.P.D.A.) Program
Years Ended March 31

	2013	2012 (Note 14)
Revenues		
Per diems		
City of Winnipeg Police Department	$ 695,220	$ 723,000
Pension funding	-	1,550
	695,220	724,550
Expenses		
Amortization	8,084	9,017
Board	2,754	534
Food	22,910	-
Insurance	1,913	741
Medical supplies	5,977	4,385
Office	17,535	15,921
Professional fees	6,739	3,909
Realty taxes	637	1,766
Rent	-	7,716
Repairs, maintenance and replacement	21,685	27,535
Staff training	5,300	9,494
Telephone	3,685	3,051
Travel	581	570
Utilities	15,942	15,375
Wages and benefits	505,862	607,688
	619,604	707,702
Excess of revenues over expenses	$ 75,616	$ 16,848

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Mainstay (Residential Component) Program
Years Ended March 31

	2013	2012 (Note 14)
Revenues		
Grants		
Winnipeg Regional Health Authority	$ -	$ 41,254
Per diems		
Province of Manitoba	135,300	119,868
Other	-	21,933
Manitoba Housing and renewal corporation		
Mortgage principal and interest subsidy	68,200	68,150
Property taxes subsidy	7,400	-
Loan forgiveness	-	350
Pension funding	-	153
	210,900	251,708
Expenses		
Amortization	22,124	21,144
Board	-	242
Insurance	632	835
Mortgage interest	48,645	49,772
Office	8,949	3,041
Professional fees	-	4,853
Property taxes	7,400	6,950
Repairs, maintenance and replacements	50,529	93,295
Telephone	39	646
Utilities	39,311	42,078
Wages and benefits	33,271	28,852
	210,900	251,708
Excess of revenues over expenses	$ -	$ -

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Mainstay (Client Services) Program
Years Ended March 31

	2013	2012 (Note 14)
Revenues		
Grants		
City of Winnipeg	$ 96,000	$ 96,000
United Way	4,397	21,333
Winnipeg Foundation - capital grant	833	-
Winnipeg Regional Health Authority	289,942	248,675
Winnipeg Regional Health Authority - capital grant	1,961	1,961
Per diems		
Province of Manitoba	206,435	211,326
Other	39,446	14,485
Manitoba Housing and renewal corporation loan forgiveness	700	-
Donations	140	-
Miscellaneous	677	-
Gain on disposal of asset	-	4,286
Pension funding	-	1,642
	640,531	599,708
Expenses		
Amortization	12,586	11,235
Board	180	555
Food	50,850	61,638
Insurance	7,619	3,841
Laundry	747	473
Medical supplies	5,455	5,484
Office	18,525	15,134
Professional fees	3,174	2,223
Recruiting	-	3,047
Rent	6,810	15,159
Repairs, maintenance and replacements	17,977	7,309
Resident supplies and program	2,433	1,982
Telephone	4,970	4,856
Travel	3,609	6,160
Utilities	3,326	-
Wages and benefits	539,571	554,485
	677,832	693,581
Deficiency of revenues over expenses	$ (37,301)	$ (93,873)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Opportunities Ahead Program
Years Ended March 31

	2013	2012
Revenues		
Grant		
Human Resources Development Canada	$ 112,305	$ 120,828
Pension funding	-	528
	112,305	121,356
Expenses		
Amortization	1,300	1,417
Food	437	-
Medical supplies	-	1,920
Office	4,162	479
Professional fees	451	351
Program	9,259	8,908
Repairs and maintenance	918	-
Staff training	770	2,454
Telephone	2,529	1,253
Transportation	646	1,107
Utilities	201	-
Wages and benefits	96,964	118,653
	117,637	136,542
Deficiency of revenues over expenses	$ (5,332)	$ (15,186)

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedules of Shelter Program

Years Ended March 31	2013	2012 (Note 14)
Revenues		
Grants		
Manitoba Housing and renewal corporation	**$ 357,033**	$ 356,800
United Way	**4,397**	656
Donations	**690**	-
Pension funding	**-**	651
	362,120	358,107
Expenses		
Amortization	**4,192**	4,784
Board	**212**	377
Food	**1,065**	2,817
Insurance	**722**	-
Laundry	**-**	4
Medical supplies	**61**	1,936
Office	**10,877**	13,772
Professional fees	**906**	2,339
Recruiting	**-**	3,206
Rent	**62**	6,642
Repairs and maintenance	**9,653**	18,601
Telephone	**2,737**	1,552
Utilities	**9,510**	5,777
Wages and benefits	**394,458**	346,812
	434,455	408,619
Deficiency of revenues over expenses	**$ (72,335)**	$ (50,512)

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedules of Project Break Away Program
Years Ended March 31

	2013	2012 (Note 14)
Revenues		
Grants		
United Way	$ **140,350**	$ 119,017
Winnipeg Foundation - capital grant	**833**	-
Manitoba Housing and renewal corporation	**176,000**	176,000
Province of Manitoba - capital grant	**5,500**	5,500
Miscellaneous	**1,900**	-
Pension	**-**	796
	324,583	301,313
Expenses		
Amortization	**12,375**	10,432
Board	**850**	196
Insurance	**2,674**	1,841
Office	**6,636**	8,384
Professional fees	**1,239**	981
Rent	**44,506**	16,762
Repairs, maintenance and replacements	**5,724**	2,203
Resident supplies and programs	**171**	377
Telephone	**2,542**	4,193
Utilities	**1,996**	429
Travel	**3,432**	6,707
Wages and benefits	**230,866**	253,581
	313,011	306,086
Excess (deficiency) of revenues over expenses	$ **11,572**	$ (4,773)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of After Hours Response Program
Years Ended March 31

		2013		2012 (Note 14)
Revenues				
Grants				
Mount Carmel Clinic	$	-	$	30,000
Manitoba Housing and renewal corporation		-		20,000
Aboriginal Health and Wellness Centre		-		25,000
		-		75,000
Expenses				
Repairs and maintenance		-		796
Telephone		-		2,014
Travel		-		76
Wages and benefits		4,271		94,810
		4,271		97,696
Deficiency of revenues over expenses	$	(4,271)	$	(22,696)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of Outreach Mentor Program

Years Ended March 31	2013	2012
Revenues		
Grants		
Manitoba Housing and renewal corporation	$ 102,000	$ 102,000
Pension funding	-	694
	102,000	102,694
Expenses		
Amortization	1,181	1,199
Food	128	-
Insurance	158	-
Medical	449	-
Office	2,851	1,911
Professional fees	448	-
Rent	2,236	3,137
Repairs and maintenance	521	-
Telephone	996	-
Travel	95	-
Utilities	891	-
Wages and benefits	81,969	70,065
	91,923	76,312
Excess of revenues over expenses	$ 10,077	$ 26,382

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedules of The Bell Hotel

Years Ended March 31	2013	2012
Revenues		
Grants		
Winnipeg Regional Health Authority		
- net of recovery of prior year surplus (Note 10)	$ **804,959**	$ 637,095
Pension funding	**-**	321
	804,959	637,416
Expenses		
Amortization	**3,351**	1,676
Food	**9,640**	7,810
Medical supplies	**16**	1,070
Office	**12,591**	10,308
Professional fees	**3,484**	-
Repairs and maintenance	**2,965**	7,614
Staff training	**2,313**	7,591
Telephone	**1,898**	3,064
Travel	**201**	349
Wages and benefits	**806,763**	572,693
	843,222	612,175
(Deficiency) excess of revenues over expenses	$ **(38,263)**	$ 25,241

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

STEFANSON LEE ROMANIUK*
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Middlechurch Home of Winnipeg Inc.

We have audited the accompanying non-consolidated financial statements of Middlechurch Home of Winnipeg Inc., which comprise the non-consolidated statement of financial position as at March 31, 2013 and the non-consolidated 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 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.

(continues)

*Services provided by:
Kenneth John Lee Chartered Accountant Inc.
Brent R. Stefanson Chartered Accountant Inc.
Phillip A. Romaniuk Chartered Accountant Inc.

1151 PORTAGE AVENUE, WINNIPEG, MANITOBA R3G 0S9 TELEPHONE 204/775-8975 FAX 783-4926

Independent Auditor's Report to the Members of Middlechurch Home of Winnipeg Inc. ***(continued)***

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2013 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements which describes that Middlechurch Home of Winnipeg Inc. adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the non-consolidated statement of financial position as at March 31, 2012 and April 1, 2011 and the non-consolidated statements of operations and changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Stefanson Lee Romaniuk

Chartered Accountants

Winnipeg, Manitoba
June 3, 2013

MIDDLECHURCH HOME OF WINNIPEG INC.
Non-Consolidated Statement of Financial Position
March 31, 2013

	March 31 2013	*March 31* 2012	*April 1* 2011
Assets			
Current			
Cash	$ **842,388**	$ 331,685	$ 595,871
Restricted cash *(Note 4)*	**290,850**	319,231	354,868
Accounts receivable	**72,206**	24,095	31,794
Receivable from Winnipeg Regional Health Authority *(Note 5)*	**370,856**	882,133	301,013
Vacation pay recoverable *(Note 9)*	**487,714**	487,714	487,714
Prepaid expenses	**-**	43,666	43,134
Inventory	**58,939**	48,095	51,652
Current portion of long-term receivables *(Note 6)*	**84,716**	66,564	41,205
Due from Residents' Trust Fund	**-**	1,825	-
	2,207,669	2,205,008	1,907,251
Long-term receivables *(Note 6)*	**502,969**	418,278	236,646
Employee future pre-retirement benefits recoverable *(Note 14)*	**991,402**	901,137	842,425
Property and equipment *(Note 7)*	**5,626,438**	5,996,567	6,150,715
	$ **9,328,478**	$ 9,520,990	$ 9,137,037
Liabilities			
Current			
Accounts payable and accrued liabilities	$ **783,122**	$ 850,701	$ 672,150
Vacation pay payable *(Note 9)*	**840,568**	874,272	793,048
Due to Residents' Trust Fund	**9,997**	-	1,235
Current portion of long term debt *(Note 10)*	**617,703**	94,928	67,817
	2,251,390	1,819,901	1,534,250
Long term debt *(Note 10)*	**164,934**	613,229	460,150
Employee future pre-retirement benefits payable *(Note 14)*	**1,014,553**	924,288	865,576
Deferred contributions *(Note 11)*			
Expenses for future periods	**60,928**	54,549	42,857
Property and equipment	**4,538,168**	4,738,458	4,917,662
	8,029,973	8,150,425	7,820,495
Net assets			
Invested in property and equipment	**974,979**	1,031,052	1,025,707
Internally restricted			
Donation	**165,935**	231,159	272,948
Auxiliary	**-**	5,197	9,510
Unrestricted	**157,591**	103,157	8,377
	1,298,505	1,370,565	1,316,542
	$ **9,328,478**	$ 9,520,990	$ 9,137,037

On behalf of the Board

______________________________ *Director*

______________________________ *Director*

See notes to financial statements

MIDDLECHURCH HOME OF WINNIPEG INC.
Non-Consolidated Statement of Operations and Changes in Net Assets
Year ended March 31, 2013

		Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2013 Total	2012 Total
Revenue						
Residential charges	$	-	-	3,509,214	3,509,214	3,387,368
Adult Day Program recoveries		-	-	32,982	32,982	31,651
		-	-	3,542,196	3,542,196	3,419,019
Winnipeg Regional Health Authority						
Baseline funding		28,363	-	9,757,643	9,786,006	9,595,921
Residential charges		-	-	(42,660)	(42,660)	198,232
Community service program		-	-	47,525	47,525	47,489
Employee future pre-retirement benefits		-	-	90,265	90,265	58,712
Adult Day Program		-	-	274,087	274,087	272,040
		28,363	-	10,126,860	10,155,223	10,172,394
Recoveries and other revenue		-	-	335,054	335,054	305,721
Amortization of deferred contributions related to property and equipment		491,243	-	-	491,243	506,802
Interest income		-	-	5,359	5,359	10,541
Donations		-	88,615	-	88,615	100,401
Auxiliary		-	780	-	780	2,732
Total revenue		519,606	89,395	14,009,469	14,618,470	14,517,610
Total expenses (Schedule 1)		575,679	136,253	14,277,578	14,989,510	14,530,431
Excess (deficiency) of revenue over expenses		(56,073)	(46,858)	(268,109)	(371,040)	(12,821)
Net assets, beginning of year		1,031,052	236,356	103,157	1,370,565	1,383,386
Settlement with Winnipeg Regional Health Authority relating to prior fiscal years		-	-	298,980	298,980	-
Inter fund transfer		-	(23,563)	23,563	-	-
Net assets, end of year	$	974,979	165,935	157,591	1,298,505	1,370,565

See notes to financial statements

MIDDLECHURCH HOME OF WINNIPEG INC.
Non-Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	2013	2012
Operating activities		
Deficiency of revenue over schedule of expenses	$ **(371,040)**	$ (12,822)
Items not affecting cash:		
Amortization of capital assets	**575,679**	606,465
Amortization of deferred contributions	**(491,243)**	(506,802)
	(286,604)	86,841
Changes in non-cash working capital *(Note 16)*	**740,262**	(199,506)
Cash flow from (used by) operating activities	**453,658**	(112,665)
Investing activity		
Purchase of property, plant and equipment	**(205,547)**	(452,318)
Financing activities		
Proceeds from long term financing	**181,509**	260,254
Repayment of long term debt	**(107,028)**	(80,063)
Contributions received related to property and equipment	**290,954**	327,597
Change in long-term receivables	**(102,843)**	(206,991)
Cash flow from financing activities	**262,592**	300,797
Increase (decrease) in cash flow	**510,703**	(264,186)
Cash - beginning of year	**331,685**	595,871
Cash - end of year	$ **842,388**	$ 331,685

See notes to financial statements

1. Nature of Operations

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated, without share capital, under the laws of Manitoba on April 29, 1984. Middlechurch Home provides residential care services and as a registered charity, under the Income Tax Act, is exempt from income taxes.

2. First time adoption of accounting standards for not-for-profit organizations

During the year the company adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The adoption of accounting standards for not-for-profit organizations had no impact on net assets as at April 1, 2011 or operations and changes in net assets or cash flows for the year ended March 31, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

3. Summary of significant accounting policies

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

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

Revenue recognition

Middlechurch Home of Winnipeg Inc. follows the deferral method of accounting for contributions, which include donations and government grants.

Middlechurch 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. Middlechurch Home's Service Purchase Agreement with the WRHA continues in effect until March 31, 2015.

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 property and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property and equipment.

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.

Revenue from residential and other services is recognized when the services are provided or the goods are sold.

Inventory

Inventory, which consists mainly of medical supplies, is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

3. Summary of significant accounting policies *(continued)*

Property and equipment

Property and equipment are stated at cost or deemed cost less accumulated amortization. Contributed property and equipment are recorded at fair 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 property and equipment no longer contributes to Middlechurch Home's ability to provide services, its carrying amount is written-down to its residual value.

Property and equipment are amortized over their estimated useful lives on a straight-line basis using the following annual rates:

Land improvements	20 years
Buildings	30, 40 and 50 years
Computer equipment and furniture and equipment	5 - 10 years

The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Operating surplus or deficit

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of Middlechurch Home. Middlechurch Home may retain the greater of 50% of the annual operating surplus and 2% of the global budget indicated in the funding letter from WRHA for that year. The remaining operating surplus is repayable to the WRHA.

Contributed services

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

Employee future benefits

The cost of Middlechurch Home's employee future pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the employee future pre-retirement benefits has been performed using projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring Middlechurch Home's employee future pre-retirement benefits payable include mortality, withdrawal and disability rates, a discount rate of 3.15% (2012 4.1%), a rate of salary increase of 3.0% (2012 - 3.0%), plus an age-related merit/promotion scale.

Internally restricted net assets

Internally restricted net assets represents transactions and contributions related to donations and auxiliary activities. All expenditures require approval of the Board of Directors.

(continues)

3. Summary of significant accounting policies *(continued)*

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.

Middlechurch Home's financial assets and financial liabilities are measured as follows:

i) Cash and cash equivalents are classified as financial assets held-for-trading and are measured at fair value with gains and losses recognized in net earnings.

ii) Accounts receivable and vacation pay recoverable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

iii) The long-term receivable and the employee future pre-retirement receivable from Winnipeg Regional Health Authority are classified as loans and receivables. The terms and conditions of the receivable are comparable to current market terms and conditions for similar items.

iv) Accounts payable and accrued liabilities and accrued vacation pay are classified as other financial liabilities. These liabilities are recorded at their amortized cost using the effective interest rate method.

v) The employee future pre-retirements payable is classified as an other financial liability. The interest component of this financial liability is comparable to current market rates.

vi) Long-term debt is classified as an other financial liability. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to Middlechurch Home.

The fair value of these financial instruments approximates their carrying value. It is management's opinion that Middlechurch Home is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

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.

Basis of Presentation

Middlechurch on the Red Inc.

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (MORI) by virtue of its ability to appoint three of the five members of it's Board of Directors and Middlechurch Home is the sponsor of MORI in operating a life-lease apartment complex.

(continues)

3. Summary of significant accounting policies *(continued)*

MORI has not been consolidated in Middlechurch Home's financial statements. Financial statements of MORI are available upon request. A financial summary at March 31, 2013 and 2012 and for the years then ended are as follows:

	2013	2012
Financial position		
Total assets	$ **4,742,337**	$ 4,693,361
Total liabilities	**4,383,158**	4,347,558
Total net assets	**359,179**	345,803
	4,742,337	4,693,361
Results of operations:		
Total revenue	**335,382**	341,550
Total expenses	**322,006**	293,675
Excess of revenue over expense	$ **13,376**	$ 47,875

4. Restricted cash

	2013	2012
Restricted for capital asset replacement	$ **84,562**	$ 50,087
Restricted for expenses for future periods	**40,353**	32,191
Internally restricted		
Donation	**165,935**	231,756
Auxiliary	**-**	5,197
	$ **290,850**	$ 319,231

5. Receivable from Winnipeg Regional Health Authority

	2013	2012
Employee pre-retirement benefits	$ 468,903	$ 359,315
Other charges	238,503	665,252
Residential charges	-	198,232
	707,406	1,222,799
Less payables relating to:		
Residential charges	(176,550)	(340,666)
Advance	(160,000)	-
	$ 370,856	$ 882,133

6. Long-term receivables from Winnipeg Regional Health Authority

	2013	2012
Fire sprinkler system	$ 39,004	$ 58,504
Roof replacement	156,978	178,144
Window replacement	222,295	248,194
Flooring replacement	169,408	-
	587,685	484,842
Amounts receivable within one year	(84,716)	(66,564)
	$ 502,969	$ 418,278

7. Property and equipment

	Cost	Accumulated amortization	2013 Net book value
Land	$ 1	$ -	**$ 1**
Land improvements	1,413,600	819,984	**593,616**
Buildings	14,707,728	10,080,164	**4,627,564**
Equipment	3,954,285	3,549,028	**405,257**
	$ 20,075,614	$ 14,449,176	**$ 5,626,438**

	Cost	Accumulated amortization	2012 Net book value
Land	$ 1	$ -	$ 1
Land improvements	1,413,600	819,984	593,616
Buildings	14,626,290	9,598,010	5,028,280
Equipment	3,830,176	3,455,506	374,670
	$ 19,870,067	$ 13,873,500	$ 5,996,567

Sewage Plant

The estimated useful life of the sewage treatment plant, included in the building caption above, owned and operated by Middlechurch Home has been adjusted from a remaining useful life of 15 years to 5 years using the straight-line method. This is due to the likelihood that sewer lines from the City of Winnipeg will be extended to include Middlechurch Home and therefore the existing plant will no longer be required.

At this time, additional costs related to the decommissioning of the existing plant are unknown and therefore have not been included in the financial statements of Middlechurch Home.

8. Operating line of credit

Middlechurch Home has a demand operating line of credit with a maximum limit of $350,000 and bears interest at bank prime rate. The security on the operating line of credit is the same as the security disclosed in note 10 on the term loans with the Royal Bank of Canada. The operating line of credit was not utilized at March 31, 2013 and 2012.

9. Vacation pay

The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by employees. The vacation liability at March 31, 2013 is $840,568 (2012 - $874,272). The WRHA has agreed to fund the vacation pay liability that existed at March 31, 2004 of $487,714.

10. Long term debt

	2013	2012
Canada Mortgage and Housing Corporation loan bearing interest at 5.75% per annum, repayable in monthly blended payments of $3,360. The loan matures on March 31, 2018.	$ **194,952**	$ 223,315
Royal Bank of Canada loan bearing interest at prime less 0.5% per annum, repayable in monthly blended payments of $1,625. The loan matures on March 31, 2013 and is supported by a letter of comfort from WRHA.	**39,004**	58,504
Royal Bank of Canada loan bearing interest at prime less 0.5% per annum, repayable in monthly blended payments of $1,764. The loan matures on August 31, 2013 and is supported by a letter of comfort from WRHA.	**156,978**	178,144
Royal Bank of Canada loan bearing interest at prime less 0.5% per annum, repayable in monthly blended payments of $2,158. The loan matures on September 1, 2013 and is supported by a letter of comfort from WRHA.	**222,295**	248,194
Royal Bank of Canada loan bearing interest at prime less 0.5% per annum, repayable in monthly blended payments of $1,513. The loan matures on August 1, 2013 and is supported by a letter of comfort from WRHA.	**169,408**	-
	782,637	708,157
Amounts payable within one year	**(617,703)**	(94,928)
	$ **164,934**	$ 613,229

Principal repayment terms are approximately:

2014	$ 617,703
2015	31,769
2016	33,623
2017	35,582
2018	37,659
Thereafter	26,301
	$ 782,637

11. Deferred contributions

Expenses for future periods

Deferred contributions related to expenses for future periods represent unspent externally restricted funding for authorized repairs and maintenance. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

	2013	2012
Balance, beginning of year	$ 54,549	$ 42,857
Additional contributions received	16,996	16,996
Less: amount transferred to deferred contributions - property and equipment	(10,617)	(5,304)
	$ 60,928	$ 54,549

Property and equipment

Deferred contributions relating to property and equipment represent the unspent and unamortized amount of donations and grants received for the purchase of property and equipment. The amortization of deferred contributions relating to property and equipment is recorded as revenue in the statement of operations. The balance of unamortized capital contributions related to property and equipment consists of the following:

	2013	2012
Balance, beginning of year	$ 4,738,458	$ 4,917,662
Deferred contributions received	290,953	327,598
Amounts amortized to revenue	(491,243)	(506,802)
Balance	$ 4,538,168	$ 4,738,458

12. Related party transactions

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

	2013	2012
Water charges	$ **5,040**	$ 5,040
Insurance fees	**2,386**	4,649
Maintenance	**7,622**	9,880

Middlechurch Home exercises significant influence over The Middlechurch Home of Winnipeg Foundation Inc. (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of Middlechurch Home. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. During the year the Foundation donated $13,904 (2012 - $22,444) to Middlechurch Home to fund building maintenance. Net resources of the Foundation amount to $15,373 (2012 - $37,501) and are available, at the discretion of the Foundation's Board of Directors, for the benefit of Middlechurch Home.

13. Economic dependence

Middlechurch Home receives a significant portion of its revenue from Winnipeg Regional Health Authority and is economically dependent on Winnipeg Regional Health Authority for continued operations.

14. Employee benefits

Middlechurch Home maintains an employee pre-retirement benefit plan for substantially all of its employees. The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable. As at March 31, 2013, the employee future pre-retirement benefits recoverable from WRHA aggregates $991,402 (2012 - $901,137) and has no specified payment terms. The receivable will be paid when the funding is required to discharge the related pre-retirement liabilities.

All eligible employees of Middlechurch Home are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, Middlechurch Home is accounting for the plan as a defined contribution plan. During the year Middlechurch Home contributed $664,741 (2012 - $681,144) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007 indicated that the plan was fully funded. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

15. Contingent liability

Subsequent to year end, Middlechurch Home was one of the named parties in a statement of claim initiated by a former employee. The amount and likelihood of any liability to Middlechurch Home cannot be determined and accordingly no amount has been reflected in these financial statements.

16. Changes in non-cash working capital

	2013	2012
Restricted Cash	$ 28,381	$ 35,637
Accounts receivable	(48,111)	7,699
Receivable from Winnipeg Regional Health Authority	810,257	(514,279)
Prepaid expenses	43,666	(2,956)
Inventory	(10,844)	3,557
Employee future pre-retirement benefits recoverable	(90,266)	(58,711)
Accounts payable	(67,583)	180,979
Vacation payable	(33,704)	81,224
Due from Residents' Trust Fund	11,822	(3,060)
Increase (decrease) in deferred contributions relating to expenses for future periods	6,379	11,692
Employee Future pre-retirement benefits payable	90,265	58,712
	$ 740,262	$ (199,506)

17. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Schedule of Expenses
(*Schedule 1*)

Year ended March 31, 2013

	Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2013 Total	2012 Total
Expenses					
Salaries	$ -	35,824	9,553,492	9,589,316	9,371,293
Employee benefits	-	-	2,178,659	2,178,659	2,049,091
Manitoba Payroll tax	-	-	214,538	214,538	198,890
Employee future pre-retirement benefits	-	-	90,265	90,265	58,712
Medical supplies	-	-	55,893	55,893	49,949
Incontinent supplies	-	-	78,206	78,206	100,673
Purchased services	-	-	219,484	219,484	197,082
Other supplies and expenses	-	-	1,123,851	1,123,851	1,116,053
Shop and tavern	-	-	15,657	15,657	17,076
Professional fees	-	-	103,854	103,854	62,160
Plant maintenance	-	56,272	327,824	384,096	358,968
Miscellaneous					
Donation account	-	38,180	-	38,180	11,462
Auxiliary account	-	5,977	-	5,977	865
Amortization of property and equipment	575,679	-	-	575,679	606,465
Interest on long-term debt	-	-	27,099	27,099	22,359
	575,679	136,253	13,988,822	14,700,754	14,221,098
Adult Day Program					
Salaries	-	-	89,818	89,818	93,602
Employee benefits	-	-	20,820	20,820	21,694
Manitoba Payroll Tax	-	-	1,888	1,888	1,999
Food	-	-	25,020	25,020	22,222
Transportation	-	-	123,318	123,318	135,269
Other supplies	-	-	27,893	27,893	34,547
	-	-	288,756	288,756	309,333
	$ 575,679	136,253	14,277,578	14,989,510	14,530,431

See notes to financial statements

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statement of operations, changes in net assets and cash flows for the years ended March 31, 2013 and 2012, 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2013

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MOUNT CARMEL CLINIC
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash and cash equivalents	$ **1,188,186**	$ 1,715,055	$ 898,854
Investments	**1,748,017**	2,150,722	2,125,168
Accounts receivable (Note 3)	**253,079**	177,871	197,534
Due from WRHA (Note 4)	**80,831**	372,592	333,552
Inventories	**67,828**	90,513	82,500
Prepaid expenses	**17,565**	20,325	16,693
Vacation entitlements receivable (Note 5)	**381,653**	381,653	381,653
	3,737,159	4,908,731	4,035,954
Due from Mount Carmel Clinic Foundation	**153,355**	487,074	490,309
Retirement obligation receivable (Note 15)	**400,094**	498,157	506,729
Capital assets (Note 6)	**3,476,826**	3,154,827	3,035,454
	$ **7,767,434**	$ 9,048,789	$ 8,068,446
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities (Note 7)	$ **1,111,660**	$ 1,014,001	$ 751,399
Due to WRHA (Note 8)	**96,879**	96,958	29,859
Accrued vacation entitlements (Note 5)	**453,689**	419,151	436,680
Deferred revenue (Note 9)	**619,759**	1,119,143	1,225,094
	2,281,987	2,649,253	2,443,032
Accrued retirement obligations (Note 15)	**588,722**	571,371	587,370
Deferred Contributions (Note 10)			
Expenses of future periods	**486,737**	413,949	301,599
Capital assets	**2,704,364**	2,356,854	2,314,175
	6,061,810	5,991,427	5,646,176
Commitments and contingencies (Note 14)			
Net assets (page 5)	**1,705,624**	3,057,362	2,422,270
	$ **7,767,434**	$ 9,048,789	$ 8,068,446

Approved on behalf of the Board of Directors:

______________________ Director

______________________ Director

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

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2013	2012
Revenue		
Amortization of deferred contributions	$ **138,626**	$ 128,934
Dental	**73,133**	81,289
Donations	**26,143**	3,887
Investment income	**61,078**	27,170
Medical program	**73,028**	75,650
Mental Health Commission of Canada	**1,198,708**	1,218,995
Other	**750,472**	706,138
Parent fees	**31,215**	25,004
Pharmacy sales	**1,132,645**	1,137,581
Province of Manitoba	**594,094**	497,693
United Way of Winnipeg	**133,895**	133,844
Winnipeg Regional Health Authority (Note 13)	**7,454,624**	7,383,840
	11,667,661	11,420,025
Expenditures		
Amortization of capital assets	**214,309**	191,137
Bank charges and interest	**14,841**	16,347
Charitable drug program (recovery)	**40,748**	(25,260)
Drugs	**588,569**	567,361
Employee benefits	**1,077,633**	1,054,570
Maintenance and repairs	**232,834**	122,609
Office supplies and expenses	**262,750**	235,290
Other occupancy costs	**138,190**	101,152
Program supplies and other expenses	**1,075,834**	965,841
Salaries	**7,576,478**	7,288,484
Travel, meetings and conferences	**116,152**	122,633
Utilities	**163,710**	152,196
	11,502,048	10,792,360
Excess of revenue over expenditures for the year before other items	**165,613**	627,665
Other Items		
Change in accrued retirement obligations		
WRHA funding receivable repaid	**-**	(8,572)
Decrease in liability	**(17,351)**	15,999
Contribution to Mount Carmel Clinic Foundation (Note 16)	**(1,500,000)**	-
	(1,517,351)	7,427
(Deficiency) excess of revenue over expenditures for the year	$ **(1,351,738)**	$ 635,092

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

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31, 2013

	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Invested In Capital Assets (Note 12)	Total
Net assets, as at April 1, 2011	$ 1,194,010	$ (3,861)	$ 113,698	$ 413,380	$ 705,043	$ 2,422,270
Excess (deficiency) of revenue over expenditures for the year	692,043	-	4,025	1,307	(62,283)	635,092
Interfund Transfers						
Acquisition of capital assets	-	-	-	(138,897)	138,897	-
Appropriation by the Board of Directors for future capital expenditures	(50,000)	-	-	50,000	-	-
Other	3,059	-	(3,059)	-	-	-
Net assets, as at March 31, 2012	**$ 1,839,112**	**$ (3,861)**	**$ 114,664**	**$ 325,790**	**$ 781,657**	**$ 3,057,362**
(Deficiency) excess of revenue over expenditures for the year	**(1,312,263)**	**-**	**26,915**	**9,293**	**(75,683)**	**(1,351,738)**
Interfund transfers						
Acquisition of capital assets	**(66,488)**	**-**	**-**	**-**	**66,488**	**-**
Other	**24,908**	**-**	**(24,908)**	**-**	**-**	**-**
Net assets, as at March 31, 2013	**$ 485,269**	**$ (3,861)**	**$ 116,671**	**$ 335,083**	**$ 772,462**	**$ 1,705,624**

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

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2013	2012
Cash Flows from Operating Activities		
(Deficiency) excess of revenue over expenditures for the year	$ (1,351,738)	$ 635,092
Items not affecting cash		
Amortization of capital assets	214,309	191,137
Amortization of deferred contributions related to capital assets	(138,626)	(128,934)
Items presented as financing activities		
Contribution to Mount Carmel Clinic Foundation	1,500,000	-
	223,945	697,295
Changes in non-cash working capital		
Accounts receivable	(75,208)	19,663
Due from WRHA	291,761	(39,040)
Inventories	22,685	(8,013)
Prepaid expenses	2,760	(3,632)
Accounts payable and accrued liabilities	97,659	262,602
Due to WRHA	(79)	67,099
Accrued vacation entitlements	34,538	(17,529)
Deferred revenue	(499,384)	(105,951)
Retirement obligation assets	98,063	8,572
Accrued retirement obligations	17,351	(15,999)
	(9,854)	167,772
	214,091	865,067
Cash Flows from Financing Activities		
Contribution to Mount Carmel Clinic Foundation	(1,500,000)	-
Receipt of deferred contributions related to capital assets	486,136	171,613
Receipt of deferred contributions related to expenses of future periods	72,788	112,350
	(941,076)	283,963
Cash Flows from Investing Activities		
Acquisition of capital assets	(536,308)	(310,510)
Net decrease (increase) in investments	402,705	(25,554)
Net decrease in amount due from Mount Carmel Clinic Foundation	333,719	3,235
	200,116	(332,829)
Net (decrease) increase in cash and cash equivalents	(526,869)	816,201
Cash and cash equivalents, beginning of year	1,715,055	898,854
Cash and cash equivalents, end of year	$ 1,188,186	$ 1,715,055

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

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

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 Capital Fund is used to fund the Clinic's internally restricted renovation projects and the purchase of equipment and furnishings at the discretion of the Board of Directors.

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 12).

d) Revenue Recognition

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 established by 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 agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2013.

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)

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.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

f) Inventories

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

g) 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.

h) 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.

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

i) 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

j) 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.

k) 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. First-time Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective April 1, 2012, the Clinic adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") or Part III of the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting. These are the Clinic's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Nature of Organization and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The Clinic issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the Clinic.

No exemptions were used at the date of transition to Canadian accounting standards for not-profit-organizations.

3. Accounts Receivable

	2013	2012
Receivable from Clinic services	**$ 198,532**	$ 146,808
Other receivables	**54,547**	31,063
	$ 253,079	$ 177,871

4. Due from WRHA

	2013	2012
2008/2009 funding adjustment	**$ -**	$ 47,007
2009/2010 funding adjustment	**-**	40,511
2010/2011 funding adjustment	**-**	109,953
2011/2012 funding adjustment	**2,504**	175,121
2012/2013 funding adjustment	**78,327**	-
	$ 80,831	$ 372,592

5. 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 in the vacation entitlements receivable from Manitoba Health is as follows:

	2013	2012
Balance, beginning of year	**$ 381,653**	$ 381,653
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 381,653**	$ 381,653

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

	2013	2012
Balance, beginning of year	**$ 419,151**	$ 436,680
Net increase (decrease) in accrued vacation entitlements	**34,538**	(17,529)
Balance, end of year	**$ 453,689**	$ 419,151

6. Capital Assets

	2013 Cost	2013 Accumulated Amortization	2012 Cost	2012 Accumulated Amortization
Landscaping	**$ 222,702**	**$ -**	$ 222,702	$ -
Buildings	**5,745,838**	**2,712,483**	5,278,981	2,568,732
Furniture, fixtures and equipment	**480,258**	**324,778**	457,445	284,550
Computer equipment	**152,177**	**86,888**	105,433	56,452
	$ 6,600,975	**$ 3,124,149**	$ 6,064,561	$ 2,909,734
Cost less accumulated amortization		**$ 3,476,826**		$ 3,154,827

7. Accounts Payable and Accrued Liabilities.

Accounts payable and accrued liabilities include $104,800 ($94,000 in 2012) in government remittances payable.

8. Due to WRHA

Amounts due to WRHA are for medical remuneration.

9. Deferred Revenue

	2013	2012
Operating Fund		
ACT	**-**	102,204
Administration	**$ -**	$ 600
Day Care grant	**44,330**	83,834
Day Care subsidy advance	**15,510**	15,510
Dental	**24,721**	24,721
FACT Coalition	**45,802**	37,014
Other	**199,904**	199,871
Parenting Student Program	**41,830**	49,578
Primary Health	**73,270**	72,239
Sage House	**16,829**	13,810
	462,196	599,381
Donation Fund		
Child Day Care Centre	**8,586**	23,465
Mount Carmel Clinic Foundation	**95,693**	446,959
Sage House	**53,284**	49,338
	157,563	519,762
	$ 619,759	$ 1,119,143

10. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2013	2012
Balance, beginning of year	$ 413,949	$ 301,599
Add amounts received during year	120,485	117,000
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year	(52,497)	(9,450)
Transfer from Day Care	4,800	4,800
Balance, end of year	$ 486,737	$ 413,949

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.

	2013	2012
Balance, beginning of year	$ 2,356,854	$ 2,314,175
Add amounts received during year	486,136	171,613
Less amounts recognized as revenue during the year	(138,626)	(128,934)
Balance, end of year	$ 2,704,364	$ 2,356,854

11. 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% at March 31, 2013. The balance in the line of credit at year end was $NIL ($NIL in 2012). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

12. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	2013	2012
Capital assets, net book value	$ 3,476,826	$ 3,154,827
Less amounts financed by		
Deferred contributions	2,704,364	2,356,854
Advances from other funds net of cash	-	16,316
	$ 772,462	$ 781,657

The deficiency of revenue over expenditures for the year for the Invested in Capital Assets Fund is calculated as follows:

	2013	2012
Revenue		
Amortization of deferred contributions related to capital assets	$ 138,626	$ 128,934
Expenditures		
Amortization of capital assets	214,309	191,137
Other	-	80
	214,309	191,217
Deficiency of revenue over expenditures for the year	$ (75,683)	$ (62,283)

13. Revenue from the WRHA

	2013	2012
Revenue as per WRHA final funding document (March 31, 2013 EFT)	$ 7,404,346	$ 7,075,853
Add		
Community development	-	21,540
CUPE Agreement	-	5,130
Group health	15,412	32,244
Healthy Together tobacco reduction grant	4,600	-
HIV prevention	-	2,500
Lab	77,771	-
Leap year funding	-	16,570
Maternity leave top up	10,942	17,540
Medical abortions	-	1,365
Midwifery	-	36,295
MNU agreement	-	-
Mothering Project	17,710	-
On-call funding	-	-
Operational reviews	48,297	-
Other	13,243	-
Other employee benefits	9,539	38,488
Out of Globe - Pre-retirement leave	37,067	82,428
Smoking cessation	-	3,400
Strengthening Families	-	143,265
Training and development	12,500	-
Wound Clinic security	-	26,014
	247,081	426,779
Add (Deduct)		
Deferred funds:		
Staffing positions	(186,616)	-
Strategic Planning	(40,000)	-
Strengthening Families	(16,099)	-
Medical remuneration	18,808	(96,879)
	(223,907)	(96,879)
Total funding approved by WRHA	7,427,520	7,405,753
Add		
Day care operations	35,104	81,087
Deduct		
Installation of VPN	-	(60,000)
Operational review	-	(25,000)
Archive system	-	(10,000)
Reserve for major repairs	(7,000)	(7,000)
Deferred funds - Insurance deductible	(1,000)	(1,000)
	(8,000)	(103,000)
Revenue from WRHA	$ 7,454,624	$ 7,383,840

14. Commitments and Contingencies

The nature of the Clinic's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2013, management believes the Clinic 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 Clinic's financial position.

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, 2013. The Clinic is a named insured under the WRHA policy with HIROC.

The Clinic leases equipment under the provisions of operating leases which expire up to February 2018. Commitments to expire are as follows for the years ending March 31:

2014	$ 52,468
2015	16,808
2016	7,985
2017	599
2018	549

15. Employee Future Benefits

Accrued 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

15. Employee Future Benefits (continued)

Accrued Retirement Entitlement (continued)

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2013. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.0% (4.1% in 2012) and a rate of salary increase of 3.0% (3.0% in 2012) 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. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

The retirement obligation is receivable from the following organizations:

	2013	2012
Manitoba Health	**$ 400,094**	$ 387,859
Winnipeg Regional Health Authority	**-**	110,298
	$ 400,094	$ 498,157

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

	2013	2012
Balance, beginning of year	**$ 571,371**	$ 587,370
Net increase in pre-retirement entitlements	**17,351**	(15,999)
Balance, end of year	**$ 588,722**	$ 571,371

15. Employee Future Benefits (continued)

Pension Plan

Substantially all of the employees of the Clinic 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 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 6.80% of salary, 8.40% for salaries greater than $48,300, 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, 2010 indicates that the Plan is in deficit. The board of the Plan is evaluating what actions, if any, may be required to align the assets and liabilities, which may include contribution rate increases and/or benefit reductions. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to $389,995 ($359,047 in 2012) and are included in the statement of operations.

16. Contribution to Mount Carmel Clinic Foundation

The Clinic contributed $1,500,000 to the Mount Carmel Clinic Foundation at March 31, 2013 to be restricted for future capital projects.

17. Economic Dependence

The Clinic is economically dependent upon government and other agencies for funding its operations.

18. Financial Risk Management

The Clinic is exposed to different types of risk in the normal course of operations, including credit risk and market risk. 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.

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.

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

	2013	2012
Accounts receivable	**$ 253,079**	$ 177,871
Due from WRHA	**80,831**	372,592
Vacation entitlements receivable	**381,653**	381,653
Retirement obligations receivable	**400,094**	498,157
	$ 1,115,657	$ 1,430,273

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.

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 Regional Health Authority.

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.

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 is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Clinic is not exposed to significant interest rate risk since its cash and short-term investments are held in short-term or variable rate products.

The Clinic 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 Clinic is not exposed to other price risk.

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CHARTERED ACCOUNTANTS

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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of financial activities, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 27, 2013

Chartered Accountants

Nine Circles Community Health Centre Inc.
Statements of Financial Activities

Years Ended March 31 — **2013** — 2012

	Operating Fund	Capital Fund	Ed Mousseau Fund	**Total** (2013)	Total (2012)
Revenues					
Winnipeg Regional Health Authority	$3,698,909	$ -	$ -	**$3,698,909**	$3,672,084
AIDS Community Action Program	244,203	-	-	**244,203**	272,000
Grants	162,701	-	-	**162,701**	260,236
Interest income	23,077	-	1,775	**24,852**	24,609
Donations	15,007	-	-	**15,007**	16,825
Amortization of deferred contributions	-	17,223	-	**17,223**	15,249
	4,143,897	17,223	1,775	**4,162,895**	4,261,003
Expenses					
Operating Fund (Page 13)	4,108,211	-	-	**4,108,211**	4,193,138
Amortization	-	34,054	-	**34,054**	34,648
Interest on capital lease	-	2,061	-	**2,061**	3,079
	4,108,211	36,115	-	**4,144,326**	4,230,865
Excess (deficiency) of revenues over expenses before under noted items	35,686	(18,892)	1,775	**18,569**	30,138
Winnipeg Regional Health Authority recovery	-	-		**-**	(33,105)
Pre-retirement leave (Note 12)					
Recovery	23,992	-	-	**23,992**	31,226
Expense	(25,891)	-	-	**(25,891)**	(32,578)
Excess (deficiency) of revenues over expenses	$ 33,787	$ (18,892)	$ 1,775	**$ 16,670**	$ (4,319)

See accompanying notes to the financial statements.

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Nine Circles Community Health Centre Inc.
Statements of Changes in Fund Balances

March 31				**2013**	2012
	Operating Fund	Invested in Capital Assets	Ed Mousseau Fund	**Total**	Total
Fund balance, beginning of years	$ 667,257	$ 79,388	$ 10,910	**$ 757,555**	$ 761,874
Excess (deficiency) of revenues over expenses	33,787	(18,892)	1,775	**16,670**	(4,319)
Transfer to Capital Fund for purchase of capital assets	(14,081)	14,081	-	**-**	-
Fund balance, end of years	$ 686,963	$ 74,577	$ 12,685	**$ 774,225**	$ 757,555

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statements of Financial Position

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current			
Cash and short-term investments (Note 4)	**$1,566,836**	$1,178,060	$1,413,185
Receivables (Note 5)	**120,692**	110,073	95,443
Due from Winnipeg Regional Health Authority	**288,284**	591,828	468,230
Prepaids	**5,109**	4,987	12,137
	1,980,921	1,884,948	1,988,995
Long-term investments	**143,205**	141,430	139,723
Capital assets (Note 6)	**158,152**	175,354	165,758
	$2,282,278	$2,201,732	$2,294,476

Liabilities			
Current			
Payables and accruals	**$ 463,800**	$ 350,656	$ 479,182
Government remittances payable	**856**	500	37,079
Funds held in trust	**-**	6,686	7,077
Deferred contributions			
General operations (Notes 4 and 7)	**623,216**	679,654	646,596
Current portion of obligation under capital lease (Note 8)	**15,696**	15,696	15,696
	1,103,568	1,053,192	1,185,630
Deferred contributions			
Related to capital assets (Note 9)	**64,022**	63,395	39,960
Restricted contributions (Note 11)	**130,262**	130,262	130,262
Pre-retirement leave (Note 12)	**206,344**	180,453	147,875
Obligation under capital lease (Note 8)	**3,857**	16,875	28,875
	1,508,053	1,444,177	1,532,602
Fund Balances			
Operating Fund	**686,963**	667,257	671,444
Capital Fund	**74,577**	79,388	81,227
Ed Mousseau Fund	**12,685**	10,910	9,203
	774,225	757,555	761,874
	$2,282,278	$2,201,732	$2,294,476

Commitments (Note 13)

Director

Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statements of Cash Flows

Years Ended March 31		**2013**	2012
Cash derived from (applied to)			
Operating			
Excess (deficiency) of revenues over expenses		**$ 16,670**	$ (4,319)
Amortization of capital assets		**34,054**	34,648
Amortization of deferred contributions		**(17,223)**	(15,249)
		33,501	15,080
Change in non-cash operating assets and liabilities (Note 10)		**367,325**	(235,906)
		400,826	(220,826)
Investing			
Purchase of capital assets		**(16,852)**	(40,986)
Financing			
Repayment of capital lease		**(13,018)**	(12,000)
Funding received to purchase capital assets		**17,820**	38,687
		4,802	26,687
Net increase (decrease) in cash		**388,776**	(235,125)
Cash and short-term investments, beginning of years		**1,178,060**	1,413,185
Cash and short-term investments, end of years		**$1,566,836**	$1,178,060

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

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

The Organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are 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	5 years	straight-line
Computer equipment	4 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	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 3.15% (2012 - 4.1%), a rate of salary increase of 3.0% (2012 - 3.0%) 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

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.

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CHARTERED ACCOUNTANTS

3. Impact of the change in the basis of accounting

Effective April 1, 2012 the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Organizations's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASfNPO statement of financial position at April 1, 2011 (the Organization's date of transition).

The Organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities, and fund balances of the Organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statements of financial activities, changes in fund balances, and the statements of cash flows. Certain of the Organization's disclosures included in these financial statements reflect the new disclosure requirements of ASfNPO.

4. Cash and short-term investments

Cash and short-term investments consist of:

	2013	2012
Cash	**$ 769,279**	$ 390,181
Cash held in trust	**-**	6,386
Assiniboine Credit Union GIC, bearing interest at 1.80%, maturing and renewed annually on March 21st	**797,557**	-
Assiniboine Credit Union GIC, bearing interest at 2.05%, redeemed during the year	**-**	781,493
	$ 1,566,836	$ 1,178,060

The cash balance is earmarked as follows:

	2013	2012
Operating cash	**$ 943,620**	$ 498,406
Externally restricted cash	**623,216**	679,654
	$ 1,566,836	$ 1,178,060

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CHARTERED ACCOUNTANTS

5. Receivables

	2013	2012
GST receivable	**$ 35,725**	$ 24,935
Other receivables	**84,967**	85,138
	$ 120,692	$ 110,073

6. Capital assets

	Cost	**Accumulated Amortization**	**2013 Net Book Value**	2012 Net Book Value (Note 16)
Equipment	**$ 84,717**	**$ 59,974**	**$ 24,743**	$ 19,810
Computer equipment	**117,609**	**95,301**	**22,308**	32,727
Computer software	**37,568**	**35,532**	**2,036**	2,850
Leaseholds	**185,206**	**115,505**	**69,701**	73,855
Equipment under capital lease	**67,482**	**28,118**	**39,364**	46,112
	$ 492,582	**$ 334,430**	**$ 158,152**	$ 175,354

7. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

The changes for the year in the deferred contributions balance are as follows:

	2013	2012
Beginning balance	**$ 679,654**	$ 646,596
Grant revenue recognized during the year	**(218,969)**	(287,944)
Transfer to Health in Common	**(11,784)**	-
Contributions received during the year	**222,836**	359,686
Transfer to Capital Fund	**(9,690)**	(38,684)
Repayable contributions	**(38,831)**	-
Ending balance	**$ 623,216**	$ 679,654

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CHARTERED ACCOUNTANTS

8. Obligation under capital lease

	2013	2012
Obligation under capital lease	**$ 20,553**	$ 35,632
Less: amount representing interest at 8.63%	**1,000**	3,061
	19,553	32,571
Less: current portion of obligation	**15,696**	15,696
	$ 3,857	$ 16,875

Approximate future minimum lease payments in the next two years are as follows:

2014	$ 15,696
2015	4,857
	$ 20,553

The lease is secured by equipment.

9. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $64,022 (2012 - $63,395) 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.

10. Change in non-cash operating assets and liabilities

	2013	2012 (Note 16)
Receivables	**$ (10,619)**	$ (14,630)
Due from Winnipeg Regional Health Authority	**303,544**	(123,598)
Prepaids	**(122)**	7,150
Payables and accruals	**113,144**	(128,526)
Government remittances payable	**356**	(36,579)
Funds held in trust	**(6,686)**	(391)
Deferred contributions - general operations	**(58,183)**	28,090
Pre-retirement leave	**25,891**	32,578
	$ 367,325	$ (235,906)

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CHARTERED ACCOUNTANTS

11. 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.

12. 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 WRHA 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. During the year the obligation increased by $25,891 (2012 - $32,578).

A portion of the pre-retirement benefits for the current year of $23,992 (2012 - $31,226) were funded by Winnipeg Regional Health Authority.

13. Commitments

The Organization has entered into various leases for office equipment.

The minimum lease payments for the next two years are as follows:

2014	$	9,715
2015		6,934

14. 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, $154,337 (2012 - $160,367) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

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

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

Nine Circles Community Health Centre Inc.
Schedules of Operating Fund Expenses and Projects

Years Ended March 31	2013	2012
		(Note 16)
Salaries	**$2,222,044**	$2,089,043
Physician salaries and benefits	**758,386**	761,355
Employee benefits (Note 14)	**368,607**	361,579
Health and education tax	**46,740**	43,851
Medical supplies	**30,077**	31,114
Purchased and professional services	**121,997**	354,760
Rent and insurance	**234,028**	240,739
Maintenance	**155,329**	158,379
Travel and course fees	**28,602**	63,018
General expenses	**271,199**	202,876
	4,237,009	4,306,714
Less: recoveries	**(128,798)**	(113,576)
	$4,108,211	$4,193,138

See accompanying notes to the financial statements.

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Lazer Grant LLP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Members of Nor' West Co-op Community Health Centre, Inc.

We have audited the accompanying financial statements of Nor' West Co-op Community Health Centre, Inc., which comprise the statement of financial position as at March 31, 2013 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)

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nor' West Co-op Community Health Centre, Inc. as at March 31, 2013 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Nor' West Co-op Community Health Centre, Inc. adopted Canadian Accounting Standards for Not-for-Profit Organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flow for the year ended March 31, 2012 and related disclosures.

Lazer Grant LLP

Winnipeg, MB
May 27, 2013

CHARTERED ACCOUNTANTS

	March 31 2013	March 31 2012	April 1 2011
ASSETS			
CURRENT			
Cash and cash equivalents	**$ 1,374,924**	$ 1,427,229	$ 1,381,983
Accounts receivable *(Note 5)*	**257,196**	100,002	163,942
Vacation entitlement receivable	**46,693**	46,693	46,693
Prepaid expenses	**2,820**	2,260	2,572
	1,681,633	1,576,184	1,595,190
CAPITAL ASSETS *(Note 6)*	**16,963**	27,114	34,923
RESTRICTED CASH	**-**	103,500	103,500
	$ 1,698,596	$ 1,706,798	$ 1,733,613
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities *(Note 7)*	**$ 329,198**	$ 305,790	$ 307,215
Vacation entitlement payable	**237,707**	212,690	192,337
Deferred revenue *(Note 8)*	**72,209**	72,148	136,046
	639,114	590,628	635,598
DEFERRED CONTRIBUTIONS *(Note 9)*	**14,346**	23,449	30,214
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 10)*	**203,916**	165,277	158,408
	857,376	779,354	824,220
NET ASSETS *(Note 11)*	**841,220**	927,444	909,393
	$ 1,698,596	$ 1,706,798	$ 1,733,613

LEASE COMMITMENTS *(Note 13)*

ECONOMIC DEPENDENCE *(Note 14)*

SUBSEQUENT EVENTS *(Note 15)*

ON BEHALF OF THE BOARD

_________________________________ *Director*

_________________________________ *Director*

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2013

	Health Centre (Schedule 1)	Early Learning and Child Care Centre (Schedule 2)	**2013**	2012
REVENUES	$ 4,088,970	$ 551,919	**$ 4,640,889**	$ 4,127,928
EXPENSES				
Accounting and computer fees	30,534	-	**30,534**	37,472
Administrative	93,294	23,280	**116,574**	116,033
Amortization	10,150	-	**10,150**	13,089
Bad debts	-	(13)	**(13)**	3,980
Evaluation fees	159	-	**159**	-
Information technologist	26,186	-	**26,186**	10,315
Medical supplies	15,135	-	**15,135**	24,913
Pre-retirement	30,706	7,935	**38,641**	6,869
Professional fees	78,811	-	**78,811**	93,933
Program	209,247	18,102	**227,349**	222,162
Rent	105,536	19,758	**125,294**	117,398
Repair and maintenance	40,528	586	**41,114**	28,937
Salaries and benefits	3,364,842	477,712	**3,842,554**	3,369,554
Service contracts	7,294	-	**7,294**	9,833
Staff training	10,354	-	**10,354**	27,327
Travel	18,245	-	**18,245**	28,842
	4,041,021	547,360	**4,588,381**	4,110,657
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 47,949	$ 4,559	**$ 52,508**	$ 17,271

	Membership	Invested in Capital Assets	Internally Restricted	Restricted Insight Mentor Program	Restricted Project Choices	Restricted Community Development	Family Violence Programs: Restricted Central support	Family Violence Programs: Restricted Counselling services	Family Violence Programs: Restricted Women's Place	Restricted HANS Program	Restricted Community Food Centre	Surplus subject to WRHA audit	Unrestricted	**2013**	**2012**
HEALTH CENTRE															
NET ASSETS - BEGINNING OF THE YEAR	$ 2,036	$ (1,567)	$ 103,500	$ (7,662)	$ 22,212	$ 72,550	$ 121,018	$ 191,622	$ (204,539)	$ 396	-	$ 116,988	$ 394,912	**$ 811,466**	$ 820,133
Membership	210	-	-	-	-	-		-	-	-	-	-	-	**210**	30
Co-operative tax credit		-	-	-	-	-	-	-	-	-	-	-	750	**750**	750
Surplus contributed to WRHA to reimburse costs	-		(103,500)	-	-	-	-	-	-	-	-	-	(30,291)	**(133,791)**	-
Funds contributed to Quebec Hans program	-	-	-	-	-	-	-	-	-	-	-	-	(5,901)	**(5,901)**	-
Transfer HANS surplus to Community development	-	-	-	-	-	396	-	-	-	(396)	-	-	-	-	-
Excess (deficiency) of revenues over expenses	-	(1,047)	-	36,295	(1,101)	(40,978)	(15,243)	(1,613)	25,396	-	(94)	14,709	31,625	**47,949**	(9,447)
NET ASSETS- END OF THE YEAR	2,246	(2,614)	-	28,633	21,111	31,968	105,775	190,009	(179,143)	-	(94)	131,697	391,095	**720,683**	811,466
EARLY LEARNING AND CHILD CARE CENTRE															
NET ASSETS - BEGINNING OF THE YEAR	170	5,231	-	-	-	-	-	-	-	-	-	-	110,577	**115,978**	89,260
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	-	-	-	4,559	**4,559**	26,718
NET ASSETS- END OF THE YEAR	170	5,231	-	-	-	-	-	-	-	-	-	-	115,136	**120,537**	115,978
TOTAL NET ASSETS	2,416	2,617	-	28,633	21,111	31,968	105,775	190,009	(179,143)	-	(94)	131,697	506,231	**841,220**	927,444

NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Cash Flow

Year Ended March 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenues over expenses	**$ 52,508**	$ 17,271
Items not affecting cash:		
Amortization	**10,151**	13,089
Amortization of deferred revenue	**(9,103)**	(6,765)
	53,556	23,595
Changes in non-cash working capital:		
Accounts receivable	**(157,194)**	63,940
Accounts payable and accrued liabilities	**23,408**	(1,426)
Deferred revenue	**61**	(63,898)
Prepaid expenses	**(560)**	312
Vacation entitlement payable	**25,017**	20,353
Pre-retirement benefit	**38,639**	6,869
	(70,629)	26,150
Cash flow from (used by) operating activities	**(17,073)**	49,745
INVESTING ACTIVITIES		
Purchase of capital assets	**-**	(5,279)
Funds contributed to Quebec Hans program	**(5,901)**	-
Surplus contributed to WRHA to reimburse costs	**(133,791)**	-
Cash flow used by investing activities	**(139,692)**	(5,279)
FINANCING ACTIVITIES		
Cooperative tax credit	**750**	750
Membership fees	**210**	30
Decrease in restricted cash	**103,500**	-
Cash flow from financing activities	**104,460**	780
INCREASE (DECREASE) IN CASH	**(52,305)**	45,246
Cash and cash equivalents - beginning of year	**1,427,229**	1,381,983
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 1,374,924**	$ 1,427,229
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	**$ 329,137**	$ 326,615
Guaranteed investment certificates	**1,045,787**	1,100,614
	$ 1,374,924	$ 1,427,229

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the co-operative adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFPO had no impact on net assets as at April 1, 2011 or revenues and expenditures or cash flow for the year ended March 31, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

2. PURPOSE OF ORGANIZATION

Nor' West 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO) and reflect the following policies:

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.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated services

A large number of members donate significant amounts of their time to the organization. No amount has been reflected in the financial statement for donated services since an objective basis is not available to measure the value of such services.

Donations in kind

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.

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 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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line method
Computer software	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Leasehold improvements	5 years	straight-line method

The co-operative regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

One-half the normal rate of amortization is recorded in the year of acquisition.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

1. The organization follows the deferral method of accounting for contributions.
2. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred.
3. 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.
4. 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.
5. Interest income is recognized as revenue when earned.

4. 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, 2013.

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 parent fees. 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.

5. ACCOUNTS RECEIVABLE

	2013	2012
Health Centre		
Goods and services tax	**$ 13,752**	$ 15,553
Winnipeg Regional Health Authority	**144,174**	16,413
Grants	**60,222**	37,727
Other	**4,249**	10,558
Co-operative tax credit	**750**	750
	223,147	81,001

The receivable from Winnipeg Regional Health Centre includes $101,048 for wages and benefits expenses incurred for new employees for the Access Norwest Centre.

(continues)

5. ACCOUNTS RECEIVABLE *(continued)*

	2013	2012
Early Learning Child Care Centre		
Day care fees	**$ 11,404**	$ 7,747
Day care government subsidy	**10,560**	3,450
Children with Disabilities Staffing grant	**12,085**	4,104
Day care pension reimbursement	**-**	3,700
	34,049	19,001
Grand total	**$ 257,196**	$ 100,002

6. CAPITAL ASSETS

	2013		2012	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Computer equipment	**$ 52,169**	**$ 51,667**	$ 52,169	$ 50,148
Computer software	**16,646**	**16,646**	16,646	16,646
Furniture and fixtures	**79,233**	**76,071**	79,233	74,628
Leasehold improvements	**46,295**	**32,996**	46,295	25,807
	$ 194,343	**$ 177,380**	$ 194,343	$ 167,229
Net book value	**$ 16,963**		$ 27,114	

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Health Centre		
Winnipeg Regional Health Authority	**$ 24,644**	$ 62,368
Trade payables	**138,069**	88,175
Accrued audit fees	**10,000**	9,402
Salaries	**121,787**	108,724
Other	**13,316**	5,733
	307,816	274,402
Early Learning Child Care Centre		
Subsidy advances	**8,680**	8,680
Pension advance	**4,283**	4,283
Accrued salaries	**-**	10,686
Pension reimbursement	**2,024**	1,739
Other	**6,395**	6,000
	21,382	31,388
Grand total	**$ 329,198**	$ 305,790

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.

8. 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:

	2013	2012
Beginning balance	$ 72,148	$ 136,046
Less: amounts recognized as revenue in the year	(61,773)	(133,168)
Add: amounts received related to the following year	61,834	69,270
	$ 72,209	$ 72,148

9. DEFERRED CONTRIBUTIONS

Contributions and grants directly related to the purchase of capital assets are deferred upon receipt. They are being recognized as revenue on 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:

	2013	2012
Beginning balance	$ 23,449	$ 30,214
Contributions	-	5,279
Amounts recognized as revenue	(9,103)	(12,044)
	$ 14,346	$ 23,449

10. 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 2013, the Winnipeg Regional Health Authority agreed to provide pre-retirement funding of 100% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to $22,177 (2012 - $25,472)

During fiscal year 2013, the benefit obligation earned by employees as at March 31, 2013 was actuarially determined to be $203,916 (2012 - $165,277). This has been reported as a liability on the Statement of Financial Position.

11. NET ASSETS

	2013	2012
Membership - Health	**$ 2,246**	$ 2,036
Membership - Daycare	**170**	170
Invested in capital assets	**2,617**	3,664
Internally restricted	**-**	103,500
Restricted - InSight Mentor Program	**28,633**	(7,662)
Restricted - Community Development	**31,968**	72,550
Restricted - Project Choices	**21,111**	22,212
Restricted- HANS Program	**-**	396
Restricted - surplus subject to WRHA audit	**131,697**	116,988
Restricted - Family Violence Programs- Counselling services	**190,009**	191,622
Restricted - Family Violence Programs- Central support	**105,775**	121,018
Restricted - Family Violence Programs- Women's Place	**(179,143)**	(204,539)
Unrestricted - Health	**391,095**	394,912
Unrestricted - Daycare	**115,136**	110,577
Restricted - Community Food Centre	**(94)**	-
	$ 841,220	$ 927,444

12. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of $195,660 (2012 - $203,316). The pension contributions are included in employee benefits of the applicable programs in the Statement of Revenues and Expenditures.

13. LEASE COMMITMENTS

The co-operative leases premises and equipment under operating lease agreements. Future minimum lease payments as at year end are as follows:

2014	$ 120,124
2015	79,158
2016	54,496
2017	36,199

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. SUBSEQUENT EVENTS

Subsequent to year end the co-operative moved to a new operating location at 785 Keewatin Street.

	Primary Health Care Program	InSight Mentor Program	Project Choices	Foot care Program	Norwest Clinic at Blue bird	Community Development Programs *(Schedule 3)*	Family Violence Programs *(Schedule 4)*	Parent Child Coalition Program	Community Food Centre	Capital assets	2013	2012
REVENUES												
Child and Family Services	-	-	-	-	-	-	-	-	-	-	**-**	$ 7,500
Community Connections/Urban Green Team	-	-	-	-	-	10,007	-	-	-	-	**10,007**	12,566
Healthy Child Manitoba	-	263,500	110,600	-	-	-	-	119,500	-	-	**493,600**	448,674
Human Resources Development of Canada	-	-	-	-	-	4,545	-	-	-	-	**4,545**	-
Interest	23,986	-	-	-	-	-	-	-	-	-	**23,986**	26,773
Investor's Group	-	-	-	-	-	9,000	-	-	-	-	**9,000**	-
Legal Aid Manitoba	-	-	-	-	-	-	17,013	-	-	-	**17,013**	19,223
Local Investment Toward Employment (L.I.T.E)	-	-	-	-	-	890	-	-	-	-	**890**	5,000
Manitoba Arts Council	-	-	-	-	-	-	-	-	-	-	**-**	3,815
Manitoba Cooperative Association	-	-	-	-	-	-	-	-	-	-	**-**	3,750
Manitoba Family Services and Housing	-	-	-	-	-	230,000	684,700	-	-	-	**914,700**	869,454
Manitoba Health & Healthy Living	-	-	-	-	-	-	-	-	-	-	**-**	6,000
Manitoba Housing and Community Development	-	-	-	-	-	66,552	-	-	-	-	**66,552**	-
Manitoba Housing Authority	-	-	-	-	-	24,745	-	-	-	-	**24,745**	24,745
Manitoba Justice	-	-	-	-	-	24,000	-	-	-	-	**24,000**	24,000
Manitoba Labour and Immigration	-	-	-	-	-	76,132	-	-	-	-	**76,132**	64,774
McConnell funds	-	-	-	-	-	-	-	-	1,500	-	**1,500**	-
Other	7,639	-	-	-	-	10,940	831	700	-	-	**20,110**	18,477
Public Health Agency of Canada	-	-	-	-	-	-	-	-	-	-	**-**	172,749
United Way	-	-	-	-	-	294,805	-	-	-	-	**294,805**	260,081
Winnipeg Regional Health Authority	1,388,007	-	-	274,142	467,578	-	-	6,481	-	-	**2,136,208**	1,687,371
Winnipeg Foundations	-	-	-	-	-	25,575	-	-	-	-	**25,575**	7,000
Amortization of deferred contributions	-	-	-	-	-	-	-	-	-	9,103	**9,103**	12,043
Deferred revenue	-	-	-	-	-	(43,448)	-	(20,053)	-	-	**(63,501)**	(62,812)
	1,419,632	263,500	110,600	274,142	467,578	733,743	702,544	106,628	1,500	9,103	**4,088,970**	3,611,183
EXPENSES												
Accounting and computer fees	5,084	1,850	3,000	600	2,500	7,000	8,500	2,000	-	-	**30,534**	37,471
Administrative	12,357	9,844	9,436	6,905	8,395	17,449	22,834	5,980	94	-	**93,294**	95,990
Amortization	-	-	-	-	-	-	-	-	-	10,150	**10,150**	13,089
Evaluation fees	-	-	-	-	-	-	159	-	-	-	**159**	-
Information technologist	9,265	288	228	845	13,715	643	867	335	-	-	**26,186**	10,316
Medical supplies	6,390	-	-	5,720	3,025	-	-	-	-	-	**15,135**	24,913
Pre-retirement expenses (includes payout)	13,154	4,859	1,097	3,040	5,985	4,020	5,030	(6,479)	-	-	**30,706**	3,897
Professional fees	6,745	500	500	-	-	-	71,066	-	-	-	**78,811**	90,155
Program	19,151	6,345	10,025	25,905	53,208	56,928	12,350	25,335	-	-	**209,247**	195,962
Rent	56,742	1,242	1,792	-	11,545	-	34,215	-	-	-	**105,536**	97,543
Repairs and maintenance	21,910	900	-	-	7,275	7,845	1,581	1,017	-	-	**40,528**	28,886
Salaries and benefits	1,221,564	194,880	84,778	226,776	353,162	673,570	530,810	77,802	1,500	-	**3,364,842**	2,952,459
Service contracts	4,043	-	-	-	1,510	520	1,221	-	-	-	**7,294**	13,611
Staff training	2,921	337	80	1,360	515	3,427	1,378	336	-	-	**10,354**	27,496
Staff travel	1,560	6,160	765	1,096	1,050	3,319	3,993	302	-	-	**18,245**	28,842
	1,380,886	227,205	111,701	272,247	461,885	774,721	694,004	106,628	1,594	10,150	**4,041,021**	3,620,630
Excess (deficiency) of revenue over expenses	38,746	36,295	(1,101)	1,895	5,693	(40,978)	8,540	-	(94)	(1,047)	**47,949**	(9,447)

Early Learning and Child Care Centre *(Schedule 2)*

Year Ended March 31, 2013

		2013		2012
REVENUES				
Child care fee	**$**	**159,149**	$	164,245
Child care fee subsidies- Province of Manitoba		**96,396**		81,732
Children with Disabilities Staffing grant		**62,129**		51,202
Operating grant		**199,310**		187,185
Interest		**1,498**		1,606
Other sources		**4,665**		7,792
Training grant		**6,842**		7,690
Manitoba Child Care Program Pension grant		**21,930**		15,293
		551,919		516,745
EXPENSES				
Administrative		**23,280**		19,875
Bad debts		**(13)**		3,980
Pre-retirement		**7,935**		2,972
Program		**18,102**		26,200
Rent		**19,758**		19,855
Repairs and maintenance		**586**		50
Salaries and benefits		**477,712**		417,095
		547,360		490,027
EXCESS OF REVENUES OVER EXPENSES	**$**	**4,559**	$	26,718

	Community Development	Summer Student	Immigrant Settlement	Gilbert Park Going Places	2013	2012
REVENUES						
Community Connections/Urban Green	-	$ 10,007	-	-	**$ 10,007**	$ 12,566
Investors Group	9,000	-	-	-	**9,000**	-
Family Services and Housing	-	-	-	230,000	**230,000**	229,954
Local Investment Toward Employment (L.I.T.E)	890	-	-	-	**890**	5,000
Manitoba Arts Council	-	-	-	-	**-**	3,815
Manitoba Cooperative Association	-	-	-	-	**-**	3,750
Manitoba Justice (Light Houses)	24,000	-	-	-	**24,000**	24,000
Manitoba Housing Authority	24,745	-	-	-	**24,745**	24,745
Manitoba Labour & Immigration	-	-	76,132	-	**76,132**	64,774
Manitoba Health & Healthy Living	-	-	-	-	**-**	6,000
Manitoba Housing and Community Development	66,552	-	-	-	**66,552**	-
Other sources	8,522	236	-	2,182	**10,940**	9,162
United Way	294,805	-	-	-	**294,805**	260,081
Human Resources Development of Canada	-	4,545	-	-	**4,545**	-
Winnipeg Foundation	1,000	-	-	24,575	**25,575**	7,000
Deferred revenue	(22,889)	-	-	(20,559)	**(43,448)**	(12,075)
	406,625	14,788	76,132	236,198	**733,743**	638,772
EXPENSES						
Accounting and computer fees	-	-	4,000	3,000	**7,000**	6,715
Administrative	885	-	4,496	12,068	**17,449**	22,874
Information technologist	120	-	75	448	**643**	565
Pre-retirement expenses	495	-	920	2,605	**4,020**	1,498
Program	31,866	-	12,944	12,118	**56,928**	41,728
Repairs and maintenance	4,280	-	-	3,565	**7,845**	7,260
Salaries and benefits	380,430	14,788	49,572	228,780	**673,570**	518,162
Service contracts	-	-	-	520	**520**	1,787
Staff training	2,200	-	315	912	**3,427**	12,682
Staff travel	2,152	-	585	582	**3,319**	3,793
	422,428	14,788	72,907	264,598	**774,721**	617,064
Excess (deficiency) of revenue over expenses	(15,803)	-	3,225	(28,400)	**(40,978)**	$21,708

	Counselling services	Central support	Women's Place	TOTAL 2013	TOTAL 2012
REVENUES					
Family Services and Housing	$ 337,900	$ 208,100	$ 138,700	**$ 684,700**	$ 639,500
Legal Aid Manitoba	-	-	17,013	**17,013**	19,223
Other sources	-	831	-	**831**	675
	337,900	208,931	155,713	**702,544**	659,398
EXPENSES					
Accounting and computer fees	-	8,500	-	**8,500**	8,550
Administrative	-	22,834	-	**22,834**	22,095
Evaluation fees	-	-	159	**159**	-
Information technologist	-	867	-	**867**	416
Legal fees	-	-	68,103	**68,103**	82,015
Pre-retirement expenses (includes payout)	2,494	2,790	(254)	**5,030**	4,113
Professional fees	-	-	2,963	**2,963**	-
Program	7,412	1,170	3,768	**12,350**	9,344
Rent	-	34,215	-	**34,215**	32,585
Repairs and maintenance	-	1,581	-	**1,581**	1,524
Salaries and benefits	329,607	147,428	53,775	**530,810**	549,832
Service contracts	-	1,221	-	**1,221**	1,899
Staff training	-	1,378	-	**1,378**	3,445
Staff travel	-	2,190	1,803	**3,993**	5,530
	339,513	224,174	130,317	**694,004**	721,348
Excess (deficiency) of revenue over expenses	(1,613)	(15,243)	25,396	**8,540**	(61,950)

BDO

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, statements of changes in net assets and cash flow statements for the years ended March 31, 2013 and March 31, 2012, 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 3, 2013

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ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Cash	$ **603,830**	$ 321,167	$ 141,577
Short-term investments (Note 3)	**275,129**	269,251	263,455
Accounts receivable	**38,615**	9,121	90,985
Employee benefits recoverable (Note 4)	**230,242**	230,242	230,242
Inventory - supplies on hand	**32,375**	32,040	27,952
Prepaid expenses	**30,323**	17,504	31,519
Due from Winnipeg Regional Health Authority (Note 6)	**301,291**	474,786	320,958
	1,511,805	1,354,111	1,106,688
Deferred benefit entitlements (Note 4)	**557,324**	485,703	452,573
Capital assets (Note 5)	**2,199,021**	1,968,804	2,012,489
	$ **4,268,150**	$ 3,808,618	$ 3,571,750
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ **523,174**	$ 427,435	$ 255,910
Accrued vacation entitlements (Note 4)	**334,236**	319,830	294,769
Trust liabilities	**10,353**	12,324	11,397
	867,763	759,589	562,076
Pre-retirement entitlement (Note 4)	**524,587**	452,966	419,836
Deferred Contributions			
Externally restricted (Schedule 1)	**205,128**	189,589	155,853
Capital assets (Schedule 2)	**2,139,526**	1,892,342	1,938,757
Donations (Schedule 3)	**129,095**	122,581	113,043
Reserve for insurance deductible (Schedule 4)	**11,177**	10,169	9,161
	2,484,926	2,214,681	2,216,814
Total liabilities and deferred contributions	**3,877,276**	3,427,236	3,198,726
Contingencies (Note 9)	**-**	-	-
Net assets, unrestricted	**390,874**	381,382	373,024
	$ **4,268,150**	$ 3,808,618	$ 3,571,750

Approved on behalf of the Board:

Chairperson

The accompanying summary of significant accounting policies and 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 years ended March 31		2013		2012
Balance, beginning of year	**$**	**381,382**	$	373,024
Excess of revenue for the year		**9,492**		8,358
Balance, end of year	**$**	**390,874**	$	381,382

The accompanying summary of significant accounting policies and 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 years ended March 31		2013		2012
Revenue				
Winnipeg Regional Health Authority (Note 8)	**$**	**4,168,253**	$	4,262,087
Residential charges		**1,643,885**		1,578,158
Amortization of deferred contributions related to capital assets		**126,865**		115,570
Adult day care program (Schedule 5)		**106,224**		105,792
Recoveries and offset income		**66,649**		61,941
Mortgage interest subsidy		**45,359**		45,359
Interest earned		**5,787**		6,199
Donations and other		**910**		1,013
		6,163,932		6,176,119
Expenditures				
Nursing personal care		**3,650,385**		3,647,090
Food services		**722,589**		698,193
General and administrative		**390,865**		426,916
Housekeeping		**250,605**		251,907
Plant maintenance		**207,284**		245,819
Recreation		**163,207**		162,813
Plant operation		**145,729**		157,576
Laundry and linen		**141,201**		145,017
Amortization		**136,767**		124,872
Adult day care program (Schedule 5)		**120,665**		122,539
In-service education		**84,035**		69,936
Social work		**32,764**		32,842
Interest on long-term debt		**27,195**		29,453
Donations and other		**910**		976
Benefit retroactive payments		**-**		919
		6,074,201		6,116,868
Excess of revenue over expenditures for the year before the undernoted		**89,731**		59,251
Pre-retirement payouts		**(8,618)**		(17,763)
Pre-retirement future benefits expenses (Note 4)		**(71,621)**		(33,130)
Excess of revenue for the year	**$**	**9,492**	$	8,358

The accompanying summary of significant accounting policies and 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 years ended March 31	2013	2012
Cash Flows from Operating Activities		
Excess of revenue for the year	**$ 9,492**	$ 8,358
Adjustments for		
Amortization of capital assets	**136,767**	124,872
Amortization of deferred contributions related to capital assets	**(126,865)**	(115,570)
	19,394	17,660
Changes in non-cash working capital balances		
Accounts receivable	**(29,494)**	81,864
Due from Winnipeg Regional Health Authority	**173,495**	(153,828)
Inventory - supplies on hand	**(335)**	(4,088)
Prepaid expenses	**(12,819)**	14,015
Deferred benefit entitlements	**(71,621)**	(33,130)
Accrued vacation entitlement	**14,406**	25,061
Pre-retirement entitlement	**71,621**	33,130
Accounts payable and accrued expenses	**95,738**	171,524
Trust liabilities	**(1,971)**	927
	239,020	135,475
	258,414	153,135
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	**15,539**	33,736
Deferred contributions - capital assets	**(10)**	(11)
Deferred contributions - donations	**6,514**	9,538
Reserve for insurance deductible	**1,008**	1,008
	23,051	44,271
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	**7,076**	(12,020)
Increase in short-term investments	**(5,878)**	(5,796)
	1,198	(17,816)
Increase in cash and cash equivalents	**282,663**	179,590
Cash and cash equivalents, beginning of year	**321,167**	141,577
Cash and cash equivalents, end of year	**$ 603,830**	$ 321,167

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of the Organization and Summary of Significant Accounting Policies

a. 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.

b. Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

c. Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge.

d. 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.

e. 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.

f. 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	50 years, straight-line basis
Equipment	5-10 years, straight-line basis

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

g. Inventory

Supplies on hand are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

h. 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 4.

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 3.15% (4.1% in 2012), a rate of salary increase of 3.0% (3.0% in 2012) plus an age-related merit/promotion scale with no provision for disability.

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 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.

j. 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. First-time Adoption

Effective April 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Foundation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

No exemptions were used at the date of transition to Canadian accounting standards for not-profit-organization.

The organization issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the organization.

3. Short-term Investments

	2013	2012
Steinbach Credit Union, regular savings, 1.90% (2.20% in 2012)	**$ 275,129**	$ 269,251

4. 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, 2013 reports an obligation of $524,587 ($452,966 in 2012). 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 incremental pre-retirement liability for fiscal 2013 of $71,621 ($33,130 in 2012) will be funded by the WRHA.

4. Future Employee Benefits Recoverable (continued)

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.

5. Capital Assets

			2013	2012
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land improvements	**$ 217,027**	**$ 217,027**	**$ -**	$ -
Buildings	**3,812,680**	**1,966,168**	**1,846,512**	1,628,942
Building addition				
Special Needs Unit	**388,858**	**183,627**	**205,231**	216,032
Equipment	**1,060,254**	**912,976**	**147,278**	123,830
Equipment				
Special Needs Unit	**31,771**	**31,771**	**-**	-
	$ 5,510,590	**$ 3,311,569**	**$ 2,199,021**	$ 1,968,804

6. Due (from) to Winnipeg Regional Health Authority Inc.

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is repayable to the WRHA. Those surpluses that are retained by the organization are subject to review by 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.

6. Due (from) to Winnipeg Regional Health Authority Inc. (continued)

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:

	2013	2012
2007 fiscal year end	**$ (44,747)**	$ (44,747)
2008 fiscal year end	**(18,542)**	(18,542)
2009 fiscal year end	**42,460**	42,460
2010 fiscal year end	**(78,126)**	(142,496)
2011 fiscal year end	**(66,873)**	(67,083)
2012 fiscal year end	**(80,815)**	(244,378)
2013 fiscal year end	**(54,648)**	-
Balance, end of year	**$ (301,291)**	$ (474,786)

7. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

8. Winnipeg Regional Health Authority Operating Income

	2013	2012
Budgeted Items	**$ 4,025,564**	$ 3,999,107
Current adjustments - Out of Globe	**142,689**	262,980
Balance, end of year	**$ 4,168,253**	$ 4,262,087

9. Contingencies

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, 2013.

10. 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.

11. Pension Plans

During the year, the organization contributed $272,963 ($262,806 in 2012) 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, 2011 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Employer contribution rates were increased on January 1, 2011 to 7.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 9.4% on earnings in excess of the YMPE. On April 1, 2012 employee contribution rates increased to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of the YMPE. On April 1, 2013, both employer and employee contribution rates will increase to 7.9% of pensionable earnings up to YMPE and 9.5% on earnings in excess of the YMPE.

12. 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.

13. 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.

13. Financial Risk Management (continued)

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:

	2013	2012
Accounts receivable	**$ 38,615**	$ 9,121
Due from WRHA	**301,291**	474,786
Vacation entitlements receivable	**230,242**	230,242
Retirement obligations receivable	**557,324**	485,703
	$ 1,127,472	$ 1,199,852

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.

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.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the years ended March 31		2013		2012
Reserve for Major Repairs				
Balance, beginning of year	**$**	**121,536**	$	103,200
Current year funding		**18,336**		18,336
Balance, end of year	**$**	**139,872**	$	121,536
Equipment Replacements				
Balance, beginning of year	**$**	**68,053**	$	52,653
Current year funding		**15,400**		15,400
Current year expenditures		**(18,197)**		-
Balance, end of year	**$**	**65,256**	$	68,053
Total Deferred Contributions - Externally Restricted	**$**	**205,128**	$	189,589

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the years ended March 31		2013		2012
Balance, beginning of year	**$**	**1,892,342**	$	1,938,757
Current year funding		**374,049**		69,155
Prior year adjustment		**-**		-
Amortize to revenue		**(126,865)**		(115,570)
Balance, end of year	**$**	**2,139,526**	$	1,892,342

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the years ended March 31		2013		2012
Balance, beginning of year	$	122,581	$	113,043
Current year donations		7,424		10,764
Current year expenditures		(910)		(1,226)
Balance, end of year	$	129,095	$	122,581

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the years ended March 31		**2013**		2012
Balance, beginning of year	**$**	**10,169**	$	9,161
Current year funding		**1,008**		1,008
Balance, end of year	**$**	**11,177**	$	10,169

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the years ended March 31	2013	2012
Revenues		
Winnipeg Regional Health Authority	$ 96,392	$ 96,362
Participants	9,358	9,430
Other	474	-
	106,224	105,792
Expenditures		
Transportation	54,962	55,955
Salaries and benefits	48,722	49,673
Supplies	8,236	7,764
Meals	7,882	8,284
Health and education levy	863	863
	120,665	122,539
Excess of expenditures for the year	$ (14,441)	$ (16,747)

Independent Auditors' Report

To the Board of Directors of Park Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of Park Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in unrestricted net assets (deficit) and cash flows for the years ended March 31, 2012 and March 31, 2011 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 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 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 Park Manor Personal Care Home Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, changes in unrestricted net assets (deficit) and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

September 22, 2013

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

MNP

Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2013

	2013	2012	April 1 2011
Assets			
Current			
Cash	**-**	238,155	468,405
Short term investments *(Note 4)*	**682,831**	865,936	188,159
Accounts receivable *(Note 5)*	**79,313**	97,649	226,088
Prepaid expenses	**35,568**	35,435	32,557
Receivable from Winnipeg Regional Health Authority *(Note 8)*	**467,949**	474,332	287,509
Residents' trust receivable	**1,845**	-	-
	1,267,506	1,711,507	1,202,718
Capital assets *(Note 6)*	**1,387,065**	1,529,949	1,609,140
Long term investments *(Note 7)*	**1,502,866**	1,251,818	1,823,621
Receivable from Winnipeg Regional Health Authority *(Note 8)*	**928,941**	853,655	809,058
Restricted cash - major repairs *(Note 9)*	**39,694**	39,298	38,941
	5,126,072	5,386,227	5,483,478
Liabilities			
Current			
Bank indebtedness *(Note 10)*	**2,507**	-	-
Accounts payable and accruals *(Note 11)*	**873,424**	1,068,828	1,161,278
Residents' trust payable	**-**	1,948	12,772
Current portion of long-term debt *(Note 12)*	**32,000**	30,200	44,000
	907,931	1,100,976	1,218,050
Long-term debt *(Note 12)*	**122,010**	154,191	184,593
Deferred contributions *(Note 13)*	**1,335,774**	1,411,861	1,417,678
Pre-retirement leave *(Note 14)*	**766,214**	690,928	646,331
	3,131,929	3,357,956	3,466,652
Net Assets (Deficit)			
Unrestricted net assets (deficit)	**(1,207)**	97,361	183,965
Internally restricted *(Note 15)*	**1,995,350**	1,930,910	1,832,861
	1,994,143	2,028,271	2,016,826
	5,126,072	5,386,227	5,483,478

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

	2013	2012
Revenues		
Winnipeg Regional Health Authority	**4,572,877**	4,617,874
Residential charges	**1,727,184**	1,669,582
Pre-retirement funding	**117,499**	81,856
Food service recoveries	**57,375**	60,464
Department recoveries	**99,770**	40,000
Amortization of deferred contributions *(Note 13)*	**149,982**	123,720
Adventist Care Foundation grant	**35,000**	70,000
	6,759,687	6,663,496
Expenses		
Salaries and wages	**4,806,599**	4,784,441
Employee benefits	**836,367**	853,377
Pre-retirement leave	**117,499**	81,856
Health and Education tax	**109,074**	104,488
Administration	**117,706**	138,083
Resident care	**144,457**	156,822
Other departments	**315,911**	286,590
Physical plant	**215,280**	195,572
Amortization	**184,470**	162,149
Interest on long-term debt	**9,709**	10,289
	6,857,072	6,773,667
Deficiency of revenues over expenses from general operations	**(97,385)**	(110,171)
Other Programs		
Adult Day Program (Schedule 1)	**96**	18,289
Support to Seniors in Group Living Program (Schedule 2)	**(1,279)**	5,278
	(1,183)	23,567
Deficiency of revenues over expenses before the following	**(98,568)**	(86,604)
Accrued future employee benefit income *(Note 14)*	**75,286**	44,597
Accrued future employee benefit expense *(Note 14)*	**(75,286)**	(44,597)
	-	-
Deficiency of revenues over expenses	**(98,568)**	(86,604)

The accompanying notes are an integral part of these financial statements

Park Manor
Personal Care Home Inc.
Statement of Changes in Unrestricted Net Assets (Deficit)
For the year ended March 31, 2013

	2013	*2012*
Net assets, beginning of year	**97,361**	183,965
Deficiency of revenues over expenses	**(96,568)**	(86,604)
Net assets (deficit), end of year	**(1,207)**	97,361

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2013

	2013	*2012*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(98,568)**	(86,604)
Amortization	**184,470**	162,149
	85,902	75,545
Changes in working capital accounts		
Accounts receivable	**18,336**	90,656
Receivable from Winnipeg Regional Health Authority	**6,383**	(186,970)
Resident's trust receivable	**(1,845)**	-
Prepaid expenses and deposits	**(133)**	(2,877)
Accounts payable and accruals	**(195,404)**	(92,451)
Residents' trust payable	**(1,948)**	(10,824)
Deferred contributions	**(76,087)**	(5,817)
	(164,796)	(132,738)
Financing		
Repayment of long-term debt	**(30,381)**	(44,202)
Internally restricted net assets adjustments	**64,440**	98,049
	34,059	53,847
Investing		
Purchase of short term investments	**(32,215)**	(215,320)
Proceeds on disposal of short term investments	**215,320**	226,088
Purchase of capital assets	**(41,586)**	(82,958)
Purchase of long term investments	**(251,048)**	(288,714)
Proceeds on disposal of long term investments	**-**	209,902
	(109,529)	(151,002)
Decrease in cash resources	**(240,266)**	(229,893)
Cash resources, beginning of year	**277,453**	507,346
Cash resources, end of year	**37,187**	277,453
Cash resources are composed of:		
Cash	**-**	238,155
Restricted cash total	**39,694**	39,298
Bank indebtedness	**(2,507)**	-
	37,187	277,453

The accompanying notes are an integral part of these financial statements

MNP

1. Purpose of the Organization

Park Manor Personal Care Home Inc. (the “Organization”) is a private corporation 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 management these requirements have been met.

The Organization is privately operated and sponsored by The Manitoba-Saskatchewan Conference of the Seventh-day Adventist Church, to provide quality compassionate personal care to senior citizens.

The Mission of the Organization is:

"Offering love, peace, compassion, hope and empowerment...to CARE as Christ does.

2. Impact of adopting accounting standards for not-for-profit organizations

These are the Organization’s first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3. have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 30, 2012, and the opening ASNPO balance sheet as at April 1, 2011 (the Organization’s date of transition to ASNPO).

The transition to ASNPO has not affected the statement of financial position, statement of operations, statement of unrestricted net assets(deficit) or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

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

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 declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	20 years
Computer equipment	5 years
Equipment	10 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.

Other revenue is recognized if the amount can be reasonable determined and collection is reasonable assured.

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

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.

Financial statement items subject to significant management judgment include; the completeness of legal liabilities, employee future benefits, estimated useful lives and impairment of property and equipment, and valuation of accounts receivable.

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

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 changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in deficiency of revenues and expenses for the year.

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased.

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.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published prices. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of those instruments designated at fair value, 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 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 subsequent measured at amortized cost.

4. Short term investments

	2013	*2012*
Non-redeemable GIC, earning interest at 2.57%, matured during the year.	**-**	215,320
Non-redeemable GIC, earning interest at 4.50% (2012 - 3.75%), matures November 2013.	**495,136**	471,410
Non-redeemable GIC, earning interest at 4.50% (2012 - 4.00%), maturing May 2013	**187,695**	179,206
	682,831	865,936

5. Accounts receivable

	2013	*2012*
Trade receivables	**22,825**	62,725
Goods and Services Tax receivable	**12,246**	13,624
Resident fees	**12,151**	1,286
Receivable from East Park Lodge Inc.	**12,591**	20,014
Receivable from West Park Manor Personal Care Home Inc.	**19,500**	-
	79,313	97,649

6. Capital assets

	Cost	***Accumulated amortization***	***2013 Net book value***
Land	**28,266**	**-**	**28,266**
Buildings	**3,426,303**	**2,303,464**	**1,122,839**
Computer equipment	**38,885**	**25,935**	**12,950**
Equipment	**844,864**	**621,854**	**223,010**
	4,338,318	**2,951,253**	**1,387,065**

	Cost	*Accumulated amortization*	*2012 Net book value*
Land	28,266	-	28,266
Buildings	3,413,085	2,189,089	1,223,996
Computer equipment	38,885	20,892	17,993
Equipment	816,496	556,802	259,694
	4,296,732	2,766,783	1,529,949

7. Long term investments

	2013	*2012*
Non-redeemable GIC, earning interest at 2.09%,(2012 - 1.09%) maturing August 2015	**210,364**	205,448
Non-redeemable GIC, earning interest at 1.75%,(2012 - 1.15%) maturing December 2015	**335,164**	329,159
Non-redeemable GIC, earning interest at 1.75%,(2012 - 1.25%) maturing September 2014	**278,549**	270,085
Non-redeemable GIC, earning interest at 1.50%, (2012 - 1.00%) maturing December 2014	**220,445**	214,061
Non-redeemable GIC, earning interest at 2.80%, (2012 - 2.80%) maturing August 2016	**239,569**	233,065
Non-redeemable GIC, earning interest at 1.50%, maturing May 2017	**218,775**	-
	1,502,866	1,251,818

8. Receivable from Winnipeg Regional Health Authority

Amounts receivable from the Winnipeg Regional Health Authority are non-interest bearing.

	2013	2012
Pre-retirement leave (Note 14)	**928,941**	853,655
Other receivables - current	**467,949**	474,332
	1,396,890	1,327,987

9. Restricted Cash - Major repairs

The Organization receives certain funding that is subject to restriction for the purposes of capital repairs. The Organization restricts cash for this purpose and does not expect to use these funds for the next twelve months therefore it has been classified as long term.

10. Bank indebtedness

Cash (Bank indebtedness) earned interest at 0.25% (2012 - 0.25%) at year-end. The Organization has an available line of operating credit to a maximum of $175,000 (2012 - $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 $175,000 and the specific assignment of accounts receivable from Winnipeg Regional Health Authority/Manitoba Health.

11. Accounts payable and accruals

	2013	2012
Payable to Winnipeg Regional Health Authority	**254,789**	284,325
Trade accounts payable	**179,418**	269,462
Vacation payable	**314,641**	325,107
Salaries, wages and benefits payable	**124,576**	189,934
	873,424	1,068,828

12. Long-term debt

	2013	*2012*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017	**154,010**	184,391
Less: current portion	**32,000**	30,200
	122,010	154,191

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:

2014	32,000
2015	33,900
2016	36,000
2017	38,100
2018	14,010
	154,010

13. Deferred contributions

Deferred contributions represent the unamortized portion of contributions received for 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 deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Changes for the year in the deferred contribution balance are as follows:

	Capital	**Operating**	**2013**	2012
Balance, beginning of year	**1,406,006**	**5,855**	**1,411,861**	1,417,678
Contributions received during the year				
Donations	**11,354**	**-**	**11,354**	6,298
Winnipeg Regional Health Authority				
- Principal repayment	**30,240**	**-**	**30,240**	44,064
- Basic equipment replacement	**17,500**	**-**	**17,500**	17,500
- Major repairs	**4,296**	**-**	**4,296**	4,296
- Safety and security - lump sum funding	**9,497**	**-**	**9,497**	44,737
- Insurance deductible	**-**	**1,008**	**1,008**	1,008
Recognized as revenue during the year	**(149,982)**	**-**	**(149,982)**	(123,720)
Balance, end of year	**1,328,911**	**6,863**	**1,335,774**	1,411,861

14. Pre-retirement leave

Under guidelines produced by the Winnipeg Regional Health Authority (WRHA), the WRHA will fund the Organization's vacation pay liability, recognized as accounts receivable in the amount of $232,434 as at March 31, 2004. For the March 31, 2013 fiscal year the Organization incurred employee future benefits and receivable from the WRHA for the same amount as directed by Manitoba Health and the WRHA.

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. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlement include a discount rate of 3.15% and a rate of salary increase of 3.50%

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

	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	$366,365
2009-10	$503,001	$433,294
2010-11	$646,331	$576,624
2011-12	$690,928	$621,221
2012-13	$766,214	$696,507

15. Restricted net assets

These net assets are restricted in the fact that they are not available for the general operations of the personal care home. The use of such assets is at the discretion of the board of directors.

Internally restricted net assets are comprised of:

	2013	*2012*
Special purpose reserve:		
Balance, beginning of year	**1,930,910**	1,832,861
Trust contributions	**64,440**	98,049
Balance, end of year	**1,995,350**	1,930,910

16. 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 accounts receivable due from the Manitoba Health/Winnipeg Regional Health Authority. The Organization believes that collection is reasonably assured.

17. 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 the Canadian Institute of Chartered Accountants Accounting Standards for Private Enterprises Section 3462. Total contributions to the plan on behalf of employees during the year were $853,655 (2012 - $928,941).

18. Significant funding source

A significant portion of the personal care home's operating fund are received from the Winnipeg Regional Health Authority. The percentage of total revenues from the Winnipeg Regional Health Authority for the current year is 71.2% (2012 - 71.8%).

Schedule 1 – Adult Day Program

For the year ended March 31, 2013

	2013	*2012*
Revenues		
Winnipeg Regional Health Authority	**157,536**	157,488
Participant fees	**14,085**	13,139
Miscellaneous recoveries	**1,482**	-
	173,103	170,627
Expenses		
Benefits	**12,882**	9,279
Health and education tax	**1,749**	1,442
Management fees	**4,200**	1,040
Meals	**7,866**	8,696
Salaries and wages	**72,704**	66,043
Supplies	**4,521**	3,181
Travel	**69,085**	62,657
	173,007	152,338
Excess of revenues over expenses	**96**	18,289

	2013	*2012*
Revenues		
Winnipeg Regional Health Authority - Grant	**83,232**	83,232
Donations	**166**	182
	83,398	83,414
Expenses		
Benefits	**14,496**	14,251
Management fees	**2,400**	-
Minor equipment and furnishings	**207**	-
Professional development	**389**	764
Program expenses	**1,811**	-
Salaries and wages	**60,941**	59,973
Supplies	**1,858**	1,371
Telephone	**2,129**	1,446
Travel	**446**	331
	84,677	78,136
Excess of revenues over expenses	**(1,279)**	5,278

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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011 and the statements of operations and changes in net deficiency, and cash flows for the years ended March 31, 2013 and March 31, 2012 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 generally accepted accounting principles, 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, 2013, March 31, 2012, and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 7, 2013

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PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash	$	**185,753**	$	29,656	$	65,327
Restricted cash		**105,448**		95,224		120,683
Accounts receivable (Note 3)		**39,194**		381,605		52,022
Inventories		**7,574**		7,574		7,574
Prepaid expenses		**3,711**		3,975		4,261
Vacation entitlement receivable (Note 4)		**121,948**		121,948		121,948
		463,628		639,982		371,815
Retirement obligations asset (Note 9)		**225,697**		203,517		186,500
Capital assets (Note 5)		**112,319**		127,840		113,662
	$	**801,644**	$	971,339	$	671,977
Liabilities and Net Deficiency						
Current Liabilities						
Accounts payable (Note 7)	$	**412,716**	$	671,552	$	436,954
Accrued vacation entitlements (Note 4)		**184,497**		185,490		177,483
		597,213		857,042		614,437
Accrued retirement obligation (Note 9)		**225,697**		203,517		186,500
Deferred contributions (Note 8)		**218,164**		223,462		226,686
		1,041,074		1,284,021		1,027,623
Net deficiency		**(239,430)**		(312,682)		(355,646)
	$	**801,644**	$	971,339	$	671,977

Approved on behalf of the Board:

Director

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 years ended March 31	2013	2012
Revenue		
Winnipeg Regional Health Authority	$ **3,074,818**	$ 3,041,559
Residential charges	**1,009,972**	958,796
Other income	**25,544**	10,081
	4,110,334	4,010,436
Expenses		
Drugs and medical supplies	**78,518**	74,804
Office and miscellaneous	**13,932**	14,942
Other supplies and expenses	**61,276**	53,924
Professional fees	**20,007**	12,308
Purchased services	**579,272**	660,667
Repairs and maintenance	**9,511**	27,617
Resident travel	**4,066**	6,038
Salaries and benefits	**2,950,895**	2,819,359
Service charges and fees	**10,135**	9,986
Shared building operation expenses (Note 10)	**288,000**	280,000
Telephone	**21,470**	7,728
Travel	**-**	99
	4,037,082	3,967,472
Excess of revenue over expenses before amortization	**73,252**	42,964
Amortization		
Deferred contributions (Note 8)	**15,521**	13,493
Capital assets (Note 5)	**(15,521)**	(13,493)
	-	-
Excess of revenue over expenses	**73,252**	42,964
Net deficiency, beginning of year, as previously reported	**(387,682)**	(355,646)
Correction for WRHA funding revision (Note 2)	**75,000**	-
Net deficiency, beginning of year as restated	**(312,682)**	(355,646)
Net deficiency, end of year	$ **(239,430)**	$ (312,682)

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash Provided by (used in):		
Cash Flows from Operating Activities		
Excess of revenue over expenses	$ 73,252	$ 42,964
Adjustment for non-cash items		
Amortization of capital assets	15,521	13,493
	88,773	56,457
Changes in non-cash working capital		
Accounts receivable	342,411	(329,583)
Vacation entitlement receivable	(22,180)	(17,017)
Prepaid expenses	264	286
Accounts payable	(258,836)	234,598
Vacation entitlement payable	21,187	25,024
Net cash flows provided by (used in) operating activities	171,619	(30,235)
Cash Flows from Financing Activities		
Deferred contributions	(5,298)	(3,224)
Net cash flows provided by (used in) financing activities	(5,298)	(3,224)
Cash Flows from Investing Activities		
Purchase of capital assets	-	(27,671)
Net cash flows provided by (used in) investing activities	-	(27,671)
Net increase (decrease) in cash and cash equivalents	166,321	(61,130)
Cash and cash equivalents, beginning of year	124,880	186,010
Cash and cash equivalents, end of year	$ 291,201	$ 124,880
Represented by:		
Cash	$ 185,753	$ 29,656
Restricted cash	105,448	95,224
	$ 291,201	$ 124,880

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 Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

The organization is a not-for-profit organization and, as such, is exempt form income taxes under The Income Tax Act.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting.

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.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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

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 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.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves in accordance with the CMHC operating agreement.

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:

Furniture, fixtures and equipment	10-20%
Leasehold improvements	10%

2. First-time Adoption and Correction for WRHA Funding Revision

There was a prior year revision to increase the grant funding approved by WRHA. This amount was approved subsequent to the financial statement release and was not included in WRHA grant confirmations in the prior year. As a consequence, balances reported at March 31, 2012 have been restated as follows:

	Previously Reported Balances	Correction of Error	Restated Balance
Accounts receivable	$ 306,605	$ 75,000	$ 381,605
Net deficiency	(387,682)	75,000	(312,682)
Winnipeg Regional Health Authority funding	2,966,559	75,000	3,041,559
Excess (deficiency) of revenue over expenses for the year	(32,036)	75,000	42,964

Effective April 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Nature of Operations and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The organization issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the organization.

No exemptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations.

3. Accounts Receivable

	2013	2012
Receivable from residents	**$ 7,301**	$ 11,940
Winnipeg Regional Health Authority	**20,228**	350,789
GST rebate receivable	**6,195**	4,478
Other	**5,470**	14,398
	$ 39,194	$ 381,605

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:

	2013	2012
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:

	2013	2012
Balance, beginning of year	**$ 185,490**	$ 177,483
Net change in accrued vacation entitlements	**(993)**	8,007
Balance, end of year	**$ 184,497**	$ 185,490

5. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Leasehold improvements	**$ 2,493,562**	**$ 2,478,832**	$ 2,493,562	$ 2,477,195
Furniture, fixtures and equipment	**526,087**	**428,498**	526,087	414,614
	$ 3,019,649	**$ 2,907,330**	$ 3,019,649	$ 2,891,809
Cost less accumulated amortization		**$ 112,319**		$ 127,840

Amortization of capital assets for the year ended March 31, 2013 is $15,521 (2012 - $13,493).

6. Bank Overdraft

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 ($50,000 in 2012), available for operating needs. The overdraft facility bears interest at the bank's prime rate (Effective rate at March 31, 2013 - 3%), calculated and payable monthly.

7. Accounts Payable

	2013	2012
Trade accounts payable	**$ 37,005**	$ 95,442
Salaries and employee benefits payable	**133,882**	114,255
Due to related parties	**241,829**	461,855
	$ 412,716	$ 671,552

8. Deferred Contributions

Changes in the deferred contribution balance are as follows:

	2013	2012
Capital Assets		
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.		
Balance, beginning of year	**$ 127,840**	$ 113,662
Additional contributions received		
Reserve equipment purchases	**-**	27,671
Less amounts amortized to revenue	**(15,521)**	(13,493)
Balance, end of year	**112,319**	127,840
Unspent Equipment Funding		
Unspent equipment funding related to equipment replacement represent 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	**95,622**	113,024
Additional contributions received		
Winnipeg Regional Health Authority	**9,975**	9,975
Interest received	**248**	294
Equipment purchases	**-**	(27,671)
Balance, end of year	**105,845**	95,622
Total deferred contributions	**$ 218,164**	$ 223,462

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, 2013. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.15% (2012 - 4.1%) and a rate of salary increase of 3% (2012 - 3.5%) 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.

	2013	2012
Employee future benefits recoverable from:		
Manitoba Health	**$ 83,241**	$ 83,241
Winnipeg Regional Health Authority	**142,456**	120,276
	$ 225,697	$ 203,517

9. Employee Future Benefits (continued)

a) Accrued retirement obligation (continued)

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

		2013		2012
Balance, beginning of year	**$**	**203,517**	$	186,500
Net change in pre-retirement entitlements		**22,180**		17,017
Balance, end of year	**$**	**225,697**	$	203,517

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, 2011 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 $161,705 (2012 - $158,440) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

	2013	2012
Salary reimbursements paid	**$ 299,892**	$ 286,531
Shared building operations expenses	**288,000**	280,000

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.

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, 2013.

Accounts payable includes $241,829 (2012 - $461,855) payable to related parties.

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 the 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.

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:

	2013	2012
Accounts receivable	**$ 39,194**	$ 381,605
Vacation entitlements receivable	**121,948**	121,948
Retirement obligations receivable	**225,697**	203,517
	$ 386,839	$ 707,070

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.

14. Comparative Figures

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

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 sectoring 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Amant Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

June 11, 2013

Winnipeg, Canada

ST. AMANT INC.

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	Operating Fund March 31, 2013	Operating Fund March 31, 2012	Operating Fund April 1, 2011	Capital Fund March 31, 2013	Capital Fund March 31, 2012	Capital Fund April 1, 2011	Total, March 31, 2013	Total March 31, 2012	Total April 1, 2011
Assets									
Current assets:									
Cash	$ 840,975	$ 217,581	$ 140,849	$ 61,522	$ 94,761	$ 61,126	$ 902,497	$ 312,342	$ 201,975
Accounts receivable	4,247,267	4,503,471	4,634,731	–	–	–	4,247,267	4,503,471	4,634,731
Receivable from St. Amant Foundation Inc. (note 8)	–	411,638	–	–	(243,128)	–	–	168,510	–
Inventories	204,131	194,435	173,285	–	–	–	204,131	194,435	173,285
Prepaid expenses	387,706	279,047	237,340	–	–	–	387,706	279,047	237,340
Vacation pay recoverable from Winnipeg Regional Health Authority (note 10)	1,461,198	1,461,198	1,461,198	–	–	–	1,461,198	1,461,198	1,461,198
Inter-fund balances	1,055,083	281,250	561,750	(1,055,083)	(281,250)	(561,750)	–	–	–
	8,196,360	7,348,620	7,209,153	(993,561)	(429,617)	(500,624)	7,202,799	6,919,003	6,708,529
Capital assets (note 4)	–	–	–	18,483,661	18,686,129	18,487,352	18,483,661	18,686,129	18,487,352
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 10)	3,216,156	3,300,787	3,240,568	–	–	–	3,216,156	3,300,787	3,240,568
	$ 11,412,516	$10,649,407	$ 10,449,721	$ 17,490,100	$ 18,256,512	$ 17,986,728	$ 28,902,616	$ 28,905,919	$ 28,436,449
Liabilities, Deferred Contributions and Fund Balances									
Current liabilities:									
Accounts payable and accrued liabilities	$ 3,356,695	$ 2,719,526	$ 2,803,246	$ 1,189	$ 1,580	$ 1,939	$ 3,357,884	$ 2,721,106	$ 2,805,185
Employee vacation payable (note 10)	3,142,144	3,036,418	2,873,163	–	–	–	3,142,144	3,036,418	2,873,163
Payable to St. Amant Foundation Inc. (note 8)	(126,675)	–	(19,064)	221,301	–	261,633	94,626	–	242,569
Advances (note 5)	377,480	377,480	377,480	–	–	–	377,480	377,480	377,480
Current portion of long-term debt (note 6)	–	–	–	2,554,577	3,341,996	7,278,068	2,554,577	3,341,996	7,278,068
	6,749,644	6,133,424	6,034,825	2,777,067	3,343,576	7,541,640	9,526,711	9,477,000	13,576,465
Employee future benefits (note 10)	3,739,623	3,790,049	3,709,740	–	–	–	3,739,623	3,790,049	3,709,740
Long-term debt (note 6)	–	–	–	4,741,930	4,582,224	252,312	4,741,930	4,582,224	252,312
Deferred contributions (note 7):									
Expenses of future periods	611,735	843,836	1,228,263	–	–	–	611,735	843,836	1,228,263
Capital assets	–	–	–	6,317,892	6,733,159	6,521,121	6,317,892	6,733,159	6,521,121
	611,735	843,836	1,228,263	6,317,892	6,733,159	6,521,121	6,929,627	7,576,995	7,749,384
Fund balances:									
Invested in capital assets	–	–	–	3,653,211	3,597,553	3,671,655	3,653,211	3,597,553	3,671,655
Internally restricted	552,077	552,077	552,077	–	–	–	552,077	552,077	552,077
Unrestricted	(240,563)	(669,979)	(1,075,184)	–	–	–	(240,563)	(669,979)	(1,075,184)
	311,514	(117,902)	(523,107)	3,653,211	3,597,553	3,671,655	3,964,725	3,479,651	3,148,548
	$11,412,516	$10,649,407	$ 10,449,721	$ 17,490,100	$ 18,256,512	$ 17,986,728	$ 28,902,616	$ 28,905,919	$ 28,436,449

See accompanying notes ~~financial statements~~.

On behalf of the Board: Director ______________ Director June 25/13 Date

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2013

	Winnipeg Regional Health Authority	Family Services	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	Total
Revenue:							
Family Services	$ 1,448,696	$ 31,511,912	$ 32,960,608	$ –	$ 32,960,608	$ –	$ 32,960,608
Winnipeg Regional health Authority	29,034,414	25,872	29,060,286	–	29,060,286	–	29,060,286
Manitoba Health	–	–	–	–	–	138,321	138,321
Government of Canada	5,133	702,371	707,504	–	707,504	–	707,504
School divisions	477,257	4,144	481,401	–	481,401	–	481,401
Fees	6,852	318,652	325,504	–	325,504	–	325,504
Grants	240,931	4,140	245,071	–	245,071	–	245,071
Recoveries	394,047	–	394,047	–	394,047	–	394,047
Investment income	25,785	–	25,785	–	25,785	1,149	26,934
St.Amant Foundation Inc. donations (note 8)	158,606	18,966	177,573	–	177,572	32,366	209,938
Amortization of deferred contributions (note 7)	–	–	–	–	–	672,915	672,915
Gain on sale of capital assets	–	–	–	–	–	1,000	1,000
Other programs	153,133	114,797	267,930	–	267,930	–	267,930
	31,944,854	32,700,854	64,645,708	–	64,645,708	845,751	65,491,459
Expenses:							
Salaries and wages	24,206,579	20,938,075	45,144,654	–	45,144,654	–	45,144,654
Employee benefits	4,939,884	4,200,197	9,140,081	–	9,140,081	–	9,140,081
Purchased services	864,389	89,837	954,226	–	954,226	–	954,226
Supplies	1,266,617	299,909	1,566,526	–	1,566,526	–	1,566,526
Food	735,349	502,968	1,238,317	–	1,238,317	–	1,238,317
Utilities	550,595	215,919	766,514	–	766,514	–	766,514
Equipment	205,100	151,471	356,571	–	356,571	–	356,571
Property taxes	178,711	112,537	291,248	–	291,248	–	291,248
Repairs and maintenance	121,699	506,764	628,463	–	628,463	–	628,463
Interest on long-term debt	–	–	–	–	–	327,248	327,248
Amortization	–	–	–	–	–	1,858,808	1,858,808
Administration and facility cost allocation (note 9)	(2,653,420)	2,653,420	–	–	–	–	–
Other	769,801	1,929,696	2,699,497	–	2,699,497	27	2,699,524
	31,185,304	31,600,793	62,786,097	–	62,786,097	2,186,083	64,972,180
Excess (deficiency) of revenue over expenses before the undernoted	759,550	1,100,061	1,859,611	–	1,859,611	(1,340,332)	519,279
Employee future benefits revenue (note 10)	(84,631)	–	(84,631)	–	(84,631)	–	(84,631)
Employee future benefits (note 10)	84,631	(34,205)	50,426	–	50,426	–	50,426
Excess (deficiency) of revenue over expenses	759,550	1,065,856	1,825,406	–	1,825,406	(1,340,332)	485,074
Transfer to Capital Fund for purchased capital assets	(641,017)	(68,841)	(709,858)	–	(709,858)	709,858	–
Transfer to Capital Fund for principal repayment	(58,230)	(310,148)	(368,378)	–	(368,378)	368,378	–
Transfer to Capital Fund for interest	(31,698)	(286,056)	(317,754)	–	(317,754)	317,754	–
Net change in fund balances	28,605	400,811	429,416	–	429,416	55,658	485,074
Fund balances, beginning of year	–	–	(669,979)	552,077	(117,902)	3,597,553	3,479,651
Fund balances, end of year	$ –	$ –	$ (240,563)	$ 552,077	$ 311,514	$ 3,653,211	$ 3,964,725

See accompanying notes to financial statements.

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2012

	Winnipeg Regional Health Authority	Family Services	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	Total
Revenue:							
Family Services	$ 356,515	$ 31,562,201	$ 31,918,716	$ –	$ 31,918,716	$ –	$ 31,918,716
Winnipeg Regional health Authority	27,591,350	25,000	27,616,350	–	27,616,350	–	27,616,350
Manitoba Health	–	–	–	–	–	146,263	146,263
Government of Canada	4,671	546,071	550,742	–	550,742	–	550,742
School divisions	–	429,959	429,959	–	429,959	–	429,959
Fees	–	324,451	324,451	–	324,451	–	324,451
Grants	148,084	2,000	150,084	–	150,084	–	150,084
Recoveries	417,177	–	417,177	–	417,177	–	417,177
Investment income	23,918	–	23,918	–	23,918	1,613	25,531
St.Amant Foundation Inc. donations (note 8)	264,463	63,587	328,050	–	328,050	24,911	352,961
Amortization of deferred contributions (note 7)	–	–	–	–	–	641,020	641,020
Gain on sale of capital assets	–	–	–	–	–	1,072	1,072
Other programs	168,066	93,126	261,192	–	261,192	–	261,192
	28,974,244	33,046,395	62,020,639	–	62,020,639	814,879	62,835,518
Expenses:							
Salaries and wages	21,841,309	21,642,629	43,483,938	–	43,483,938	–	43,483,938
Employee benefits	4,506,196	4,118,202	8,694,398	–	8,694,398	–	8,694,398
Purchased services	718,892	44,884	763,776	–	763,776	–	763,776
Supplies	1,122,280	328,609	1,450,889	–	1,450,889	–	1,450,889
Food	707,416	525,887	1,233,303	–	1,233,303	–	1,233,303
Utilities	530,556	207,712	738,268	–	738,268	–	738,268
Equipment	177,142	106,541	283,683	–	283,683	–	283,683
Property taxes	156,472	118,368	274,840	–	274,840	–	274,840
Repairs and maintenance	155,703	421,140	576,843	–	576,843	–	576,843
Interest on long-term debt	–	–	–	–	–	307,273	307,273
Amortization	–	–	–	–	–	1,882,296	1,882,296
Administration and facility cost allocation (note 9)	(2,558,837)	2,558,837	–		–	–	–
Other	844,938	1,947,710	2,792,648		2,792,648	2,170	2,794,818
	28,202,067	32,090,519	60,292,586	–	60,292,586	2,191,739	62,484,325
Excess (deficiency) of revenue over expenses before the undernoted	772,177	955,876	1,728,053	–	1,728,053	(1,376,860)	351,193
Employee future benefits revenue (note 10)	60,219	–	60,219	–	60,219	–	60,219
Employee future benefits (note 10)	(60,219)	(20,090)	(80,309)	–	(80,309)	–	(80,309)
Excess (deficiency) of revenue over expenses	772,177	935,786	1,707,963	–	1,707,963	(1,376,860)	331,103
Transfer to Capital Fund for purchased capital assets	(469,972)	(197,985)	(667,957)	–	(667,957)	667,957	–
Transfer to Capital Fund for principal repayment	(58,230)	(284,500)	(342,730)	–	(342,730)	342,730	–
Transfer to Capital Fund for interest	(31,962)	(260,109)	(292,071)	–	(292,071)	292,071	–
Net change in fund balances	212,013	193,192	405,205	–	405,205	(74,102)	331,103
Fund balances, beginning of year	–	–	(1,075,184)	552,077	(523,107)	3,671,655	3,148,548
Fund balances, end of year	$ –	$ –	$ (669,979)	$ 552,077	$ (117,902)	$ 3,597,553	$ 3,479,651

See accompanying notes to financial statements.

ST. AMANT INC.

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 485,074	$ 331,103
Items not involving cash:		
Amortization of capital assets	1,858,808	1,882,296
Amortization of deferred contributions	(672,915)	(641,020)
Gain on sale of capital assets	(1,000)	(1,072)
Change in non-cash operating working capital:		
Accounts receivable	256,204	114,931
Inventories	(9,696)	(21,150)
Prepaid expenses	(108,659)	(41,707)
Receivable from/payable to St.Amant Foundation Inc.	263,136	(411,079)
Employee future benefits recoverable from Winnipeg Regional Health Authority	84,631	(60,219)
Employee future benefits	(50,426)	80,309
Accounts payable and accrued liabilities	636,778	(67,750)
Employee vacation payable	105,726	163,255
Net decrease deferred contributions related to expenses of future periods	(232,101)	(384,427)
	2,615,560	943,470
Capital activities:		
Purchase of capital assets	(1,656,340)	(2,081,073)
Proceeds on disposal of capital assets	1,000	1,072
Receipt of deferred capital contributions	257,648	853,058
	(1,397,692)	(1,226,943)
Financing activities:		
Proceeds from long-term debt	–	1,469,584
Repayment of long-term debt	(627,713)	(1,075,744)
	(627,713)	393,840
Increase in cash	590,155	110,367
Cash, beginning of year	312,342	201,975
Cash, end of year	$ 902,497	$ 312,342

See accompanying notes to financial statements.

1. Significant accounting policies:

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.

On April 1, 2012, the Organization adopted Canadian public sector accounting standards (PS). The Organization has also elected to apply the PS 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to fund balances and excess of revenue over expenses is provided in note 12.

2. Significant accounting policies:

(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 Manitoba Family Services and Labour (Family Services). 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, 2013. The Organization's Service Purchase Agreement (SPA) with the Family Services continues in effect until March 31, 2014. The SPA with WRHA expired on March 31, 2013, however it continues to be in effect until a new agreement is finalized.

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.

2. 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:

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 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.

2. Significant accounting policies (continued):

(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

(e) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation, for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

(f) 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.

2. Significant accounting policies (continued):

(g) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of long-term debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(h) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(i) 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.

(j) 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 includes mortality and withdrawal rates, a discount rate of 2.13 percent (2012 - 2.38 percent; 2011- 2.88 percent) and a rate of salary increase of 3.0 percent (2012 - 3.0 percent; 2011 - 3.5 percent) plus an age related merit/promotion scale with no provision for disability.

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) 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.

3. Change in accounting policy:

On April 1, 2012, the Organization adopted Public Accounting Standard *PS 3450 - Financial Instruments*. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Organization's accounting policy.

There were no adjustments to net assets as at April 1, 2012 as a result of the adoption of PS 3450.

4. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
440 River Road:			
Land	$ 212,888	$ –	$ 212,888
Land improvements	1,127,999	433,279	694,720
Buildings	17,852,382	12,320,306	5,532,076
Buildings service equipment	5,145,900	2,819,853	2,326,047
Furniture and equipment	6,229,619	5,966,445	263,174
Automotive	99,551	99,551	–
Software	1,387,541	1,109,966	277,575
	32,055,880	22,749,400	9,306,480
Community residences:			
Land	2,550,047	–	2,550,047
Land improvements	2,910	2,427	483
Buildings	7,333,311	2,391,203	4,942,108
Buildings service equipment	947,180	43,754	903,426
Furniture and equipment	1,889,962	1,327,325	562,637
Automotive	408,475	189,995	218,480
	13,131,885	3,954,704	9,177,181
	$ 45,187,765	$ 26,704,104	$ 18,483,661

4. Capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
440 River Road:			
Land	$ 212,888	$ –	$ 212,888
Land improvements	1,121,081	381,434	739,647
Buildings	17,569,101	11,500,802	6,068,299
Buildings service equipment	5,145,900	2,589,157	2,556,743
Furniture and equipment	6,229,619	5,791,576	438,043
Automotive	115,352	115,352	–
Software	1,320,062	1,038,787	281,275
	31,714,003	21,417,108	10,296,895
Community residences:			
Land	2,172,284	–	2,172,284
Land improvements	2,910	2,306	604
Buildings	7,333,311	2,028,824	5,304,487
Buildings service equipment	488,961	19,306	469,655
Furniture and equipment	1,526,102	1,249,710	276,392
Automotive	328,992	163,180	165,812
	11,852,560	3,463,326	8,389,234
	$ 43,566,563	$ 24,880,434	$ 18,686,129

April 1, 2011	Cost	Accumulated amortization	Net book value
440 River Road:			
Land	$ 212,888	$ –	$ 212,888
Land improvements	887,341	341,704	545,637
Buildings	17,243,067	10,713,859	6,529,208
Buildings service equipment	5,145,900	2,357,417	2,788,483
Furniture and equipment	6,229,619	5,591,857	637,762
Automotive	115,352	106,512	8,840
Software	1,147,514	853,325	294,189
	30,981,681	19,964,674	11,017,007
Community residences:			
Land	1,761,284	–	1,761,284
Land improvements	2,910	2,186	724
Buildings	6,999,781	1,672,863	5,326,918
Buildings service equipment	203,890	9,111	194,779
Furniture and equipment	1,306,188	1,216,089	90,099
Automotive	244,227	147,686	96,541
	10,518,280	3,047,935	7,470,345
	$ 41,499,961	$ 23,012,609	$ 18,487,352

5. Advances:

The Organization has received working capital advances from Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

6. Long-term debt:

	March 31, 2013	March 31, 2012	April 1, 2011
Canada Mortgage and Housing Corporation (CMHC) - mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 2015	$ 190,211	$ 252,313	$ 309,937
National Bank of Canada, loans payable, due on demand, at interest rates ranging from bank prime rate less 0.5% to 5.9%, payable monthly at $24,981 including principal and interest, maturing at various dates through to September 2014 (if repayment not demanded by lender on the demand loan)	2,058,997	3,076,618	3,444,590
National Bank of Canada, loans payable, at interest rates ranging from 2.5% to 4.7%, payable $44,168 monthly including principal and interest, maturing at various dates through to February 2018	5,047,299	4,595,289	3,275,829
Province of Manitoba, promissory note, interest at 4.6%	–	–	500,024
	7,296,507	7,924,220	7,530,380
Current portion	2,554,577	3,341,996	7,278,068
	$ 4,741,930	$ 4,582,224	$ 252,312

The Organization's credit facility with the National Bank of Canada provides a maximum of $12,250,000 (March 31, 2012 - $8,500,000; April 1, 2011 - $8,500,000) in demand loans to finance the acquisition or renovation of community homes by the Organization. The cumulative advances under this facility may not exceed the lower of $12,250,000 or 75 percent of the collective market value of the group homes securing the facility. At March 31, 2013, the Organization had utilized $5,819,991 (March 31, 2012 - $6,029,217; April 1, 2011 - $4,973,761) of this facility. The credit facility also provides the Organization with access to an aggregate of $1,000,000 of demand loans for Manitoba Health approved borrowings.

6. Long-term debt (continued):

The long-term debt with National Bank of Canada is secured by certain land and buildings owned by the Organization and for certain loans and letters of comfort from Manitoba Health. For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

The repayment of the Province of Manitoba promissory note, both principal and interest, had been guaranteed for the term of the note by the Province of Manitoba. Principal and interest payments for fiscal 2012 had been funded directly by the Province of Manitoba. These financial statements do not reflect the related funding for and interest paid on the promissory note up to maturity during fiscal 2012.

Principal repayments annual, with the demand loans included as a current obligation, are approximately as follows:

2014	$ 2,554,579
2015	565,533
2016	2,010,279
2017	1,652,578
2018	513,538
	$ 7,296,507

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contribution related to expenses of future periods represents unspent externally restricted grants and donations.

	2013	2012
Balance, beginning of year	$ 843,836	$ 1,228,263
Additional contributions received	253,976	193,063
Less amounts recognized as revenue	(486,077)	(577,490)
Balance, end of year	$ 611,735	$ 843,836

7. 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 capital contributions is recorded as revenue in the statement of operations.

	2013	2012
Balance, beginning of year	$ 6,733,159	$ 6,521,121
Additional contributions received	257,648	853,058
Less amounts recognized as revenue	(672,915)	(641,020)
Balance, end of year	$ 6,317,892	$ 6,733,159

March 31, 2013	Grants	Accumulated amortization	Net book value
Land improvements	$ 778,773	$ 172,894	$ 605,879
Buildings	7,275,202	3,375,104	3,900,098
Buildings service equipment	1,301,051	686,485	614,566
Furniture and equipment	3,925,492	2,728,143	1,197,349
	$ 13,280,518	$ 6,962,626	$ 6,317,892

March 31, 2012	Grants	Accumulated amortization	Net book value
Land improvements	$ 652,500	$ 136,965	$ 515,535
Buildings	7,181,088	2,932,428	4,248,660
Buildings service equipment	1,301,051	623,620	677,431
Furniture and equipment	3,888,231	2,596,698	1,291,533
	$ 13,022,870	$ 6,289,711	$ 6,733,159

April 1, 2011	Grants	Accumulated amortization	Net book value
Land improvements	$ 548,095	$ 107,178	$ 440,917
Buildings	6,569,168	2,500,591	4,068,577
Buildings service equipment	1,301,051	560,755	740,296
Furniture and equipment	3,751,498	2,480,167	1,271,331
	$ 12,169,812	$ 5,648,691	$ 6,521,121

8. Related party transactions and balances:

The Organization pays rent on eight community residences to St. Amant Foundation Inc. for \$80,903 (2012 - \$80,903). The Organization charged St. Amant Foundation Inc. \$190,765 (2012 - \$149,316) for costs related to the parking lot including \$126,273 (2012 - \$90,000) which was recorded in deferred contributions related to capital assets.

The following are contributions from St. Amant Foundation Inc. received or receivable for the fiscal year:

	2013	2012
Client services programs:		
Aboriginal Culture and Initiative Outreach	$ –	$ 28,539
Autism programs	4,829	209
River Road Place	10,426	32,923
St Amant School	1,916	6,486
Community Residential Program	10,207	3,567
River Road Child Care	3,930	11,522
Spiritual care	18,471	–
Education and training:		
St. Amant Inc. conference	–	19,750
Research program	36,491	129,557
French language Services	84,783	85,801
Other equipment and supplies	10,826	9,696
	181,879	328,050
Capital projects:		
River Road Place	37,260	110,246
	$ 219,139	$ 438,296

Of these contributions, \$37,260 (2012 - \$110,246) have been recorded in deferred contributions related to capital assets.

The payable to St. Amant Foundation Inc. of \$94,626 (March 31, 2012 - receivable from \$168,510; April 1, 2011 - payable to \$242,569) 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.

9. Allocation of expenses:

The Organization has incurred $4,838,358 (2012 - $4,492,223) of administration expenses and $5,757,649 (2012 - $5,660,544) of facility expenses in fiscal 2013 that are common to the administration of the WRHA and Family Services programs. These expenses are reflected in the WRHA programs expenses in the statement of operations. The Organization has allocated $2,093,545 (2012 - $2,119,896) and $559,875 (2012 - $438,943) of administration and facility expenses to the Family Services program, respectively. The aggregate of $2,653,420 (2012 - $2,558,839) allocated to the Family Services programs is recorded as a recovery in the WRHA programs and an expense in the Family Services programs within administration and facility cost allocation in the statement of operations.

10. Employee future benefits and employee benefits:

	March 31, 2013	March 31, 2012	April 1, 2011
Pre-retirement benefits plan	$ 2,772,805	$ 2,857,436	$ 2,731,406
Accumulated non-vested sick leave benefits	966,818	932,613	978,334
	$ 3,739,623	$ 3,790,049	$ 3,709,740

(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:

	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	$ 2,857,436	$ 2,731,406
Current benefit cost	206,384	213,058
Interest	66,151	83,101
Benefits paid	(356,789)	(170,129)
	2,773,182	2,857,436
Amortized actuarial loss	(377)	–
Liability for benefits	$ 2,772,805	$ 2,857,436

10. 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 decrease recorded in fiscal 2013 was $84,631 (2012 - increase of $126,030) and is recorded in the statement of operations.

The employee future pre-retirement benefits recoverable from WRHA at March 31, 2013 aggregates $2,494,317 (March 31, 2012 - $2,578,948; April 1, 2011 - $2,452,918) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Organization. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by WRHA for 2013 was 100 percent (2012 - 100 percent) of actual pre-retirement benefits paid.

(b) 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, 2013 of 2.13 percent (March 31, 2012 - 2.38 percent; April 1, 2011 - 2.38 percent) and a rate of salary increase of 3.0 percent (March 31, 2012 - 3.0 percent; April 1, 2011 - 3.0 percent).

A recoverable from the WRHA at March 31, 2013 of $721,839 (March 31, 2012 - $721,839; April 1, 2011 - $787,650) 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 decrease of nil (2012 - decrease of $65,811) for 2013 was recorded in the statement of operations.

10. Employee future benefits and employee benefits (continued):

(c) Healthcare Employees Pension Plan:

Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba, 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 $2,970,876 (2012 - $2,787,410) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2011, reported the plan had a deficiency 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 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. Employer contribution rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE. On April 1, 2012 employee contribution rates increased to 7.6 percent of pensionable earnings up to the YMPE and 9.2 percent on earnings in excess of YMPE with further increase to 7.9 percent and 9.5 percent, respectively, on April 1, 2013 for both employer and employee contribution rates.

(d) 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, 2013 is $3,142,144 (March 31, 2012 - $3,306,418; April 1, 2011 - $2,873,163), 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.

11. 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, 2013 and 2012, all accounts receivable were current, there were no amounts past due.

There have been no significant changes to the credit risk exposure from 2012.

(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 2014.

The contractual maturity of long-term debt is disclosed in note 6.

There have been no significant changes to the liquidity risk exposure from 2012.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

There have been no significant changes to the interest rate risk exposure from 2012.

12. Transitional adjustments:

(a) Fund balances - unrestricted:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Organization's fund balances - unrestricted as of April 1, 2011:

Fund balances:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$ (884,500)
Transition election to recognize all cumulative actuarial gains and losses and impact of change in discount rate on employee future pre-retirement benefits	(297,655)
Adjustment to recognize accumulated non-vested sick leave benefits	(978,334)
Adjustment to recognize receivable from WRHA for change to employee future pre-retirement benefits	297,655
Adjustment to recognize receivable from WRHA for accumulated non-vested sick leave benefits	787,650
Restated, April 1, 2011	$ (1,075,184)

In accordance with transitional provisions of Canadian public sector accounting standards, the Organization has elected to use the exemption for employee future benefits. The Organization has elected to recognize all cumulative actuarial gains and losses for the employee future pre-retirement benefits plan in fund balances at April 1, 2011.

12. Transitional adjustments (continued):

(b) Statement of Operations:

As a result of the above noted election and the retrospective application of Canadian public sector accounting standards, the Organization recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2012:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$ 351,193
Decrease to employee future pre-retirement benefits expense as a result of change in discount rate	32,198
Decrease to accumulated non-vested sick leave benefits expense as a result of recognizing non-vested sick leave	45,721
Decrease to revenue from the WRHA to recognize funding of change in employee future pre-retirement benefits	(32,198)
Decrease to revenue from the WRHA to recognize funding of change in accumulated non-vested sick leave benefits	(65,811)
Restated for the year ended March 31, 2012	$ 331,103

13. Trusts under Administration

At March 31, 2013, the balance of funds held in trust on behalf of the residents who reside at St.Amant Inc. was $446,511 (March 31, 2012 - $419,748; April 1, 2011 - $403,389).

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Joseph's Residence Inc.

We have audited the accompanying financial statements of St. Joseph's Residence Inc., which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, change in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 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 audits 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 St. Joseph's Residence Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Public Sector Accounting Standards.

Deloitte LLP

Chartered Accountants
May 30, 2013
Winnipeg, Manitoba

Membre de / Member of Deloitte Touche Tohmatsu Limited

ST. JOSEPH'S RESIDENCE INC.
Statements of Financial Position
As at March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Note 2)	April 1, 2011 (Note 2)
ASSETS			
CURRENT			
Cash and certificates of deposit	**$ 270,145**	$ 265,065	$ 673,792
Cash held in trust	**29,934**	31,021	40,175
Accounts receivable	**547,069**	707,774	512,040
Inventory	**20,821**	23,089	26,917
Prepaid expenses	**21,348**	19,309	17,817
Due from WRHA - vacation pay	**248,912**	248,912	248,912
	1,138,229	1,295,170	1,519,653
CAPITAL ASSETS (Note 4)	**2,100,332**	2,104,506	2,117,303
DUE FROM WRHA - PRE-RETIREMENT LEAVE AND SICK LEAVE BENEFITS	**767,322**	806,700	779,746
	$ 4,005,883	$ 4,206,376	$ 4,416,702
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	**$ 475,530**	$ 478,685	$ 637,263
Accrued vacation pay	**364,474**	353,113	338,661
Funds held in trust	**39,350**	38,338	41,407
Current portion of long-term debt (Note 5)	**191,060**	186,098	181,336
	1,070,414	1,056,234	1,198,667
LONG-TERM DEBT (Note 5)	**285,501**	476,509	662,466
ACCRUED PRE-RETIREMENT LEAVE (Note 6)	**650,076**	657,362	630,408
ACCRUED SICK LEAVE BENEFITS (Note 7)	**72,979**	105,071	105,071
DEFERRED CONTRIBUTIONS			
EXPENSES OF FUTURE PERIODS (Note11)	**29,489**	21,672	13,478
CAPITAL ASSETS (Note 12)	**1,470,305**	1,311,036	1,127,761
MAJOR REPAIRS (Note 13)	**5,601**	3,560	8,233
	3,584,365	3,631,444	3,746,084
NET ASSETS			
INVESTED IN CAPITAL ASSETS (Note 14)	**368,301**	328,199	325,576
UNRESTRICTED	**53,217**	246,733	345,042
	421,518	574,932	670,618
	$ 4,005,883	$ 4,206,376	$ 4,416,702

APPROVED BY THE BOARD

Director

Director

ST. JOSEPH'S RESIDENCE INC.
Statements of Operations
Years Ended March 31, 2013 and 2012

	2013	2012
REVENUE		
WRHA	**$ 4,965,343**	$ 4,853,125
Residential charges	**1,649,825**	1,645,939
Canada Mortgage and Housing Corporation (Note 8)	**35,946**	35,946
	6,651,114	6,535,010
Amortization of deferred contributions - capital assets	**230,860**	222,796
Recoveries - general	**47,468**	30,135
Cafeteria	**15,040**	13,863
Interest	**9,620**	14,904
Unrealized (loss) on investments	**(4,119)**	(1,061)
Donations	**51,256**	48,954
	350,125	329,591
	7,001,239	6,864,601
EXPENSES		
Salaries and wages	**4,783,420**	4,663,990
Employee benefits	**980,241**	956,419
Plant operations and maintenance	**303,818**	287,868
Dietary	**237,776**	222,369
General services	**156,779**	241,335
Special services	**148,665**	44,858
Depreciation	**236,159**	223,038
Bad debts	**6,054**	-
Interest on long-term debt	**19,331**	25,723
Housekeeping, laundry and linen	**108,023**	107,888
Medical supplies	**89,880**	96,762
Health and education tax	**101,939**	102,272
	7,172,085	6,972,522
DEFICIT FROM WRHA FUNDED PROGRAMS	**(170,846)**	(107,921)
Income from ancillary operations	**17,432**	12,235
DEFICIT FOR THE YEAR	**$ (153,414)**	$ (95,686)

ST. JOSEPH'S RESIDENCE INC.
Statements of Changes in Net Assets
Years Ended March 31, 2013 and 2012

	2013		
	Invested in Capital Assets	Unrestricted	Total
Balance beginning of year	$ 328,199	$ 246,733	$ 574,932
Deficit for the year	(10,438)	(142,976)	(153,414)
Investment in capital assets (Note 14)	50,540	(50,540)	-
Balance, end of year	$ 368,301	$ 53,217	$ 421,518

	2012		
Balance, April 1, 2011 as previously reported	$ 325,576	$ 345,042	$ 670,618
Adjustment related to sick leave benefits liability (Note 2)	-	(92,427)	(92,427)
Adjustment related to sick leave benefits receivable (Note 2)	-	92,427	92,427
Balance at April 1, 2011, as adjusted	325,576	345,042	670,618
Deficit for the year	(5,381)	(90,305)	(95,686)
Investment in capital assets (Note 14)	8,004	(8,004)	-
Balance, end of year	$ 328,199	$ 246,733	$ 574,932

ST. JOSEPH'S RESIDENCE INC.

Statements of Cash Flows

Years ended March 31, 2013 and 2012

		2013		2012
OPERATING ACTIVITIES				
Deficit for the year	$	**(153,414)**	$	(95,686)
Items not affecting cash				
Depreciation		**236,159**		223,038
Depreciation - ancillary operations		**5,139**		5,139
Amortization of deferred contributions - capital assets		**(230,860)**		(222,796)
Amortization of deferred contributions - major repairs		**(9,959)**		(16,673)
		(152,935)		(106,978)
Changes in non-cash working capital balances				
Accounts receivable		**160,705**		(195,734)
Inventory		**2,268**		3,828
Prepaid expenses		**(2,039)**		(1,492)
Due from WRHA - pre-retirement leave		**39,378**		(28,688)
Accounts payable and accrued liabilities		**(3,155)**		(158,578)
Accrued vacation pay		**11,361**		14,452
Accrued pre-retirement leave		**(7,286)**		28,688
Accrued sick leave		**(32,092)**		-
		16,205		(444,502)
FINANCING ACTIVITIES				
Funds held in trust		**1,012**		(3,069)
Mortgage repayments		**(118,246)**		(113,395)
Term loan repayments		**(67,800)**		(67,800)
Additional deferred contributions received				
- expenses of future periods		**7,817**		8,194
- capital assets		**390,130**		406,071
- major repairs		**12,000**		12,000
		224,913		242,001
INVESTING ACTIVITIES				
Cash held in trust		**1,087**		9,154
Capital asset purchases		**(237,124)**		(215,380)
		(236,037)		(206,226)
NET INCREASE (DECREASE) IN CASH AND CERTIFICATES OF DEPOSIT		**5,081**		(408,727)
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR		**265,065**		673,792
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$	**270,145**	$	265,065

1. NATURE OF ORGANIZATION

St. Joseph's Residence Inc. is a not-for-profit corporation, which operates a personal care home. Effective February 13, 2003, the sponsorship of the Residence was transferred from the Sisters of the Order of St. Benedict to the Catholic Health Corporation of Manitoba (CHCM). The Residence is a registered charity under the Income Tax Act and accordingly is exempt from taxes.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Residence adopted the new Public Sector Accounting Standards ("PSAS"), including PSAS for Government Not-for-Profit Organizations (PS 4200 – PS 4270), (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with PS 2125 of the CICA Handbook, First-time Adoption by Government Organizations, ("Section 2125"), the date of transition to the new standards is April 1, 2011 and the Residence has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 2125, the Residence:

(a) recognized all assets and liabilities whose recognition is required by the new standards;
(b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
(c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
(d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 2125, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively. The Residence has elected to apply the exemption related to retirement and post-employment benefits (2125.10) and recognize all cumulative actuarial gains or losses related to the pre-retirement benefit leave as at the date of transition directly into net assets.

Impact of the new standards

The impact of the adoption of the new standards on the Residence's financial statements is as follows:

a) As a result of applying PS 3255 Post Employment Benefits, Compensated Absences and Termination Benefits the Residence has recognized an obligation for accumulated sick leave benefits as at April 1, 2011 totalling $92,427. Because the WRHA will provide funding for this obligation for certain employees, the amount due from the WHRA – pre-retirement and sick leave benefits has been increased by $92,427 and there is no

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

unfunded portion of the obligation as at April 1, 2011 as all impacted employees meet the funding criteria.

As a result of applying this standard, for the year ended March 31, 2012 there has been no impact to revenue and expenses as there was no change to the sick leave benefit liability and it is offset by the WRHA receivable.

b) The operating activities section of the cash flow statement for the year ended March 31, 2012 has been adjusted to reflect, as appropriate, the above changes to the statements of financial position and operations. The adjustments impact the amount of the excess of revenue over expenses and the reconciling items in determining the total funds from operating activities.

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 recognition

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

Under the Health Insurance Act and regulations thereto, the Residence is funded primarily by the Province of Manitoba in accordance with budget arrangements established by WRHA. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Capital assets

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Building	50 years
Parking lot	20 years
Furniture and equipment	5, 10 years
Building service equipment	20 years

c) Vacation pay

The Residence records the accrued vacation pay entitlement liability. 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.

d) Retirement entitlement obligation

The Residence 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 of 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 Residence 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 retirement entitlement obligation is provided by the WRHA for certain employees. The related revenue and expense is recorded in the statement of operations for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *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 knowledge, 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.

Financial assets and financial liabilities are subsequently measured at either cost/amortization cost or fair value as described by their designation below.

<u>Classification</u>	
Cash and certificates of deposit	Cost
Accounts receivable	Amortized cost
Due from WRHA	Cost
Accounts payable and accrued liabilities	Cost
Accrued vacation pay	Cost
Accrued pre-retirement leave benefits	Amortized cost
Accrued sick leave benefits	Amortized cost
Long-term debt	Amortized cost

No financial instruments are recoded at fair value subsequent to their initial recognition.

f) *Sick leave benefits*

The Residence 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 base on the number of hours they work per month. The Residence 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.

g) *Provision for operating surplus settlement with WRHA*

The Residence records the full amount of its operating surplus as calculated in accordance with the WRHA guidelines as a provision for settlement with WRHA. The actual amount of the settlement is determined after a review of the details by Manitoba Health and negotiation with the Residence. Any difference is recorded subsequently in the statement of operations in the year of settlement.

h) *Contributed services*

Contributed services are recorded at their estimated fair value if the amount can be reasonably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Inventory

Inventories of supplies are valued at the lower of cost and net realizable value with the cost being determined on an average basis.

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 employee future benefits and the useful life of capital assets. Actual results could differ from these estimates.

4. CAPITAL ASSETS

	March 31, 2013			March 31, 2012	April 1, 2011
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value	Net Book Value
Land	**$ 193,965**	**$ -**	**$ 193,965**	$ 193,965	$ 193,965
Building	**3,066,713**	**1,989,813**	**1,076,900**	1,172,858	1,268,082
Parking Lot	**86,781**	**48,498**	**38,283**	44,017	49,750
Furniture and equipment	**1,771,671**	**1,449,859**	**321,812**	342,187	357,327
Building services equipment	**604,499**	**139,508**	**464,991**	204,600	220,337
Construction in in progress	**4,381**	**-**	**4,381**	146,879	27,842
	$ 5,728,010	**$ 3,627,678**	**$2,100,332**	$2,104,506	$2,117,303

Depreciation expense during the year totalled $241,298 (2012 - $228,177) including $5,139 (2012 - $5,139) recorded in the ancillary operations.

5. LONG-TERM DEBT

	March 31, 2013	March 31, 2012	April 1, 2011
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	**$ 273,503**	$ 391,749	$ 505,144
Term loan, payable to Toronto Dominion Bank, Repayable in monthly principal payments of $2,705, plus interest at prime minus 0.75% per annum, due October 31, 2014	**46,977**	79,437	111,897
Term loan, payable to Toronto Dominion Bank, Repayable in monthly principal payments of $2,945, plus interest at prime minus 0.75% per annum, due August 31, 2018	**156,081**	191,421	226,761
Total long-term debt	**476,561**	662,607	843,802
Current portion	**191,060**	186,098	181,336
	$285,501	$476,509	$662,466

The mortgage with the Canada Mortgage and Housing Corporation has security provided by a security agreement covering all land, buildings, furniture and equipment and assignment of all residential charges. The term loans have security provided by a Letter of Comfort from Manitoba Health.

The principal repayments in each of the next five years are as follows:

	Mortgage	Term Loans	**Total**
2014	$ 123,260	$ 67,800	**$ 191,060**
2015	128,430	49,857	**178,287**
2016	21,813	35,340	**57,153**
2017	-	35,340	**35,340**
2018	-	14,721	**14,721**

6. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3d). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 2.13% (2012 – 2.38%) and a rate of salary increase of 3.00% (2012 – 3.00%) plus age related merit/promotion scale with no adjustment for disability. Actual payments made during the year for the Residence's pre-retirement leave were $66,834 (2012 - $63,812).

7. SICK LEAVE BENEFITS

The Residence 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 Residence's accrued sick leave benefits include the estimated average remaining service life of its employees of 6.81, a discount rate of 2.13%, a rate of salary increase of 3.0% plus age related merit/promotion scale.

8. CANADA MORTGAGE AND HOUSING PAYMENTS

The Residence has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 1.50% to enable the project to provide housing to low income individuals. The amount of assistance received in 2013 was $35,946 (2012 - $35,946).

9. RELATED ENTITIES

a) The Residence is dependent on the Winnipeg Regional Health Authority (WRHA) for the majority of the funding of its operations. The current net receivable due from WRHA is $412,692 (2012 - $546,604).

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2012 - $4,680) to the Friends of St. Joseph's Residence Inc., a related party, for accounting and administration services.

Friends of St. Joseph's Residence Inc. made donations to St. Joseph's Residence Inc. totalling $57,202 (2012 - $50,315).

At March 31, 2013, St. Joseph's Residence Inc. had a receivable from Friends of St. Joseph's Residence Inc. in the amount of $85,916 (2012 - $65,471).

10. INTEREST RATE AND CREDIT RISK

a) *Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes in the Residence's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Residence's assets and liabilities.

The value of the Residence's assets is affected by short-term changes in nominal interest rate and equity markets. The term to maturity of the fixed income investments of the Residence are all before the end of the 2015 calendar year with coupon rates ranging between 1.67% and 5.10% (2012 – 1.82% and 5.10%). The fair market value of these fixed income securities as at March 31, 2013 is $132,875 (2012 – $265,013).

b) *Credit Risk*

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Residence has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the investment portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment policies.

The majority of the current year's accounts receivable balance consists of related party amounts and the remainder are resident receivables, which is consistent with the prior year, and are regarded as low credit risk balances.

11. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

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 and matched with the related expenses.

	2013	2012
Balance, beginning of year	**$ 21,672**	$ 13,478
Additional contributions	**7,817**	8,194
Balance, end of year	**$ 29,489**	$ 21,672

12. DEFERRED CONTRIBUTIONS – 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 as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2013				2012
	Purchased Capital Assets	**Future Capital Assets**	**Contributed Surplus**	**Total**	Total
Balance, beginning of year	$ 832,417	$ 227,336	$ 251,283	**$ 1,311,036**	$ 1,127,761
Contributions received:					
Capital asset purchases	186,583	17,500	-	**204,083**	224,868
Debt repayment	186,046	-	-	**186,046**	181,203
Amortization	(230,860)	-	-	**(203,860)**	(222,796)
Balance, end of year	$ 974,186	$ 244,836	$ 251,283	**$ 1,470,305**	$ 1,311,036

13. DEFERRED CONTRIBUTIONS – MAJOR REPAIRS

Deferred contributions related to major repairs represent the unamortized amount and unspent funding received for major repairs. Amounts are recorded as revenue when applicable expenses are incurred. Changes in the deferred contributions balance are as follows:

	2013	2012
Balance, beginning of year	**$ 3,560**	$ 8,233
Additional contributions	**12,000**	12,000
Expenditures during the year	**(9,959)**	(16,673)
Balance, end of year	**$ 5,601**	$ 3,560

14. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 2,100,332**	$ 2,104,506
Cash – Future Capital Assets (Note 12)	**244,836**	227,336
Previously transferred to major repairs	**(30,000)**	(30,000)
Amounts financed by		
Deferred contributions	**(1,470,305)**	(1,311,036)
Mortgage payables	**(273,503)**	(391,749)
Term loans	**(203,059)**	(270,858)
	$ 368,301	$ 328,199

14. INVESTED IN CAPITAL ASSETS (continued)

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

	2013	2012
Depreciation of capital assets included in operations	$ (241,298)	$ (228,177)
Amortization of deferred contributions related to capital assets included in operations	230,860	222,796
	$ (10,438)	$ (5,381)

Net change in invested in capital assets is as follows:

	2013	2012
Purchase of capital assets	$ 232,743	$ 215,380
Increase in deferred contributions	(372,630)	(388,571)
Repayment of term loan	67,800	67,800
Mortgage repayments	118,246	113,395
	$ 46,159	$ 8,004

15. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan - Manitoba (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.

Employer contributions made to the plan during the year by the Residence amounted to $328,679 (2012 - $316,231) and are included in the statement of operations.

booke
& partners
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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 29, 2013

Chartered Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations and Changes in Net Assets

Years Ended March 31	**2013**	2012
Revenues (Page 11)	**$ 1,833,949**	$ 1,949,570
Expenditures (Page 11)	**1,871,518**	1,933,772
(Deficiency) excess of revenues over expenditures from operations	**(37,569)**	15,798
Pre-retirement leave increase in recovery (Note 8)	**15,032**	8,210
Pre-retirement leave expense (Note 8)	**(17,284)**	(8,898)
(Deficiency) excess of revenues over expenditures	**$ (39,821)**	$ 15,110

	Unrestricted	Internally Restricted	**2013**	2012
Net assets, beginning of years	$ 215,651	$ 50,000	**$ 265,651**	$ 250,541
(Deficiency) excess of revenues over expenditures	(39,821)	-	**(39,821)**	15,110
Transfer (Note 11)	31,988	(31,988)	**-**	-
Net assets, end of years	$ 207,818	$ 18,012	**$ 225,830**	$ 265,651

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Financial Position

	March 31, 2013	March 31, 2012 (Note 15)	April 1, 2011 (Note 15)
Assets			
Current			
Cash and short term deposits	**$ 738,572**	$ 668,118	$ 827,939
Receivables (Note 4)	**137,699**	203,176	129,073
Prepaids	**17,211**	16,801	22,369
	893,482	888,095	979,381
Capital assets (Note 5)	**56,836**	66,483	75,612
	$ 950,318	$ 954,578	$ 1,054,993
Liabilities			
Current			
Payables and accruals (Note 6)	**$ 291,167**	$ 250,543	$ 306,128
Deferred revenue (Note 7)	**293,326**	305,019	358,946
	584,493	555,562	665,074
Pre-retirement leave (Note 8)	**113,028**	95,744	86,846
Deferred contributions related to capital assets (Note 9)	**26,967**	37,621	52,532
	724,488	688,927	804,452
Net Assets			
Unrestricted	**207,818**	215,651	200,541
Internally restricted (Note 10)	**18,012**	50,000	50,000
	225,830	265,651	250,541
	$ 950,318	$ 954,578	$ 1,054,993

Commitments (Note 12)

On behalf of the Board

____________________________ Director ____________________________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Cash Flows

March 31	2013	2012
Cash flows from operating activities		
Cash received from:		
Winnipeg Regional Health Authority	**$ 1,171,079**	$ 1,104,820
Northern Manitoba Regional Health Authority	**15,500**	-
Province of Manitoba	**155,200**	154,364
Government of Canada	**256,932**	327,879
United Way	**126,115**	127,276
Foundations	**30,501**	350
Donations	**247**	21,857
Interest	**7,385**	5,118
Other sources	**79,231**	82,507
Cash paid for:		
Human resources and benefits	**(1,315,024)**	(1,275,353)
Materials and services	**(458,765)**	(713,058)
Interest	**(95)**	(550)
Net cash generated from operating activities	**68,306**	(164,790)
Cash flows used in financing and investing activities		
Purchase of capital assets	**(2,148)**	(4,969)
Net increase (decrease) in cash	**70,454**	(159,821)
Cash and short term deposits, beginning of years	**668,118**	827,939
Cash and short term deposits, end of years	**$ 738,572**	$ 668,118

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

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

The Organization follows Canadian accounting standards for not-for-profit organizations in preparing it's financial statements. The significant accounting policies used are as follows:

a) 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.

b) 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

c) 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.

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

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 3.15% (2012 - 4.1%), a rate of salary increase of 3.00% (2012 - 3.0%) 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

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 . Impact of the change in the basis of accounting

Effective April 1, 2012 the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Organizations's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASfNPO statement of financial position at April 1, 2011 (the Organization's date of transition).

3. Impact of the change in the basis of accounting - continued

The Organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities, and net assets of the Organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statements of operations, changes in net assets, and the statements of cash flows. Certain of the Organization's disclosures included in these financial statements reflect the new disclosure requirements of ASfNPO.

4. Receivables

	2013	2012 (Note 15)
Receivable from Winnipeg Regional Health Authority	**$ 72,427**	$ 69,863
Grants receivable	**53,633**	92,537
GST receivable	**9,140**	27,841
Other receivables	**2,499**	12,935
	$ 137,699	$ 203,176

5. Capital assets

	Cost	**Accumulated Amortization**	**2013 Net Book Value**
Winnipeg			
Computers	**$ 82,921**	**$ 68,758**	**$ 14,163**
Furniture and equipment	**83,057**	**54,119**	**28,938**
Brandon			
Computers	**10,880**	**10,265**	**615**
Furniture and equipment	**2,811**	**1,085**	**1,726**
Leasehold improvements	**13,010**	**1,616**	**11,394**
	$ 192,679	**$ 135,843**	**$ 56,836**

	Cost	Accumulated Amortization	2012 Net Book Value
Winnipeg			
Computers	$ 82,921	$ 65,217	$ 17,704
Furniture and equipment	83,057	46,885	36,172
Brandon			
Computers	10,880	10,111	769
Furniture and equipment	663	653	10
Leasehold improvements	13,010	1,182	11,828
	$ 190,531	$ 124,048	$ 66,483

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6. Payables and accruals

	2013	2012 (Note 15)
Vacation pay and salary accrual	$ 121,358	$ 100,260
Trade	169,809	150,283
	$ 291,167	$ 250,543

7. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	2013	2012
Balance, beginning of year	$ 305,019	$ 358,946
Less amount recognized as revenue in the year	(33,614)	(62,702)
Add amount received related to the following year	21,921	8,775
Balance, end of year	$ 293,326	$ 305,019

8. 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	2013	2012
Opening balance	$ 95,744	$ 86,846
Increase in obligation	17,284	8,898
	$ 113,028	$ 95,744
Pre-retirement leave		
Increase in current year recovery	$ 15,032	$ 8,210
Current year expense	(17,284)	(8,898)
	$ (2,252)	$ (688)

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9. 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 $10,654 (2012 - $14,910).

10. Internally restricted net assets

Internally restricted net assets represent funds designated by the Board of Directors for the purpose of website redevelopment.

11. Transfer

During the year, a transfer was made of $31,988 from internally restricted net assets to unrestricted net assets to cover the costs of website redevelopment.

12. Lease commitments

The Organization has a five year lease for the Brandon office which expires November 30, 2014 and which obligates the Organization to make annual rental payments totaling $15,600.

The Organization leases office space at 226 Osborne Street North. The lease is for fifteen years and expires August 31, 2024. The annual rental lease payment is $36,800 with annual increases of $3,200.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the lease starting in year two of the lease term in the amount of approximately $4,000 per year, to be increased by 2% annually.

13. 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, $65,673 (2012 - $58,652) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

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CHARTERED ACCOUNTANTS

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. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Sexuality Education Resource Centre Manitoba, Inc.
Schedules of Operations
Years Ended March 31

	General Operations	PHAC Projects	Our Daughters	OFTA	The 595 Prevention Team	2013 Total	2012 Total
Revenues							
Grants							
Winnipeg Regional Health Authority							
Fixed payments	$ 1,056,589	$ -	$ 50,075	$ -	$ 54,426	$ 1,161,090	$ 936,568
Other funding	12,553	-	-	-	-	12,553	191,304
Capital grant (Note 9)	10,654	-	-	-	-	10,654	14,910
Government of Canada							
Health Canada	-	88,082	-	-	174,235	262,317	323,786
Canadian Institutes of Health Research	2,076	-	-	-	-	2,076	-
Province of Manitoba							
Manitoba Health	-	-	-	-	40,200	40,200	44,319
Manitoba Labour and Immigration	-	-	-	114,457	-	114,457	162,312
United Way							
Winnipeg	112,032	-	-	-	-	112,032	114,256
Brandon	13,000	-	-	-	-	13,000	13,020
Winnipeg Foundation	500	-	-	-	-	500	30,350
Northern Manitoba Regional Health Authority	-	-	-	-	15,500	15,500	-
CancerCare	2,980	-	-	-	-	2,980	700
Donations	247	-	-	-	-	247	21,857
Interest	7,385	-	-	-	-	7,385	5,118
Administrative fee recoveries and other	75,920	326	-	-	2,712	78,958	91,070
Total revenues	1,293,936	88,408	50,075	114,457	287,073	1,833,949	1,949,570
Expenditures							
Salaries	799,654	54,313	23,748	63,278	132,910	1,073,903	962,643
Contract fees	32,596	12,896	13,045	9,868	10,337	78,742	176,357
Honoraria	6,883	1,375	610	940	16,550	26,358	16,855
Benefits (Note 13)	134,528	5,693	3,655	10,300	8,566	162,742	152,859
Amortization	11,794	-	-	-	-	11,794	14,097
Bank charges and interest	38	-	-	-	57	95	550
Evaluation	250	43	-	4,500	7,500	12,293	18,647
Insurance	1,829	-	-	-	375	2,204	4,184
Meetings	-	-	-	-	-	-	264
Membership and dues	1,301	-	-	-	-	1,301	2,293
Office supplies and services	51,770	1,925	363	468	10,697	65,223	81,816
Postage and delivery	6,913	58	14	75	452	7,512	6,322
Professional development	8,080	-	-	50	1,638	9,768	7,260
Professional fees	7,761	-	-	-	-	7,761	7,433
Program costs	45,185	5,891	5,676	18,866	29,489	105,107	159,167
Promotion	8,426	-	-	-	-	8,426	15,197
Occupancy	116,117	-	213	4,500	37,400	158,230	176,344
Other	4,083	-	-	-	-	4,083	2,767
Repairs and maintenance	21,145	110	110	1,500	11,070	33,935	43,594
STI Partner Notification	-	-	-	-	-	-	18,517
Travel	17,208	5,744	380	112	16,226	39,670	38,368
Telephone	24,082	360	-	-	5,941	30,383	28,238
Website	31,988	-	-	-	-	31,988	-
Total expenditures	1,331,631	88,408	47,814	114,457	289,208	1,871,518	1,933,772
(Deficiency) excess of revenues over expenditures	$ (37,695)	$ -	$ 2,261	$ -	$ (2,135)	$ (37,569)	$ 15,798

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors 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, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets (deficit) and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 Southeast Personal Care Home Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, changes in net assets (deficit) and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

October 8, 2013

MNP LLP
Chartered Accountants

Southeast Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2013

	2013	2012 (Restated)	April 1 2011 (Restated)
Assets			
Current			
Cash	1,570,376	134,751	-
Accounts receivable *(Note 5)*	200,970	642,152	-
Prepaids	149,185	5,847	-
Trust account	12,109	1,768	-
	1,932,640	784,518	-
Capital assets *(Note 6)*	21,101,952	22,060,887	19,740,437
WRHA receivable - employee benefits *(Note 7)*	36,128	-	-
Restricted cash	-	-	1,234,914
Holdback asset *(Note 8)*	29,894	20,771	-
	23,100,614	22,866,176	20,975,351
Liabilities			
Current			
Accounts payable and accruals *(Note 9)*	683,926	467,086	-
Holdback payable	29,894	20,771	-
Resident deposits	10,962	2,089	-
Loan payable due on demand *(Note 10)*	197,501	-	-
	922,283	489,946	-
Accrued employee benefits *(Note 7)*	36,128	-	-
Deferred contribution from related party *(Note 11)*	39,325	43,694	48,549
Deferred contribution from Province of Manitoba *(Note 12)*	18,880,911	19,835,477	18,745,086
Surplus payable to Winnipeg Regional Health Authority *(Note 13)*	1,112,304	135,800	-
	20,990,951	20,504,917	18,793,635
Net Assets			
Unrestricted	(72,053)	179,543	-
Invested in capital assets	2,181,716	2,181,716	2,181,716
	2,109,663	2,361,259	2,181,716
	23,100,614	22,866,176	20,975,351

Approved on behalf of the Board

Director   Director

The accompanying notes are an integral part of these financial statements

MNP LLP

Southeast Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2013

	2013	2012 (Restated)
Revenue		
Winnipeg Regional Health Authority (WRHA)	**4,073,189**	3,000,000
Residential charges	**1,128,686**	719,463
Aboriginal Affairs and Northern Development Canada	**894,937**	391,983
Deferred contributions recognized for amortization	**958,935**	504,732
Recoveries	**15,558**	28,815
Parking fees	**9,004**	4,428
Interest income	**2,341**	73
	7,082,650	4,649,494
Expenses		
Advertising	**1,303**	5,889
Amortization	**958,935**	504,732
Bad debts	**25,119**	-
Computer	**674**	22,762
Dietary	**279,740**	166,747
Employee benefits	**460,958**	248,264
Equipment purchases	**7,803**	37,628
General	**16,468**	29,333
Insurance	**5,412**	12,493
Interest and bank charges	**2,751**	3,732
Laundry services	**57,934**	38,874
Local transport	**61,554**	26,627
Medical supplies	**105,245**	90,486
Membership fees	**-**	80
Professional fees	**57,826**	29,690
Property taxes	**102,008**	77,244
Purchased salaries	**186,523**	418,559
Repairs and maintenance	**43,631**	30,329
Salaries	**3,764,470**	2,350,681
Supplies	**68,444**	109,362
Telephone	**14,832**	16,219
Utilities	**136,112**	112,192
Waste removal	**-**	2,228
	6,357,742	4,334,151
Excess of revenue over expenses before other items	**724,908**	315,343
Other items		
Accrued future employee benefit income *(Note 7)*	**36,128**	-
Accrued future employee benefit expense *(Note 7)*	**(36,128)**	-
WRHA surplus recovery	**(976,504)**	(135,800)
	(976,504)	(135,800)
Excess (deficiency) of revenue over expenses	**(251,596)**	179,543

The accompanying notes are an integral part of these financial statements

MNP LLP

	Unrestricted	*Invested in capital assets*	*2013*	*2012* (Restated)
Net assets, beginning of year, as previously stated	**134,986**	**50,498**	**185,484**	-
Correction of an error *(Note 4)*	**-**	**2,181,716**	**2,181,716**	2,181,716
Correction of an error *(Note 4)*	**50,498**	**(50,498)**	**-**	-
Correction of an error *(Note 4)*	**(5,941)**	**-**	**(5,941)**	-
Net assets, beginning of year, as restated	**179,543**	**2,181,716**	**2,361,259**	2,181,716
Excess (deficiency) of revenue over expenses	**(251,596)**	**-**	**(251,596)**	179,543
Net assets (deficit), end of year	**(72,053)**	**2,181,716**	**2,109,663**	2,361,259

Southeast Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2013

	2013	2012 (Restated)
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(251,596)**	179,543
Amortization	**958,935**	504,732
Amortization of deferred contributions for capital assets	**(958,935)**	(504,732)
	(251,596)	179,543
Changes in working capital accounts		
Accounts receivable	**441,182**	(642,152)
Holdback asset	**(9,123)**	(20,771)
Prepaid expenses	**(143,338)**	(5,847)
Accounts payable and accruals	**216,840**	467,086
Holdback payable	**9,123**	20,771
Resident deposits	**8,873**	2,089
	271,961	719
Financing		
Increase in trust account	**(10,341)**	(1,768)
Increase in restricted cash	**-**	1,234,914
Increase in surplus payable to Winnipeg Regional Health Authority	**976,504**	135,800
Increase in loan payable due on demand	**197,501**	-
Capital funding from the Province of Manitoba	**-**	1,590,268
	1,163,664	2,959,214
Capital activities		
Purchases of capital assets	**-**	(2,825,182)
Increase in cash resources	**1,435,625**	134,751
Cash resources, beginning of year	**134,751**	-
Cash resources, end of year	**1,570,376**	134,751

The accompanying notes are an integral part of these financial statements

1. **Incorporation and commencement of operations**

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. In order to maintain its status as a registered not-for-profit organization under the Income Tax Act, the Organization must meet certain requirements within the Act. In the opinion of management, the requirements have been met.

2. **Impact of adopting Canadian public sector accounting standards**

These are the Organization's first financial statements prepared in accordance with Canadian public sector accounting standards. The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012, and the opening PSAS statement of financial position as at April 1, 2011 (the Organization's date of transition to public sector accounting standards).

In preparing these financial statements, the Organization has elected to not apply any transitional provisions permitted by PS 2125 First-time Adoption by Government Organizations at the date of transition to Canadian public sector accounting standards (PSAS).

The transition to PSAS has not affected the statement of financial position, statement of changes in net assets, statement of operations or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include government grants.

The Organization is funded primarily by the Province of Manitoba, through the Winnipeg Regional Health Authority (WRHA). Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by WRHA. 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 grant revenue relates to a future period; it is deferred and recognized in the subsequent period. Where a contribution is provided for the purchase of a capital asset, the related contribution is deferred and recognized as revenue in a manner consistent with the rate of amortization on the related capital 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.

Residential charges and parking fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 declining balance method at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at 50% of the rate.

	Rate
Buildings	4 %
Equipment	20 %
Computers	55 %

3. **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.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of the 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 the statement of operations for the year.

Measurement uncertainty

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

Accounts receivable 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.

The Organization is subject to funding recoveries according to their agreements with Winnipeg Regional Health Authority. At year-end, the Organization estimated the extent to which funding amounts related to the years ending March 31, 2013 and March 31, 2012 would be recovered by the Winnipeg Regional Health Authority.

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

Amortized cost:

The Organization has classified all financial assets in the amortized cost category, including cash, accounts receivable, trust account, WRHA receivable - employee benefits, restricted cash and holdback asset. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Cash, accounts receivable, trust account, WRHA receivable - employee benefits, restricted cash and holdback asset are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The Organization has classified all financial liabilities in the amortized cost category, including accounts payable and accruals, holdback payable, resident deposits, accrued employee benefits, loan payable due on demand, and surplus payable to Winnipeg Regional Health Authority. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Accounts payable and accruals, holdback payable, resident deposits, accrued employee benefits, loan payable due on demand, and surplus payable to Winnipeg Regional Health Authority are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

4. Correction of an error

During the year the Organization corrected the following items considered to be errors in financial reporting in the previously issued financial statements:

Land contributed by Southeast Resource Development Council Inc. in the year ending March 31, 2011 should have been accounted for as a direct contribution to net assets since it pertained to a contribution of a non-depreciable asset, namely land contributed for the purpose of construction of the Organization's care facility. The amount of $2,181,716 had previously been reported as a liability which implied that the Organization had an obligation to repay the value of the contributed land back to Southeast Resource Development Council Inc. In fact, the land was contributed with no expectation of repayment.

The following table presents figures as previously reported and as restated, as at April 1, 2011:

	As Previously stated	*Adjustment*	*As Restated*
Deferred contribution from related party	$2,230,265	(2,181,716)	$48,549
Invested in capital assets	$0	2,181,716	$2,181,716

An amount of $50,498, which had previously been reported in the March 31, 2012 financial statements as net assets invested in capital assets was actually a component of unrestricted net assets.

The March 31, 2012 financial statements had incorrectly reported a construction loan payable and long-term debt that were considered to be contractual obligations of the Organization. The Organization has since determined that the Province of Manitoba has provided funding in order to retire all debt, previously stated at $19,605,277 as at March 31, 2012, pursuant to agreements made between the Organization and the Province of Manitoba.

In addition, the Organization determined that it had understated the value of its GST receivable relating to refundable GST in the amount of $28,284 paid on the construction of the care facility and related furnishings as at March 31, 2012.

The following table presents figures as previously reported and as restated, as at March 31, 2012:

	As Previously stated	*Adjustment*	*As Restated*
Accounts receivable	$613,868	28,284	$642,152
Current portion of long-term debt	$514,280	(514,280)	$0
Long-term debt	$19,090,997	(19,090,997)	$0
Deferred contribution from related party	$2,230,265	(2,186,571)	$43,694
Deferred contribution from the Province of Manitoba	$191,120	(19,644,357)	$19,835,477
Unrestricted net assets	$134,986	44,556	$179,542
Invested in capital assets	$50,498	2,131,218	$2,181,716

The March 31, 2012 financial statements had incorrectly reported revenue and expense items in accordance with the understanding that the Organization carried debt instruments as mentioned above and that the Province of Manitoba was providing funding to enable the Organization to meet its debt servicing obligations. By doing so, the Organization had overstated its excess of revenue over expenses by $5,941.

4. Correction of an error *(Continued from previous page)*

The following table presents figures as previously reported and as restated, for the year-ended March 31, 2012:

	As Previously stated	*Adjustment*	*As Restated*
Winnipeg Regional Health Authority revenue - 1	$3,115,253	(115,253)	$3,000,000
Capital debt funding revenue (net of deferral) - 2	$1,273,989	(1,273,989)	$0
Deferred contributions recognized for amortization - 3	$38,748	465,984	$504,732
Interest expenses on long-term debt - 4	$917,317	(917,317)	$0
Excess of revenue over expenses	$185,484	(5,941)	$179,543

1 - WRHA revenue had previously included amounts provided by the Province of Manitoba that were considered to be flow-through funding for the interest and principal payments on long-term debt. Instead, these amounts formed a portion of the Province of Manitoba's contribution towards the initial construction of the care facility.

2 - Amounts contributed from the Province of Manitoba during the year ended March 31, 2012 were previously stated as revenue items. These amounts were previously considered to be government grants for the purpose of funding the Organization's principal and interest payments on its long-term debt. In actual fact, these receipts from the Province of Manitoba formed part of the Province of Manitoba's contributions towards the initial cost of the care facility.

3 - Deferred contributions recognized for amortization was previously stated in accordance with the previously stated balance in deferred contributions from the Province of Manitoba as at March 31, 2011 and March 31, 2012. A portion of this balance was recognized as revenue in the year ended March 31, 2012, in accordance with the amortization expense on the related asset purchases. As a result of the restatement to deferred contributions from the Province of Manitoba, the amount of related revenue to recognize in the year ended March 31, 2012 was restated.

4 - Interest expenses on long-term debt were previously stated in accordance with management's understanding that the Organization carried long-term debt obligations for which it was making monthly principal and interest payments. As these restated financial statements have removed the related debt obligations, interest on long-term debt has been restated as well.

5. Accounts receivable

	2013	*2012 (Restated)*
Aboriginal Affairs and Northern Development Canada	-	287,738
GST receivable	**19,757**	52,132
Manitoba Finance - health and education levy receivable	-	26,455
Residential charges receivable	**57,363**	118,219
Winnipeg Regional Health Authority - out of globe	-	58,791
Winnipeg Regional Health Authority - other operating accruals	**5,582**	98,817
Province of Manitoba capital funding contribution	**142,034**	-
	224,736	642,152
Allowance for doubtful accounts	**(23,766)**	-
	200,970	642,152

6. Capital assets

	Cost	Accumulated amortization	2013 Net book value
Land	**2,181,716**	**-**	**2,181,716**
Buildings	**19,438,612**	**1,150,768**	**18,287,844**
Equipment	**822,830**	**230,391**	**592,439**
Computers	**122,461**	**82,508**	**39,953**
	22,565,619	**1,463,667**	**21,101,952**

	Cost	Accumulated amortization	2012 Net book value
Land	2,181,716	-	2,181,716
Buildings	19,438,612	388,772	19,049,840
Equipment	822,830	82,283	740,547
Computers	122,461	33,677	88,784
	22,565,619	504,732	22,060,887

7. WRHA receivable - accrued employee benefits

Under guidelines provided by Manitoba Health and/or Winnipeg Regional Health Authority (WRHA), Manitoba Health and WRHA have agreed to provide funding for 100% of the retirement liability accrued during the year. During the year ended March 31, 2013 the Organization incurred an increase in employee future benefits of $36,128 (2012 - $0) and a payable for the same amount was recorded as an increase in expense and revenue as directed by Manitoba Health and the WRHA.

8. Holdback asset

The holdback asset relates to funds being held on the construction of the building. The funds will be released when construction of the building has been completed.

9. Accounts payable and accruals

	2013	2012
Trade payables	**159,002**	82,096
GST payable	**-**	112
Provincial Sales Tax payable	**-**	13
Accrued interest	**-**	2,313
Salaries and benefits	**493,526**	237,462
Accrued liabilities	**31,398**	145,090
	683,926	467,086

10. Loan payable due on demand

Term loan due on demand requiring monthly payments of $7,440 including interest at 3%, secured by a letter of comfort from the Province of Manitoba.

11. Deferred contribution from related party

Deferred contributions from related party include funding provided by the Southeast Resource Development Council Inc. upon initial construction of the building, facilities and equipment. The members of the Southeast Resource Development Council Inc. elect the Board of Directors of the Organization.

The revenue is recognized in accordance with the amortization expense on the related building, facilities and equipment. The total contribution from the related party to March 31, 2013 was $48,549. Revenue recognized during the year was $4,369 (2012 - $4,855).

	2013	*2012 (Restated)*
Balance, beginning of year	**43,694**	48,549
Deferred contributions recognized during the year	**(4,369)**	(4,855)
Balance, end of year	**39,325**	43,694

12. Deferred contribution from Province of Manitoba

Deferred contributions from Province of Manitoba include funding provided upon initial construction of the building, facilities and equipment. The revenue is recognized in accordance with the amortization expense on the related building, facilities and equipment. The total contribution from the Province of Manitoba to March 31, 2013 was $20,335,354. Revenue recognized during the year was $958,935 (2012 - $504,732).

	2013	*2012 (Restated)*
Balance, beginning of year	**19,835,477**	18,745,086
Contributions from Province of Manitoba	**-**	1,590,268
Deferred contributions recognized during the year	**(954,566)**	(499,877)
Balance, end of year	**18,880,911**	19,835,477

13. Surplus payable to Winnipeg Regional Health Authority

	2013	*2012*
Balance, beginning of year	**135,800**	-
WRHA surplus recovery	**976,504**	135,800
Balance, end of year	**1,112,304**	135,800

14. Pension plan

The Organization maintains a defined benefit pension plan for its employees. All contributions are fully funded on a monthly basis and are included in benefits expense. Funds are held "in trust" at HEB Manitoba. The plan is in compliance and is in good standing with the provisions of the Pension Benefit Standards Act and the Income Tax Act of Canada. Total contributions made to the plan for the year were $194,130 (March 31, 2012 - $116,302).

15. 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.

16. Economic dependence

The Organization's primary source of revenue is from the Winnipeg Regional Health Authority. The grant funding can be canceled if the Organization does not observe certain established guidelines. The Organization's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the funding guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

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Independent Auditor's 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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of changes in net assets, operations and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 CONVALESCENT HOME OF WINNIPEG** as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 29, 2013

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THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current Assets			
Accounts receivable (Note 3)	$ **435,204**	$ 408,844	$ 263,709
Prepaid expenses	**11,137**	13,015	10,069
Vacation entitlement receivable (Note 4)	**171,526**	171,526	171,526
Short-term investments (Note 5)	**103,753**	134,455	246,103
	721,620	727,840	691,407
Retirement obligations receivable (Note 6)	**368,695**	331,569	351,377
Restricted cash and investments (Note 7)	**121,729**	128,282	124,858
Capital assets (Note 8)	**1,735,742**	1,659,495	1,658,445
	$ **2,947,786**	$ 2,847,186	$ 2,826,087
Liabilities and Net Assets			
Current Liabilities			
Bank indebtedness (Note 9)	$ **99,842**	$ 327,729	$ 227,847
Accounts payable and accrued charges (Note 10)	**745,973**	561,397	454,883
Residents' Trust Fund	**18,707**	22,201	19,156
Accrued vacation entitlements (Note 4)	**259,595**	248,850	237,813
Total current liabilities before callable debt	**1,124,117**	1,160,177	939,699
Callable debt (Note 11)	**23,048**	58,448	93,848
Total current liabilities	**1,147,165**	1,218,625	1,033,547
Accrued retirement obligations (Note 6)	**298,012**	260,886	280,694
Contingencies and commitments (Note 12)			
Deferred Contributions (Note 13)			
Capital assets	**1,070,162**	1,034,174	1,067,611
Expenses of future periods	**121,729**	128,402	123,839
	1,191,891	1,162,576	1,191,450
Net assets	**310,718**	205,099	320,396
	$ **2,947,786**	$ 2,847,186	2,826,087

Approved on behalf of the Board:

Director Director

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Changes in Net Assets

For the years ended March 31, 2013 and 2012

	Invested in Capital Assets	Unrestricted	Total
Balance, as of April 1, 2011	$ 496,986	$ (176,590)	$ 320,396
Deficiency of revenue over expenses for 2012	(46,383)	(68,914)	(115,297)
Transfer to (from) unrestricted (Note 14)	116,270	(116,270)	-
Balance, as of March 31, 2012	**566,873**	**(361,774)**	**205,099**
Excess (deficiency) of revenue over expenses for 2013	**(46,102)**	**151,721**	**105,619**
Transfer to (from) unrestricted (Note 14)	**121,761**	**(121,761)**	**-**
Balance, as of March 31, 2013	**$ 642,532**	**$ (331,814)**	**$ 310,718**

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations

For the years ended March 31				2013	2012
	Budget	Operations	Capital	Total	Total
Revenue					
Winnipeg Regional Health Authority	$ 3,520,064	$ 4,055,873	$ -	$ 4,055,873	$ 3,581,935
Residential charges	1,629,900	1,536,436	-	1,536,436	1,594,127
Offset income	35,388	27,210	-	27,210	22,996
Unrealized gain on investments	1,300	5,626	-	5,626	(9,247)
Amortization of deferred contributions related to capital assets	-	-	56,439	56,439	48,430
	5,186,652	5,625,145	56,439	5,681,584	5,238,241
Expenses					
Operating (per schedule)	5,163,064	5,455,538	-	5,455,538	5,236,627
Interest	23,588	17,886	-	17,886	22,098
Amortization of capital assets	-	-	102,541	102,541	94,813
	5,186,652	5,473,424	102,541	5,575,965	5,353,538
Excess (deficiency) of revenue over expenses before other items	-	151,721	(46,102)	105,619	(115,297)
Other Items					
Retirement obligation					
WRHA funding accrued (received)	-	(37,126)	-	(37,126)	19,808
Decrease (increase) in liability for the year	-	37,126	-	37,126	(19,808)
Excess (deficiency) of revenue over expenses	$ -	$ 151,721	$ (46,102)	$ 105,619	$ (115,297)

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the years ended March 31		2013		2012
Cash flows provided by (used in):				
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenses	**$**	**105,619**	$	(115,297)
Adjustments for non-cash items				
Amortization of capital assets		**102,541**		94,813
Change in retirement obligations receivable		**(37,126)**		19,808
Change in accrued retirement obligations		**37,126**		(19,808)
Net increase (decrease) in deferred contributions - capital assets		**35,988**		(33,437)
Net increase (decrease) in deferred contributions - expenses of future periods		**(6,673)**		4,563
Changes in fair value of investments		**(923)**		15,658
		236,552		(33,700)
Changes in non-cash working capital (Note 15)		**173,898**		(30,909)
Net cash flows provided by (used in) operating activities		**410,450**		(64,609)
Cash Flows from Financing Activities				
Repayment of callable debt		**(35,400)**		(35,400)
Net cash flows used in financing activities		**(35,400)**		(35,400)
Cash Flows from Investing Activities				
Purchase of capital assets		**(178,786)**		(95,863)
Net disposal of investments		**31,623**		95,990
Net cash flows provided by (used in) investing activities		**(147,163)**		127
Net increase (decrease) in cash and cash equivalents		**227,887**		(99,882)
Bank indebtedness, beginning of year		**(327,729)**		(227,847)
Bank indebtedness, end of year	**$**	**(99,842)**	$	(327,729)

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 Organization

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 Convalescent Home of Winnipeg 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 Convalescent Home of Winnipeg as may be authorized by the Board of Directors.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting.

Revenue Recognition

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

Under the Health Insurance Act and regulations thereto, The Home is funded primarily through the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements established by 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 agreed arrangements approved by the WRHA with respect to the year ended March 31, 2013.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 dated April 30, 2002.

(b) Surpluses - The Home may unconditionally retain the greater of:

(i) 50% of its operating surplus in any fiscal year or

(ii) 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 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.

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.

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%
Computer equipment	33%
Computer software	33%
Furniture - sun room	20%
Furniture and equipment	20%
Equipment - generator	2%

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.

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.

Restricted Cash and Investments

Restricted cash and investment balances represent assets segregated for use for replacement reserves.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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 expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. First-time Adoption

Effective April 1, 2012, The Home adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the Home's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Nature of Operations and Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011 .

2. First-time Adoption (continued)

The Home issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of The Home.

No exemptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations.

3. Accounts Receivable

	2013	2012
Winnipeg Regional Health Authority		
Pre-retirement leave	**$ 149,028**	$ 124,266
Funding Adjustment	**4,885**	21,586
HEPP 1%	**4,560**	27,139
Other	**20,589**	-
Premises Security	**55,151**	56,360
2008/2009 wage accruals	**-**	42,177
2011/2012 wage accruals	**-**	65,792
2012/2013 wage accruals	**149,840**	-
	384,053	337,320
Window replacement	**14,388**	-
Net receivable from WRHA	**398,441**	337,320
Receivable from Residents	**16,200**	54,025
Other	**6,483**	3,650
Accrued interest	**960**	960
GST receivable	**13,100**	9,876
Other receivables	**20**	3,013
	$ 435,204	$ 408,844

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:

	2013	2012
Balance, beginning of year	$ 171,526	$ 171,526
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 171,526	$ 171,526

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

	2013	2012
Balance, beginning of year	$ 248,850	$ 237,813
Net increase in accrued vacation entitlements	10,745	11,037
Balance, end of year	$ 259,595	$ 248,850

5. Short-term Investments

	2013	2012
Mutual funds	$ 103,753	$ 134,455

Fair value is determined by the market value at the last trade date before year-end. The entity invests only in GIC's or mutual funds in order to minimize risk.

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 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, 2013. The significant actuarial assumptions adopted in measuring The Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.15% (4.10% in 2012) and a rate of salary increase of 3.0% (3.0% in 2012) 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.

6. Employee Future Benefit (continued)

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.

	2013	2012
Employee future benefits recoverable from		
Manitoba Health	**$ 235,519**	$ 235,519
Winnipeg Regional Health Authority	**133,176**	96,050
	$ 368,695	$ 331,569

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

	2013	2012
Balance, beginning of year	**$ 260,886**	$ 280,694
Net increase (decrease) in pre-retirement entitlements	**37,126**	(19,808)
Balance, end of year	**$ 298,012**	$ 260,886

<u>Pension Plan</u>

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 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.

6. Employee Future Benefit (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2011 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 $239,159 ($218,096 in 2012) and are included in the statement of operations.

7. Restricted Cash and Investments

	2013	2012
CIBC Savings Account	**$ 66,338**	$ 19,624
Guaranteed Investment Savings		
Reserve for equipment replacement	**54,307**	43,027
Reserve for major repair	**-**	65,631
Reserve for insurance reserve	**1,084**	-
	$ 121,729	$ 128,282

The reserve for equipment replacement and reserve for major repair is made up of GIC's with interest payable of 1.00%.

8. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 16,269**	**$ -**	$ 16,269	$ -
Building	**2,401,911**	**1,003,790**	2,287,336	958,044
Computer equipment	**173,116**	**167,758**	171,732	157,645
Computer software	**55,313**	**55,313**	55,313	55,313
Furniture - sun room	**146,176**	**97,370**	133,481	82,071
Furniture and equipment	**1,011,426**	**751,562**	968,618	720,181
Construction in progress	**7,324**	**-**	-	-
	$ 3,811,535	**$ 2,075,793**	$ 3,632,749	$ 1,973,254
Cost less accumulated amortization		**$ 1,735,742**		$ 1,659,495

9. Bank Indebtedness

	2013	2012
Credit facility agreement	**$ 99,842**	$ 327,729

The credit facility agreement is with the CIBC up to a maximum of $350,000, bears interest at the bank prime rate plus 0.50%.

10. Accounts Payable and Accrued Charges

	2013	2012
Winnipeg Regional Health Authority		
Other	**$ -**	$ 102,041
Advances	**325,000**	100,000
	325,000	202,041
Residential charges payable	**189,831**	132,996
Net payables to WRHA	**514,831**	335,037
Accounts payable - trade	**114,375**	139,425
Accrued property taxes	**4,000**	3,809
Accrued audit fees	**10,500**	10,500
Accrued salaries and other	**102,267**	72,626
	$ 745,973	$ 561,397

11. Callable Debt

	2013	2012
Loan payable to CIBC - Fire and safety loan, payable in semi-monthly instalments of $1,475 plus interest at bank prime plus 0.50%, callable on demand.	**$ 23,048**	$ 58,448

The CIBC loan payable is secured by a general security agreement consisting of all personal property of The Home now owned, and all personal property acquired in the future. The loan payable is also secured by a Inter-alia collateral mortgage security for $939,888 giving CIBC a third fixed charge over the property at 276 Hugo Street North, Winnipeg, Manitoba and a second fixed charge over the property at 663 Warsaw Avenue, Winnipeg, Manitoba.

12. Contingencies and Commitments

(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, 2013, 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, 2013.

The Home is a named insured under the WRHA policy with HIROC.

13. Deferred Contributions

Capital Assets

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

	2013	2012
Balance, beginning of year	**$ 1,034,174**	$ 1,067,611
Contributions received		
WRHA	**144,935**	60,072
Transfer from unspent equipment reserve	**8,560**	14,985
Contributions spent on capital debt	**(18,779)**	(17,775)
Less amounts amortized to revenue	**(56,439)**	(48,430)
Emergency generator loan principal reductions	**(42,289)**	(42,289)
Balance, end of year	**$ 1,070,162**	$ 1,034,174

13. Deferred Contributions (continued)

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

	2013	2012
Reserve for basic equipment		
Balance, beginning of year	**$ 53,333**	$ 53,618
Additions	**14,700**	14,700
Purchase of capital assets	**(8,560)**	(14,985)
Balance, end of year	**59,473**	53,333
Reserve for major repairs		
Balance, beginning of year	**73,985**	70,145
Additions	**3,840**	3,840
Expenses during the year	**(17,763)**	-
Balance, end of year	**60,062**	73,985
Reserve for insurance deductible		
Balance, beginning of year	**1,084**	76
Additions	**1,008**	1,008
Other adjustment	**102**	-
Balance, end of year	**2,194**	1,084
Total expenses of future periods	**$ 121,729**	$ 128,402

14. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	**$ 1,735,742**	$ 1,659,495
Amounts financed by		
Deferred contributions	**(1,070,162)**	(1,034,174)
Fire and safety loan payable	**(23,048)**	(58,448)
	$ 642,532	$ 566,873

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

	2013	2012
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 56,439**	48,430
Amortization of capital assets	**(102,541)**	$ (94,813)
	$ (46,102)	$ (46,383)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 178,786**	$ 95,865
Repayment of capital debt	**18,780**	17,775
Repayment of loan	**77,690**	77,687
Amounts funded by		
WRHA capital asset funding	**(144,935)**	(60,072)
Transfer from basic equipment reserve	**(8,560)**	(14,985)
	$ 121,761	$ 116,270

14. Investment in Capital Assets (continued)

The debt that has been incorporated in deferred contributions includes the following:

	2013	2012
CIBC - emergency generator loan, payable in monthly instalments of $3,524 plus interest at bank prime plus 0.50%, callable on demand.	**$ 312,435**	$ 354,724
Canada Mortgage and Housing Corporation - 5 7/8%, maturing July 1, 2017, 50 year mortgage, payable in monthly instalments of $839 including principal and interest.	**73,595**	92,374
	$ 386,030	$ 447,098

15. Changes in non-cash Working Capital

	2013	2012
Accounts receivable	**$ (26,360)**	$ (145,135)
Restricted cash and investments	**6,553**	(3,424)
Prepaid expenses	**1,878**	(2,946)
Accrued vacation entitlements	**10,745**	11,037
Accounts payable and accrued charges	**184,576**	106,514
Residents' Trust Fund	**(3,494)**	3,045
	$ 173,898	$ (30,909)

16. Economic Dependence

The Home is economically dependent upon government and other agencies for funding its operations.

17. Financial Instrument 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.

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

	2013	2012
Accounts receivable	**$ 435,204**	$ 408,844
Vacation entitlements receivable	**171,526**	171,526
Retirement obligations receivable	**368,695**	331,569
	$ 975,425	$ 911,939

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 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.

17. Financial Instrument Risk Management (continued)

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.

18. Comparative Figures

Certain of the 2012 comparative figures have been reclassified to conform with the current year's presentation. Deficiency of revenue over expenditures for the year ended March 31, 2012 remains as previously stated.

THE CONVALESCENT HOME OF WINNIPEG
Schedule of Operating Expenditures

For the years ended March 31	2013 Budget	2013 Actual	2012 Actual
Special Services			
Activity	$ 900	$ 3,030	$ 8,049
Medical remuneration	13,000	14,053	12,640
Food costs - ADP	7,100	-	7,054
Dietary			
Dietary supplies	400	-	398
Purchased services	599,800	598,492	589,236
Drug, medical and supplies	48,700	48,849	48,695
Advertising	1,000	908	1,036
Bank charges and exchange	7,500	7,983	7,432
Computer services	23,700	18,935	23,726
Employee Benefits			
Canada pension plan	129,200	136,181	136,224
Dental plan	20,100	21,809	19,093
Employment insurance	67,000	76,986	77,143
HEPP - Manitoba	228,200	239,159	218,096
LTD Contributions	62,600	61,140	57,599
Manitoba health and education tax	67,300	71,738	65,394
Group health	50,164	43,026	33,753
Pre-retirement leave	-	57,865	16,197
Workers' Compensation	81,500	86,578	86,172
Incontinent supplies	47,600	39,839	47,623
Memberships	1,200	4,995	673
Miscellaneous, security and other administration	42,300	25,687	90,744
Printing, stationery and office supplies	7,800	26,867	7,719
Professional Fees			
Audit and accounting	11,000	17,481	7,976
Labour relations	-	-	45
Legal	3,500	4,821	3,376
General	-	26,421	811
Other	-	4,245	-
Payroll processing fees	9,300	7,920	9,303
Telephone - long distance	-	-	49
(Carried forward)	$ 1,530,864	$ 1,645,008	$ 1,576,256

THE CONVALESCENT HOME OF WINNIPEG
Schedule of Operating Expenditures

For the years ended March 31	2013 Budget	2013 Actual	2012 Actual
(Brought forward)	$ 1,530,864	$ 1,645,008	$ 1,576,256
Travel			
Residents	5,100	6,292	32,490
Staff Administration	1,700	1,249	2,615
Housekeeping			
Purchased services	233,300	234,725	229,200
Supplies	1,200	564	(198)
Laundry			
Laundry supplies	21,900	15,754	21,509
Physical Premises			
Electricity	33,800	36,785	33,821
Insurance	5,200	3,593	5,175
Natural gas	31,000	22,731	30,983
Major repairs	-	9,515	956
Rental/lease of equipment	25,900	17,536	26,441
Repairs and maintenance			
Buildings and grounds	25,700	23,370	25,724
Furniture and equipment	9,600	25,945	20,978
Service contracts	31,500	12,416	15,261
Taxes	15,200	15,540	15,176
Water	56,800	45,263	51,596
Salaries	3,130,700	3,338,561	3,145,026
Staff education	3,600	691	3,618
	$ 5,163,064	$ 5,455,538	$ 5,236,627

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that The Salvation Army Golden West Centennial Lodge has a working capital deficiency and net asset deficiency, and is dependent on the continued support of the Winnipeg Regional Health Authority and The Salvation Army. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about The Salvation Army Golden West Centennial Lodge's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

May 21, 2013

Winnipeg, Canada

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash (note 3)	$ 476,517	$ –	$ 241,948
Accounts receivable	14,541	29,338	17,725
Receivable from Winnipeg Regional Health Authority	–	153,034	–
Receivable from The Salvation Army (note 13)	60,000	–	120,000
Prepaid expenses	2,200	2,111	1,319
Inventory	18,107	15,235	18,179
Employee benefits recoverable from Winnipeg Regional Health Authority [note 7(b)]	271,682	271,682	271,682
	843,047	471,400	670,853
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 7(a)]	512,490	513,169	481,071
Capital assets (note 4)	2,795,231	2,902,471	2,953,719
Deferred grant receivable (note 5)	34,634	38,213	41,558
	$ 4,185,402	$ 3,925,253	$ 4,147,201
Liabilities, Deferred Contributions and Net Deficiency			
Current liabilities:			
Bank indebtedness (note 3)	$ –	$ 2,845	$ –
Accounts payable and accrued liabilities [notes 6(a) and 13]	415,471	304,307	480,639
Accrued vacation payable	392,490	356,698	375,838
Advances from and amounts due to Winnipeg Regional Health Authority [note 6(b)]	155,966	–	161,250
Demand loans payable and current portion of long-term debt (note 9)	30,078	28,113	64,399
	994,005	691,963	1,082,126
Accrued pre-retirement benefits [note 7(a)]	551,959	552,638	520,540
Long-term debt (note 9)	241,953	272,031	300,144
Deferred contributions (note 8)	2,615,193	2,709,341	2,703,041
Net deficiency:			
Unrestricted	(543,577)	(592,245)	(700,085)
Internally restricted (note 11)	269,118	248,274	189,684
Invested in capital assets (note 10)	56,751	43,251	51,751
	(217,708)	(300,720)	(458,650)
Continuity of operations (note 1)			
	$ 4,185,402	$ 3,925,253	$ 4,147,201

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Operations

Year ended March 31, 2013

	Personal Care Home	Adult day care	Other services	Total unrestricted	Internally restricted	Capital	2013 Total
Revenue:							
Winnipeg Regional Health Authority	$ 5,188,305	$ 181,848	$ –	$5,370,153	$ –	$ –	$ 5,370,153
Participant fees	–	23,717	–	23,717	–	–	23,717
Residential charges	2,398,829	–	–	2,398,829	–	–	2,398,829
Amortization of deferred contributions (note 8)	–	–	–	–	–	282,670	282,670
Dietary services	42,055	–	–	42,055	–	–	42,055
Grants from Salvation Army (note 13)	60,000	–	130,032	190,032	–	–	190,032
Donations	–	–	–	–	29,649	–	29,649
Fundraising	–	–	–	–	9,098	–	9,098
Other income	38,643	–	52,800	91,443	10,459	–	101,902
	7,727,832	205,565	182,832	8,116,229	49,206	282,670	8,448,105
Expenses:							
Administration (note 13)	117,809	–	72,708	190,517	–	–	190,517
Amortization (note 4)	–	–	–	–	–	291,170	291,170
Contributed services	–	–	143,835	143,835	–	–	143,835
Employee benefits	1,045,397	18,073	–	1,063,470	–	–	1,063,470
Fundraising activities	–	–	–	–	1,931	–	1,931
Interest on long-term debt (note 9)	19,324	–	–	19,324	–	–	19,324
Medical supplies	96,831	–	–	96,831	–	–	96,831
Operating expenses	450,096	108,947	–	559,043	4,431	–	563,474
Payroll tax	112,208	1,723	–	113,931	–	–	113,931
Physical plant	327,778	–	–	327,778	–	–	327,778
Pre-retirement leave costs [note 7(a)]	55,272	–	–	55,272	–	–	55,272
Salaries	5,416,449	81,111	–	5,497,560	–	–	5,497,560
	7,641,164	209,854	216,543	8,067,561	6,362	291,170	8,365,093
Excess (deficiency) of revenue over expenses	$ 86,668	$ (4,289)	$ (33,711)	$ 48,668	$ 42,844	$ (8,500)	$ 83,012

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE
Statement of Operations

Year ended March 31, 2012

	Personal Care Home	Adult day care	Other services	Total unrestricted	Internally restricted	Capital	2012 Total
Revenue:							
Winnipeg Regional Health Authority	$ 5,185,733	$ 182,047	$ –	$5,367,780	$ –	$ –	$ 5,367,780
Participant fees	–	26,243	–	26,243	–	–	26,243
Residential charges	2,319,250	–	–	2,319,250	–	–	2,319,250
Amortization of deferred contributions (note 8)	–	–	–	–	–	288,027	288,027
Dietary services	42,181	–	–	42,181	–	–	42,181
Grants from Salvation Army DHQ (note 13)	–	–	133,149	133,149	–	–	133,149
Donations	–	–	100	100	56,609	–	56,709
Fundraising	–	–	–	–	42,678	–	42,678
Other income	29,943	–	36,021	65,964	–	–	65,964
	7,577,107	208,290	169,270	7,954,667	99,287	288,027	8,341,981
Expenses:							
Administration (note 13)	104,064	–	70,000	174,064	–	–	174,064
Amortization (note 4)	–	–	–	–	–	296,527	296,527
Contributed services	–	–	94,216	94,216	–	–	94,216
Employee benefits	1,012,273	14,619	–	1,026,892	–	–	1,026,892
Fundraising activities	–	–	–	–	13,288	–	13,288
Interest on long-term debt (note 9)	21,304	–	–	21,304	–	–	21,304
Medical supplies	110,097	–	–	110,097	–	–	110,097
Operating expenses	495,826	107,812	–	603,638	27,409	–	631,047
Payroll tax	108,727	1,441	–	110,168	–	–	110,168
Physical plant	327,766	–	–	327,766	–	–	327,766
Pre-retirement leave costs [note 7(a)]	111,608	–	–	111,608	–	–	111,608
Salaries	5,199,344	67,730	–	5,267,074	–	–	5,267,074
	7,491,009	191,602	164,216	7,846,827	40,697	296,527	8,184,051
Excess (deficiency) of revenue over expenses	$ 86,098	$ 16,688	$ 5,054	$ 107,840	$ 58,590	$ (8,500)	$ 157,930

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Unrestricted	Internally restricted	Invested in capital assets	2013 Total
Balance, beginning of year	$ (592,245)	$ 248,274	$ 43,251	$ (300,720)
Excess (deficiency) of revenue over expenses	48,668	42,844	(8,500)	83,012
Inter-fund transfer	–	(22,000)	22,000	–
Balance, end of year	$ (543,577)	$ 269,118	$ 56,751	$ (217,708)

	Unrestricted	Internally restricted	Invested in capital assets	2012 Total
Balance, beginning of year	$ (700,085)	$ 189,684	$ 51,751	$ (458,650)
Excess (deficiency) of revenue over expenses	107,840	58,590	(8,500)	157,930
Balance, end of year	$ (592,245)	$ 248,274	$ 43,251	$ (300,720)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Operating activities:		
Excess of revenue over expenses	$ 83,012	$ 157,930
Items not affecting cash:		
Amortization of capital assets	291,170	296,527
Amortization of deferred contributions	(282,670)	(288,027)
	91,512	166,430
Changes in non-cash working capital balances:		
Accounts receivable	14,797	(11,613)
Receivable from The Salvation Army	(60,000)	–
Prepaid expenses	(89)	(792)
Inventory	(2,872)	2,944
Future employee pre-retirement benefits recoverable	679	(32,098)
Accrued pre-retirement benefits	(679)	32,098
Accrued vacation payable	35,792	(19,140)
Advances from and amounts due to Winnipeg Regional Health Authority	309,000	(314,284)
Accounts payable and accrued liabilities	111,164	(176,332)
	499,304	(352,787)
Financing activities:		
Grants received	3,579	3,345
Additional deferred contributions received	126,277	312,505
Repayments of long-term debt	(28,113)	(64,399)
	101,743	251,451
Investing activities:		
Capital asset purchases	(121,685)	(143,457)
Increase (decrease) in cash	479,362	(244,793)
Cash (bank indebtedness), beginning of year	(2,845)	241,948
Cash (bank indebtedness), end of year	476,517	$ (2,845)

Non-cash investing and financing activities:

During the year, $62,245 (2012 - $101,822) in capital purchases were funded directly through deferred contributions.

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial Lodge (the “Lodge” or the “Ministry Unit”) is an unincorporated operating unit of The Salvation Army Canada and 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 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 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 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 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* 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.

On April 1, 2012, the Ministry Unit adopted Canadian Accounting Standards for Not-For-Profit Organization in Part III of The Canadian Institute of Chartered Accountants (“CICA”) Handbook (“Not-For-Profit Standards”). These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions for Not-For-Profit Standards, the Ministry Unit has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

There were no adjustments to net assets as at April 1, 2011 or excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Not-For-Profit Standards.

1. Continuity of operations:

These financial statements have been prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations. The going concern basis of presentation assumes that the Lodge will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the appropriateness of the use of the going concern assumption as at March 31, 2013. At March 31, 2013, the Lodge's current liabilities exceed its current assets by $150,958 (March 31, 2012 - $220,563; April 1, 2011 - $411,273). The Lodge also has a net asset deficiency of $217,708 (March 31, 2012 - $300,720; April 1, 2011 - $458,650) at March 31, 2013, mainly as a result of losses from operations in fiscal 2010 and fiscal years prior to fiscal 2008.

The ability of the Lodge to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the continued support of the WRHA and The Salvation Army and the Lodge maintaining a break-even or surplus position in future years.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Not-For-Profit Standards and present the assets, liabilities, net deficiency, revenue and expenses and cash flows of the Ministry Unit.

(i) Unrestricted funds:

Unrestricted funds represent the operations of the Ministry Unit, including the revenue and expense related to the Personal Care Home, Adult Day Care and receipt and use of donations and legacies with no external restrictions, other than that they be used in operations.

2. Significant accounting policies (continued):

(ii) Internally restricted funds:

Internally restricted funds (note 11) represent the following:

- funds which have been received through donations and have been internally restricted by the Lodge's Board of Management; and

- funds received from fundraising activities for specific programs within the Lodge. These funds can be utilized at the discretion of the Executive Director.

The Board of Management approves transfers of funds to internally restricted funds from the unrestricted net deficiency to cover the cost of accumulated expenditures that relate to the projects for which internal restrictions were established.

(iii) Capital fund:

The purpose of the Capital fund is to record capital assets, related debt and the net investment of the Ministry Unit in such assets.

(b) Revenue recognition:

The Lodge follows the deferral method of accounting for contributions which include government grants and donations, including donations received from THQ through the Capital Deposit Account.

The Lodge 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 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.

2. Significant accounting policies (continued):

Grants from The Salvation Army DHQ represent an allocation made to the Ministry Unit from DHQ for the operation of the programs. The funds are derived mainly from individuals in the community that have contributed to the fundraising efforts of the Territory.

(c) Capital assets:

Land is carried at cost or fair market value at the date of acquisition and is not amortized.

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 Lodge's ability to provide services, its carrying amount is written down to its residual value.

The Lodge capitalizes capital assets valued at $2,000 or more. Items of less than $2,000 in value generally are expensed in the year of acquisition.

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

Asset	Term
Building	50 years
Building expansion	30 years
Major equipment	10 years
Nurse call system	10 years
Roof expansion	10 years
Office furniture and equipment	5 - 10 years
Computer hardware and software	3 years

(d) Vacation pay:

The Lodge records the accrued vacation pay entitlement liability in the statement of financial position. Any change in the liability is recorded in the statement of operations.

(e) Contributed services:

Contributed services are recorded at their estimated fair value, except for volunteers. A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, volunteer services are not recognized in the financial statements.

2. Significant accounting policies (continued):

(f) Pre-retirement benefit 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 ten 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 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 partially recoverable from the Winnipeg Regional Health Authority (note 7).

(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 recorded at cost or amortized cost, unless management has elected to carry the investments 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, interest or foreign exchange risks. Interest rate risk on long-term debt is reduced as interest payments are funded (note 9).

2. Significant accounting policies (continued):

(i) Allocation of fundraising/general administration expenses:

The Lodge classifies expenses on the statement of operations by function. The Lodge does not allocate expenses between functions in the statement of operations.

(j) 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.

3. Cash (bank indebtedness):

The Ministry Unit maintains a chequing account with Royal Bank of Canada for its operations, as well as several deposit accounts held with THQ or DHQ. Under the Territory's policies, all ministry units invest surplus funds with THQ, rather than with external financial institutions. THQ and DHQ accounts bear interest at prevailing market rates based on the type of account.

	March 31, 2013	March 31, 2012	April 1, 2011
Cash (bank indebtedness)	$ 431,475	$ (34,691)	$ 197,565
THQ general deposit account	22,607	18,046	5,053
THQ capital deposit account (CDA)	22,435	9,479	39,330
DHQ property maintenance account	–	4,321	–
	$ 476,517	$ (2,845)	$ 241,948

Bank indebtedness represents cheques written in excess of cash on hand.

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 DHQ, provided the foreseeable capital needs of the Lodge have been met.

3. Cash (bank indebtedness) (continued):

Funds held in property maintenance accounts represent funds that were set aside by the Ministry Unit and are available for building repairs and maintenance, property and liability insurance and property taxes. Effective October 1, 2012, funds in the property maintenance account were merged with the capital deposit to provide one pool of funds for capital improvements and maintenance.

The Ministry Unit has cash held in trust totaling $20,284 (March 31, 2012 - $17,634; April 1, 2011 - $16,329) on behalf of residents. These funds are not shown in these financial statements.

4. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land	$ 55,159	$ –	$ 55,159
Building	1,184,275	859,576	324,699
Building expansion	5,744,613	3,923,481	1,821,132
Major equipment	609,953	228,739	381,214
Nurse call system	165,264	27,552	137,712
Roof expansion	220,032	189,683	30,349
Office furniture and equipment	276,017	234,993	41,024
Computer hardware and software	45,162	41,220	3,942
	$ 8,300,475	$ 5,505,244	$ 2,795,231

March 31, 2012	Cost	Accumulated amortization	Net book value
Land	$ 55,159	$ –	$ 55,159
Building	998,208	837,751	160,457
Building expansion	5,744,613	3,732,683	2,011,930
Major equipment	542,076	175,647	366,429
Nurse call system	165,264	22,041	143,223
Roof expansion	220,032	167,680	52,352
Office furniture and equipment	244,209	244,209	–
Computer hardware and software	45,162	34,063	11,099
Work-in-progress	101,822	–	101,822
	$ 8,116,545	$ 5,214,074	$ 2,902,471

4. Capital assets (continued):

April 1, 2011	Cost	Accumulated amortization	Net book value
Land	$ 55,159	$ –	$ 55,159
Building	998,208	817,787	180,421
Building expansion	5,744,613	3,541,885	2,202,728
Major equipment	398,619	132,203	266,416
Nurse call system	165,263	16,530	148,733
Roof expansion	220,032	145,677	74,355
Office furniture and equipment	244,209	236,648	7,561
Computer hardware and software	45,162	26,816	18,346
	$ 7,871,265	$ 4,917,546	$ 2,953,719

5. Deferred grant receivable:

The Province of Manitoba has 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 2020). The annual payment is $6,060 including principal and interest.

6. Current liabilities:

(a) Accounts payable and accrued liabilities consist of:

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts payable (note 13)	$ 208,937	$ 128,287	$ 159,717
Accrued salaries and benefits	181,980	157,411	245,911
Government remittances payable	23,017	16,913	73,154
Accrued interest	1,537	1,696	1,857
	$ 415,471	$ 304,307	$ 480,639

Government remittances payable include amounts payable related to payroll taxes and health taxes.

(b) Advances from and amounts due to WRHA:

From time to time, the Lodge received advances from the WRHA for funding commitments. These advances are included in amounts due to the WRHA and are unsecured and non-interest bearing. In subsequent years, the advances owing the WRHA, are offset by the WRHA against funds paid for current funding commitments.

7. Employee benefits:

(a) Pre-retirement benefits:

The Lodge has undertaken an actuarial valuation as of March 31, 2013 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.15 percent (2012 - 4.1 percent) and a rate of salary increase of 3.0 percent (2012 - 3.0 percent) plus age related merit/promotion scale and a factor ranging from 0 - 3.0 percent (2012 - 0 - 3.0 percent) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $55,272 (2012 - $111,608).

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 which include an interest component. The future employee pre-retirement benefits recoverable from WRHA of $512,490 at March 31, 2013 (March 31, 2012 - $513,169; April 1, 2011 - $481,071) 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:

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 CDA (note 3).

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

			2013			2012
	Purchased capital assets	Future capital purchases and major repairs	Total	Purchased capital assets	Future capital purchases and major repairs	Total
Balance, beginning of year	$2,559,069	$ 150,272	$ 2,709,341	$ 2,537,425	$ 165,616	$ 2,703,041
Additional contributions received:						
Mortgage/loan payments (note 9)	28,104	–	28,104	64,392	–	64,392
Capital assets and major repairs	62,245	103,445	165,690	101,822	200,091	301,913
	2,649,418	253,717	2,903,135	2,703,639	365,707	3,069,346
Transfers as a result of capital asset purchases	99,685	(99,685)	–	143,457	(143,457)	–
Major repairs	–	(5,272)	(5,272)	–	(71,978)	(71,978)
Amortization	(282,670)	–	(282,670)	(288,027)	–	(288,027)
Balance, end of year	$ 2,466,433	$ 148,760	$ 2,615,193	$ 2,559,069	$ 150,272	$ 2,709,341

Contributions received for capital assets and major repairs includes nil (2012 - $59,699) received through the Salvation Army in 2013.

9. Long-term debt:

		March 31, 2013		March 31, 2012		April 1, 2011
Canada Mortgage and Housing Corporation, mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	$	272,031	$	300,144	$	326,420
Bank demand instalment loan, interest at prime less ½%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health		–		–		25,700
Bank demand instalment loan, interest at prime less ½%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health		–		–		12,423
		272,031		300,144		364,543
Current portion		30,078		28,113		64,399
	$	241,953	$	272,031	$	300,144

Principal and interest payments are funded by the Province of Manitoba via the WRHA. Principal payments are recorded in deferred contributions (note 8).

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

2014	$	30,078
2015		32,182
2016		34,433
2017		36,841
2018		39,417
Thereafter		99,080
	$	272,031

During the year, interest expense relating to the debt funded amounted to $19,324 (2012 - $21,304).

10. Invested in capital assets:

Investment in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	$ 2,795,231	$ 2,902,471	$ 2,953,719
Amounts financed by:			
Deferred contributions - purchased capital assets (note 8)	(2,466,449)	(2,559,076)	(2,537,425)
Long-term debt (note 9)	(272,031)	(300,144)	(364,543)
Balance, end of year	$ 56,751	$ 43,251	$ 51,751

11. Internally restricted funds:

The internally restricted fund balance comprises the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Donations	$ 221,553	$ 207,876	$ 178,676
Programs	47,565	40,398	11,008
	$ 269,118	$ 248,274	$ 189,684

12. Pension plan:

Substantially all of the employees of the Lodge 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 services 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 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.

12. Pension plan (continued):

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2011 reported the Plan had a solvency. In November 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $366,657 (2012 - $358,494) and are included in employee benefits expense in the statement of operations.

Contributions rates increased on April 1, 2012 to 7.9 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.5 percent on earnings in excess of the YMPE.

13. Related party transactions:

During the year, the Lodge had the following transactions with The Salvation Army:

	2013	2012
Revenue:		
Grants from THQ – Red Shield Appeal	$ 125,000	$ 122,349
Grants from DHQ	60,000	–
Salvation Army funding Kettle fund	5,032	10,800
Deferred contributions:		
Salvation Army funding for equipment	–	59,699
Expense:		
Management support assessment paid to THQ	72,708	70,000

Included in the accounts payable and accrued liabilities are balances due to DHQ of $34,243 (March 31, 2012 - nil; April 1, 2011 - nil) which represents short-term financing for a capital repair project. This loan is non-interest bearing and has no repayment terms.

13. Related party transactions (continued):

During the year, DHQ 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. Funding for the current year is included in receivable from The Salvation Army in the statements of financial position.

The above 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.

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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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the non-consolidated statements of changes in net assets, operations and cash flows for the years ended March 31 2013 and March 31, 2012, 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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 26, 2013

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THE SHARON HOME, INC.
Non-consolidated Statement of Financial Position

		March 31 2013		March 31 2012		April 1 2011
Assets						
Current Assets						
Cash	$	**897,760**	$	40,032	$	985,127
Accounts receivable (Note 2)		**65,164**		95,122		81,705
Due from The Sharon Home Fund Inc. (Note 14)		**88,392**		488,928		497,368
Due from Winnipeg Regional Health Authority (Note 3)		**1,425,522**		1,957,532		1,612,180
Prepaid expenses		**85,159**		102,261		109,070
Vacation entitlements receivable (Note 4)		**603,753**		603,753		603,753
		3,165,750		3,287,628		3,889,203
Loan receivable (Note 5)		**70,989**		70,989		70,989
Capital assets (Note 6)		**37,175,869**		38,216,950		39,509,086
Pre-retirement entitlements receivable (Note 7)		**1,392,931**		1,364,321		1,385,596
	$	**41,805,539**	$	42,939,888	$	44,854,874
Liabilities and Net Assets						
Current Liabilities						
Bank indebtedness (Note 8)	$	**1,022,126**	$	1,262,126	$	1,562,126
Demand bank loans		**-**		-		9,943
Accounts payable and accrued liabilities (Note 9)		**1,050,113**		913,229		1,096,671
Accrued vacation entitlements (Note 4)		**652,336**		731,473		709,042
Current portion of mortgages payable (Note 10)		**1,102,500**		1,102,500		1,102,550
Current portion of notes payable (Note 11)		**921,670**		921,670		921,670
		4,748,745		4,930,998		5,402,002
Mortgage payable (Note 10)		**16,353,750**		17,456,250		18,558,700
Notes payable (Note 11)		**5,335,330**		6,257,000		7,178,670
Deferred contributions (Note 12)		**13,434,784**		12,456,739		11,497,297
Accrued pre-retirement obligations (Note 7)		**1,281,332**		1,252,722		1,273,997
		41,153,941		42,353,709		43,910,666
Contingencies (Note 13)						
Net Assets						
Invested in capital assets		**139,427**		78,005		256,227
Unrestricted		**512,171**		508,174		687,981
		651,598		586,179		944,208
	$	**41,805,539**	$	42,939,888	$	44,854,874

Approved on behalf of the Board of Directors:

Director

Director

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, 2013

	Invested in Capital Assets	Unrestricted	Total
Balance, April 1, 2011	$ 256,227	$ 687,981	$ 944,208
Deficiency of revenue over expenditures for the year	(178,222)	(179,807)	(358,029)
Balance, March 31, 2012	**78,005**	**508,174**	**586,179**
Excess of revenue over expenditures for the year	**61,422**	**3,997**	**65,419**
Balance, March 31, 2013	**$ 139,427**	**$ 512,171**	**$ 651,598**

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	2013	2012
Revenue		
Adult Day Program (per schedule)	$ -	$ -
Capital funding Manitoba Health	1,315,200	1,430,595
Capital funding Winnipeg Regional Health Authority	-	58
Change in pre-retirement benefit	28,610	(21,275)
Contributions from The Sharon Home Fund Inc. (Note 14)	113,745	107,118
Other income	41,344	50,107
Residential charges	3,858,959	3,890,572
Winnipeg Regional Health Authority	9,811,069	9,758,897
	15,168,927	15,216,072
Expenditures		
Administration	525,184	787,035
Employee benefits	2,042,507	2,117,666
Housekeeping	537,271	525,243
Information technology	28,117	30,919
Interest		
Short-term debt	-	58
Long-term debt	1,315,200	1,430,595
Interest and carrying charges on land for future improvement	60,601	55,418
Laundry and linen	376,583	357,990
Nutrition and food services	1,550,055	1,533,756
Plant maintenance	362,132	315,319
Plant operation	646,843	677,949
Resident care	7,306,849	7,156,495
Social work	65,726	55,906
Spiritual care	53,144	51,700
Staff development	24,037	21,671
Therapeutic recreation	266,794	274,451
Volunteer services	3,887	3,708
	15,164,930	15,395,879
Excess (deficiency) of revenue over expenditures before other items	3,997	(179,807)
Other Items		
Amortization of deferred contributions related to capital assets (Note 12)	1,184,010	1,183,861
Amortization of capital assets	(1,122,588)	(1,362,083)
	61,422	(178,222)
Excess (deficiency) of revenue over expenditures for the year	$ 65,419	$ (358,029)

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	2013	2012
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ 65,419**	$ (358,029)
Amortization of deferred contributions related to capital assets	**(1,184,010)**	(1,183,861)
Amortization of capital assets	**1,122,591**	1,362,083
	4,000	(179,807)
Changes in non-cash working capital		
Accounts receivable	**29,958**	(13,417)
Due from The Sharon Home Fund Inc.	**400,536**	8,440
Due from Winnipeg Regional Health Authority	**532,010**	(345,352)
Prepaid expenses	**17,102**	6,809
Pre-retirement entitlements receivable	**(28,610)**	21,275
Accounts payable and accrued liabilities	**136,884**	(183,442)
Accrued vacation entitlements	**(79,137)**	22,431
Accrued pre-retirement obligations	**28,610**	(21,275)
	1,041,353	(684,338)
Cash Flows from Financing Activities		
Repayment of demand bank loans	**-**	(9,943)
Repayment of mortgages payable	**(1,102,500)**	(1,102,500)
Repayment of note payable	**(921,670)**	(921,670)
	(2,024,170)	(2,034,113)
Cash Flows from Investing Activities		
Acquisition of capital assets	**(81,510)**	(69,947)
Deferred contributions received related to capital assets	**2,162,055**	2,143,303
	2,080,545	2,073,356
Net increase (decrease) in cash and bank indebtedness	**1,097,728**	(645,095)
Cash and bank indebtedness, beginning of year	**(1,222,094)**	(576,999)
Cash and bank indebtedness, end of year	**$ (124,366)**	$ (1,222,094)
Represented by:		
Cash	**$ 897,760**	$ 40,032
Bank indebtedness	**(1,022,126)**	(1,262,126)
	$ (124,366)	$ (1,222,094)

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. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

d. Contributions Receivable

Contributions receivable are recognized when the amounts to be received can be reasonably estimated and ultimate collection is reasonable assured.

e. 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.

f. 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. Interest on the bank indebtedness (interim construction loan) to finance the construction project is capitalized to property under development. Carrying charges on land held for future development including interest and property taxes are recorded as expenditures as incurred.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

f. Capital Assets (continued)

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

g. 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.

h. Revenue Recognition

The Sharon Home, Inc. (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 financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2013.

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.

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 expenditures 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 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.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

i. Contributed Materials and Services

Contributed materials 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 reasonable estimated.

Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

j. Controlled Entities

Controlled not-for-profit organizations are not consolidated in the Home's non-consolidated financial statements.

k. 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. Accounts Receivable

	2013	2012
Receivable from residents	**$ 34,673**	$ 27,457
GST rebate receivable	**7,985**	6,238
Other	**22,506**	61,427
	$ 65,164	$ 95,122

3. Due from (to) Winnipeg Regional Health Authority

	2013	2012
2003/2004 funding adjustment	**$ 6,479**	$ 6,479
2004/2005 funding adjustment	**(164,054)**	(164,054)
2005/2006 funding adjustment	**151,593**	151,593
2006/2007 funding adjustment	**(48,838)**	(48,838)
2007/2008 funding adjustment	**32,128**	32,128
2008/2009 funding adjustment	**89,039**	89,039
2009/2010 funding adjustment	**493,569**	872,162
2010/2011 funding adjustment	**107,296**	108,619
2011/2012 funding adjustment	**437,880**	910,404
2012/2013 funding adjustment	**320,430**	-
	$ 1,425,522	$ 1,957,532

3. Due from (to) Winnipeg Regional Health Authority (continued)

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, 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (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.

Included in the total funding adjustment from WRHA is $805,003 ($1,006,252 in 2012) relating to the portion of the outstanding debenture to the Province of Manitoba that remains for the Kanee Centre.

4. 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:

	2013	2012
Balance, beginning of year	**$ 603,753**	$ 603,753
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 603,753**	$ 603,753

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

	2013	2012
Balance, beginning of year	**$ 731,473**	$ 709,042
Net (decrease) increase in accrued vacation entitlements	**(79,137)**	22,431
Balance, end of year	**$ 652,336**	$ 731,473

For the year ended March 31, 2013

5. 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.

6. Capital Assets

	2013 Cost	2013 Accumulated Amortization	2012 Cost	2012 Accumulated Amortization
Land	**$ 786,418**	**$ -**	$ 786,418	$ -
Buildings	**40,257,761**	**6,493,730**	40,253,242	5,479,834
Equipment	**3,531,502**	**2,221,240**	3,454,515	2,112,549
Land held for future development	**1,315,158**	**-**	1,315,158	-
	$ 45,890,839	**$ 8,714,970**	$ 45,809,333	$ 7,592,383
Cost less accumulated amortization		**$ 37,175,869**		$ 38,216,950

7. 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

7. Employee Future Benefits (continued)

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2013. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.15% (4.1% in 2012) and a rate of salary increase of 3.0% (3.0% in 2012) 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. 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.

	2013	2012
Employee future benefits recoverable from		
Manitoba Health	**$ 967,427**	$ 967,427
Winnipeg Regional Health Authority	**425,504**	396,894
	$ 1,392,931	$ 1,364,321

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2013	2012
Balance, beginning of the year	**$ 1,252,722**	$ 1,273,997
Net increase (decrease) in pre-retirement entitlements	**28,610**	(21,275)
Balance, end of year	**$ 1,281,332**	$ 1,252,722

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.

7. Employee Future Benefits (continued)

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, 2011 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 $627,897 ($619,365 in 2012) and are included in the statement of operations.

8. Bank Indebtedness

	2013	2012
Credit facility agreement	**$ 1,000,000**	$ 1,000,000
Sponsor contribution loan	**22,126**	262,126
	$ 1,022,126	$ 1,262,126

The credit facility agreement is with the TD Bank up to a maximum of $1,000,000, bears interest at the bank prime rate (3% at March 31, 2013). The credit facility agreement is collateralized by a hypothecation of title covering the 11.27 acres of land held for future development. The interest on this loan is being funded by The Sharon Home Fund Inc.

The sponsor contribution loan bears interest at prime plus 1% (4% at March 31, 2013) payable upon receipt of contributions from the capital campaign.

9. Accounts Payable and Accrued Liabilities

	2013	2012
Trade accounts payable	**$ 595,320**	$ 337,744
Accrued liabilities	**82,742**	75,302
Salaries and employee benefits payable	**372,051**	500,183
	$ 1,050,113	$ 913,229

Included in accounts payable and accrued liabilities is $26,498 (2012 - $172,322) in government remittances payable.

10. Mortgage Payable

	2013	2012
Mortgage payable - Province of Manitoba - with interest at 5.20%, requiring monthly principal payments of $91,875, secured by the related property at the Simkin Centre, maturing in January 2029.	**$ 17,456,250**	$ 18,558,750
Current portion of mortgage payable	**1,102,500**	1,102,500
	$ 16,353,750	$ 17,456,250

Minimum principal repayments required under the terms of the mortgage payable over the next five years and for subsequent years thereafter are as follows:

2014	$ 1,102,500
2015	1,102,500
2016	1,102,500
2017	1,102,500
2018	1,102,500
Subsequent years	11,943,750
	$ 17,456,250

For the year ended March 31, 2013

11. Notes Payable

	2013	2012
Province of Manitoba - Interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	**$ 2,875,000**	$ 3,593,750
Province of Manitoba - Interest at 5.05%, requiring monthly principal payments of $16,910 plus interest, maturing November 30, 2029.	**3,382,000**	3,584,920
	6,257,000	7,178,670
Current portion of notes payable	**921,670**	921,670
	$ 5,335,330	$ 6,257,000

The notes payable are secured by the related property at the Simkin Centre.

Minimum principal repayments required under the terms of the note payable over the next five years and for subsequent years thereafter are as follows:

2014	$ 921,670
2015	921,670
2016	921,670
2017	921,670
2018	921,670
Subsequent years	1,648,650
	$ 6,257,000

For the year ended March 31, 2013

12. 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, equipment and major repairs. Changes in the deferred contribution balance reported are as follows:

	2013	2012
Balance, beginning of year	**$ 12,456,739**	$ 11,497,297
Contributions received	**2,162,055**	2,143,303
Less amounts amortized to revenue	**(1,184,010)**	(1,183,861)
Balance, end of year	**$ 13,434,784**	$ 12,456,739

The balances as at March 31, 2013 and 2012 consist of the following:

	2013	2012
Deferred contributions relating to capital assets	**$ 13,121,524**	$ 12,159,418
Unspent funding for future equipment acquisition	**284,578**	270,274
Unspent funding for future major repairs costs	**28,682**	27,047
Balance, end of year	**$ 13,434,784**	$ 12,456,739

13. Contingencies

The nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to possible claims at March 31, 2013, 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, 2013.

The Home is a named insured under the WRHA policy with HIROC.

14. Controlled Not-for-Profit Organization and Related Party Transactions

The Sharon Home, Inc. controls The Sharon Home Fund Inc. (the "Fund") by virtue of the fact that the majority of the members of the Board of Directors are common to each the Home and the Fund. The Fund is incorporated under the Corporations Act and is a registered charity under the Canada Income Tax Act.

The Fund was established to support and foster the operations of The Sharon Home, Inc. The Fund supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets and results of the operations are not included in the financial statements of the Home. Separate financial statements of the Fund are available upon request. Financial summaries of the Fund as at March 31, 2013 and 2012 and for the years then ended are as follows:

	2013	2012
Statement of Financial Position		
Total assets	**$ 1,547,110**	$ 1,959,625
Total liabilities	**$ 89,275**	$ 490,699
Total fund balances	**1,457,835**	1,468,926
Balance, end of year	**$ 1,547,110**	$ 1,959,625

	2013	2012
Statement of Operations		
Total revenue	**$ 430,008**	$ 458,262
Total expenses	**(65,977)**	(57,484)
Excess of revenue over expenses before the following:	**364,031**	400,778
Contributions to The Sharon Home, Inc.	**(375,122)**	(457,765)
Deficiency of revenue over expenses	**$ (11,091)**	$ (56,987)

	2013	2012
Statement of Cash Flows		
Cash provided by operating activities	**$ (422,604)**	$ (10,537)
Cash used in investing and financing activities	**298,361**	(14,177)
Net decrease in cash	**$ (124,243)**	$ (24,714)

14. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

During the year, the Home charged the Fund on a cost recovery basis $65,977 ($57,484 in 2012) for administrative expenditures. During the year, the Fund contributed to the Home $60,601 ($55,418 in 2012) for interest and carrying charges on the land held for future development, $53,144 ($87,830 in 2012) for spiritual care and special program, and $261,377 ($314,517 in 2012) for capital asset acquisition and debt servicing. 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.

As at March 31, 2013, the Home has an amount due from the Fund of $88,392 ($488,928 in 2012) receivable from the Fund, of which $15,457 ($13,767 in 2012) represents contributions received by the Fund under the Simkin Centre Phase II capital campaign. The contributions are recorded as deferred contributions (Note 12).

The amount due is unsecured, interest-free, due on demand and bears no specific terms of repayment.

15. Resident Trust Funds

Included in the cash and accounts payable and accrued liabilities are funds held in trust for the Home's residents totaling $30,147 ($36,413 in 2012).

16. Restricted Cash

Cash in the amount of $313,260 ($297,321 in 2012) is restricted for capital asset purchases.

17. Financial 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:

	2013	2012
Accounts receivable	**$ 65,164**	$ 95,122
Due from Winnipeg Regional Health Authority	**1,425,522**	1,957,532
Due from The Sharon Home Fund Inc.	**88,392**	488,928
Vacation entitlements receivable	**603,753**	603,753
Pre-retirement entitlements receivable	**1,392,931**	1,364,321
	$ 3,575,762	$ 4,509,656

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 Regional Health Authority.

17. Financial 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. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

Liquity 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 bank indebtedness, demand bank loans, mortgages payable and notes payable.

18. First-time Adoption

Effective April 1, 2012, the Home adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Home's first non-consolidated financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Nature of Operations and Summary of Significant Accounting Policies have been applied in preparing the non-consolidated financial statements for the year ended March 31, 2013, the comparative information presented in these non-consolidated financial statements for the year ended March 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The Home issued non-consolidated financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the Home.

No exemptions were used at the date of transition to Canadian accounting standards for not-profit-organizations.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31	2013	2012
Revenue		
Province of Manitoba	**$ 85,872**	$ 85,872
Participants' fees	**13,083**	12,283
	98,955	98,155
Expenses		
Salaries - general	**43,449**	38,102
Other	**70,739**	64,658
	114,188	102,760
Deficiency of revenue over expenses before other item	**(15,233)**	(4,605)
Other item		
Deficiency recoverable from WRHA	**15,233**	4,605
Revenue, net of expenses and recoveries	**$ -**	$ -

Management's Responsibility

To the Board of Directors of West Park Manor Personal Care Home Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for 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 is 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 Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 22, 2013

____

Executive Director

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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 West Park Manor Personal Care Home Inc. as at March 31, 2013, March 31, 2012 and April 1, 2011, the results of its operations and cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

June 22, 2013

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2013

	2013	2012	April 1 2011
Assets			
Current			
Cash *(Note 4)*	**508,789**	7,695	191,173
Short term investments *(Note 5)*	**1,723,447**	1,908,762	2,143,526
Accounts receivable *(Note 6)*	**19,030**	35,630	35,709
Prepaid expenses and deposits	**95,072**	95,698	103,543
	2,346,338	2,047,785	2,473,951
Capital assets *(Note 7)*	**1,571,931**	1,633,938	1,540,149
Investments *(Note 8)*	**355,839**	348,633	341,797
Deferred charges - future employee benefits *(Note 9)*	**718,339**	691,884	680,106
Receivable from Winnipeg Regional Health Authority	**714,303**	810,648	484,958
	5,706,750	5,532,888	5,520,961

Continued on next page

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2013

	2013	2012	April 1 2011
Liabilities			
Current			
Accounts payable and accruals	**1,669,366**	1,468,199	1,578,329
Trust funds payable	**267,260**	240,401	236,720
Current portion of long-term debt *(Note 10)*	**470,000**	132,000	504,000
	2,406,626	1,840,600	2,319,049
Long-term debt *(Note 10)*	**667,671**	1,124,546	757,433
Deferred contributions *(Note 11)*	**815,519**	777,782	705,594
Accrued future employee benefits	**775,675**	749,220	737,442
	2,258,865	2,651,548	2,200,469
	4,665,491	4,492,148	4,519,518
Net Assets			
Unrestricted	**249,496**	277,742	259,623
Invested in capital assets	**131,764**	103,444	647,352
Internally restricted *(Note 12)*	**659,999**	659,554	94,468
	1,041,259	1,040,740	1,001,443
	5,706,750	5,532,888	5,520,961

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2013

	2013	*2012*
Revenue		
Winnipeg Regional Health Authority		
Operating	**4,300,218**	4,311,144
Bed grant	**11,720**	11,712
Interest on approved borrowing	**58,584**	73,440
Year-end adjustment *(Note 15)*	**(28,851)**	77,433
Medical salaries	**18,816**	18,816
Pre-retirement leave amortization	**91,657**	88,013
MNU related	**415,248**	326,304
Over-cost funding	**113,236**	92,652
Median rate adjustment per diem	**459,378**	457,482
Non median rate funding	**262,317**	157,761
CUPE related	**537,876**	523,631
HEBP enhanced healthcare plan	**-**	46,323
Residential charges	**3,078,905**	2,980,383
3.6 HPRD and other revenue	**508,712**	505,561
Amortization of deferred operating contributions	**1,200**	595
Amortization of deferred capital contributions	**144,902**	119,327
	9,973,918	9,790,577
Expenses		
General administration	**93,777**	99,378
Amortization	**119,313**	110,351
Dietary services and supplies	**415,512**	385,525
Housekeeping	**40,999**	31,155
Interest on long-term debt	**68,114**	71,027
Laundry	**39,609**	33,464
Medical salaries	**20,357**	18,387
Nursing services and supplies	**207,037**	197,491
Repairs and maintenance	**88,913**	93,203
Salaries and wages	**7,036,417**	6,902,612
Employee benefits	**1,418,108**	1,410,154
Employee benefits - preretirement leave	**91,657**	88,013
Health and safety	**39,158**	42,546
Utilities	**278,677**	265,659
Recreation and handicraft supplies	**16,196**	14,517
	9,973,844	9,763,482
Excess of revenue over expenses before the following:	**74**	27,095
Other items		
Accrued future employee benefit income	**118,112**	99,791
Accrued future employee benefit expense	**(118,112)**	(99,791)
Excess of revenue over expenses	**74**	27,095

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2013

	Internally restricted	*Unrestricted*	*Invested in capital assets*	***2013***	*2012*
Net assets, beginning of year	659,554	277,742	103,444	**1,040,740**	1,001,443
Excess of revenue over expenses	-	(28,246)	28,320	**74**	27,095
Change in internally restricted net amounts	445	-	-	**445**	12,202
Net assets, end of year	**659,999**	**249,496**	**131,764**	**1,041,259**	1,040,740

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2013

	2013	*2012*
Cash provided by (used for) the following activities		
Operating		
Cash received from Government and residents	**10,115,918**	9,847,865
Cash paid to suppliers	**(1,341,786)**	(1,265,225)
Cash paid to employees	**(8,434,640)**	(8,419,166)
Interest paid	**(68,114)**	(71,027)
	271,378	92,447
Financing		
Advances of long-term debt	**32,051**	152,873
Repayment of long-term debt	**(150,927)**	(157,760)
Increase in internally restricted net assets	**38,110**	31,212
Decrease in internally restricted net assets	**40,393**	(19,010)
Advances of receivable from Winnipeg Regional Health Authority	**(200,512)**	(485,781)
Repayments of receivable from Winnipeg Regional Health Authority	**296,857**	168,235
Contributions to trust funds payable	**46,211**	34,553
Withdrawals from trust funds payable	**(18,319)**	(30,872)
	83,864	(306,550)
Investing		
Purchase of capital assets	**(39,463)**	(204,139)
Increase (decrease) in cash resources	**315,779**	(418,242)
Cash resources, beginning of year	**1,916,457**	2,334,699
Cash resources, end of year	**2,232,236**	1,916,457

Cash resources are composed of:		
Cash	**508,789**	7,695
Short term investments	**1,723,447**	1,908,762
	2,232,236	1,916,457

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

West Park Manor Personal Care Home, Inc. 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. Impact of adopting accounting standards for not-for-profit organizations

These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 30, 2012, and the opening ASNPO balance sheet as at April 1, 2011 (the Organization's date of transition to ASNPO).

In preparing these financial statements, the Organization has chosen not to elect to apply any of transitional provisions permitted by CICA 1501 *First-time adoption by not-for-profit organizations* at the date of transition to ASNPO.

The transition to ASNPO has not affected the statement of financial position or net assets, statement of operations or statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP).

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains 3 funds: unrestricted fund, invested in capital fund and internally restricted fund.

The Unrestricted Fund reports the Organization's revenue and expenses related to program delivery and administrative activities in accordance with guidelines established by Manitoba Health and/or Winnipeg Regional Health Authority for future expenditures as approved by Manitoba Health for future expenditures.

The Capital Fund reports the Organization's assets, liabilities, revenue and expenses related to West Park Manor Personal Care Home Inc.'s capital assets and building expansion campaign.

The Internally Restricted Fund reports were established by fund raising activity and interest revenue over prior years and its net assets are restricted for use at the discretion of the Board of Directors.

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized in the appropriate deferred contribution balance or in net assets depending on the nature of the restrictions. Unrestricted investment income is recognized as revenue in the Operating Fund when earned

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.

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

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.

Capital assets are recorded at cost. Amortization is recorded in the operating fund 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

Long-lived assets

Long-lived assets consist of buildings, computer equipment and equipment 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 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. 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.

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.

4. Cash

Included in cash and short term investments are amounts due to reserve and trust accounts that are subject to certain restrictions.

Bank accounts earn interest at prime less 1.75%

	2013	*2012*
Bank	**491,310**	(9,784)
Restricted cash - equipment and repairs	**17,479**	17,479
	508,789	7,695

5. Short term investments

Guaranteed investment certificate, earning interest at 1.50%, matured August 14, 2012	**-**	200,370
Money market mutual funds	**1,723,447**	1,708,392
	1,723,447	1,908,762

6. Accounts receivable

	2013	*2012*
Resident rents receivables (prepaids)	**(8,545)**	8,862
Government remittances receivable	**27,575**	26,768
	19,030	35,630

7. Capital assets

	Cost	Accumulated amortization	2013 Net book value
Land	**132,920**	**-**	**132,920**
Buildings	**2,729,800**	**1,683,202**	**1,046,598**
Computer equipment	**57,243**	**54,444**	**2,799**
Equipment	**2,129,042**	**1,739,428**	**389,614**
	5,049,005	**3,477,074**	**1,571,931**

	Cost	Accumulated amortization	2012 Net book value
Land	**132,920**	**-**	**132,920**
Buildings	**2,729,800**	**1,616,550**	**1,113,250**
Computer equipment	**55,023**	**53,658**	**1,365**
Equipment	**2,089,072**	**1,702,669**	**386,403**
	5,006,815	**3,372,877**	**1,633,938**

8. Investments

	2013	2012
Guaranteed investment certificate, earning interest at 2.50%, maturing April 1, 2013	**355,839**	348,633

9. 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 liabilitiy 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, 2013 fiscal year the Organization incurred an increase in employee future benefits of $26,455 (2012 - a decrease of $11,778) and a payable for the same amount was recorded as an 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 3.15% and a rate of salary increase of 3.50%.

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 the Canadian Institute of Chartered Accountants Accounting Standards for Private Enterprises Section 3462. Total contributions to the plan on behalf of employees during the year were $409,956 (2012 - $401,005).

10. Long-term debt

	2013	*2012*
First mortgage payable in monthly instalments of $8,289 including interest at 7.75%, secured by land and buildings having a net book value of $408,789 (March 31, 2012 - $452,036, April 1, 2011 - $496,875), due August 1, 2023.	**713,386**	756,631
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,119 plus interest, secured with a general security agreement, due December 15, 2013.	**25,348**	50,776
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a general security agreement, due October 12, 2013.	**17,710**	48,130
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $1,485 plus interest, secured with a general security agreement, due December 20, 2013.	**98,993**	116,813
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $1,301 plus interest, secured with a general security agreement, due December 9, 2013.	**115,711**	131,323
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $1,542 plus interest, secured with a general security agreement, due October 27, 2013.	**166,523**	152,873
	1,137,671	1,256,546
Less: Current portion	**470,000**	132,000
	667,671	1,124,546

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:

2014	470,000
2015	49,000
2016	53,000
2017	58,000
2018	62,000

11. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital fund	*Insurance*	*2013*	*2012*
Balance, beginning of year	**761,982**	**15,800**	**777,782**	705,594
- Principal repayment	**147,628**	**-**	**147,628**	155,900
- Equipment replacement	**26,250**	**-**	**26,250**	26,250
- Major repairs	**7,945**	**-**	**7,945**	7,944
- Insurance deductible	**-**	**2,016**	**2,016**	2,016
Recognized as revenue during the year	**(144,902)**	**(1,200)**	**(146,102)**	(119,922)
Balance, end of year	**798,903**	**16,616**	**815,519**	777,782

12. Internally restricted net assets

	2013	2012
Non-operating income reserve		
Balance, beginning of year	**631,321**	619,119
Interest	**35,580**	29,620
Other	**(15,343)**	(14,324)
Payments/expenditures	**(5,792)**	(3,094)
Transfer to reserve funds	**(14,000)**	-
Balance, end of year	**631,766**	631,321
Reserve for major repairs	**28,233**	28,233
	659,999	659,554

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.

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.

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable and receivable from Winnipeg Regional Health Authority (WRHA).

14. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or Winnipeg Regional Health Authority and its ability to continue viable operations is dependent upon maintaining this funding.

15. 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 payable to WRHA.

16. Commitments

The Organization has entered into various lease agreements with estimated minimum annual payments as follows:

2014	2,768
2015	2,768
2016	230
	5,766

booke
& partners
CHARTERED ACCOUNTANTS

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Independent Auditors' Report

To the 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, 2013, March 31, 2012, and April 1, 2011, and the statements of financial activities, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Women's Health Clinic Inc. as at March 31, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
June 4, 2013

Chartered Accountants

Women's Health Clinic Inc.
Statements of Financial Activities

Years Ended March 31	Operating Fund	Donation Fund	Capital Fund	**2013 Total**	2012 Total
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$4,952,705	$ -	$ -	**$4,952,705**	$3,915,605
Capital payments (Note 9)	-	-	20,627	**20,627**	16,583
United Way of Winnipeg	238,464	-	-	**238,464**	219,710
Province of Manitoba	201,300	-	-	**201,300**	570,045
Medical supplies	62,005	-	-	**62,005**	74,500
Miscellaneous	30,165	-	-	**30,165**	7,288
Investment income	-	3,008	-	**3,008**	3,655
The Winnipeg Foundation	9,706	-	-	**9,706**	9,171
Fee for service	366,689	-	-	**366,689**	363,013
Fundraising	-	15,409	-	**15,409**	29,989
Contributions (Note 9)	-	-	14,108	**14,108**	14,050
Rent	-	-	27,030	**27,030**	33,900
	5,861,034	18,417	61,765	**5,941,216**	5,257,509
Expenses					
Operating Fund (Page 13)	5,827,514	-	-	**5,827,514**	5,124,461
Donation Fund (Page 14)	-	1,842	-	**1,842**	24,603
Amortization	-	-	102,178	**102,178**	89,140
Interest on mortgage	-	-	12,755	**12,755**	14,305
	5,827,514	1,842	114,933	**5,944,289**	5,252,509
Excess (deficiency) of revenues over expenses before under noted items	33,520	16,575	(53,168)	**(3,073)**	5,000
Pre-retirement leave (Note 11)					
Recovery	61,958	-	-	**61,958**	34,072
Expense	(61,664)	-	-	**(61,664)**	(34,072)
Excess (deficiency) of revenues over expenses	$ 33,814	$ 16,575	$ (53,168)	**$ (2,779)**	$ 5,000

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statements of Changes in Fund Balances

March 31	Operating Fund	Donation Fund	Capital Fund	**2013 Total**	2012 Total
Fund balance, beginning of years, as previously stated	$ 373,627	$ 186,762	$ (154,284)	**$ 406,105**	$ 401,105
Prior period adjustment (Note 4)	128,074	-	-	**128,074**	128,074
Fund balance, as restated	501,701	186,762	(154,284)	**534,179**	529,179
Excess (deficiency) of revenues over expenses	33,814	16,575	(53,168)	**(2,779)**	5,000
Fund balance, end of years	$ 535,515	$ 203,337	$ (207,452)	**$ 531,400**	$ 534,179

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statements of Financial Position

	March 31, 2013	March 31, 2012 (Note 16)	April 1, 2011 (Note 16)
Assets			
Current			
Cash (Note 5)	**$ 663,355**	$ 360,028	$ 571,772
Receivables	**13,184**	335,272	251,883
Due from Winnipeg Regional Health Authority	**943,782**	909,901	763,764
Inventories	**28,251**	27,547	56,308
Prepaids	**13,114**	14,509	10,179
	1,661,686	1,647,257	1,653,906
Deferred project costs	**55,837**	62,521	47,915
Capital assets (Note 6)	**815,648**	890,891	867,015
	$2,533,171	$2,600,669	$2,568,836

Liabilities			
Current			
Payables and accruals	**$ 644,190**	$ 665,133	$ 599,831
Government remittances payable	**58,857**	40,285	3,634
In Trust for Disabled Women's Network	**-**	-	256
Deferred revenue	**13,898**	12,924	11,943
Deferred contributions			
Related to Operating Fund (Note 7)	**326,622**	349,387	432,080
Demand loan (Note 8)	**367,515**	414,280	459,495
	1,411,082	1,482,009	1,507,239
Deferred contributions			
Related to capital assets (Note 9)	**243,164**	266,123	248,131
Pre-retirement leave (Note 11)	**347,525**	318,358	284,287
	2,001,771	2,066,490	2,039,657
Fund Balances			
Operating Fund	**535,515**	501,701	466,830
Donation Fund	**203,337**	186,762	177,721
Capital Fund	**(207,452)**	(154,284)	(115,372)
	531,400	534,179	529,179
	$2,533,171	$2,600,669	$2,568,836

Commitment (Note 13)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statements of Cash Flows

Years Ended March 31	**2013**	2012
Cash derived from (applied to)		
Operating		
(Deficiency) excess of revenues over expenses	**$ (2,779)**	$ 5,000
Amortization	**102,178**	89,140
Amortization of deferred contributions	**(34,735)**	(30,633)
Loss on write down of capital assets	**6,129**	-
	70,793	63,507
Change in non-cash operating assets and liabilities (Note 10)	**300,587**	(165,645)
	371,380	(102,138)
Investing		
Purchase of capital assets	**(32,786)**	(113,016)
Funding received to purchase capital assets	**11,498**	48,625
	(21,288)	(64,391)
Financing		
Repayment of demand loan	**(46,765)**	(45,215)
Net increase (decrease) in cash	**303,327**	(211,744)
Cash, beginning of years	**360,028**	571,772
Cash, end of years	**$ 663,355**	$ 360,028

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Women's Health Clinic Inc. (the Organization) is a Community Health Centre based on principles of feminism, equity and diversity. The Organization works towards promoting the health and well-being of women. The approach to health is to facilitate empowerment, choice and action.

The Organization was formed in 1981, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Donation Fund reports 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 reports the assets and liabilities, revenues and expenses related to the Organization's capital assets.

b) Revenue recognition

The Organization follows the deferral method of 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fee for service revenue is recognized as earned, which is at the time the service is provided.

c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

d) Capital assets

Purchased 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.

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CHARTERED ACCOUNTANTS

2. Significant accounting policies (cont.)

e) Amortization

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Building and improvements	10 - 25 years	straight-line
Computers	5 years	straight-line
Furniture and fixtures	10 years	straight-line
Leasehold improvements		over the life of the lease
Security system	10 years	straight-line
Medical equipment	5 years	straight-line

Amortization expense is reported in the Capital Fund.

f) 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 3.15% (2012 - 4.1%), a rate of salary increase of 3.0% (2012 - 3.0%) plus an age-related merit/promotion scale with provision for disability.

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.

h) Financial instruments

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.

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CHARTERED ACCOUNTANTS

3. Impact of the change in the basis of accounting

Effective April 1, 2012 the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Organizations's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (ASfNPO) and the transitional provisions of Section 1501, First-time Adoption by Not-for-Profit Organizations have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASfNPO statement of financial position at April 1, 2011 (the Organization's date of transition).

The Organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of ASfNPO had no impact on the previously reported assets, liabilities, and fund balances of the Organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statements of financial activities, changes in fund balances, and the statements of cash flows. Certain of the Organization's disclosures included in these financial statements reflect the new disclosure requirements of ASfNPO.

4. Prior period adjustment

During the year, the Organization identified receivables from Winnipeg Regional Health Authority that were not previously recorded as follows: vacation, statutory holiday and overtime funding receivable of $27,822 from 2004 and pre-retirement leave funding receivable of $100,252 from 2006. The adjustment results in an increase in due from Winnipeg Regional Health Authority and the opening operating fund balance in the amount of $128,074 (2012 - $128,074, 2011 - $128,074).

5. Cash

The Organization has a line of credit available in the amount of $25,000. As at March 31, 2013 the balance is $Nil (2012 - $Nil).

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CHARTERED ACCOUNTANTS

6. Capital assets

	Cost	Accumulated Amortization	**2013 Net Book Value**	2012 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	993,244	399,398	**593,846**	636,355
Computers	65,630	57,109	**8,521**	15,754
Furniture and fixtures	58,705	56,035	**2,670**	8,540
Leasehold improvements	3,553	1,066	**2,487**	2,842
Security system	46,719	39,415	**7,304**	11,976
Medical equipment	148,203	77,383	**70,820**	85,424
	$ 1,446,054	$ 630,406	**$ 815,648**	$ 890,891

7. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2013	2012
Winnipeg Regional Health Authority	**$ 315,223**	$ 317,113
Provincial Eating Disorder Prevention and Recovery Program	**11,399**	8,361
Winnipeg Foundation	**-**	9,706
Healthy Child Manitoba	**-**	10,126
Madeline Boscoe Visionary Fund	**-**	2,581
CWHN	**-**	1,500
	$ 326,622	$ 349,387

8. Demand loan

	2013	2012
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 367,515**	$ 414,280

The Organization's land and building are pledged as security for the debt.

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9. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $243,164 (2012 - $266,123) represent grants and donations for building, computers, furniture and fixtures and medical equipment. Deferred contributions are amortized on the statement of financial activities.

10. Change in non-cash operating assets and liabilities

	2013	2012 (Note 16)
Receivables	$ 322,088	$ (83,389)
Due from Winnipeg Regional Health Authority	(33,881)	(146,137)
Inventories	(704)	28,761
Prepaids	1,395	(4,330)
Deferred project costs	6,684	(14,606)
Payables and accruals	8,224	99,373
Government remittances payable	18,572	36,651
In Trust for Disabled Women's Network	-	(256)
Deferred revenue and deferred contributions	(21,791)	(81,712)
	$ 300,587	$ (165,645)

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CHARTERED ACCOUNTANTS

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 WRHA 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. During the year the obligation increased by $29,167 (2012 - $34,072).

A portion of the pre-retirement benefits for the current year of $13,993 (2012 - $59,078) were funded by Winnipeg Regional Health Authority.

During the year, the Organization incurred retirement leave expenditures of $32,496 (2012 - $Nil) which were fully funded by WRHA.

The pre-retirement leave obligation is as follows:

	2013	2012
WRHA funded employees	**$ 302,508**	$ 282,491
Non-WRHA funded employees	**45,017**	35,867
	$ 347,525	$ 318,358

12. Endowment Fund

In 2002 the Organization established an Endowment Fund to be 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, 2013, contributions to the Endowment Fund totaled $172,749 (2012 - $166,044), including those from third parties. The market value of the Endowment Fund at March 31, 2013 is $191,187 (2012 - $173,718).

13. 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 $110,000 over the next five years exclusive of certain incremental occupancy costs.

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CHARTERED ACCOUNTANTS

14. 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, $271,461 (2012 - $243,527) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

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

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Schedules of Operating Fund Expenses

Years Ended March 31	**2013**	2012
Salaries	**$3,775,866**	$3,216,656
Employee benefits (Note 14)	**601,027**	503,061
Purchased services	**463,450**	446,577
Community relations	**23,173**	28,649
Association membership fees	**175**	1,182
Bad debt	**3,045**	-
Insurance	**5,411**	5,418
Postage	**10,346**	11,065
Printing, stationery and office supplies	**166,501**	147,266
Professional fees	**21,718**	15,017
Accounting and computer fees	**21,396**	14,342
Staff recruitment	**667**	882
Staff training	**20,027**	13,298
Telephone	**40,079**	48,959
Other supplies	**110,922**	76,164
Medical and surgical supplies	**151,100**	143,268
Purchases of medical supplies inventories	**139,187**	202,994
Repairs and maintenance	**51,817**	37,171
Health education materials	**4,502**	2,909
Occupancy costs	**132,422**	119,815
Utilities	**59,399**	66,622
Volunteer services	**961**	1,303
Lectures and honorariums	**90**	205
Travel	**24,233**	21,638
	$5,827,514	$5,124,461

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Schedules of Donation Fund Expenses

Years Ended March 31		**2013**		2012
Volunteer appreciation	**$**	**432**	$	1,480
Fundraising		**1,384**		23,069
Programs		**26**		54
	$	**1,842**	$	24,603

See accompanying notes to the financial statements.

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 audits 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 10, 2013
Winnipeg, Manitoba

Membre de / Member of Deloitte Touche Tohmatsu Limited

REHABILITATION CENTRE FOR CHILDREN, INC.
Statements of Operations
Years Ended March 31, 2013 and March 31, 2012

	2013	2012 (Note 2)
REVENUE		
Patient services - Winnipeg Regional Health Authority	**$ 2,717,675**	$ 2,686,649
Sales of prosthetics/orthotics fees for service	**909,206**	827,750
Sales of prosthetics/orthotics - other revenue	**150,745**	142,087
Restricted funding		
Children's Rehabilitation Foundation Inc. (Note 11b)	**738,167**	430,011
Research revenue	**39,063**	33,614
MB FASD Centre	**115,616**	79,740
Stepping Out Saturdays	**223,630**	209,693
Sales of assistive devices	**65,347**	69,857
School therapy program	**2,104,837**	1,923,838
Provincial Outreach Therapy for Children program	**578,004**	562,735
Childrens' Therapy Initiative (Note 12)	**110,643**	200,134
Healthy Child program	**47,600**	104,600
Miscellaneous	**163,598**	167,370
	7,964,131	7,438,078
EXPENSES		
Salaries	**2,474,883**	2,443,796
Employee benefits and costs	**573,308**	600,942
Prosthetics and orthotics supplies	**180,929**	186,446
Special devices supplies	**147,174**	193,437
Other supplies and expenses	**205,616**	212,976
Restricted expenditures		
Children's Rehabilitation Foundation Inc.	**691,712**	392,961
Research expense	**25,266**	32,998
School therapy salaries and other costs	**2,035,317**	1,924,408
Provincial Outreach Therapy for Children salaries and other costs	**512,483**	602,254
Childrens' Therapy Initiative and other costs (Note 12)	**202,040**	201,225
Repairs and maintenance	**24,950**	31,648
Utilities, insurance and taxes	**62,652**	61,899
Purchased services	**128,523**	83,622
Family support network	**57,296**	15,453
MB FASD Centre	**124,920**	144,240
Stepping Out Saturdays	**185,806**	154,039
	7,632,875	7,282,344
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	**331,256**	155,734
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	**63,958**	55,363
Amortization of capital assets	**(59,874)**	(63,051)
Interest income	**35,035**	34,263
Funding adjustments relating to prior years	**180**	(4,283)
	39,299	22,292
EXCESS OF REVENUE OVER EXPENSES	**$ 370,555**	$ 178,026

REHABILITATION CENTRE FOR CHILDREN, INC.
Statements of Financial Position
March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Note 2)	April 1, 2011 (Note 2)
ASSETS			
CURRENT			
Cash and short-term investments	**$ 588,026**	$ 634,446	$ 509,661
Investments in GIC	**2,069,033**	1,745,058	1,609,486
Accounts receivable (Note 4)	**926,578**	931,432	632,964
Inventory	**291,767**	221,965	237,526
Prepaid expenses	**9,297**	9,725	8,812
Due from WRHA - accrued vacation pay (Note 3h)	**155,997**	155,997	155,997
	4,040,698	3,698,623	3,154,446
Restricted cash	**22,749**	21,676	33,343
Due from WRHA - pre-retirement and sick leave benefits (Note 3h)	**423,547**	383,685	352,370
Capital assets (Note 5)	**229,293**	257,005	305,053
	$ 4,716,287	$ 4,360,989	3,845,212
LIABILITIES			
CURRENT			
Accounts payable	**$ 385,787**	$ 443,767	$ 311,050
Accrued vacation pay - WRHA	**237,009**	222,303	202,638
Accrued vacation pay - other funders	**66,151**	64,877	69,766
	688,947	730,947	583,454
Accrued pre-retirement leave benefits (Note 6)	**768,964**	699,657	633,049
Accrued sick leave benefits (Note 7)	**123,275**	116,581	57,268
Deferred contributions related to capital assets (Note 8)	**191,840**	222,073	260,464
Deferred contributions (Note 9)	**83,703**	102,728	-
	1,856,729	1,871,986	1,534,235
NET ASSETS (Note 12)			
Restricted POTC	**131,702**	66,181	105,700
Restricted Childrens' Therapy	**44,774**	136,171	137,262
Restricted School Therapy	**196,066**	126,546	127,116
Restricted Prosthetics and Orthotics	**76,912**	54,981	69,594
Restricted Stepping Out Saturdays	**302,474**	264,650	208,996
Equipment Reserve	**959,747**	813,672	704,315
Unrestricted	**1,147,883**	1,026,802	957,994
	2,859,558	2,489,003	2,310,977
	$ 4,716,287	$ 4,360,989	$ 3,845,212

APPROVED BY THE BOARD

Director Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statements of Changes in Net Assets

Years Ended March 31, 2013 and March 31, 2012

	2013							
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Equipment Reserve	Unrestricted	**Total**
Balance, beginning of year	$ 66,181	$ 136,171	$ 126,546	$ 54,981	$ 264,650	$ 813,672	$ 1,026,802	**$ 2,489,003**
Excess of revenue over expenses (expenses over revenue)	65,521	(91,397)	69,520	171,931	37,824	14,609	102,547	**370,555**
Interfund transfers (Note 12)	-	-	-	(150,000)	-	131,466	18,534	**-**
Balance, end of year	**$ 131,702**	**$ 44,774**	**$ 196,066**	**$ 76,912**	**$ 302,474**	**$ 959,747**	**$ 1,147,883**	**$ 2,859,558**

	2012							
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Equipment Reserve	Unrestricted	**Total**
Balance, April 1, 2011 as previously reported	$ 105,700	$ 137,262	$ 147,976	$ 76,860	$ 208,996	$ 704,315	$ 957,994	$ 2,339,103
Adjustment related to sick leave benefits (Note 2)	-	-	(2,881)	-	-	-	-	(2,881)
Adjustment related to exemption regarding the pre-retirement leave benefits (Note 2)	-	-	(17,979)	(7,266)	-	-	-	(25,245)
Balance at April 1, 2011 as adjusted	105,700	137,262	127,116	69,594	208,996	704,315	957,994	2,310,977
Excess of revenue over expenses (expenses over revenue)	(39,519)	(1,091)	(570)	85,387	55,654	9,357	68,808	178,026
Interfund transfers (Note 12)	-	-	-	(100,000)	-	100,000	-	-
Balance, end of year	$ 66,181	$ 136,171	$ 126,546	$ 54,981	$ 264,650	$ 813,672	$ 1,026,802	$ 2,489,003

REHABILITATION CENTRE FOR CHILDREN, INC.
Statements of Cash Flows
Years Ended March 31, 2013 and March 31, 2012

	2013	2012 (Note 2)
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 370,555**	$ 178,026
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**59,874**	63,051
Amortization of deferred contributions - capital assets	**(44,933)**	(53,091)
Amortization of deferred contributions - EMR	**(19,025)**	(2,272)
Employee future benefits	**52,119**	109,382
	418,590	295,096
Net change in non-cash working capital balances		
Accounts receivable	**4,854**	(298,468)
Inventory	**(69,802)**	15,561
Prepaid expenses	**428**	(913)
Accounts payable	**(57,980)**	132,717
	296,090	143,993
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	**14,700**	14,700
Increase in deferred contributions	**-**	105,000
Change in cash restricted for purchases of capital assets	**(1,073)**	11,667
	13,627	131,367
INVESTING ACTIVITIES		
Purchase of capital assets	**(32,162)**	(15,003)
Investments in GIC	**(323,975)**	(135,572)
	(356,137)	(150,575)
NET (DECREASE) INCREASE IN CASH POSITION	**(46,420)**	124,785
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**634,446**	509,661
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 588,026**	$ 634,446

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. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Centre adopted the new Public Sector Accounting Standards ("PSAS"), including PSAS for Government Not-for-Profit Organizations (PS 4200 – PS 4270), (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with PS 2125 of the CICA Handbook, First-time Adoption by Government Organizations, ("Section 2125"), the date of transition to the new standards is April 1, 2011 and the Centre has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the entity's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 2125, the Centre:

(a) recognized all assets and liabilities whose recognition is required by the new standards;
(b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
(c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
(d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 2125, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (continued)

Impact of the new standards

The impact of the adoption of the new standards on the Centre's financial statements is as follows:

a) As a result of applying PS 3255 Post-Employment Benefits, Compensated Absences and Termination Benefits the Centre has recognized an obligation for accumulated sick leave benefits as at April 1, 2011 totalling $57,268. Because the WRHA will provide funding for this obligation for certain employees, the amount due from the WHRA – pre-retirement and sick leave benefits has been increased by $54,387 and the unfunded portion of the obligation as at April 1, 2011 of $2,881 has been charged to net assets.

   As a result of applying this standard, for the year ended March 31, 2012 the expenses have increased $59,313, revenue from the WRHA has decreased $436 and excess of revenue over expenses has decreased $59,749.

b) The Centre has revalued its liability related to the accrued pre-retirement leave benefits as at April 1, 2011 using a discount rate of 2.875%, which is based on its estimated cost of borrowing, in order to comply with PS 3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. This has resulted in an increase in the accrued pre-retirement leave benefits of $46,485, an increase in the amount due from WRHA – pre-retirement leave benefits of $21,240 and a decrease in net assets of $25,245. The split of the decrease in net assets between the different funds has been detailed in the statement of changes in net assets.

   As a result of applying this standard, for the year ended March 31, 2012 the expenses have increased $49,301, revenue from the WRHA has increased $17,297 and excess of revenue over expenses has decreased $32,004.

c) The operating activities section of the cash flow statement for the year ended March 31, 2012 has been adjusted to reflect, as appropriate, the above changes to the statements of financial position and operations. The adjustments impact the amount of the excess of revenue over expenses and the reconciling items in determining the total funds from operating activities.

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. 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 and school divisions for specified programs.

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 $334,268 (2012 - $379,883).

3. SIGNIFICANT ACCOUNTING POLICIES

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:

Building and building service equipment	20 years
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.

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 base 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. ACCOUNTS RECEIVABLE

	March 31, 2013	March 31, 2012	April 1, 2011
Patient services	**$ 154,061**	$ 259,949	$ 146,642
School divisions	**214,811**	198,989	166,268
Manitoba Health – Patient services	**137,854**	205,646	164,263
Winnipeg Regional Healthy Authority – Operations	**44,431**	88,940	82,050
Due from Children's Rehabilitation Foundation Inc. (Note 11b)	**126,841**	115,403	56,987
Specialized Services for Children and Youth (SSCY) Capital campaign	**208,718**	50,000	-
GST Rebate	**15,610**	12,505	14,130
EMR Funding – CDC	**2,523**	-	-
Other	**21,729**	-	2,624
	$ 926,578	$ 931,432	$ 632,964

5. CAPITAL ASSETS

	March 31, 2013			March 31, 2012	April 1, 2011
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Net Book Value
Building and building service equipment	**$ 207,243**	**$ 203,451**	**$ 3,792**	$ -	$ 1,176
Equipment and furniture	**620,831**	**468,973**	**151,858**	180,526	195,276
Information systems	**377,171**	**309,881**	**67,290**	76,479	108,601
Leasehold improvements	**7,941**	**1,588**	**6,353**	-	-
	$ 1,213,186	**$ 983,893**	**$ 229,293**	$ 257,005	$305,053

6. ACCRUED PRE-RETIREMENT LEAVE BENEFITS

The WRHA undertook an actuarial valuation as at March 31, 2013 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 2.125%, a rate of salary increase of 3.0% plus age related merit/promotion scale and a factor ranging from 0 – 2.28% for disability. Actual payments made during the year for the Centre's pre-retirement leave benefits were $nil (2012 - $51,383).

7. 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 7.66 years, a discount rate of 2.125% and a rate of salary increase of 3.0%.

8. 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:

	2013	2012
Balance, beginning of year	**$ 222,073**	$ 260,464
Plus: contributions received during the year	**14,700**	14,700
Less: current year amortization	**(44,933)**	(53,091)
	$ 191,840	$ 222,073

9. 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.

	2013	2012
Balance, beginning of year	**$ 102,728**	$ -
Plus: contributions received during the year	**-**	105,000
Less: current year purchases/expenses	**(19,025)**	(2,272)
	$ 83,703	$ 102,728

10. 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 $315,254 (2012 - $302,097) and are included in the statement of operations.

11. 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 4 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 $738,167 to the Centre in the form of cash and capital donations (2012 - $430,011).

12. 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.

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 $150,000 (2012 - $100,000) to an Equipment Reserve to support the capital needs of rehabilitation engineering and $18,534 of the funds in the Equipment Reserve were used to purchase allowable assets and therefore this amount was transferred from the Equipment Reserve Fund to the Unrestricted Fund (2012 - $nil).

12. NET ASSETS (continued)

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. Prior to March 31, 2013, the Centre received authorization from the WRHA that allowed it to defer repayment of any 2013 surplus in excess of the amount that the Centre would normally be allowed to retain. This deferred funding is to be used towards financing the SSCY project manager and related administrative costs in the 2014 fiscal year.

Details relating to unrestricted net assets as of March 31, 2013 are as follows:

Cumulative net assets subject to audit by the WRHA	$	331,822
Net assets invested in capital assets		34,453
Net assets - unrestricted		781,608
	$	1,147,883

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, 2013.

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:

	2013	2012
Gross funding received by the Centre	**$ 682,643**	$ 700,000
Disbursement to the third party	**(572,000)**	(499,866)
Revenue earned by the Centre	**110,643**	200,134
Expenses incurred by the Centre	**(202,040)**	(201,225)
Program surplus/deficit at the Centre	**$ (91,397)**	$ (1,091)

13. 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:

	2013	2012
Funding sources:		
Winnipeg Foundation	**$ 12,944**	$ 12,056
WRHA – donated funds	**158,718**	-
Rehabilitation Centre for Children, Inc - bridge financing	**-**	50,000
Children's Rehabilitation Foundation - bridge financing	**25,000**	25,000
Investment	**-**	11,498
Total funding received	**$ 196,662**	$ 98,554
Campaign expenses	**$ 196,662**	$ 98,554

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.

14. 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.