



VOLUME 4 - SECTION 3

FISCAL YEAR ENDED PAGE

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**INTERLAKE-EASTERN REGIONAL
HEALTH AUTHORITY**

Consolidated Financial Statements
For the year ended March 31, 2016



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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, 2016, 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 23, 2016

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Financial Position

March 31

2016

2015

Assets

Current Assets

Cash and term deposits (Note 2)	\$ 6,973,046	\$ 9,884,748
Accounts receivable	3,431,638	3,361,360
Due from Manitoba Health, Seniors and Active Living (Note 3 and 16)	20,306,778	6,322,917
Inventories	839,228	838,889
Prepaid expense	670,059	733,991
Vacation entitlements receivable (Note 4)	5,484,424	5,484,424
	<u>37,705,173</u>	<u>26,626,329</u>

Retirement obligations receivable (Note 12)	5,912,865	5,912,865
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Other assets	194,501	192,800
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Capital assets (Note 5)	187,047,582	115,947,135
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	<u>\$ 230,860,121</u>	<u>\$ 148,679,129</u>
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Liabilities and Net Assets

Current Liabilities

Bank indebtedness (Note 6)	\$ 4,220,073	\$ -
Accounts payable and accrued liabilities	26,579,423	16,871,662
Accrued vacation entitlements (Note 4)	9,912,022	9,510,239
Current portion of long-term debt (Note 7)	222,337	209,727
	<u>40,933,855</u>	<u>26,591,628</u>

Accrued retirement obligations (Note 12)	14,004,853	13,697,173
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Sick leave liability (Note 12)	2,820,915	3,248,575
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Long-term debt (Note 7)	741,154	972,848
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Deferred contributions (Note 8)	181,329,293	113,090,636
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	<u>239,830,070</u>	<u>157,600,860</u>
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Commitments and contingencies (Note 5 and 11)

Net Assets

Investment in capital assets (Note 9)	8,849,771	5,975,387
Externally restricted (Note 14)	444,372	493,409
Internally restricted (Note 14)	90,795	78,147
Unrestricted - RHA	(17,900,543)	(15,014,330)
Unrestricted - Contract Facilities	(454,344)	(454,344)
	<u>(8,969,949)</u>	<u>(8,921,731)</u>

	<u>\$ 230,860,121</u>	<u>\$ 148,679,129</u>
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Approved on behalf of the Board:

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Original Document Signed _____ Director

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations

For the year ended March 31

2016

2015

Revenue

Province of Manitoba		
Health, Seniors and Active Living (Note 10)	\$220,572,013	\$195,627,004
Other	2,491,676	2,256,274
Client non-insured	11,770,739	11,402,319
Interest	94,008	233,119
Offset and other income	6,152,755	7,255,664
Ancillary income	461,362	444,724
Amortization of deferred contributions	6,091,046	6,264,364
	247,633,599	223,483,468

Expenditures

Acute care services	63,118,963	58,663,945
Amortization of capital assets	6,289,337	6,494,291
Chemotherapy	803,675	754,451
Community health	18,996,576	16,934,229
Home based care	33,955,462	30,963,579
Diagnostic services	13,446,740	12,653,996
Dialysis	3,706,740	3,454,444
Emergency response and transport	18,274,952	17,562,282
Long-term care services	50,312,800	48,561,948
Mental health services	8,661,020	8,046,078
Medical remuneration	15,196,373	14,291,528
Nurse recruitment and retention	124,531	114,955
Northern patient transportation program	179,676	181,435
Regional undistributed expenditures	13,429,335	13,704,419
Safety and renovations	1,137,419	867,764
	247,633,599	233,249,344

Excess (deficiency) of revenue over expenditures for the year \$ - \$ (9,765,876)

Allocated as follows:

Regional services	\$	-	\$ 9,550,323
Contracted services		-	215,553
	\$	-	\$ 9,765,876

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						2016	2015
	Investment in Capital Assets (Note 9)	Externally Restricted (Note 14)	Internally Restricted (Note 14)	Unrestricted - RHA	Unrestricted - Contract Facilities	Total	Total
Balance, beginning of year	\$ 5,975,387	\$ 493,409	\$ 78,147	\$ (15,014,330)	\$ (454,344)	\$ (8,921,731)	988,290
Reallocation of interest earned on donation and externally restricted funds	-	2,520	9,309	(11,829)	-	-	
Change in restricted net assets	-	(51,557)	3,339	-	-	(48,218)	(144,145)
Excess (deficiency) of revenue over expenditures for the year	(198,291)	-	-	198,291	-	-	(9,765,876)
Net changes in investment in capital assets	3,072,675	-	-	(3,072,675)	-	-	-
Balance, end of year	\$ 8,849,771	\$ 444,372	\$ 90,795	\$ (17,900,543)	\$ (454,344)	\$ (8,969,949)	\$ (8,921,731)

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	\$ -	\$ (9,765,876)
Adjustments for:		
Amortization of capital assets	6,289,337	6,494,291
Amortization of deferred contributions related to capital assets	(6,091,046)	(6,264,364)
Deferred contributions - expenses of future periods		
Receipts	10,309,774	4,613,491
Expenditures	(10,516,264)	(5,435,946)
	(8,199)	(10,358,404)
Changes in non-cash working capital		
Accounts receivable	(70,278)	470,535
Due from Manitoba Health, Seniors and Active Living	(13,983,861)	(3,918,373)
Inventories	(339)	79,008
Prepaid expense	63,932	(41,222)
Accounts payable and accrued liabilities	9,707,761	4,003,888
Accrued vacation entitlements	401,783	654,362
	(3,889,201)	(9,110,206)
Sick leave liability	(427,660)	231,866
Accrued retirement obligations	307,680	(410,350)
	(4,009,181)	(9,288,690)
Cash Flows from Capital Activities		
Purchase of capital assets	(77,389,784)	(27,227,655)
Cash Flows from Investing Activities		
Other assets	(1,701)	3,773
Cash Flows from Financing Activities		
Advances on long-term debt	-	438,772
Repayment of long-term debt	(219,084)	(200,723)
Receipt of deferred contributions related to capital assets	74,536,193	26,811,059
Payout of internally restricted net assets	3,339	855
Payout of externally restricted net assets	(51,557)	(145,000)
	74,268,891	26,904,963
Net decrease in cash and term deposits	(7,131,775)	(9,607,609)
Cash and term deposits, beginning of year	9,884,748	19,492,357
Cash and term deposits, end of year	\$ 2,752,973	\$ 9,884,748
Comprised of		
Cash and term deposits	\$ 6,973,046	\$ 9,884,748
Bank indebtedness	(4,220,073)	-
	\$ 2,752,973	\$ 9,884,748
Supplementary Information		
Interest paid during the year	\$ 19,418	\$ 32,246

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

1. Summary of Significant Accounting Policies

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

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

(b) Nature of the Organization

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

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

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

(c) Revenue Recognition

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

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors and Active Living (MHSAL). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MHSAL with respect to the year ended March 31, 2016.

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

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

1. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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

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

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

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

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

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

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

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

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

(d) Inventories

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

1. Summary of Significant Accounting Policies (continued)

(e) Employee Future Benefits

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

(f) Compensated Absences

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

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

(g) Use of Estimates

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

(h) Contributed Services

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

(i) Capital Assets

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

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

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

1. Summary of Significant Accounting Policies (continued)

(j) Liability for Contaminated Sites

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

(k) Allocated Expenditures

A number of general support expenses are not allocated to the five main health sectors of Acute Care, Long-term Care, Home Care, Community and Mental Health and Emergency 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, quality assurance, education and infection control expenses.

(l) Financial Instruments

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

2. Cash and Term Deposits

Included in cash and term deposits are holdback bank accounts in the amount of \$6,192,041 (\$1,701,565 in 2015) that are directly related to the construction projects.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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

	2016	2015
Deficit funding (Note 16)	\$ 12,726,000	\$ -
Retroactive salary and benefit increases	6,533,848	5,401,038
Inter-facility ambulance transfers	503,074	1,422,404
Other operations	841,194	477,822
Safety and security	321,466	105,578
Small IT projects	132,600	-
Out of Globe - 2014/15	-	(1,083,925)
Out of Globe - 2015/16	(751,404)	-
	\$ 20,306,778	\$ 6,322,917

4. Vacation Entitlements Receivable

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

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

	2016	2015
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:

	2016	2015
Balance, beginning of year	\$ 9,510,239	\$ 8,855,877
Net increase in accrued vacation entitlements	401,783	654,362
Balance, end of year	\$ 9,912,022	\$ 9,510,239

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 513,702	\$ -	\$ 513,702	\$ -
Land improvements	868,145	830,021	868,145	809,861
Buildings	128,718,571	69,275,459	128,457,396	65,993,613
Ambulances	-	-	91,811	91,811
Leasehold improvements	1,172,375	373,864	1,172,375	210,204
Equipment	40,859,513	30,048,252	38,038,808	27,920,345
Building service equipment	2,369,086	1,013,463	2,369,086	867,323
Equipment - computers	3,271,492	2,487,812	4,169,708	3,308,944
Software licenses	2,374,623	2,351,683	3,024,322	2,820,143
Construction in progress	113,280,629	-	39,264,026	-
	\$293,428,136	\$106,380,554	\$217,969,379	\$102,022,244
Net book value		<u>\$187,047,582</u>		<u>\$115,947,135</u>

Construction in Progress Commitment

a) Selkirk Regional Health Centre

A contract was signed with Ellis Don Corporation in June 2014 for the construction of the Selkirk Regional Health Centre with an estimated completion date of 2017. Costs incurred to-date for building and equipment are \$101,937,546 (\$36,357,257 in 2015). Total expected project cost is \$159,243,183.

b) Primary Health Care and Traditional Healing Centre

A contract was signed with Parkwest Projects Ltd. in May 2015 for the construction of the Powerview - Pine Falls Primary Health Care and Traditional Healing Centre with an estimated completion date of 2016. Costs incurred to-date are \$5,522,138 (\$902,660 in 2015). Total expected project costs are \$11,687,800.

c) Construction in Progress

Other projects with total costs incurred to-date of \$5,820,945 (\$2,004,109 in 2015) are in various stages of completion. Total expected costs for these projects are \$8,531,485.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of \$8,800,000 (\$5,300,000 in 2015). The line of credit bears interest at Royal Bank of Canada prime rate less 1.05% and is supported by an authorization letter from MHSAL. As at March 31, 2016, \$4,343,138 (nil in 2015) was accessed on the line of credit. On April 20, 2016, authorization was received from MHSAL to increase the line of credit to \$9,500,000.

7. Long-term Debt

	<u>2016</u>	<u>2015</u>
CMHC mortgage payable, bearing interest at 1.71% 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 (Stonewall).	\$ 104,811	\$ 173,466
CMHC mortgage payable, bearing interest at 1.39%, due January 1, 2020 and requiring monthly principal and interest payments of \$7,093, secured by a first charge on land and building (Beausejour).	317,564	397,693
CMHC mortgage payable, bearing interest at 1.04%, due June 1, 2020 and requiring monthly principal and interest payments of \$3,325, secured by a first charge on land and building (Lac du Bonnet).	165,802	202,699
Royal Bank of Canada demand loan payable, bearing interest at prime rate less 1.05%, due August 31, 2027, requiring monthly principal and interest payments of \$3,350, secured by a borrowing resolution. The bank has confirmed that the loan will not be demanded and will be repaid over the term (Beausejour).	375,314	408,717
	963,491	1,182,575
Current portion of long-term debt	222,337	209,727
	\$ 741,154	\$ 972,848

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

7. Long-term Debt (continued)

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

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

2017	\$ 222,337
2018	190,164
2019	157,158
2020	145,260
2021	45,836
Thereafter	<u>202,736</u>
	<u>\$ 963,491</u>

8. Deferred Contributions

Deferred contributions consist of:

	<u>2016</u>	<u>2015</u>
Expenses of future periods	\$ 4,094,973	\$ 4,301,463
Capital assets	177,234,320	108,789,173
	<u>\$181,329,293</u>	<u>\$113,090,636</u>

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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 4,301,463	\$ 5,123,918
Additional amounts received during year	10,175,341	4,481,802
Funding for reserve for major repairs	134,433	131,689
Less expenditures	<u>(10,516,264)</u>	<u>(5,435,946)</u>
Balance, end of year	<u>\$ 4,094,973</u>	<u>\$ 4,301,463</u>

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

8. Deferred Contributions (continued)

b) Capital Assets

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$108,789,173	\$ 88,242,478
Additional contributions received, net	74,536,193	26,811,059
Less amounts amortized to revenue	(6,091,046)	(6,264,364)
Balance, end of year	<u>\$177,234,320</u>	<u>\$108,789,173</u>

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

9. Investment in Capital Assets

- a) Investment in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$187,047,582	\$115,947,135
Amounts financed by:		
Deferred contributions	177,234,320	108,789,173
Long-term debt	963,491	1,182,575
	\$ 8,849,771	\$ 5,975,387

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

	<u>2016</u>	<u>2015</u>
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	\$ 6,091,046	\$ 6,264,364
Amortization of capital assets	(6,289,337)	(6,494,291)
	\$ (198,291)	\$ (229,927)
 Net changes in investment in capital assets		
Purchase of capital assets	\$ 77,389,784	\$ 27,227,655
Amounts funded by:		
MHSAL funding	(74,425,758)	(26,762,451)
Advances on long-term debt	-	(438,772)
Donations	(110,435)	(48,608)
Repayment of long-term debt	219,084	200,723
	\$ 3,072,675	\$ 178,547

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

10. Revenue from Manitoba Health, Seniors and Active Living

	2016	2015
Revenue from MHSAL's		
Revenue as per MHSAL's final funding document	\$191,542,678	\$185,994,112
Debt interest allocation	(677,684)	(224,214)
Funds for loans held by the Province of Manitoba	(1,180,673)	(618,696)
Reserve for major repairs funding	(52,175)	(52,175)
	189,632,146	185,099,027
Add (Deduct)		
Retroactive salary and benefit increases	5,925,367	4,318,748
Leap Year Funding	521,543	-
Physician Assistant	-	53,580
Inter-facility ambulance transfers	3,091,950	3,772,387
Influenza and immunizations	130,272	172,470
Colonoscopies funding	-	122,150
Renal Outreach Program	-	186,877
Southern Air Ambulance Program	613,000	613,000
DSM directed funding	17,467	83,152
One-time funding - deficit (Note 16)	12,726,000	-
One-time funding - volume increase	6,000,000	-
One-time funding - other	240,821	16,796
One-time funding - deferred from prior fiscal year	-	1,000,000
Out-of-globe items and adjustments	(465,844)	(1,018,800)
Drug Cap Fees increase	71,443	142,884
Software amalgamation	-	92,666
Mobile Clinic funding	441,311	-
Bounce Back pilot project	100,000	-
Inter-Professional Team Demonstration Initiative	135,262	-
Clinical Psychology Intern	90,462	-
Hospital Home Team	62,400	-
Harm Reduction Activities	12,429	-
Healthy Together Now	88,565	104,303
Safety and renovations	1,137,419	867,764
	\$220,572,013	\$195,627,004

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

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, 2016, 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, 2016.

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

- c) Lease commitments exist at a variety of facilities with leases expiring at various dates up to November 30, 2027. For April 1, 2016 to March 31, 2017 the amount of the commitment is \$1,208,321. The aggregate commitment to March 31, 2021 is \$4,666,550.
- d) The Authority has not recognized a liability for decommissioning the Selkirk and District General Hospital. Decommissioning concerns include asbestos and known sewer issues. During a demolition, asbestos could be released into the air and therefore, precautions will need to be taken in order to protect the environment. As well, the aging facility has known sewer problems, which will require environmental cleanup and repatriation following destruction of the existing facility. A liability has not been recorded as the MHSAL budget for the new Selkirk Regional Health Centre includes \$1,000,000 for decommissioning the existing site, which is the current estimated cost.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

12. Employee Future Benefits

a) **Accrued Retirement Obligations**

Accrued retirement obligations are estimated based on an actuarial valuation as at March 31, 2015, which has been adjusted for interest rate changes and for actual benefits payments paid out to members. The next actuarial valuation will be completed for March 31, 2018. Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

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

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 3.00% (2.55% in 2015) and a rate of salary increase of 3.5% (3.5% in 2015) 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.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

12. Employee Future Benefits (continued)

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

	2016	2015
Balance, beginning of year	\$ 13,697,173	\$ 14,107,523
Net increase (decrease) in pre-retirement entitlements	307,680	(410,350)
Balance, end of year	<u>\$ 14,004,853</u>	<u>\$ 13,697,173</u>

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 \$53,600 and 9.5% of salary over \$53,600 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, 2014 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to \$9,678,526 (\$8,824,197 in 2015) and are included in the statement of operations.

The Cost of Living Adjustment Funds ("COLA Funds") that were announced in 2010 have now been implemented. The COLA Funds contribution rate is 1.0% (0.8% in 2015) of pensionable earnings. The earliest date a COLA may be granted from these Funds is 2018. A COLA will only be granted if sufficient funds are available.

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

12. Employee Future Benefits (continued)

c) Sick Leave

Non-vesting accumulated sick leave benefits are calculated using the average usage history and present value techniques. The significant assumptions adopted in measuring the Authority's sick leave entitlements include an interest rate of 3.00% (2.55% in 2015) and a salary increase rate of 3.5% (3.5% in 2015). The accumulated liability is estimated to be \$2,820,915 (\$3,248,575 in 2015).

13. Related Parties

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

14. Net Assets - Internal Restrictions and External Restrictions

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

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

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

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

Internal Restrictions

The Board of Directors has internally restricted \$9,309 (\$15,488 in 2015) of interest earned on donation funds. The cumulative balance of internally restricted net assets is \$90,795 (\$78,147 in 2015). 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.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

15. Financial Risk Management

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

Credit Risk

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

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

Accounts Receivable

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Patients/residents	\$ 174,904	\$ 90,515	\$ 39,052	\$ 263,190	\$ 567,661
Trade receivables	382,207	148,019	53,740	1,152,468	1,736,434
Miscellaneous	281,313	90,597	4,230	710,437	1,086,577
GST receivable	400,536	-	-	-	400,536
	1,238,960	329,131	97,022	2,126,095	3,791,208
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(85,608)	(85,608)
Trade receivables	-	-	-	(239,977)	(239,977)
Miscellaneous	-	-	-	(33,985)	(33,985)
Total	\$ 1,238,960	\$ 329,131	\$ 97,022	\$ 1,766,525	\$ 3,431,638

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.

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

15. Financial Risk Management (continued)

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

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Deficit funding	\$ 12,726,000	\$ -	\$ -	\$ -	\$ 12,726,000
Retroactive salary	4,717,896	-	-	1,815,952	6,533,848
Interfacility ambulance	260,337	242,737	-	-	503,074
Other operations	841,194	-	-	-	841,194
Out of Globe 15/16	(751,404)	-	-	-	(751,404)
Safety and security	213,585	107,881	-	-	321,466
Small IT Projects	132,600	-	-	-	132,600
	\$ 18,140,208	\$ 350,618	\$ -	\$ 1,815,952	\$ 20,306,778

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

Market Risk

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

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

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

Fair Value

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

16. Subsequent Event

On May 30, 2016, notification was received from MHSAL that one-time funding will be provided to cover the March 31, 2016 operating deficit. A receivable and offsetting revenue have been recorded in the March 31, 2016 financial statements.

17. Allocated Expenditures

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

General Support Function	Allocated from General Support	Allocated to Health Sector		
		Acute	Long-term Care	Community
Maintenance	\$ 3,639,896	\$ 2,495,260	\$ 1,144,636	\$ -
Facility administrative support	1,976,007	1,035,297	913,080	27,630
Support services management	1,458,518	574,777	883,741	-
Total	\$ 7,074,421	\$ 4,105,334	\$ 2,941,457	\$ 27,630

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2016

18. Administrative Costs

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

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

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

Administrative costs (% of total)	2016	2015
Corporate operations	3.19 %	3.88 %
Patient care related functions	0.71	0.41
Human resources and recruitment functions	1.99	2.00
	5.89 %	6.29 %

19. Comparative Figures

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

Northern Regional Health Authority
Financial Statements
March 31, 2016

Management's Responsibility

To the Board of Directors of Northern Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards for government not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

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

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Original Document Signed

Chief Executive Officer

Original Document Signed

Vice President, Corporate Services and Chief Financial Officer

Independent Auditors' Report

To the Board of Directors of Northern Regional Health Authority:

We have audited the accompanying financial statements of Northern Regional Health Authority, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and deficiency in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Regional Health Authority as at March 31, 2016 and the results of its operations, changes in net assets and deficiency in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Winnipeg, Manitoba
June 28, 2016

MNP LLP

Chartered Professional Accountants

Northern Regional Health Authority

Statement of Financial Position

As at March 31

	2016	2015
Assets		
Current		
Accounts receivable (Note 2)	3,080,620	5,633,687
Due from Manitoba Health (Note 3)	18,830,910	13,954,700
Inventory	1,311,865	1,107,184
Prepaid expenses	1,243,682	1,216,254
Vacation entitlement receivable - Manitoba Health (Note 4)	5,429,191	5,429,191
	29,896,268	27,341,016
Capital assets (Note 5)	91,649,084	76,534,889
Due from Manitoba Health (pre-retirement) (Note 4)	4,209,802	4,209,802
	125,755,154	108,085,707

Continued on next page

Northern Regional Health Authority

Statement of Financial Position

As at March 31

	2016	2015
Liabilities		
Current		
Bank indebtedness (Note 6)	14,474,859	9,628,453
Line of credit (Note 7)	21,345,850	10,211,181
Accounts payable and accruals	13,287,994	13,635,973
Current portion of long-term debt (Note 9)	515,717	958,960
Accrued vacation entitlements	10,481,722	9,724,059
Deferred revenue (Note 8)	1,313,677	1,252,891
	61,419,819	45,411,517
Long-term debt (Note 9)	3,621,977	7,070,021
Sick leave benefit obligation (Note 10)	1,830,900	1,863,589
Due to DSM - pre-retirement obligation	653,692	678,375
Accrued pre-retirement obligation (Note 11)	9,607,000	9,479,000
Deferred contributions related to expenses of future periods (Note 12)	383,297	292,164
Deferred contributions related to capital assets (Note 13)	53,968,906	49,222,016
	131,485,592	114,016,682
Deficiency in Net Assets		
Invested in capital assets (Note 14)	12,196,634	9,072,711
Externally restricted	10,182	10,182
Unrestricted	(17,937,254)	(15,013,868)
	(5,731,438)	(5,930,975)
	125,755,154	108,085,707

Approved on behalf of the Board

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

	2016	2015
Revenue		
Manitoba Health (Note 15)	213,245,568	198,528,437
Amortization of deferred contributions related to capital assets	6,273,251	6,365,283
Non-insured income	5,506,123	5,400,900
Other revenue	5,335,415	4,751,312
Northern patient transportation program recoveries	3,803,603	2,795,839
Ancillary revenue	1,353,887	1,493,265
Total revenue	235,517,847	219,335,036
Expenses		
Acute care	98,757,085	94,880,073
Amortization of capital assets	6,273,251	6,365,283
Ancillary operations	1,496,671	1,489,608
Community based health	18,263,213	20,954,995
Community based home care	8,197,684	8,282,671
Community based mental health	4,557,825	5,824,439
Aging in place/long-term care	14,485,141	14,602,796
Land ambulance	5,102,414	5,832,850
Northern patient transportation	19,250,469	18,721,485
Medical remunerations	38,751,737	36,187,174
Unallocated regional health authority costs	20,181,820	16,898,229
Total expenses	235,317,310	230,039,603
Surplus (deficiency) of revenue over expenses	200,537	(10,704,567)

The accompanying notes are an integral part of these financial statements

Northern Regional Health Authority

Statement of Changes in Net Assets (Deficiency in Net Assets)

For the year ended March 31

	<i>Investment in capital assets</i>	<i>Externally restricted</i>	<i>Unrestricted</i>	2016	2015
Net assets (deficiency in net assets), beginning of year	9,072,711	10,182	(15,013,868)	(5,930,975)	4,773,592
Surplus (deficiency) of revenue over expenses	-	-	200,537	200,537	(10,704,567)
Net changes in investment in capital assets (Note 14)	3,123,923	-	(3,123,923)	-	-
Net assets (deficiency in net assets), end of year	12,196,634	10,182	(17,937,254)	(5,731,438)	(5,930,975)

The accompanying notes are an integral part of these financial statements

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

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Surplus (deficiency) of revenue over expenses	200,537	(10,704,567)
Amortization of capital assets	6,273,251	6,365,283
Amortization of deferred contributions related to capital assets	(6,273,251)	(6,365,283)
Deferred revenue recognized in income	(2,272,474)	(5,094,443)
	(2,071,937)	(15,799,010)
Changes in working capital accounts		
Accounts receivable	2,553,067	1,419,218
Inventory	(204,681)	18,200
Due from Manitoba Health	(4,876,210)	(4,795,950)
Prepaid expenses	(27,428)	(240,892)
Accounts payable and accruals	(347,979)	1,399,648
Accrued vacation entitlements	757,663	335,484
Deferred revenue	2,333,260	4,121,940
	(1,884,245)	(13,541,362)
Financing		
Changes in long-term debt	(3,447,287)	4,784,348
Change in pre-retirement obligation	128,000	1,899,000
Change in DSM pre-retirement obligation	(24,683)	46,367
Receipt of deferred contributions related to capital assets	11,111,275	3,264,341
Change in sick leave benefit obligation	(32,689)	51,952
Change in line of credit	10,690,669	6,189,773
Increase in bank indebtedness	4,846,406	9,382,899
	23,271,691	25,618,680
Investing		
Purchases of capital assets	(21,387,446)	(12,077,318)
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

The accompanying notes are an integral part of these financial statements

Northern Regional Health Authority

Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant accounting policies

Basis of accounting

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

Nature and purpose of the Authority

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

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

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

Basis of reporting

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

Cormorant Health Care Centre
Cranberry Portage Wellness Centre
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
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
Northern Lights Manor
The Pas Health Complex
The Snow Lake Medical Nursing Unit
Thompson Clinic
Northern Consultation Clinic
Sherridon Health Centre
St. Paul's Personal Care Home

Cash and cash equivalents

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

Inventory

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

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

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

Capital assets

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

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

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

No amortization is provided for construction in progress.

Long-lived assets

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

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

Revenue recognition

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

Manitoba Health operating revenue

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

In Globe funding

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

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

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

Out of Globe funding

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

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

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

Amortization of deferred contributions

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

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

Non-Insured revenue

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

Other revenue

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

Northern patient transportation program recoveries

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

Ancillary revenue

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

Contributed materials and services

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

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

Capital management

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

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

The Authority met its externally imposed capital requirements.

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

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

Employee future benefits

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

Multiemployer defined benefit plan

The majority of the employees of the Authority are members of the Healthcare Employees Pension Plan - HEPP (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the 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 funding estimates and actual experience may be material and any differences are generally to be funded by the participating members.

The Healthcare Employees' Pension Plan is subject to the provisions of the Pension Benefits Act, Manitoba. This Act requires that the Plan's actuaries conduct two valuations – a going-concern valuation and a solvency valuation. In 2010, HEB Manitoba completed the solvency exemption application process, and has now been granted exemption for the solvency funding and transfer deficiency provision. As at December 31, 2013 the Plan's going concern ratio was 96.1%.

As at December 2008, the actuarial valuation shows a deficit of \$388 million. In order to ensure the long-term sustainability of the Plan contribution rates increased 2.2% through a gradual implementation over 27 months from January 1, 2011 to April 1, 2013. Contributions to the Plan made during the year on behalf of its employees are included in the statement of operations.

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

During the year, the Authority contributed \$6,553,981 (2015 - \$6,073,872) to the Plan.

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

Pre-retirement obligation

The accrued benefit obligation for pre-retirement benefits are actuarially determined using the projected 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 no provision for disability and employee mortality and withdrawal rates.

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

a) The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan ("HEPP") is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

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

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

- i. one week of severance pay for each year of service up to 15 years of service; and
- ii. two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service.

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

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

Sick leave benefit obligation

At the beginning of the fiscal year April 1, 2011, a valuation of the Authority's obligations for the accumulated sick leave bank was done for accounting purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation include average employee daily wage, number of sick days used in the year, number of sick days earned in the year, excess of used days over earned days in the year, dollar value of the excess and number of unused sick days.

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

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

Measurement uncertainty (use of estimates)

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

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

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

Financial instruments

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

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

All financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

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

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

Fair value measurements

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

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. There were no transfers between levels for the years ended March 31, 2016 and 2015.

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.

Northern Regional Health Authority

Notes to the Financial Statements

For the year ended March 31, 2016

2. Accounts receivable

	2016	2015
Northern Patient Transportation Program receivables	14,357,163	12,827,411
GST rebates receivable	262,781	255,437
Patient and other receivables	3,222,564	2,465,894
Allowance for doubtful accounts - Northern Patient Transportation Program receivables	(12,307,818)	(8,900,000)
Allowance for doubtful accounts - patient and other receivables	(2,454,070)	(1,015,055)
	3,080,620	5,633,687

3. Due from Manitoba Health

	2016	2015
2011-2012 Extended Health Benefit	184,926	184,926
2013-2014 Medical Remuneration	-	3,672,806
2014-2015 Medical Remuneration	3,502,475	3,489,072
2015-2016 Medical Remuneration	5,269,478	-
2012-2013 MAHCP Retention Bonuses	-	4,937
2014-2015 MAHCP Retention Bonuses	-	1,178,026
2015-2016 MAHCP Retention Bonuses	1,239,536	-
MAHCP Retention Bonus - DSM	608,459	577,932
2012-2013 Garden Hill Structural Floor Project	-	1,604
2013-2014 Northern Youth Crisis Funding	-	663,706
2014-2015 Northern Youth Crisis Funding	-	17,804
2015-2016 Northern Youth Crisis Funding	657,667	-
2012-2013 MNU Maternity Top-Up	-	75,447
2012-2013 Facility Support Maternity Top-Up	-	2,714
2014-2015 Colonoscopy Funding	-	35,000
2012-2013 Health Spending Account	-	39,156
2012-2013 Medical Education Coordinator	110,000	110,000
2014-2015 Medical Education Coordinator	55,000	55,000
2012-2013 MNU Retention Bonus Shortfall	-	34,672
2012-2013 HEPP Contribution Increase	-	419,422
2013-2014 Professional Technical Market Supplement	-	57,013
2013-2014 Immunization Funding	-	200
2014-2015 Immunization Funding	-	117,569
2015-2016 Immunization Funding	91,133	-
Grow Your Own Nurse Practitioners	-	12,064
Physician Assistant Funding	-	183,771
Nurse Sector Wage Standardization	-	2,459,970
Professional Technical Market Supplement	-	81,414
Cancer Patient Journey	39,684	329,964
DSM On-Call Funding	-	130,000
CUPE Maternity Leave Top-Up	-	20,511
2015-2016 HEPP COLA	278,756	-
2015-2016 DSM Call Back Funding	101,121	-
2015-2016 Saskatchewan Health FFGH Agreement	4,301,746	-
2015-2016 Remoteness Allowance	116,669	-
2015-2016 Community Support Wage Standardization	433,451	-
2015-2016 Facility Support Wage Standardization	1,694,154	-
2015-2016 Maintenance and Trades Wage Standardization	146,655	-
	18,830,910	13,954,700

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

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

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

5. Capital assets

	Cost	Accumulated amortization	2016 Net book value
Land & land improvements	761,177	368,818	392,359
Buildings	115,567,543	64,357,932	51,209,611
Computers	4,318,951	3,243,369	1,075,582
Equipment	32,107,835	23,361,668	8,746,167
Construction in progress	30,225,365	-	30,225,365
	182,980,871	91,331,787	91,649,084

	Cost	Accumulated amortization	2015 Net book value
Land & land improvements	761,177	367,783	393,394
Buildings	114,791,947	59,853,957	54,937,990
Computers	3,690,120	2,976,010	714,110
Equipment	29,856,272	21,860,786	7,995,486
Construction in progress	12,493,909	-	12,493,909
	161,593,425	85,058,536	76,534,889

6. Bank indebtedness

The Authority has an authorized operating line of credit of \$8,900,000 bearing interest at the bank's prime rate minus 0.50% (2015 - prime minus 0.50%). Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health. As at March 31, 2016 the bank's prime rate was 2.70% (2015 - 3.00%). Bank indebtedness is comprised of the following:

	2016	2015
Petty cash on hand and balances with banks	512,898	625,248
Operating line of credit balance	(14,987,757)	(8,431,743)
Outstanding cheques and other reconciling items	-	(1,821,958)
	(14,474,859)	(9,628,453)

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

7. Line of credit

The Authority maintains a line of credit facility to fund construction projects in progress. Upon completion of the construction projects in progress, the respective amounts will be converted to long-term debt. The amounts are due on demand and bear interest at a rate of prime minus 0.80% per annum (2015 - prime minus 0.80%). As at March 31, 2016 the bank's prime rate was 2.70% (2015 - 3.00%).

8. Deferred revenue

Deferred revenue consists of Manitoba Health funding received and accrued 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:

	2016	2015
Balance, beginning of year	1,252,891	2,225,394
Funding received during the year	2,217,360	4,121,940
Funding accrual	115,900	-
Amount recognized as revenue during the year	(2,272,474)	(5,094,443)
Balance, end of year	1,313,677	1,252,891

9. Long-term debt

	2016	2015
Manufacturer's Life Insurance Company loan, with monthly payments equal to the energy savings including interest at 6.30% per annum, expected to be paid out by August 2021	998,060	1,149,465
Term loans due to Royal Bank of Canada, with monthly payments between \$2,760 and \$10,250 including interest at the bank's prime rate less 0.80% per annum, due from June 2021 to August 2030, secured by certain equipment	2,042,743	5,648,329
Loan payable to RBC Life Insurance with monthly payments of \$10,016 including interest at 3.72% per annum, due March 2027, secured by certain buildings	1,096,891	1,174,700
Mortgage payable to Canada Mortgage and Housing Corporation with monthly payments of \$5,250 including interest at 4.61% per annum, due February 2016 secured by certain buildings	-	56,487
	4,137,694	8,028,981
Less: Current portion	515,717	958,960
	3,621,977	7,070,021

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

2017	515,717
2018	518,773
2019	521,944
2020	525,236
2021	418,899
Thereafter	2,081,125

Interest on long-term debt amounted to \$292,943 (2015 – \$214,977).

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

10. Sick leave benefit obligation

The Authority's sick leave benefit obligation is based on an actuarial report prepared as of March 31, 2016. The following table presents information about the sick leave benefit obligations, the change in value and the balance of the obligation as at March 31, 2016:

	2016	2015
Sick leave benefit obligation, beginning of year	2,555,589	1,811,637
Current period service cost	222,657	190,000
Interest cost	65,795	82,000
Benefits paid	(415,342)	(416,000)
Actuarial (gain)/loss and other	(66,799)	887,952
Sick leave benefit obligation, end of year	2,361,900	2,555,589
Unamortized net actuarial loss	(531,000)	(692,000)
 Sick leave benefit obligation, end of year	 1,830,900	 1,863,589

11. Accrued pre-retirement obligation

The Authority's pre-retirement obligation is based on an actuarial report prepared as of March 31, 2016. The valuation includes employees who qualify as at March 31, 2016, and an estimate for the remainder of the employees who have not yet met the years of service criteria. The following table presents information about accrued pre-retirement benefit obligations, the change in value and the balance of the obligation as at March 31, 2016:

	2016	2015
Pre-retirement benefit obligation, beginning of year	8,842,000	7,580,000
Current period service cost	771,000	685,000
Interest cost	227,000	260,000
Benefits paid	(771,000)	(376,000)
Actuarial (gain)/loss and other	(257,000)	693,000
Pre-retirement benefit obligation, end of year	8,812,000	8,842,000
Unamortized net actuarial gain	795,000	637,000
 Pre-retirement accrued benefit liability, end of year	 9,607,000	 9,479,000

The actuarial valuation was based on a number of assumptions about future events including a discount rate of 3.00% (2015 - 2.55%), a rate of salary increases of 3.50% (2015 - 3.50%) and an expected average remaining service life of 8.5 years.

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

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

12. Deferred contributions related to expenses of future periods

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

13. Deferred contributions related to capital assets

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

Changes in the deferred contribution balance are as follows:

	2016	2015
Balance, beginning of year	49,222,016	52,322,958
Amount received during the year	11,020,141	3,264,341
Less: Amounts recognized as revenue during the year	(6,273,251)	(6,365,283)
Balance, end of year	53,968,906	49,222,016

14. Net assets invested in capital assets

	2016	2015
Net assets invested in capital assets are calculated as follows:		
Capital assets	91,649,084	76,534,889
Deferred contributions	(53,968,906)	(49,222,016)
Long-term debt	(4,137,694)	(8,028,981)
Line of credit	(21,345,850)	(10,211,181)
	12,196,634	9,072,711

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

Amortization of deferred contributions related to capital assets	6,273,251	6,365,283
Amortization of capital assets	(6,273,251)	(6,365,283)

	-	-
Net changes in investment in capital assets		
Purchase of capital assets	21,387,446	12,077,318
Long term debt - net	3,447,287	(4,784,348)
Advances on line of credit	(10,690,669)	(6,189,773)
Manitoba Health - Capital asset funding	(11,020,141)	(3,264,340)
	3,123,923	(2,161,143)

Northern Regional Health Authority

Notes to the Financial Statements

For the year ended March 31, 2016

15. Revenue from Manitoba Health

	2016	2015
Revenue as per Manitoba Health's funding document	211,199,743	196,567,683
Deduct:		
Payments on prior year receivables	(149,650)	(4,225,434)
Prior years funding adjustments	(8,986,513)	-
Capital equipment funding	(1,670,952)	(1,798,970)
Nelson House PCH funding - flow through	(853,599)	(665,235)
Ancillary program	(185,127)	(185,127)
Ambulance	(393,996)	(439,710)
Interest funding (actual)	(205,475)	(95,341)
Other	(240,039)	(318,163)
Provincial Nursing Station - Transitional	(170,814)	(153,937)
Provincial Acute Stroke Care Coordinator	-	(54,179)
Microsoft Licensing Fee	-	183,453
CIHI Fees	40,895	42,940
	(12,815,270)	(7,709,703)
Add: Accruals approved by Manitoba Health		
Medical remuneration	5,282,881	3,489,072
Medical Education reimbursement	-	55,000
MNU wage standardization	-	2,459,970
Mobile youth crisis program	657,667	681,510
Colonoscopy funding	-	70,000
EMS wage standardization	-	81,414
MAHCP retention bonus	1,239,536	1,178,026
MAHCP retention bonus - DSM	608,459	577,932
DSM on call funding	-	130,000
DSM call back funding	101,121	-
Cancer Patient Journey Funding	-	329,964
Immunization funding	-	117,569
Saskatchewan Health FFGH Agreement	4,301,746	-
HEPP COLA - DSM	49,696	-
HEPP COLA - NRHA	229,060	-
Remoteness allowance	116,669	-
Facility support wage standardization	1,694,154	-
Maintenance and trades wage standardization	146,655	-
Community support wage standardization	433,451	-
	14,861,095	9,170,457
Deduct:		
Deferred volume funding	-	500,000
	213,245,568	198,528,437

16. Related party transactions

The Pas Health Complex Foundation, Inc. and The Northern Health Foundation Inc. (together the "Foundations") are non-profit voluntary associations whose purpose is the betterment of health care at The Health Complex facilities. The aims and objectives of these Foundations coincide with those of the Authority. The Authority regularly provides the Foundations with a listing of project/equipment requirements for the Foundations to consider in their annual funding processes. During the year the Authority received donated equipment valued at \$171,891 (2015 - \$107,944).

Northern Regional Health Authority
Notes to the Financial Statements
For the year ended March 31, 2016

17. Commitments and contingencies

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

2017	452,328
2018	452,847
2019	389,424
	<hr/>
	1,294,599

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

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

(iii) On July 1, 1987, a group of health care organizations ("Subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2016.

18. Financial instruments

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

Risk management policy

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

Credit risk

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

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

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

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

19. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2014, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2016, the Authority has no known contaminated sites or no known future potential contaminated sites.

20. Trusts under administration

At March 31, 2016, the balance of Resident trust funds held in trust is \$67,752 (2015 - \$99,573). These funds are not included in the balances of the Authority's financial statements.

21. Economic dependence

The Authority received approximately 90% (2015 - 90%) 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.

22. Contingent liabilities

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

Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2016

Prairie Mountain Health Management's Responsibility

For the year ended March 31, 2016

To the Board of Directors of Prairie Mountain Health:

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

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

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is appointed by the Board and has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

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

Original Document Signed

Management

Original Document Signed

Management

Independent Auditors' Report

To the 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, 2016, and the consolidated statements of operations, changes in net assets, cash flows and remeasurement 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, 2016 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.

Brandon, Manitoba

June 18, 2016

MNP LLP

Chartered Professional Accountants

Prairie Mountain Health
Consolidated Statement of Financial Position
(in thousands of dollars)
As at March 31

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37,614	\$ 48,074
Short-term investments (Note 7)	1,765	1,942
Accounts receivable (Note 4)	5,723	7,598
Due from Manitoba Health (Note 5)	41,128	37,468
Current portion of loan receivable (Note 6)	31	30
Inventories held for use	4,713	4,953
Prepaid expenses	2,830	1,320
	93,804	101,385
Due from Manitoba Health (Note 5)	23,503	21,933
Loan receivable (Note 6)	189	220
Investments (Note 7)	6,394	6,231
Capital assets (Note 8)	283,438	286,465
	313,524	314,849
	\$ 407,328	\$ 416,234
LIABILITIES		
Current Liabilities		
Demand loans (Note 9)	\$ 297	\$ 387
Accounts payable and accrued liabilities	34,030	40,926
Employee future benefits (Note 10)	32,435	31,417
Current portion of obligation under capital lease (Note 12)	583	627
Current portion of long-term debt (Note 11)	218	235
	67,563	73,592
Employee future benefits (Note 10)	48,034	49,388
Obligation under capital lease (Note 12)	1,318	1,355
Long-term debt (Note 11)	931	1,150
Deferred contributions (Note 13)	284,541	286,734
	334,824	338,627
	\$ 402,387	\$ 412,219
Commitments and contingencies (Note 19)		
NET ASSETS		
Invested in capital assets (Note 15)	8,047	8,477
Internally restricted (Note 16)	5,467	5,394
Externally restricted (Note 16)	112	85
Unrestricted	(8,685)	(9,941)
	4,941	4,015
	\$ 407,328	\$ 416,234

Approved on behalf of the Board

Original Document Signed

Director

Original Document Signed

Director

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

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

For the year ended March 31

	2016	2015
REVENUE		
Manitoba Health operating income <i>(Note 17)</i>	\$ 530,579	\$ 502,460
Authorized/residential charges	32,162	31,596
Amortization of deferred contributions	16,946	17,205
Non-insured income	2,144	2,191
Ancillary revenue	3,196	2,543
Other income	13,598	12,844
Province of Manitoba	4,433	4,602
Investment income	694	993
	603,752	574,434
EXPENSES		
Acute care services	246,886	235,830
Personal care home services	138,031	134,369
Medical remuneration	41,872	40,360
Community based mental health services	23,115	22,152
Community based home care services	40,768	38,435
Community based health services	24,782	23,744
Emergency medical services	18,795	17,694
Regional undistributed costs	36,384	35,462
Amortization of capital assets	18,293	18,892
Future employee benefits	3,249	2,944
Therapy services	8,381	7,870
Ancillary expenses	2,653	2,098
	603,209	579,850
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 543	\$ (5,416)

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

Prairie Mountain Health
Consolidated Statement of Changes in Net Assets
(in thousands of dollars)
For the year ended March 31

	<i>Invested in Capital Assets</i>	<i>Internally Restricted</i>	<i>Externally Restricted</i>	<i>Unrestricted</i>	2016
Balance beginning of year	\$ 8,477	\$ 5,394	\$ 85	\$ (9,941)	4,015
Excess (Shortfall) of revenue over expenses	(1,512)	600	-	1,455	543
Transfer (to) from deferred contributions	5	-	-	11	16
Investment in capital assets	847	(581)	-	(77)	190
Change in fair value of investments	-	(9)	-	(29)	(38)
Internally/Externally restricted assets	-	63	1	(6)	58
Elderly Persons Housing adjustments	-	-	26	(48)	(22)
Transfer (to) from Non-Devolved Org.	230	-	-	(50)	180
Balance end of year	\$ 8,047	\$ 5,467	\$ 112	\$ (8,685)	4,941

	<i>Invested in Capital Assets</i>	<i>Internally Restricted</i>	<i>Externally Restricted</i>	<i>Unrestricted</i>	2015
Balance beginning of year	\$ 6,441	\$ 4,485	\$ 34	\$ (3,902)	7,058
Excess (Shortfall) of revenue over expenses	(2,000)	453	-	(3,869)	(5,416)
Transfer (to) from deferred contributions	2,319	-	-	(29)	2,290
Investment in capital assets	1,717	(45)	-	(1,672)	-
Change in fair value of investments	-	28	-	109	137
Internally/Externally restricted assets	-	473	1	(416)	58
Elderly Persons Housing adjustments	-	-	50	(49)	1
Transfer (to) from Non-Devolved Org.	-	-	-	(113)	(113)
Balance end of year	\$ 8,477	\$ 5,394	\$ 85	\$ (9,941)	4,015

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

Prairie Mountain Health
Consolidated Statement of Cash Flows
(in thousands of dollars)
For the year ended March 31

	2016	2015
OPERATING TRANSACTIONS		
Excess (Shortfall) of revenue over expenses	\$ 543	\$ (5,416)
Adjustments to determine net cash provided by (used in) operating activities		
Gain/(loss) on disposal of capital assets	-	13
Amortization of capital assets	18,293	18,892
Amortization of deferred contributions	(16,946)	(17,205)
Change in deferred revenue	14,753	11,038
Changes in non-cash operating working capital items:		
Accounts receivable	1,875	(820)
Due from Manitoba Health	(5,230)	(14,047)
Loan receivable	30	29
Inventories held for use	240	(683)
Prepaid expenses	(1,510)	839
Accounts payable and accrued liabilities	(6,896)	4,564
Employee future benefits	(336)	297
Net assets	383	2,373
	5,199	(126)
CAPITAL TRANSACTIONS		
Proceeds on sale of capital assets	-	14
Cash used to acquire capital assets	(15,266)	(12,365)
	(15,266)	(12,351)
INVESTING TRANSACTIONS		
Portfolio investment transactions	14	(265)
FINANCING TRANSACTIONS		
Repayment of loans and advances	(407)	525
NET CHANGE IN CASH	(10,460)	(12,217)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48,074	60,291
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 37,614	\$ 48,074
Supplementary Information		
Interest received	\$ 694	\$ 993
Interest paid	167	205

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

Prairie Mountain Health
Consolidated Statement of Remeasurement Gains and Losses
(in thousands of dollars)
For the year ended March 31

	2016	2015
Accumulated remeasurement gains and (losses) at beginning of year	\$ 379	\$ 242
Unrealized gains (losses) attributable to:		
Portfolio investments	(38)	137
Accumulated remeasurement gains and (losses) at end of year	\$ 341	\$ 379

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

1. Organization

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

2. Basis of accounting

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

3. Significant accounting policies

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

(a) Basis of Reporting

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

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

Prairie Mountain Health
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016
(in thousands of dollars)

3. Significant accounting policies (*continued*)

(a) *Basis of Reporting (continued)*

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

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

Effective January 1, 2016, St. Paul's Personal Care Home Assets were purchased by Prairie Mountain Health. For the year ended March 31, 2016 St. Paul's Personal Care Home is a devolved facility within Prairie Mountain Health. Details related to the acquisition are in Note 25.

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

(b) *Revenue recognition*

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

Manitoba Health operating income

Under the Health Insurance Act and regulations thereto, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

In Globe funding

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

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

3. Significant accounting policies (continued)

(b) Revenue recognition (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 absorbed by the Region.

Amortization of deferred contributions

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

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

Non-Insured income

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

Ancillary income

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

Other income

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

Investment income

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

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

(c) Contributed materials and services

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

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

(d) Cash and cash equivalents

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

3. Significant accounting policies *(continued)*

(e) *Financial Instruments*

Measurement of financial instruments

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

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

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

Transaction costs

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

Risk management

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

Financial instruments	Risks			
	Credit	Liquidity	Market risk	
			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.

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

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

Liquidity risk

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

Market risk

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

Currency risk

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

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

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Region to interest rate risk arises from its interest bearing assets. The Region's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Region manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Region's results of operations.

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

Changes to risk

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

(f) Inventories held for use

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
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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 funding, 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, 2016, 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.

Prairie Mountain Health
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016
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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 2016
Patients/residents	\$ 638	\$ 559	\$ 358	\$ 2,243	\$ 3,798
Trade receivables	1,031	287	338	811	2,467
GST receivable	272	122	1	-	395
PMH Foundations	751	46	-	-	797
Approved capital funding	258	-	-	-	258
Accrued Interest	65	-	-	-	65
	3,015	1,014	697	3,054	7,780
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(1,881)	(1,881)
Trade receivables	-	-	-	(176)	(176)
	-	-	-	(2,057)	(2,057)
	\$ 3,015	\$ 1,014	\$ 697	\$ 997	\$ 5,723

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2015
Patients/residents	\$ 596	\$ 449	\$ 199	\$ 1,922	\$ 3,166
Trade receivables	1,074	140	67	694	1,975
GST receivable	249	177	2	19	447
Brandon Regional Health Centre Foundation	122	6	-	-	128
Approved capital funding	311	625	319	2,187	3,442
Accrued Interest	1	1	1	24	27
	2,353	1,398	588	4,846	9,185
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(1,494)	(1,494)
Trade receivables	-	-	-	(93)	(93)
				(1,587)	(1,587)
	\$ 2,353	\$ 1,398	\$ 588	\$ 3,259	\$ 7,598

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

5. Due from Manitoba Health

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

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2016
Retroactive salary increases	\$ 12,003	\$ -	\$ -	\$ 3,372	\$ 15,375
Other operations	5,460	4	27	165	5,656
Out of Globe 2015/16	(4,161)	-	-	-	(4,161)
Out of Globe 2013/14	-	-	-	(15)	(15)
Approved capital funding	5,244	-	-	273	5,517
Vacation	-	-	-	18,114	18,114
Vacation-Non-Devolved Facilities	-	-	-	747	747
	18,546	4	27	22,656	41,233
Less: allowance for doubtful accounts	(82)	(4)	(4)	(15)	(105)
	\$ 18,464	\$ -	\$ 23	\$ 22,641	\$ 41,128
Approved capital funding	-	-	-	1,570	1,570
Pre-retirement	-	-	-	21,106	21,106
Pre-retirement-Non-Devolved Facilities	-	-	-	827	827
	\$ -	\$ -	\$ -	\$ 23,503	\$ 23,503

	1-30 Days	31-60 Days	61-90 Days	91-120+ Days	Total 2015
Retroactive salary increases	\$ 10,977	\$ -	\$ -	\$ 3,389	\$ 14,366
Other operations	3,857	472	323	2,858	7,510
Out of Globe 2013/14	-	-	-	(15)	(15)
Out of Globe 2015/15	(4,247)	-	-	-	(4,247)
Approved capital funding	833	-	-	273	1,106
Vacation	-	-	-	17,906	17,906
Vacation-Non-Devolved Facilities	-	-	-	955	955
	11,420	472	323	25,366	37,581
Less: allowance for doubtful accounts	-	-	-	(113)	(113)
	11,420	472	323	25,253	37,468
Pre-retirement	-	-	-	20,864	20,864
Pre-retirement-Non-Devolved Facilities	-	-	-	1,069	1,069
	\$ -	\$ -	\$ -	\$ 21,933	\$ 21,933

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.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

6. Loan receivable (continued)

	2016	2015
The Brandon YMCA		
3.5% compounded semi-annually repayable at \$9,516 quarterly, including interest, with the first quarterly payment due Nov 30, 2012. Loan is secured by property, matures August 31, 2022	\$ 220	\$ 250
	(31)	(30)
Less current portion		
	\$ 189	\$ 220
Principal payments due in the next five years are as follows:		
	2017	\$ 31
	2018	32
	2019	33
	2020	34
	2021	35

7. Investments

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Various provincial, municipal and other bonds or debentures at interest rates from 0%-1%, maturing in 90 days or less	\$ 952	\$ 952	\$ 255	\$ 249
Various provincial, municipal and other bonds or debentures at interest rates at 4.7%, maturing in 91 days to one year	265	253	339	328
Guaranteed investment certificates at interest rates from 1.8%-3.49%, maturing within one year	561	560	1,365	1,365
	1,778	1,765	1,959	1,942
Various provincial, municipal and other bonds or debentures at interest rates from 1.6%-8.1%, with varying maturities up to December 15, 2025	4,077	4,278	3,566	3,761
Government of Canada bonds at interest rates from 5.75%-8%, maturing June 1, 2029	354	491	354	500
Guaranteed investment certificates at interest rates from 1.6%-4.61% with varying maturities up to September 10, 2025	1,583	1,599	1,888	1,944
Investment in Tiger Hills Villa	26	26	26	26
	6,040	6,394	5,834	6,231
	\$ 7,818	\$ 8,159	\$ 7,793	\$ 8,173

Investments primarily consist of bonds and guaranteed investment certificates (GIC's) with maturity dates of 12 months or greater from date of acquisition. Investments maturing within 12 months from the year-end date are classified as current. Investments are fixed income instruments issued or guaranteed by Canadian governments and corporations and include federal and provincial bonds, municipal bonds, corporate debentures and mortgage-backed securities, with a minimum A rating by an independent rating agency. Interest earned on investments ranges from 0%-8% paid semi-annually or quarterly.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

8. Capital assets

		2016	
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	\$ 4,383	\$ -	\$ 4,383
Land improvements	3,414	1,689	1,725
Buildings and leasehold improvements	384,726	157,124	227,602
Building service equipment/equipment	88,373	52,313	36,060
Assets under capital lease	3,793	1,565	2,228
Construction in progress	11,440	-	11,440
	\$ 496,129	\$ 212,691	\$ 283,438

		2015	
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	\$ 3,708	\$ 5	\$ 3,703
Land improvements	3,251	1,411	1,840
Buildings and leasehold improvements	379,133	149,001	230,132
Building service equipment/equipment	80,131	45,035	35,096
Assets under capital lease	3,206	399	2,807
Construction in progress	12,887	-	12,887
	\$ 482,316	\$ 195,851	\$ 286,465

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 1.05%.

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, 2016. 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, 2016 is based on an extrapolation of that valuation.

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Region's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

- a) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for 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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
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10. Employee future benefits (continued)

- b) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, is to pay out the following severance pay upon retirement to employees who have reached the age of 55 and have nine or more years of service:
- i. one week of severance pay for each year of service up to 15 years of service
 - ii. two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service
- c) The Region's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the MGEU Collective Agreement, is to pay out one week's pay for each year of accumulated service, or portion thereof, upon retirement if the employee has accumulated ten (10) or more years of accumulated service, up to a maximum of fifteen (15) week's pay.

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

	2016	2015
Discount rate - March 31	3%	2.55%
Rate of salary increase - April 1	3.5%	3.5%
EARSL - March 31 (in years)	7.4	7.4

Actuarial gains and losses can arise in a given year as a result of (a) the difference between the actual return on plan assets in that year and the expected return on plan assets for that year, (b) the difference between the actual accrued benefit obligations at the end of the year and the expected accrued benefit obligations at the end of the year and (c) changes in actuarial assumptions. For the fiscal year beginning April 1, 2013, and in accordance with Canadian public sector accounting standards, gains or losses that arise in a given year, along with past service costs that arise from pre-retirement benefits plan amendments, are to be amortized into income over the expected average remaining service life (EARSL) of the related employee group. Prior to April 1, 2013 valuation, gains or losses have been recognized in the period they were incurred.

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, 2016:

Change in Benefit Obligation – Pre-retirement

	2016	2015
Pre-retirement benefit obligation, beginning of year	\$ 39,970	\$ 37,518
Current period service cost	2,715	2,422
Interest cost	1,003	1,234
Benefits paid	(4,554)	(3,781)
Actuarial (gain)/loss	(997)	2,577
Pre-retirement benefit obligation, end of year	38,137	39,970
Unamortized net actuarial gain (loss)	2,697	1,991
Pre-retirement accrued benefit liability, end of year	\$ 40,834	\$ 41,961

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

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

10. Employee future benefits (continued)

purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation are as follows:

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

Key assumptions used in the valuation were based on Management's best estimates. The valuation used the same assumptions about future events as was used for the pre-retirement valuation above.

The following table presents information about the accrued sick leave benefit obligation, the change in value and the balance of the obligation:

Change in Benefit Obligation – Sick Leave	2016	2015
Sick Leave benefit obligation, beginning of year	\$ 11,819	\$ 9,635
Current period service cost	800	631
Interest cost	296	321
Expected benefits paid	(2,033)	(1,390)
Actuarial (gain)/loss	(296)	2,622
Sick Leave benefit obligation, end of year	10,586	11,819
Unamortized net actuarial gain (loss)	(3,386)	(4,392)
Sick Leave benefit liability, end of year	\$ 7,200	\$ 7,427

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, 2016 is \$32,435 (\$31,417 – 2015).

11. Long-term debt

	2016	2015
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.99%, due from April 30, 2016 to March 1, 2018, with monthly payments of principal and interest from \$142 to \$2, secured by buildings	\$ 62	\$ 140
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from April 30, 2022 to December 31, 2023, with monthly payments of principal and interest from \$5 to \$6, secured by buildings	729	803
Mortgage payable to the Royal Bank of Canada at 5.00%, monthly payments of \$8 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.	358	442
	1,149	1,385
Less: current portion	(218)	(235)
	\$ 931	\$ 1,150

Prairie Mountain Health
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016
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11. Long-term debt (continued)

Principal payments due in the next five years are as follows:	2017	\$ 218
	2018	196
	2019	195
	2020	186
	2021	117
	Thereafter	237

12. Obligation under capital lease

	2016	2015
Royal Bank of Canada monthly payments including interest of \$12, bears interest at 3.89%, secured by the underlying equipment, expiring March 2016	\$ -	\$ 132
Royal Bank of Canada monthly payments including interest of \$6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	547	-
Royal Bank of Canada monthly payments including interest of \$27, bears interest at 3.41%, secured by the underlying equipment, expiring Feb 2018	1,013	1,303
Royal Bank of Canada monthly payments including interest of \$8, bears interest at 3.54%, secured by the underlying equipment, expiring Feb 2018	179	269
Royal Bank of Canada monthly payments including interest of \$10, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017	162	278
	1,901	1,982
Less: current portion	(583)	(627)
	\$ 1,318	\$ 1,355
Principal payments due in the next five years are as follows:	2017	\$ 583
	2018	511
	2019	395
	2020	158
	2021	78

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.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

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13. Deferred contributions (continued)

Changes in the deferred contributions balance are as follows:

	Expended	Unexpended	Other	2016	2015
Balance, beginning of year	\$ 274,148	\$ 9,441	\$ 3,145	\$ 286,734	\$ 292,901
Manitoba Health Funding	232	5,439	-	5,671	2,406
Donations received	638	25	1,656	2,319	2,034
Interest earned	-	5	41	46	108
Other funding	6	4,830	-	4,836	4,377
Capital asset purchases	14,188	(4,179)	(898)	9,111	9,540
Operating expenses	(10)	(5,393)	(398)	(5,801)	(5,583)
Amortization	(17,114)	(2)	-	(17,116)	(17,276)
Principal payments on long-term debt	(555)	-	-	(555)	(522)
Reclassification	(680)	(24)	-	(704)	(1,251)
Balance, end of year	\$ 270,853	\$ 10,142	\$ 3,546	\$ 284,541	\$ 286,734

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:

	2016	2015
Lines of Credit at prime less 1.05% per annum established via borrowing resolutions supported by letter of comfort from Manitoba Health	\$ 24,116	\$ 18,992
Canadian Mortgage and Housing Corporation (CMHC)		
8% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$3, maturing January 2017, secured by buildings	34	74
8% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$2, maturing April 2025, secured by buildings	174	186
6.38% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$3, maturing November 2019, secured by buildings	-	178
4.31% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of \$15, maturing 2021, secured by buildings	897	1,036
Mortgages payable to Canadian Mortgage and Housing Corporation at interest rates from 1.64% to 10.50%, due from October 1, 2016 to May 1, 2029, with monthly payments of principal and interest from \$1 to \$27, secured by buildings	5,049	5,506
	\$ 30,270	\$ 25,972

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.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
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14. Pension plan (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 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, 2014 the Plan's going concern ratio was 96.6%.

In order to ensure the long-term sustainability of the Plan contribution rates increased 2.2% through a gradual implementation over 27 months from January 1, 2011 to April 1, 2013. On April 1, 2014, the Cost of Living Adjustment (COLA) Plan Active Members Fund began receiving contributions. 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, 2013.

During the year, the Region contributed **\$24,557** (\$22,868 – 2015) to the Pension Plan using contribution rates set out in the Plan as follows:

	2016	2015
Employee contributions		
% of Basic Annual Earnings below YMPE*	8.9%	8.7%
% of Basic Annual Earnings above YMPE	10.5%	10.3%
Employer contributions		
% of Basic Annual Earnings below YMPE	8.9%	8.7%
% of Basic Annual Earnings above YMPE	10.5%	10.3%

(*YMPE – Yearly Maximum Pensionable Earnings)

15. Invested in capital assets

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

	2016	2015
Capital Assets	\$ 283,438	\$ 286,465
Amounts financed by:		
Deferred contributions	(270,853)	(274,148)
Due from (to) operating account	(1,191)	(568)
Long term debt, bank advances and capital lease obligation	(3,347)	(3,272)
	\$ 8,047	\$ 8,477

Prairie Mountain Health

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16. Restricted assets

Internally restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of **\$5,467** (\$5,394 - 2015). 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

	2016	2015
Allocation per Funding Document	\$ 499,499	\$ 485,194
Add One Time Funding:		
Additional global	8,000	-
2015-16 Deficit	3,404	-
Salary and benefit settlements	11,121	11,502
Interfacility transfers and lifeflight	3,362	3,675
COLA Plan increases	2,692	2,012
St. Paul's Home Goodwill (Note 25)	576	-
Primary care program improvement initiatives	369	636
Colonoscopy funding	-	459
Family physician stipends	297	284
Primary care nurses salaries and benefits	160	241
Provincial workplace injury reduction	121	147
Provincial medical device reprocessing	-	138
Emergency services billings	40	40
Cancer care hubs	-	15
Various program improvement initiatives	214	54
Leap Year Funding	1,262	-
Personal Care Home Per Capita Pharmacy Fees	664	-
Emergency Medical Services Paramedics	691	-
Total Funding Approved by Manitoba Health	\$ 532,472	\$ 504,396
Add/(Deduct):		
Fee for service income	4,798	4,747
Medical remuneration year end settlement	(2)	(55)
Amounts recorded in deferred contributions	(2,638)	(2,468)
Non-global reconciliation	(4,051)	(4,161)
Total revenue from Manitoba Health	\$ 530,579	\$ 502,460

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 subject to approval of project costs.

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

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:

2017	\$ 1,740
2018	1,667
2019	1,480
2020	932
2021	171

- (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, 2016.

20. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2015, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2016, the Region has no known contaminated sites or no known future potential contaminated sites.

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), 3(b), 5 and 17). 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:

	2016	2015
Resident trust funds	\$ 309	\$ 309

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

23. Disclosure of allocated expenses

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

	Acute	Personal Care Homes	Community	Total 2016	Total 2015
Administration	\$ 1,043	\$ 915	\$ -	\$ 1,958	\$ 1,830
Food Services	3,638	12,837	97	16,572	15,762
Housekeeping	3,051	2,027	-	5,078	4,738
Laundry	1,784	1,419	-	3,203	1,826
Nursing	1,252	994	-	2,246	2,378
Plant Operations	5,460	1,456	-	6,916	7,683
Plant Maintenance	3,433	2,367	-	5,800	4,327
Balance, end of year	\$ 19,661	\$ 22,015	\$ 97	\$ 41,773	\$ 38,544

Prairie Mountain Health

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016
(in thousands of dollars)

24. Economic dependence

The Region received approximately 87% (87% - 2015) 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.

For 2015/16, Manitoba Health will be providing one time funding for 2015/16 operating deficits. This funding commitment has been set up as a receivable from Manitoba Health on the consolidated Statement of Financial Position.

25. Acquisitions

On January 1, 2016 Prairie Mountain Health completed the acquisition of St. Paul's Personal Care Home, a 70 bed Long Term Care Home facility located in Dauphin, Manitoba. Total consideration of \$3,000 included \$2,424 for the acquisition of the land and building and \$576 for goodwill. In addition to the purchase of the land and building, assets and liabilities were assumed and legal fees totaling \$25 were paid by Prairie Mountain Health.

The purchase price and related legal fees were allocated to tangible assets and liabilities assumed, using the purchase method of combination. The excess of the purchase price over the aggregate fair values was expensed. The fair value allocation of the purchase price is as follows (in millions):

Cash and cash equivalents	\$ 401
Accounts receivable	24
Prepaid expenses	19
Land and Building	2,424
Plant and Equipment	892
Accounts payable and accrued liabilities	(1,066)
Deferred contributions (net of deferred expenses)	(728)
Net assets	458
Purchase premium	576
Legal fees	25
Total purchase including legal fees	\$ 3,025

The financial results of the operations of St. Paul's Home for the year ended March 31, 2016 have been combined with the results for Prairie Mountain Health.

Non-consolidated Financial Statements of
Southern Health-Santé Sud
March 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Southern Health-Santé Sud

We have audited the accompanying non-consolidated financial statements of Southern Health-Santé Sud, which comprise the non-consolidated statement of financial position as at March 31, 2016, and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Southern Health-Santé Sud as at March 31, 2016, 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.

Chartered Accountants

June 29, 2016
Winnipeg, Manitoba

Southern Health-Santé Sud
Non-consolidated Statement of Financial Position
March 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash and short term investments	\$ 33,423,438	\$ 32,342,029
Accounts receivable, net	8,646,141	3,976,103
Accounts receivable - Manitoba Health, Seniors & Active Living (Note 4)	11,780,120	13,606,759
Accounts receivable - Foundations	391,975	558,787
Inventories	1,340,364	1,399,173
Prepaid expenses	830,881	2,622,373
Due from Manitoba Health, Seniors & Active Living - vacation entitlements	8,839,967	8,839,967
	<u>65,252,886</u>	<u>63,345,191</u>
NON-CURRENT		
Due from Manitoba Health, Seniors & Active Living - retirement entitlements	11,463,152	11,463,152
Capital assets (Note 5)	177,465,500	153,694,108
	<u>\$ 254,181,538</u>	<u>\$ 228,502,451</u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 21,291,120	\$ 19,844,855
Accounts payable - Diagnostic Services of Manitoba	85,378	473,979
Accounts payable - affiliated organizations	487,849	64,393
Accrued vacation benefit entitlements	18,124,238	16,960,045
Current portion of long term debt (Note 7)	221,795	213,785
	<u>40,210,380</u>	<u>37,557,057</u>
NON-CURRENT		
Accrued retirement benefit entitlements	19,350,000	18,656,000
Due to affiliated organizations - retirement entitlements	2,972,998	2,901,000
Due to Diagnostic Services of Manitoba - benefit entitlements	1,447,231	1,385,910
Accrued sick leave benefit entitlements	6,863,303	6,539,353
Long term debt (Note 7)	614,650	845,075
	<u>31,248,182</u>	<u>30,327,338</u>
DEFERRED CONTRIBUTIONS (Note 8)		
Expenses of future periods	9,942,311	11,732,185
Capital assets	169,042,727	145,447,208
	<u>178,985,038</u>	<u>157,179,393</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Invested in capital assets (Note 9)	7,586,328	7,188,040
Internally restricted (Note 10)	1,647,270	1,633,301
Unrestricted	(5,495,660)	(5,382,678)
	<u>3,737,938</u>	<u>3,438,663</u>
	<u>\$ 254,181,538</u>	<u>\$ 228,502,451</u>

APPROVED BY THE BOARD OF DIRECTORS

Original Document Signed

Director

Original Document Signed

Director

Southern Health-Santé Sud
Non-consolidated Statement of Operations
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Manitoba Health, Seniors & Active Living (Note 12)	\$ 338,612,670	\$ 324,726,789
Other Province of Manitoba	1,348,234	1,370,198
Government of Canada	625,446	600,242
Non-global patient and resident income	13,152,370	12,910,917
Other income	10,763,819	8,968,913
Amortization of deferred contributions - expenses of future periods (Note 8)	5,659,378	4,164,269
Amortization of deferred contributions - capital assets (Note 8)	7,680,582	7,308,480
Interest and donations	826,551	947,399
Ancillary operations (Schedule 1a)	2,474,741	2,351,429
	381,143,791	363,348,636
EXPENSES		
Acute care services	113,589,450	109,195,279
Long term care services	50,544,658	48,807,969
Medical remuneration	29,385,245	27,319,377
Community based therapy services	6,083,701	5,738,055
Community based mental health services	8,796,435	9,073,145
Community based home care services	42,615,013	38,417,641
Community based health service	18,181,605	17,256,972
Emergency medical services	15,745,945	14,552,965
Diagnostic services	18,019,991	17,329,985
Regional health authority undistributed	22,048,638	21,320,455
Affiliated organizations	42,865,980	41,589,491
Interest on long term debt	306,814	424,022
Pre-retirement leave	2,087,897	2,857,375
Sick leave	323,950	(249,067)
Amortization of capital assets	7,969,823	7,570,073
Major repairs	79,363	95,713
Ancillary operations (Schedule 1a)	2,150,799	2,036,271
	380,795,307	363,335,721
EXCESS OF REVENUES OVER EXPENSES	\$ 348,484	\$ 12,915

Southern Health-Santé Sud
Non-consolidated Statement of Changes in Net Assets
March 31, 2016

	Invested in Capital Assets	Internally Restricted (Note 10)	Unrestricted	March 31, 2016 Total	March 31, 2015 Total
Balance, beginning of year	\$ 7,188,040	\$ 1,633,301	\$ (5,382,678)	\$ 3,438,663	\$ 3,448,708
Excess (deficiency) of revenue over expenses	(401,052)	-	749,536	348,484	12,915
Repayment of non-Manitoba Health, Seniors & Active Living funded long term debt	222,414	-	(222,414)	-	-
Investment in capital assets	576,926	-	(576,926)	-	-
Changes to internally restricted funds	-	13,969	(63,178)	(49,209)	(22,960)
Balance, end of year	\$ 7,586,328	\$ 1,647,270	\$ (5,495,660)	\$ 3,737,938	\$ 3,438,663

Southern Health-Santé Sud
Non-consolidated Statement of Cash Flows
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	348,484	12,915
Items not affecting cash		
Amortization of capital assets	8,117,656	7,714,108
Amortization of deferred contributions related to expenses of future periods	(5,800,812)	(4,276,952)
Amortization of deferred contributions related to capital assets	(7,716,603)	(7,337,691)
	(5,051,275)	(3,887,620)
Changes in non-cash operating working capital items	1,819,026	(10,108,227)
Increase in sick leave and retirement entitlements	1,151,268	1,209,858
	(2,080,981)	(12,785,989)
FINANCING ACTIVITIES		
Principal payments on long term debt	(222,414)	(233,505)
Deferred contributions received related to expenses of future periods	5,765,429	7,199,159
Deferred contributions received related to capital assets	29,557,632	12,324,127
	35,100,647	19,289,781
INVESTING ACTIVITIES		
Purchase of capital assets	(31,889,048)	(13,605,955)
Change in net assets	(49,209)	(22,959)
	(31,938,257)	(13,628,914)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,081,410	(7,125,123)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	32,342,029	39,467,152
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	\$ 33,423,438	\$ 32,342,029
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:		
Cash	33,280,300	32,201,419
Short-term investments	143,138	140,610
	\$ 33,423,438	\$ 32,342,029

1. NATURE OF BUSINESS

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

2. BASIS OF PRESENTATION

These financial statements reflect the operating results and financial position of the Region as at March 31, 2016 and do not include the operating results and financial position of the nine affiliated organizations over which the Region has a direct economic interest. The Region has elected to not consolidate the results of these affiliated organizations, rather it will provide note disclosure of the contractual arrangements and summary financial information relating to these entities (see Note 17).

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

Under the Health Insurance Act and regulations thereto, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors & Active Living ("MHSAL"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by MHSAL with respect to the year ended March 31, 2016.

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

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

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

b) Contributed services

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

c) Inventories

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

d) Capital assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Vacation pay

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

f) Retirement entitlement obligations

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

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

The Region undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Region's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.0% (2.55% in 2015) and a rate of salary increase of 3.5% (3.5% in 2015) plus age related merit / promotion scale with actuarial derived provisions for disability.

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

g) Sick Leave obligations

The Region undertook a valuation of the non-vesting sick leave entitlements. The significant assumptions adopted in measuring the Region's sick leave entitlements include a discount rate of 3.0% (2.55% in 2015), a rate of salary increase of 3.5% (3.5% in 2015) and an EARSL of 7.7 (7.62 in 2015).

h) Use of Estimates

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

i) Long-lived Assets

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

j) Financial Instruments

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

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

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

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

Accounts Receivable/Payable - MHSAL includes the following:

	2016	2015
Current year's operating funding		
Medical year end payable	\$ (2,871,297)	\$ (2,666,595)
Targeted wait time volume funding	2,485,500	3,921,695
Inter Facility Transfers	599,242	1,294,621
Community Support contract funding	2,164,960	-
Manitoba Nurses Union and related employees contract funding	-	5,643,388
Facility Support contract funding	6,536,345	1,837,742
DSM positions/activity	170,884	398,840
Immunization per dose	260,565	280,654
HEPP COLA	723,171	1,313,995
MyHealth Team funding	136,031	-
Bethesda Regional Health Centre emergency room funding	-	426,753
Nurse Practitioners - Carman, St. Pierre/St. Malo, Gladstone, Winkler	140,087	98,023
Niverville Positions/Expenses, WCB	56,877	296,941
Cancer Patient Journey medical positions	-	51,545
Ile-des-Chenes EMS Facility	-	157,000
Inter-Professional Team Demonstration Initiative	153,602	-
Manitoba Government Employee Union Professional Technical market adjustments	307,297	-
Other programs	97,584	32,887
	10,960,848	13,087,489
Approved capital projects	819,272	519,270
	\$ 11,780,120	\$ 13,606,759

In Globe Funding

In Globe funding is funding provided by MHSAL for regional 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 covered by the global funding provided by MHSAL.

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

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

Out of Globe Funding

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

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

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

5. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,634,819	\$ -	\$ 1,634,819	\$ 1,634,819
Land improvements	2,105,160	664,863	1,440,297	1,650,813
Buildings	173,171,243	62,163,916	111,007,327	113,590,589
Building renovations and upgrades	13,297,304	3,812,087	9,485,217	8,607,171
Leasehold improvements	675,041	35,898	639,143	51,877
Building service equipment	7,923,725	2,063,766	5,859,959	4,274,068
Major equipment	66,265,240	54,861,104	11,404,136	12,140,794
Computers, software and automobiles	10,455,100	8,827,169	1,627,931	2,111,951
Construction in progress	34,366,671	-	34,366,671	9,632,026
	\$ 309,894,303	\$ 132,428,803	\$ 177,465,500	\$ 153,694,108

6. AVAILABLE CREDIT FACILITY

MHSAL has authorized the Region to set up a credit facility with the Region's financial institutions to finance operating requirements in the amount of \$14,700,000, with an interest rate of prime minus 1.00%. The balance drawn at March 31, 2016 was \$nil (2015 \$nil).

SOUTHERN HEALTH-SANTÉ SUD
Notes to the Non-consolidated Financial Statements
March 31, 2016

7. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
CMHC mortgage payable in monthly blended instalment of \$14,795 bearing interest at 4.170% due June 1, 2020. Secured by land and building	\$ 686,622	\$ 836,485
CMHC mortgage payable in monthly blended instalment of \$486 bearing interest at 5.875% due August 1, 2017. Secured by land and building	7,930	13,142
CMHC mortgage payable in monthly blended instalment of \$5,178 bearing interest at 1.53% due November 1, 2017. Secured by land and building	102,195	162,274
CMHC mortgage payable in monthly blended instalment of \$887 bearing interest at 7.875% due August 1, 2020. Secured by land and building	39,698	46,959
	<u>836,445</u>	<u>1,058,860</u>
Less: current portion	<u>221,795</u>	<u>213,785</u>
	<u>\$ 614,650</u>	<u>\$ 845,075</u>

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

2017	221,795
2018	213,993
2019	187,644
2020	206,409
2021	6,604

8. 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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 11,732,185	\$ 9,816,273
Additional contributions received	5,765,429	7,199,160
Less amounts transferred to deferred contributions - capital assets	(1,754,490)	(1,006,295)
Less amounts amortized to revenue	(5,659,378)	(4,164,269)
Less amounts amortized to revenue - ancillary	(141,435)	(112,684)
	<u>\$ 9,942,311</u>	<u>\$ 11,732,185</u>

b) Capital assets

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 145,447,208	\$ 139,454,477
Additional contributions received	29,557,632	12,324,127
Amounts transferred from deferred contributions - expenses of future periods	1,754,490	1,006,295
Less amounts amortized to revenue	(7,680,582)	(7,308,480)
Less amounts amortized to revenue - ancillary	(36,021)	(29,211)
	<u>\$ 169,042,727</u>	<u>\$ 145,447,208</u>

Included in deferred contributions - capital assets are loans and mortgages whose principal and interest payments are fully funded by MHSAL. The total of these fully funded loans and mortgages are as follows:

	<u>2016</u>	<u>2015</u>
Loans at prime less 1.00% per annum established via demand notes supported by letter of comfort from MHSAL.	\$ 34,257,456	\$ 16,168,649
CMHC mortgages payable in monthly blended installments of \$1,024 to \$5,617 bearing interest rates from 0.9% to 10.5% and due from April 1, 2017 to July 1, 2028, secured by buildings.	2,450,987	2,732,259
	<u>\$ 36,708,443</u>	<u>\$ 18,900,909</u>

9. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 177,465,500	\$ 153,694,108
Amounts financed by:		
Deferred contributions	(169,042,727)	(145,447,208)
Long term debt	(836,445)	(1,058,860)
	<u>\$ 7,586,328</u>	<u>\$ 7,188,040</u>

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

	<u>2016</u>	<u>2015</u>
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	\$ 7,716,603	\$ 7,337,691
Amortization of capital assets	(8,117,656)	(7,714,108)
	<u>(401,053)</u>	<u>(376,417)</u>
Repayment of non-MHSAL funded long term debt	<u>222,414</u>	<u>233,505</u>
Investment in capital assets	31,889,048	13,605,955
Amounts funded by deferred contributions	<u>(31,312,122)</u>	<u>(13,330,422)</u>
	<u>576,926</u>	<u>275,533</u>
	<u>\$ 398,287</u>	<u>\$ 132,621</u>

10. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted \$1,647,270 (2015 - \$1,633,301) in net assets to be used for the purchase of specified capital assets. Included in this total is \$1,000,000 for a pharmacy drug dispensing machine and \$556,505 for a laundry facility for the new Notre Dame hospital that was transferred out of Unrestricted Net Assets to Internally Restricted Net Assets in prior years.

11. 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, 2016.

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

2017	1,367,324
2018	741,982
2019	635,493
2020	600,790
2021	592,962
	<u>\$ 3,938,551</u>

12. MANITOBA HEALTH, SENIORS & ACTIVE LIVING REVENUE

MHSAL revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue as per final approved budget	\$ 323,315,279	\$ 310,641,478
Province of Manitoba loan principal	(1,447,193)	(1,415,920)
Amounts recorded as deferred contributions	(94,782)	(94,782)
	<u>321,773,304</u>	<u>309,130,776</u>
Current year's estimated out of globe amounts	(117,582)	(153,622)
One time operational funding - contract settlements	7,170,860	5,789,867
One time operational funding - wait list	2,485,500	3,315,050
One time operational funding - DSM Expenses	112,793	331,863
One time operational funding - Bethesda emergency room	1,624,653	2,044,753
One time operational funding - cancer care journey	-	316,680
One time operational funding - Niverville Heritage Life PCH Inc.	691,416	649,218
One time operational funding - EMS Inter-facility transfer	2,905,959	2,913,647
One time operational funding - medical remuneration	(2,871,297)	(2,666,595)
One time operational funding - medical remuneration prior year	427,000	-
One time operational funding - mobile primary care bus	-	576,268
One time operational funding - primary care/MyHealth teams/nurse practitioners	707,870	512,787
One time operational funding - Ile-des-Chenes EMS station	-	157,000
One time operational funding - HEPP Cost of Living adjustment	1,772,190	1,313,995
One time operational funding - St. Claude Wellness Centre	-	85,483
One time operational funding - immunization	260,565	280,654
One time operational funding - leap year	852,996	-
One time operational funding - capitation fees	163,359	-
One time operational funding - EMS PCP conversion	205,588	-
One time operational funding - Tertiary care regional centres	360,000	-
One time operational funding - other	87,496	128,965
	<u>\$ 338,612,670</u>	<u>\$ 324,726,789</u>

13. RELATED PARTY AND ECONOMIC DEPENDENCE

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

14. 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.

15. PENSION PLAN

Most of the employees of the Region are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada Handbook section PS3250.

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

Effective April 1, 2014, contributions began to establish Cost of Living Adjustment funds ("COLA") for the pension plan. Active pension plan members and their employers each contribute 0.8% of pensionable earnings to the fund. Effective April 1, 2015, active pension plan members and their employers will contribute 1.0% of pensionable earnings, with 90% of contributions going to the active members fund and 10% going to the retired members fund. COLA increases are done on an "ad hoc" basis and are not guaranteed. The earliest date a COLA increase may be granted is January 1, 2018.

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, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2013 - \$203,558,000) as well as a solvency deficiency of \$1,955,292,000 (2013 - \$1,097,114,000). Actual contributions to the plan made during the year by the Region on behalf of its employees amounted to \$11,665,500 (2015 - \$10,675,000) for the pension plan and \$1,428,000 (2015 \$1,049,000) for the COLA plan and are included in the statement of operations.

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

16. FINANCIAL INSTRUMENTS

The Region, through its financial assets and liabilities has exposure to various risks in the normal course of operations. The Region's objective in risk management is to optimize the risk return within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the organization's activities. The Region's risk management strategies are unchanged from the previous year. The following analysis provides a measurement of those risks at March 31, 2016.

Credit Risk

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

Credit risk is the risk that the Region will incur a loss due to the failure by its debtors to meet their contractual obligations. The Region's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the balance sheet are net of allowance of doubtful accounts in the amount of \$2,229,282 (2015 - \$2,307,832) estimated by the management based on previous experience and its assessment of the current economic environment. The credit risk on cash is limited because the counterparties are primarily chartered banks with a high credit rating assigned by national credit-rating agencies.

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

Liquidity Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

17. AFFILIATED ORGANIZATIONS

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

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

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

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

SOUTHERN HEALTH-SANTÉ SUD
Notes to the Non-consolidated Financial Statements
March 31, 2016

17. AFFILIATED ORGANIZATIONS (continued)

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

Financial Position

	2016			2015		
	Total Assets	Total Liabilities	Net Assets	Total Assets	Total Liabilities	Net Assets
Salem Home Inc.	\$ 9,634,983	\$ 9,092,687	\$ 542,296	\$ 9,354,927	\$ 8,983,087	\$ 371,840
Tabor Home Inc.	2,614,906	2,342,962	271,944	3,786,243	2,592,607	1,193,636
Eden Mental Health Centre	2,314,932	2,837,917	(522,985)	2,509,567	3,049,881	(540,314)
Rock Lake District Health District	2,598,925	2,112,947	485,978	3,105,904	2,636,513	469,391
Prairie View Lodge	1,098,669	970,641	128,028	927,312	771,946	155,366
Menno Home for the Aged Inc. (PCH Division)	2,664,823	2,507,151	157,672	1,946,642	1,810,124	136,518
Rest Haven Nursing Home	5,830,892	5,455,486	375,406	4,461,173	4,163,302	297,871
Villa Youville Inc. - Nursing	7,618,664	7,660,759	(42,095)	7,506,313	7,565,210	(58,897)
Niverville Heritage PCH Inc.	14,517,773	14,753,573	(235,800)	15,314,515	15,444,205	(129,690)
	\$ 48,894,567	\$ 47,734,123	\$ 1,160,444	\$ 48,912,596	\$ 47,016,875	\$ 1,895,721

Results of Operations and Cash Flows

	2016			2015		
	Revenue	Expenses	Surplus / Deficit	Cash Flow from Operations	Cash Flow from Financing Activities	Cash Flow from Investing Activities
Salem Home Inc.	\$ 12,416,203	\$ 12,245,747	\$ 170,456	\$ (406,762)	\$ 957,046	\$ (1,018,603)
Tabor Home Inc.	5,164,369	6,086,061	(921,692)	(1,114,920)	168,394	(82,730)
Eden Mental Health Centre	8,917,161	8,899,832	17,329	(545,596)	96,083	(88,572)
Rock Lake District Health District	6,888,375	6,871,788	16,587	(191,583)	59,976	(54,969)
Prairie View Lodge	1,562,071	1,598,409	(36,338)	(314,149)	514,161	(330,465)
Menno Home for the Aged Inc. (PCH Division)	4,104,011	4,082,857	21,154	10,145	770,717	(756,039)
Rest Haven Nursing Home	5,323,741	5,246,206	77,535	25,717	1,532,957	(1,671,114)
Villa Youville Inc. - Nursing	5,968,437	5,951,635	16,802	185,771	180,329	(155,048)
Niverville Heritage PCH Inc.	7,622,560	7,728,670	(106,110)	463,255	(429,328)	(700,075)
	\$ 57,966,928	\$ 58,711,205	\$ (744,277)	\$ (1,888,122)	\$ 3,850,335	\$ (4,857,615)

	2015			2014		
	Revenue	Expenses	Surplus / Deficit	Cash Flow from Operations	Cash Flow from Financing Activities	Cash Flow from Investing Activities
Salem Home Inc.	\$ 11,974,375	\$ 11,935,924	\$ 38,451	\$ 350,778	\$ 412,787	\$ (449,080)
Tabor Home Inc.	5,201,029	4,865,343	335,686	29,710	122,857	687,814
Eden Mental Health Centre	9,066,170	9,294,967	(228,797)	(229,649)	50,000	12,590
Rock Lake District Health District	6,532,246	6,464,756	67,490	667,690	35,829	(43,619)
Prairie View Lodge	1,495,057	1,523,056	(27,999)	353,816	281,973	(471,535)
Menno Home for the Aged Inc. (PCH Division)	3,434,743	3,425,049	9,694	(15,112)	41,054	(29,315)
Rest Haven Nursing Home	5,163,651	5,052,914	110,737	626,753	33,531	(80,133)
Villa Youville Inc. - Nursing	5,883,267	5,821,822	61,445	27,724	(1,700)	(13,822)
Niverville Heritage PCH Inc.	7,316,896	7,451,193	(134,297)	468,273	(630,068)	335,450
	\$ 56,067,434	\$ 55,835,024	\$ 232,410	\$ 2,279,983	\$ 346,263	\$ (51,650)

18. MANITOBA HOUSING INCOME RECONCILIATION

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

19. COMPARATIVE FIGURES

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

Southern Health-Santé Sud
Statement of Operations - Ancillary Operations
For the year ended March 31, 2016

Schedule 1a

	Elderly					2016	2015
	Person's Housing	Handivan	Retail Pharmacy	Other			
REVENUE							
Outside sources	\$ 1,097,472	\$ 53,160	\$ 1,146,653	\$ -	\$ 2,297,285	\$ 2,209,534	
Amortization of deferred contributions - Capital	19,230	16,791	-	-	36,021	29,211	
Amortization of deferred contributions - Future Periods	141,435	-	-	-	141,435	112,684	
	1,258,137	69,951	1,146,653	-	2,474,741	2,351,429	
EXPENSES							
Operating	918,003	49,582	1,007,546	1,318	1,976,449	1,734,033	
Amortization of capital assets	113,045	34,788	-	-	147,833	144,034	
Interest on long term debt	26,131	-	-	-	26,131	45,141	
Major repairs	386	-	-	-	386	113,063	
	1,057,565	84,370	1,007,546	1,318	2,150,799	2,036,271	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 200,572	\$ (14,419)	\$ 139,107	\$ (1,318)	\$ 323,942	\$ 315,158	

Southern Health-Santé Sud
Statement of Operations - Elderly Person's Housing
For the year ended March 31, 2016

Schedule 1b

	Regency House	Rolary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	2016	2015
REVENUE							
Rental Income	\$ 356,432	\$ 216,511	\$ 56,998	\$ 144,921	\$ 232,527	\$ 1,007,289	\$ 959,674
MHRC Subsidy	47,830	2,691	1,573	18,912	5,208	76,214	80,755
Amortization of deferred contributions - Capital	7,791	79	111	584	10,665	19,230	12,420
Amortization of deferred contributions - Major Repairs	23,168	72,227	9,542	18,385	18,113	141,435	112,684
Other	4,998	4,275	1,656	630	2,411	13,970	15,807
	440,219	295,783	69,780	183,432	268,924	1,258,138	1,181,340
EXPENSES							
Purchased Services	24,805	24,805	10,032	15,048	4,491	79,181	73,827
Interdepartmental Services	10,100	15,900	4,900	5,800	25,704	62,404	61,192
Salaries and Benefits	-	-	-	-	24,799	24,799	22,270
Mortgage Interest	20,209	3,338	600	1,984	-	26,131	45,141
Property Taxes	41,840	18,833	8,703	25,212	16,893	111,481	92,304
Insurance	5,100	3,000	1,000	4,000	5,000	18,100	17,800
Major repairs	277	110	-	-	-	387	113,063
Maintenance	50,241	30,446	10,708	13,853	22,511	127,759	119,498
Reserve for Major Repairs	33,191	94,927	13,542	27,985	89,113	258,758	82,600
Electricity	54,687	18,296	12,104	28,512	31,911	145,510	153,107
Natural Gas	-	11,854	-	-	3,979	15,833	17,424
Water and Sewer	19,491	15,641	4,259	4,678	5,750	49,819	51,311
Professional Fees - Audit	800	800	800	800	800	4,000	4,000
Telephone	7,281	1,899	-	-	798	9,978	10,033
Supplies	1,864	5,213	20	940	2,344	10,381	7,497
Amortization of capital assets - Land Improvements	1,558	-	-	-	611	2,169	2,169
Amortization of capital assets - Building	55,246	378	2,184	19,745	20,733	98,286	105,715
Amortization of capital assets - Equipment	3,755	-	-	-	8,835	12,590	1,363
	330,445	245,440	68,852	148,557	264,272	1,057,566	980,314
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 109,774	\$ 50,343	\$ 928	\$ 34,875	\$ 4,652	\$ 200,572	\$ 201,026
Manitoba Housing Income Reconciliation: (Note 18)							
Principal payments on mortgage	\$ (149,862)	\$ (7,262)	\$ (5,211)	\$ (60,079)	\$ -	\$ (222,414)	\$ (233,505)
Depreciation land improvements	1,558	-	-	-	611	2,169	2,169
Depreciation buildings	55,246	378	2,184	19,745	20,733	98,286	105,715
Depreciation equipment	3,755	-	-	-	8,835	12,590	1,363
Amortization of deferred contributions	(30,959)	(72,306)	(9,653)	(18,969)	(28,778)	(160,665)	(12,420)
(Loss) / Income for Manitoba Housing Purposes	\$ (10,488)	\$ (28,847)	\$ (11,752)	\$ (24,428)	\$ 6,053	\$ (69,462)	\$ 64,348
ACCUMULATED (DEFICIT) / SURPLUS	\$ (184,390)	\$ 135,614	\$ (86,971)	\$ (74,312)	\$ 31,677	\$ (178,383)	\$ (378,954)
Reserve for Major Repairs Balance	\$ 12,186	\$ 14,919	\$ 17,350	\$ 50,280	\$ 104,754	\$ 199,489	\$ 165,114

Consolidated Financial Statements of the

WINNIPEG REGIONAL HEALTH AUTHORITY

March 31, 2016

WINNIPEG REGIONAL HEALTH AUTHORITY
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

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

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

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

Original Document Signed
Milton Sussman
President & Chief Executive Officer

Original Document Signed
Glenn McLennan, CPA, CMA
Vice-President & Chief Financial Officer

Independent auditors' report

To the Directors of the
Winnipeg Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Winnipeg Regional Health Authority** [the "Authority"], which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **Winnipeg Regional Health Authority** as at March 31, 2016, and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Canada
June 28, 2016

Ernst & Young LLP

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

As at March 31

(in thousands of dollars)

	2016	2015
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 65,383	\$ 15,924
Accounts receivable (Note 3)	228,764	221,238
Inventory	46,509	31,624
Prepaid expenses	18,740	13,762
Investments (Note 6)	4,760	8,753
Employee benefits recoverable from Manitoba Health, Healthy Living and Seniors (Note 4)	78,957	78,957
	443,113	370,258
 CAPITAL ASSETS, NET (Notes 5 and 9)	 1,764,454	 1,671,934
 OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health, Healthy Living and Seniors (Note 16)	82,499	82,499
Investments (Note 6)	29,515	61,099
	\$ 2,319,581	\$ 2,185,790
 LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 9)	\$ 127,213	\$ 52,875
Accounts payable and accrued liabilities (Notes 7 and 10)	255,211	262,209
Deferred contributions, future expenses (Note 8)	56,955	55,192
Employee benefits payable (Note 4)	121,299	109,604
Current portion of long-term debt (Note 9)	33,976	42,763
	594,654	522,643
 NON-CURRENT		
Long-term debt (Note 9)	31,542	33,573
Employee future benefits payable (Note 16)	225,533	223,097
Deferred contributions, capital (Note 11)	1,466,811	1,400,295
	1,723,886	1,656,965
 COMMITMENTS AND CONTINGENCIES (Note 13)		
 NET ASSETS	 7,319	 10,144
ACCUMULATED REMEASUREMENT LOSSES	(6,278)	(3,962)
	\$ 2,319,581	\$ 2,185,790

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

Original Document Signed
..... R. B. Brennan, FCA
Chair, Board of Directors

Original Document Signed
..... Craig M. Stahlke, FCPA, FCMA
Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY**Consolidated Statement of Operations**

For the year ended March 31

(in thousands of dollars)

	2016	2015
REVENUE		
Manitoba Health, Healthy Living and Seniors operating income	\$ 2,722,389	\$ 2,537,413
Separately funded primary health programs	5,583	4,775
Patient and resident income	41,920	44,052
Recoveries from external sources	53,141	61,536
Investment income	2,374	2,816
Other revenue	6,807	5,794
Amortization of deferred contributions, capital	84,605	84,086
Recognition of deferred contributions, future expenses	18,917	51,170
	2,935,736	2,791,642
EXPENSES		
Direct operations	2,446,576	2,335,931
Interest	1,256	880
Amortization of capital assets	93,253	101,062
	2,541,085	2,437,873
FACILITY FUNDING		
Long-term care facility funding	310,835	299,733
Community health agency funding	47,769	46,074
Adult day care facility funding	2,954	2,954
Long-term care community therapy services	806	827
GRANT FUNDING		
Grants to facilities and agencies	41,745	36,453
	2,945,194	2,823,914
OPERATING DEFICIT	(9,458)	(32,272)
NON-INSURED SERVICES		
Non-insured services income	66,442	66,094
Non-insured services expenses	59,815	59,158
NON-INSURED SERVICES SURPLUS	6,627	6,936
DEFICIT FOR THE YEAR	\$ (2,831)	\$ (25,336)

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

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

	2016				
	Unrestricted Net Assets	Investment in Capital Assets	Internally Restricted Net Assets (Note 12)	Endowment Accounts	Total
Balance, beginning of year	\$ (189,732)	\$ 174,091	\$ 23,628	\$ 2,157	\$ 10,144
Surplus (deficit) for the year	7,990	(11,398)	577	-	(2,831)
Purchase of capital assets, net	(13,559)	15,417	(1,858)	-	-
Net asset restrictions	(3,485)	-	3,485	-	-
Endowments received	-	-	-	6	6
Balance, end of year	\$ (198,786)	\$ 178,110	\$ 25,832	\$ 2,163	\$ 7,319

	2015				
	Unrestricted Net Assets	Investment in Capital Assets	Internally Restricted Net Assets (Note 12)	Endowment Accounts	Total
Balance, beginning of year	\$ (143,872)	\$ 156,233	\$ 28,787	2,129	\$ 43,277
Misericordia Adjustment (Note 18)	-	(6,221)	(1,604)	-	(7,825)
Deficit for the year	(6,583)	(17,901)	(852)	-	(25,336)
Purchase of capital assets, net	(36,578)	41,980	(5,402)	-	-
Net asset restrictions	(2,699)	-	2,699	-	-
Endowments received	-	-	-	28	28
Balance, end of year	\$ (189,732)	\$ 174,091	\$ 23,628	\$ 2,157	\$ 10,144

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31

(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Accumulated remeasurement losses at beginning of year	\$ (3,962)	\$ (1,673)
Unrealized (losses) gains attributable to:		
Derivative – interest rate swap (Note 10)	(608)	(3,062)
Investments	(712)	1,170
Realized (gains) losses reclassified to statement of operations		
Investments	(996)	(397)
Net remeasurement loss for the year	(2,316)	(2,289)
Accumulated remeasurement losses at end of year	\$ (6,278)	\$ (3,962)

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

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

	2016	2015
OPERATING ACTIVITIES		
Deficit for the year	\$ (2,831)	\$ (25,336)
Items not affecting cash		
Amortization of capital assets	102,363	101,062
Amortization of deferred contributions, capital assets	(88,406)	(84,086)
Recognition of deferred contributions, future expenses	(19,386)	(51,170)
Net change in employee benefits	14,131	4,886
	5,871	(54,644)
Net change in non-cash operating working capital balances	(36,697)	(79,939)
Deferred contributions received - future expenses	21,149	19,675
	(9,677)	(114,908)
FINANCING ACTIVITIES		
Deferred contributions, capital received	154,922	148,303
Proceeds of line of credit	74,338	52,875
Proceeds of long-term debt	-	4,767
Long-term debt repayments	(10,818)	(4,868)
	218,442	201,077
CAPITAL ACTIVITIES		
Purchase of capital assets	(194,883)	(214,526)
	(194,883)	(214,526)
INVESTING ACTIVITIES		
Decrease in investments, net	35,577	46,729
	35,577	46,729
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,459	(81,628)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,924	97,552
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 65,383	\$ 15,924

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

1. NATURE OF BUSINESS

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

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

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

- i. Direct Operations - provided through:
 - Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Manitoba eHealth services, Long Term Care Services (Middlechurch Home of Winnipeg and Riverpark Gardens sites), Acute Care services (Churchill Health Centre, Deer Lodge Centre, Grace General Hospital, Health Sciences Centre, Pan Am Clinic, and Victoria General Hospital sites), and Medical Remuneration.
 - Community Hospitals (Concordia Hospital, Seven Oaks General Hospital) – by means of agreements to further regionalization and operating agreements.
 - Other Hospitals (Misericordia Health Centre, Riverview Health Centre, St. Boniface General Hospital), Volunteer Enterprises of the Health Sciences Centre Inc. ("VENT") and Manitoba Adolescent Treatment Centre ("MATC") – by means of operating agreements.
- ii. Long-term care and community health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.
- iii. Other health services – provided through various agencies by means of grant funding mechanisms.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian public sector accounting standards including PS 4200 - 4270 ("PSAB for GNFPPO").

a) Controlled entities

The Authority consolidates organizations involved in the delivery of health care services that it controls through the ability to determine the strategic operating, capital, investing and financial policies. Controlled organizations not directly involved in the delivery of health care services are not consolidated (Note 15).

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

- i. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- ii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.
- iii. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.
- iv. Endowment contributions requiring the externally restricted contribution be maintained in perpetuity – recognized as direct increase to net assets.

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

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

c) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid instruments, such as certificates of deposit, term deposits, treasury notes and other money market instruments, which generally have original maturities of less than three months from the date of issuance.

d) Inventory

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

e) Capital assets

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

Buildings	2-10%
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.

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

f) Employee future benefits

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

Multi-employer plans

Defined contribution accounting is applied for multi-employer pension plans, whereby contributions are expensed on an accrual basis, as the Authority has insufficient information to apply defined benefit plan accounting.

Other defined benefit plans

The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected unit credit service pro-rated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis. The period of amortization is equal to the expected average remaining service life ("EARS") of active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Authority's cost of borrowing. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service period of the active employees.

g) Endowment net assets

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

h) Use of estimates

The preparation of consolidated financial statements in conformity with PSAB for GNFP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The Authority is funded by the Province of Manitoba using Manitoba Health, Healthy Living and Seniors ("Manitoba Health") funding mechanisms. These consolidated financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2016.

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

i) Financial instruments

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

Fair value

The fair value category includes derivatives and investments.

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

The Authority recognizes investments based on trade dates. Transaction costs related to investments are added to the carrying value of the instrument.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the write-down in the consolidated statement of operations is not reversed until the investment is sold.

Amortized cost

The amortized cost category includes accounts receivable, accounts payable, accrued liabilities and long-term debt. These financial instruments are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Manitoba Health - operating, capital and fee for service	\$ 183,945	\$ 179,171
Accounts receivable from other Province of Manitoba departments	867	1,024
Facility advances and receivables	4,776	3,482
Patient related and other	44,239	41,691
Allowance for doubtful accounts	(5,063)	(4,130)
	<u>\$ 228,764</u>	<u>\$ 221,238</u>

Aging of accounts receivable as at March 31, 2016 are as follows:

	<u>Total</u>	<u>Current</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	<u>>91 days</u>
Patient related and Other	\$ 44,239	\$ 28,813	\$ 2,536	\$ 2,995	\$ 9,895
Accounts receivable from other Province of Manitoba departments	867	867	-	-	-
Bridge Funding (PCHs)	4,776	480	-	255	4,041
Gross Receivables	49,882	30,160	2,536	3,250	13,936
Manitoba Health (See below)	183,945				
Allowance for doubtful accounts	(5,063)				(5,063)
Net receivables	228,764	30,160	2,536	3,250	8,873

Manitoba Health receivables by funding year as at March 31, 2016 are as follows:

	<u>Total</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13 and prior</u>
Manitoba Health – operating, capital and fee for service	\$ 183,945	\$ 137,973	\$ 34,362	\$ 6,569	\$ 5,041

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

Aging of accounts receivable as at March 31, 2015 are as follows:

	<u>Total</u>	<u>Current</u>	<u>31 - 60 days</u>	<u>61 - 90 days</u>	<u>>91 days</u>
Patient related and Other	\$ 41,691	\$ 28,013	\$ 1,555	\$ 1,461	\$ 10,662
Accounts receivable from other Province of Manitoba departments	1,024	838	56	4	126
Bridge Funding (PCHs)	3,482	100	300	1,062	2,020
Gross Receivables	46,197	28,951	1,911	2,527	12,808
Manitoba Health (See below)	179,171				
Allowance for doubtful accounts	(4,130)				(4,130)
Net receivables	221,238	28,951	1,911	2,527	8,678

Manitoba Health receivables by funding year as at March 31, 2016 are as follows:

	<u>Total</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12 and prior</u>
Manitoba Health - operating, capital and fee for service	\$ 179,171	\$ 121,735	\$ 44,051	\$ 7,438	\$ 5,947

As at March 31, 2016, there are significant amounts owing to the Authority that are past due. The majority of these amounts are from Manitoba Health and the Authority's experience is that these will be collected. None of these amounts are impaired.

4. EMPLOYEE BENEFITS

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

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 109,604	\$ 106,736
Increase in vacation/overtime/statutory holiday entitlements	11,695	2,868
Balance, end of year	\$ 121,299	\$ 109,604

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

5. CAPITAL ASSETS

	2016		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 18,911	\$ -	\$ 18,911
Buildings	1,389,307	(567,436)	821,871
Buildings under capital lease	16,690	(1,287)	15,403
Furniture and equipment	977,147	(817,939)	159,208
Computer hardware and software	309,072	(150,610)	158,462
Leasehold improvements	77,181	(36,735)	40,446
Construction in progress	550,153	-	550,153
	\$ 3,338,461	\$ (1,574,007)	\$ 1,764,454

	2015		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 18,926	\$ -	\$ 18,926
Buildings	1,339,199	(542,714)	796,485
Buildings under capital lease	16,690	(869)	15,821
Furniture and equipment	939,335	(784,463)	154,872
Computer hardware and software	238,354	(125,765)	112,589
Leasehold improvements	76,338	(31,861)	44,477
Construction in progress	528,764	-	528,764
	\$ 3,157,606	\$ (1,485,672)	\$ 1,671,934

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to \$2,642 (2015 - \$3,355).

6. INVESTMENTS

	Fair Value Hierarchy level	2016	2015
Investments at fair value			
Money market investments	Level 2	\$ 341	\$ 321
Government bonds	Level 2	4,662	12,740
Corporate bonds	Level 2	16,887	40,333
Guaranteed Investment Certificates (GICs)	Level 2	12,435	16,676
		34,325	70,070
Less: amounts included with accrued interest		(50)	(218)
		34,275	69,852
Less: amounts maturing/redeemable within one year, included in current assets		(4,760)	(8,753)
		\$ 29,515	\$ 61,099

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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.

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, 2016, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	\$ 589	\$ 2,341	\$ 1,490	3.35%
2 to 5 years	3,945	12,158	10,945	2.73%
5 to 10 years	100	1,639	-	2.24%
Over 10 years	28	749	-	2.82%
	\$ 4,662	\$ 16,887	\$ 12,435	

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable and accrued liabilities	\$ 193,178	\$ 190,683
Accounts payable to Manitoba Health	7,089	5,565
Accrued salaries	39,042	53,554
Holdbacks on construction contracts	15,902	12,407
	\$ 255,211	\$ 262,209

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

8. DEFERRED CONTRIBUTIONS, FUTURE EXPENSES

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

	2016	2015
Funding provided by Manitoba Health	\$ 10,422	\$ 11,090
Funding provided by other sources	46,533	44,102
	\$ 56,955	\$ 55,192

	2016	2015
Balance, beginning of year	\$ 55,192	\$ 86,686
Amount received during the year	21,156	20,927
Transferred to deferred contributions, capital	(7)	(6)
Less: amount recognized as revenue – programs	(18,917)	(51,170)
Less: amount recognized as revenue – non-insured services	(469)	(1,245)
Balance, end of year	\$ 56,955	\$ 55,192

9. LONG-TERM DEBT

	2016	2015
1.720% banker's acceptance, maturing April 15, 2016 Health Science Centre Tecumseh Street Parkade (Note 10)	\$ 30,469	\$ 31,762
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments \$92	16,196	16,196
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments \$48 St. Boniface General Hospital Atrium	12,628	12,877
Prime minus 0.65% mortgage payable, maturing December 31, 2015 Health Sciences Centre Kleysen Institute	-	6,643
7.38% mortgage payable, maturing August 31, 2018 Monthly principal and interest payments \$157 Nutrition and Food Services	4,166	5,684

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

1.405% banker's acceptance, maturing April 27, 2016		
Health Sciences Centre Emily Street Parkade (Note 10)	1,262	2,163
Prime minus 0.65% term loan, maturing September 30, 2022		
Monthly principal and interest payments \$9		
Grace General Hospital Ancillary Parking Lot	635	739
Prime non-revolving term credit facility, no fixed maturity		
Riverview Health Centre Boilers	62	137
5.75% mortgage payable, maturing March 31, 2018		
Monthly principal and interest payments \$3		
Middlechurch	100	135
	65,518	76,336
Less: amounts due within one year, included in current liabilities	(33,976)	(42,763)
	\$ 31,542	\$ 33,573

The Health Sciences Centre Tecumseh Street Parkade Loan has been collateralized by the Tecumseh Street Parkade, which at March 31, 2016 had a net book value of \$34,280 (2015 - \$35,730). The Health Sciences Centre Emily Street Parkade Loan has been collateralized by the Emily Street Parkade, which at March 31, 2016 had a net book value of \$4,119 (2015 - \$4,429). The assigned results of the HSC Business and Innovative Services have also been secured against both of the parkade loans.

The St. Boniface General Hospital Atrium loan maturing on October 30, 2024 is collateralized by an assignment of existing and future leases and rents related to the St. Boniface General Hospital Atrium. In accordance with the terms of the loan agreement, the 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 collateralized by the revenue from the Grace Ancillary parking lot.

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which at March 31, 2016 amount to \$124,000 (2015 - \$99,900). As at March 31, 2016, \$127,213 is being utilized (2015 - \$52,875).

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

	Bank Loans	Capital Lease
2016/17	\$ 33,826	\$ 150
2017/18	2,167	162
2018/19	1,188	201
2019/20	393	213
2020/21	405	226
Thereafter	11,343	15,244
	\$ 49,322	\$ 16,196

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into interest rate swaps to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for each of the Emily Street Parkade ("Emily") and Tecumseh Street Parkade ("Tecumseh") at the Health Sciences Centre. These interest rate swaps relate to banker's acceptances (listed in Note 9), which are automatically renewed monthly until the end of the swap agreement.

The notional amount of the Emily swap at March 31, 2016 is \$1,262 (2015 - \$2,163), maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated as \$(24) (2015 - \$(80)), resulting in a derivative liability of \$24 (2015 - \$80) included in accounts payable and accrued liabilities.

The notional amount of the Tecumseh swap at March 31, 2016 is \$30,469 (2015 - \$31,762) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at \$(6,602) (2015 - \$(5,939)), resulting in a derivative liability of \$6,602 (2015 - \$5,939) included in accounts payable and accrued liabilities.

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

11. 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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,400,295	\$ 1,336,078
Amount received during the year	154,915	151,313
Transferred to deferred contributions, future expenses	7	6
Less: amount recognized as revenue – programs	(84,605)	(84,086)
Less: amount recognized as revenue – non-insured services	(3,801)	(3,016)
Balance, end of year	\$ 1,466,811	\$ 1,400,295

The Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority incorporated the long-term debt balance of \$267,766 (2015 - \$273,674) as part of its deferred contributions, capital balance.

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

12. INTERNALLY RESTRICTED NET ASSETS

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

	2016	2015
Laundry Capital Assets	\$ 3,194	\$ 1,380
Concordia Capital Assets	664	664
Deer Lodge Capital Assets	281	281
Grace Capital Assets	3,333	3,321
Victoria Capital Assets	329	329
Seven Oaks Ancillaries & Wellness Institute	4,834	5,017
Health Sciences Centre Internally Restricted	1,292	1,033
Riverview Internally Restricted	4,017	3,874
Middlechurch	206	179
Misericordia Ancillary Fund	874	749
St. Boniface Internally Restricted	6,808	6,801
Total	\$ 25,832	\$ 23,628

13. COMMITMENTS AND CONTINGENCIES

- a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.
- b) As at March 31, 2016, the Authority had agreements to lease various premises occupied by the Authority, as well as commitments to lease various equipment. Lease payments for the next five years are as follows:

	<u>Premises</u>	<u>Equipment</u>
2016/17	\$18,202	\$4,894
2017/18	17,933	3,117
2018/19	17,114	628
2019/20	16,116	321
2020/21	15,040	25

- c) As at March 31, 2016, the Authority had capital commitments of approximately \$39,696 (2015 - \$71,010) and equipment purchase commitments of approximately \$19,857 (2015 - \$21,448).

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

14. 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, 2016.

15. RELATED ENTITIES

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

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

The controlled Community Hospitals, Other Hospitals, MATC, and VENT have been consolidated into the Authority's 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 15 (a) provides a financial summary of these controlled non-consolidated entities.

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 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 (Canada)* and, accordingly, are exempt

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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:

	<u>2016</u>	<u>2015</u>
<i>Financial Position</i>		
Total assets	\$ 2,017	\$ 1,748
Total liabilities	266	193
Total net assets	\$ 1,751	\$ 1,555
<i>Results of Operations</i>		
Total revenue	\$ 1,378	\$ 1,204
Total expenses	1,189	1,206
Surplus (deficit) from operations	\$ 189	\$ (2)
<i>Cash Flows</i>		
Used in operating activities	\$ 330	\$ (54)
Provided by (used in) financing, capital and investing activities	1,032	(28)
Increase (decrease) in cash	\$ 1,362	\$ (82)

During the year, the controlled and not consolidated entities contributed \$255 (2015 - \$340) to various facilities within the Authority. The Authority incurred expenses of \$nil (2015 - \$nil) with the listed entities. As at March 31, 2016, various facilities within the Authority had aggregate amounts of \$167 (2015 - \$45) receivable from and \$nil (2015 - \$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 (Canada)* and, accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

During the year, these entities contributed \$4,318 (2015 - \$4,741) to various facilities within the Authority. The Authority incurred expenses of \$nil (2015 - \$nil) with the above entities. As at March 31, 2016, various facilities within the Authority had aggregate amounts of \$1,091 (2015 - \$2,248) receivable from and \$369 (2015 - \$194) 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.

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

During the year, these entities contributed \$2,405 (2015 - \$2,841) to various facilities within the Authority. The Authority incurred expenses of \$nil (2015 - \$nil) with these entities. As at March 31, 2016, various facilities within the Authority had aggregate amounts of \$93 (2015 - \$448) receivable from and \$nil (2015 - \$nil) payable to these entities.

In addition to these entities, the Authority has an economic interest in proprietary and non-proprietary personal care homes and community health agencies. Funding is provided to these entities through service purchase agreements to deliver service on behalf of the Authority. As at March 31, 2016, the Authority had aggregate amounts of \$nil (2015 - \$nil) receivable from and \$35,420 (2015 - \$26,670) payable to proprietary and non-proprietary personal care homes and community health agencies.

16. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon a formula (dependent on the agreement/policy applicable to the employee).

The most recent valuation of the obligation was performed as at December 31, 2014, projected to March 31, 2015. The March 31, 2016 amounts are based on an extrapolation of the data used in the December 31, 2014 valuation. The next full valuation will be completed as at December 31, 2017 projected to March 31, 2018.

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

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation	\$ 182,055	\$ 173,119
Funded status – plan deficit	\$ (182,055)	\$ (173,119)
Unamortized net actuarial gain	(10,438)	(14,084)
Accrued benefit liability	\$ (192,493)	\$ (187,203)

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

	<u>2016</u>	<u>2015</u>
Accrued benefit liability – beginning of year	\$ (187,203)	\$ (184,006)
In-year (expense)	(14,919)	(12,674)
Benefits paid	9,629	9,477
Accrued benefit liability – end of year	\$ (192,493)	\$ (187,203)

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

	2016	2015
Current service cost	\$ 11,859	\$ 9,905
Amortization of actuarial gain	(1,096)	(2,244)
Interest cost	4,156	5,013
	\$ 14,919	\$ 12,674

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

	2016	2015
Discount rate	3.000 %	2.550 %
Salary escalation	3.500 %	3.500 %
EARSLS	7.5 Yrs	7.6 Yrs

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

	2016	2015
Discount rate	2.550 %	3.350 %
Salary escalation	3.500 %	3.000 %

The amount of funding that will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable of \$82,499 on the consolidated statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province of Manitoba. Any changes from the March 31, 2004 liability amount are reflected in the consolidated statement of operations.

b) Pension plans

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

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to \$90,765 (2015 - \$82,575) and are included as an expense in the consolidated statement of operations.

The most recent valuation for financial reporting purposes completed by the Plan as at December 31, 2014 disclosed total actuarial value of assets of \$5,609,305 with total actuarial liabilities of \$5,803,853, resulting in an unfunded liability of \$194,548.

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

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 \$1,816 (2015 - \$1,871) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2014 disclosed total actuarial value of assets of \$4,136,564 with total actuarial liabilities of \$4,054,660, resulting in a surplus of \$81,904.

Some employees are eligible for membership in the multi-employer Home Care Workers' Benefit Trust, which includes the Manitoba Home Care Pension Plan. The Manitoba Home Care Pension Plan is a defined contribution pension plan. During the year, the Authority expensed contributions of \$1,619 (2015 - \$1,500) to this plan.

c) Sick leave liability

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

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

	2016	2015
Accrued benefit obligation	\$ 27,980	\$ 30,970
Funded status – plan deficit	\$ (27,980)	\$ (30,970)
Unamortized net actuarial gain	(5,060)	(4,924)
Accrued benefit liability	\$ (33,040)	\$ (35,894)

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

	2016	2015
Accrued benefit liability – beginning of year	\$ (35,894)	\$ (37,073)
In-year (expense)	(2,734)	(2,191)
Benefits paid	5,588	3,370
Accrued benefit liability – end of year	\$ (33,040)	\$ (35,894)

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

	2016	2015
Current service cost	\$ 2,613	\$ 1,838
Amortization of actuarial gain	(664)	(637)
Interest cost	785	1,066
	\$ 2,734	\$ 2,267

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

	<u>2016</u>	<u>2015</u>
Discount rate	3.000 %	2.550 %
Salary escalation	3.500 %	3.500 %
EARS�	7.5 Yrs	7.6 Yrs

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

	<u>2016</u>	<u>2015</u>
Discount rate	2.550 %	3.350 %
Salary escalation	3.500 %	3.000 %

17. 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 consists 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.

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

Interest rate risk

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

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

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

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

The fair value of the bond portfolio is also subject to changes in the interest rate. The bonds held as investments have interest rates ranging from 1.75% to 5.7%, and maturities from May 3, 2016 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of \$810 (2015 - \$1,652) on net assets and accumulated remeasurement gains (losses).

The interest payments on the variable rate long-term debt are subject to changes in the interest rate. A 1% change in the interest rate would result in an impact of \$324 (2015 - \$75) 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 \$3,288 (2015 - \$3,435) on net assets and accumulated remeasurement gains (losses).

Liquidity Risk

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

WINNIPEG REGIONAL HEALTH AUTHORITY

Notes to the Consolidated Financial Statements

As at March 31, 2016

(in thousands of dollars)

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

Foreign exchange and other price risk

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

18. MISERICORDIA TRANSFER

Effective March 31, 2015, Misericordia Health Centre transferred assets to a separately held corporation for the purposes of supporting the work of the Misericordia General Hospital in providing assistance for programs designed to support the needs of an aging population in accordance with the legacy of the Misericordia Sisters. The value of the assets transferred amounted to \$7,825, resulting in a corresponding decrease in net assets of \$7,825 on the consolidated WRHA financial statements.

19. COMPARATIVE FIGURES

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

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
As at March 31, 2016
(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.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
As at March 31, 2016
(unaudited)
(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:

	2016					
	Acute Care Facilities and Corporate Office			Personal Care Homes and Community Health Agencies		
	\$	%		\$	%	Total
Corporate	\$62,106	2.29%		\$13,456	5.14%	\$75,562
HR and Recruitment	28,122	1.04%		2,209	0.84%	30,331
Patient Care Related	18,181	0.67%		1	0.00%	18,182
	\$108,409	4.00%		\$15,666	5.98%	\$124,075
						4.17%

	2015					
	Acute Care Facilities and Corporate Office			Personal Care Homes and Community Health Agencies		
	\$	%		\$	%	Total
	(Restated)			(Restated)		(Restated)
	\$59,816	2.07%		\$13,385	5.16%	\$73,201
	26,728	0.93%		2,132	0.82%	28,860
	18,096	0.69%		1	0.00%	18,097
	\$104,640	3.69%		\$15,518	5.98%	\$120,158
						4.16%

The 2016 figures presented are based on preliminary data available at time of publication. Restatements were made to the 2015 figures to reflect the final data that was submitted after the publication date.

Under the Regional Health Authorities Act of Manitoba, the Authority must ensure that its Corporate cost do not exceed 2.99% of the total operating costs of the Authority for the fiscal year. The Authority is in compliance with this requirement with a Corporate cost of 2.54% (2015 - 2.53%).

Financial Statements of

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

March 31, 2016

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Calvary Place Personal Care Home, which comprise the statement of financial position as at March 31, 2016 and the statement of operations and changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calvary Place Personal Care Home as at March 31, 2016 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.



Chartered Accountants

June 27, 2016
Winnipeg, Manitoba

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Operations and Changes in Net Assets
Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
INCOME		
Residents		
Winnipeg Regional Health Authority funding	\$ 5,864,183	\$ 5,669,798
Residential charge	1,883,649	1,876,185
Amortization of deferred contributions - property	253,973	270,643
Other income	48,121	17,736
	<u>8,049,926</u>	<u>7,834,362</u>
EXPENSES		
Salaries	5,060,876	4,829,918
Employee benefits	981,342	1,006,873
Payroll tax	106,137	104,335
Incontinence supplies	44,459	42,129
Medical and surgical supplies	43,861	45,577
Operating - Schedule	908,618	904,317
Physical plant - Schedule	305,798	295,390
Amortization of fixed assets	253,973	270,643
Administration - Schedule	89,092	94,033
Nursing - Schedule	204,206	145,567
	<u>7,998,362</u>	<u>7,738,782</u>
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	51,564	95,580
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	495,635	400,055
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 547,199	\$ 495,635

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 730,920	\$ 649,328
Accounts receivable	435,596	323,485
GST recoverable	7,438	6,574
Supplies	23,595	19,993
Prepaid expenses	12,298	10,349
Due from Manitoba Health - vacation pay	228,184	228,184
	1,438,031	1,237,913
 DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	 591,000	 561,000
 FIXED ASSETS (Note 3)	 6,043,166	 6,037,921
 TRUST AND ACTIVITY FUND ASSETS	 168,152	 174,257
	\$ 8,240,349	\$ 8,011,091
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 790,792	\$ 665,359
Government remittances payable	23,194	10,585
Due to Winnipeg Regional Health Authority	76,846	66,334
	890,832	742,278
 PRE-RETIREMENT ENTITLEMENTS	 591,000	 561,000
 DEFERRED CONTRIBUTIONS (Note 5)	 6,043,166	 6,037,921
 TRUST AND ACTIVITY FUND LIABILITIES	 168,152	 174,257
	7,693,150	7,515,456
 CONTINGENCY (Note 6)		
NET ASSETS		
Unrestricted	547,199	495,635
	\$ 8,240,349	\$ 8,011,091

APPROVED BY THE BOARD

Original Document Signed Director

Original Document Signed Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of income over expenses for the year	\$ 51,564	\$ 95,580
Items not affecting cash		
Amortization of fixed assets	253,973	270,643
Amortization of deferred contributions - property	(253,973)	(270,643)
	51,564	95,580
Changes in non-cash operating working capital items		
Accounts receivable	(112,111)	(70,716)
GST recoverable	(864)	(715)
Supplies	(3,602)	2,835
Prepaid expenses	(1,949)	100
Due from Manitoba Health - pre-retirement entitlements	(30,000)	(77,000)
Accounts payable and accrued liabilities	125,433	(109,502)
Government remittances payable	12,609	(55,487)
Due to Winnipeg Regional Health Authority	10,512	(19,650)
Pre-retirement entitlements	30,000	77,000
	81,592	(157,555)
FINANCING ACTIVITY		
Deferred contributions received	259,218	126,739
INVESTING ACTIVITY		
Fixed asset purchases	(259,218)	(126,739)
NET INCREASE (DECREASE) IN CASH POSITION	81,592	(157,555)
CASH POSITION, BEGINNING OF YEAR	649,328	806,883
CASH POSITION, END OF YEAR	\$ 730,920	\$ 649,328

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2016

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

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

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

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fixed assets

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

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

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

c) Retirement entitlement obligation

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

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

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

d) Due from Manitoba Health – vacation pay

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

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

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

f) Financial instruments

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

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

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

3. FIXED ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 424,712	\$ -	\$ 424,712	\$ 424,712
Building	8,844,895	3,486,273	5,358,622	5,409,940
Computer equipment and software	24,905	24,905	-	-
RDF equipment	300,947	300,947	-	-
Nursing equipment	253,381	159,971	93,410	101,589
Furniture	628,386	554,361	74,025	75,562
Major equipment	242,013	149,616	92,397	26,118
	\$10,719,239	\$ 4,676,073	\$ 6,043,166	\$ 6,037,921

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2016

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade	\$ 137,500	\$ 117,991
Wages	206,121	160,206
Accrued vacation pay	447,171	387,162
	<u>\$ 790,792</u>	<u>\$ 665,359</u>

5. DEFERRED CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 6,037,921	\$ 6,181,825
Contributions	259,218	126,739
Amortization	(253,973)	(270,643)
Balance, end of year	<u>\$ 6,043,166</u>	<u>\$ 6,037,921</u>

6. CONTINGENCY

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

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

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2016

7. PENSION PLAN

Substantially all employees of the Personal Care Home are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the CICA Handbook section 3461.

The Personal Care Home's liability under the pension plan is limited to the contributions required during the year under the respective agreements. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to \$418,489 (2015 - \$457,458) and are included in the statement of operations.

8. FINANCIAL INSTRUMENTS

Interest rate risk

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

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedules of Operating, Physical Plant, Administration
and Nursing Expenses
Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Food	\$ 777,663	\$ 767,486
Other supplies and expenses	48,792	55,650
Purchased services	82,163	81,181
	<u>\$ 908,618</u>	<u>\$ 904,317</u>
PHYSICAL PLANT EXPENSES		
Heat, light and power	\$ 104,527	\$ 103,929
Insurance and property taxes	95,146	91,037
Repairs and maintenance	62,481	60,323
Water	43,644	40,101
	<u>\$ 305,798</u>	<u>\$ 295,390</u>
ADMINISTRATION EXPENSES		
Membership fees	\$ 4,615	\$ 6,027
Postage and delivery	1,929	1,853
Printing, stationery and office supplies	27,172	24,073
Professional fees	40,445	47,187
Sundry	1,605	3,060
Telephone and fax	12,262	11,180
Travel and education	1,064	653
	<u>\$ 89,092</u>	<u>\$ 94,033</u>
NURSING EXPENSES		
Companion regular	\$ 6,274	\$ 8,425
One on one care	167,973	122,016
Oxygen	1,277	-
Travel - ambulance, stretcher, taxi	28,682	15,126
	<u>\$ 204,206</u>	<u>\$ 145,567</u>

Combined Financial Statements of

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND
ST. JOSEPH'S RESIDENCE INC.**

Years ended March 31, 2016 and 2015



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and St. Joseph's Residence Inc., which comprise the combined statements of financial position as at March 31, 2016 and 2015, the combined statements of operations, changes in fund balances and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information including the Schedule.

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 combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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



Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and St. Joseph's Residence Inc. as at March 31, 2016 and 2015, and its combined results of operations and its combined cash flows for the years then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 10, 2016

Winnipeg, Canada

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Combined Statements of Financial Position

March 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,898,834	\$ 6,693,349
Construction holdback held in trust	97,665	37,453
Accounts receivable	586,742	475,355
Employee benefits recoverable from Winnipeg Regional health Authority (note 2)	1,458,347	1,458,347
Receivable from Winnipeg Regional Health Authority (note 3)	4,500,846	2,607,769
Current portion of investments (note 4)	—	400,000
Current portion of long-term receivable from Winnipeg Regional Health Authority (note 5)	253,644	138,624
Inventory	134,480	123,829
Prepaid expenses	109,572	111,461
	11,040,130	12,046,187
Investments (note 4)	400,000	—
Long-term receivables from Winnipeg Regional Health Authority (note 5)	1,556,836	1,819,923
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 2)	4,069,682	4,008,553
Capital assets (note 6)	22,385,510	20,690,040
Leasehold estate (note 7)	49,139	52,473
Other assets	1,000	1,000
	\$ 39,502,297	\$ 38,618,176

	2016	2015
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Bank indebtedness (note 8)	\$ 88,646	\$ 1,364,165
Accounts payable	721,829	927,011
Accrued liabilities	4,816,236	4,437,441
Advances from Winnipeg Regional Health Authority (note 9)	1,101,356	771,356
Bank loan (note 10)	19,013	39,893
Current portion of long-term debt (note 11)	424,558	317,556
	<u>7,171,638</u>	<u>7,857,422</u>
Employee future benefits (note 2)	4,450,900	4,389,771
Long-term debt (note 11)	3,712,537	3,035,181
	<u>8,163,437</u>	<u>7,424,952</u>
	<u>15,335,075</u>	<u>15,282,374</u>
Deferred contributions for (note 12):		
Expenses of future periods	26,554	26,067
Capital assets	17,990,628	18,180,128
	<u>18,017,182</u>	<u>18,206,195</u>
Fund balances:		
Capital Fund (note 13)	2,768,292	2,322,322
Operating Fund	(266,053)	(282,650)
Internally Restricted Fund (note 14)	3,647,801	3,089,935
	<u>6,150,040</u>	<u>5,129,607</u>
	<u>\$ 39,502,297</u>	<u>\$ 38,618,176</u>

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:

Original Document Signed

Original Document Signed

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Combined Statement of Operations

Year ended March 31, 2016

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2016 Total
Revenue:					
Winnipeg Regional Health Authority	\$ 35,386,514	\$ —	\$ —	\$ —	\$ 35,386,514
Resident and service fees	9,923,282	—	—	—	9,923,282
	45,309,796	—	—	—	45,309,796
Amortization of deferred contributions (note 12)	—	—	—	1,346,370	1,346,370
Offset income:					
Cafeteria	137,381	—	—	—	137,381
Interest	3,501	—	94,237	—	97,738
Donations	69,680	—	88,000	—	157,680
Fundraisers	—	—	2,254	—	2,254
Parking	151,772	—	—	—	151,772
Grants	4,196	—	35,250	—	39,446
Recoveries:					
General	539,712	—	11,896	—	551,608
Ancillary operations (note 12)	—	2,541	403	—	2,944
	906,242	2,541	232,040	—	1,140,823
	46,216,038	2,541	232,040	1,346,370	47,796,989
Expenses:					
Amortization	—	—	—	1,609,922	1,609,922
Salaries and wages	31,871,597	—	—	—	31,871,597
Employee benefits	7,233,031	—	—	—	7,233,031
Other supplies and expenses	862,511	—	5,270	—	867,781
Medical and surgical supplies	590,313	—	—	—	590,313
Drugs	16,513	—	—	—	16,513
Food costs	1,574,408	—	—	—	1,574,408
Utilities	818,533	—	—	—	818,533
Telephone and sundry	148,798	—	—	—	148,798
Travel	338,389	—	—	—	338,389
Professional and other fees	217,201	—	—	—	217,201
Advertising and public relations	26,437	—	—	—	26,437
Insurance	114,268	—	—	—	114,268
Equipment	389,672	—	—	—	389,672
Buildings and grounds	775,313	—	—	—	775,313
Interest	198,033	—	—	—	198,033
Ancillary operations	—	2,541	403	—	2,944
	45,175,017	2,541	5,673	1,609,922	46,793,153
Excess (deficiency) of revenue over expenses before the undernoted	1,041,021	—	226,367	(263,552)	1,003,836
Winnipeg Regional Health Authority prior year adjustments	16,597	—	—	—	16,597
Winnipeg Regional Health Authority employee future benefits receivable (note 2)	61,129	—	—	—	61,129
Employee future benefits (note 2)	(61,129)	—	—	—	(61,129)
Excess (deficiency) of revenue over expenses	\$ 1,057,618	\$ —	\$ 226,367	\$ (263,552)	\$ 1,020,433

See accompanying notes to combined financial statements.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Combined Statement of Operations

Year ended March 31, 2015

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2015 Total
Revenue:					
Winnipeg Regional Health Authority	\$ 33,291,615	\$ -	\$ -	\$ -	\$ 33,291,615
Resident and service fees	10,175,354	-	-	-	10,175,354
	43,466,969	-	-	-	43,466,969
Amortization of deferred contributions (note 12)	-	-	-	1,189,214	1,189,214
Offset income:					
Cafeteria	163,600	-	-	-	163,600
Interest	5,192	-	105,086	-	110,278
Donations	75,055	-	82,560	-	157,615
Fundraisers	-	-	6,588	-	6,588
Parking	157,770	-	-	-	157,770
Grants	42,339	-	-	-	42,339
Recoveries:					
General	527,617	-	-	-	527,617
Ancillary operations (note 12)	-	5,436	-	-	5,436
	971,573	5,436	194,234	-	1,171,243
	44,438,542	5,436	194,234	1,189,214	45,827,426
Expenses:					
Amortization	-	-	-	1,323,997	1,323,997
Salaries and wages	30,964,899	-	-	-	30,964,899
Employee benefits	7,204,541	-	-	-	7,204,541
Other supplies and expenses	860,930	-	3,502	-	864,432
Medical and surgical supplies	596,405	-	-	-	596,405
Drugs	16,721	-	-	-	16,721
Food costs	1,567,151	-	-	-	1,567,151
Utilities	887,106	-	-	-	887,106
Telephone and sundry	175,525	-	-	-	175,525
Travel	283,308	-	-	-	283,308
Professional and other fees	282,805	-	-	-	282,805
Advertising and public relations	16,923	-	-	-	16,923
Insurance	106,383	-	-	-	106,383
Equipment	378,183	-	-	-	378,183
Buildings and grounds	610,732	-	-	-	610,732
Interest	224,362	-	-	-	224,362
Ancillary operations	-	5,436	-	-	5,436
	44,175,974	5,436	3,502	1,323,997	45,508,909
Excess (deficiency) of revenue over expenses before the undernoted	262,568	-	190,732	(134,783)	318,517
Winnipeg Regional Health Authority employee future benefits receivable (note 2)	(177,944)	-	-	-	(177,944)
Employee future benefits (note 2)	177,944	-	-	-	177,944
Excess (deficiency) of revenue over expenses	\$ 262,568	\$ -	\$ 190,732	\$ (134,783)	\$ 318,517

See accompanying notes to combined financial statements.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Combined Statements of Changes in Fund Balances

Year ended March 31, 2016

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2016 Total
Fund balance, beginning of year	\$ (282,650)	\$ —	\$ 3,089,935	\$ 2,322,322	\$ 5,129,607
Excess (deficiency) of revenue over expenses	1,057,618	—	226,367	(263,552)	1,020,433
Transfer to Capital Fund for additions to capital assets	(100,576)	—	(608,946)	709,522	—
Transfer to Internally Restricted Fund for prior year additions to capital assets	(531,755)	—	531,755	—	—
Transfer of Personal Care Home Program surplus	(330,276)	—	330,276	—	—
Transfer of Adult Day Program surplus	(9,725)	—	9,725	—	—
Transfer of Supportive Housing Program surplus	(68,689)	—	68,689	—	—
Fund balances, end of year	\$ (266,053)	\$ —	\$ 3,647,801	\$ 2,768,292	\$ 6,150,040

Year ended March 31, 2015

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2015 Total
Fund balance, beginning of year	\$ (117,918)	\$ —	\$ 3,221,572	\$ 1,707,436	\$ 4,811,090
Excess (deficiency) of revenue over expenses	262,568	—	190,732	(134,783)	318,517
Transfer to Capital Fund for additions to capital assets	(47,111)	—	(702,558)	749,669	—
Transfer of Personal Care Home Program surplus	(283,792)	—	283,792	—	—
Transfer of Adult Day Program surplus	(8,582)	—	8,582	—	—
Transfer of Supportive Housing Program surplus	(87,815)	—	87,815	—	—
Fund balances, end of year	\$ (282,650)	\$ —	\$ 3,089,935	\$ 2,322,322	\$ 5,129,607

See accompanying notes to combined financial statements.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Combined Statements of Cash Flows

Years ended March 31, 2016 and 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 1,020,433	\$ 318,517
Adjustments for:		
Amortization of capital assets	1,609,922	1,323,997
Amortization of deferred contributions related to capital assets	(1,346,370)	(1,189,214)
Changes in the following:		
Construction holdback held in trust	(60,212)	(11,432)
Accounts receivable	(111,387)	80,988
Receivable from Winnipeg Regional Health Authority	(1,893,077)	(1,487,290)
Inventory	(10,651)	9,307
Prepaid expenses	1,889	(29,827)
Accounts payable	(205,182)	437,091
Accrued liabilities	378,795	(320,211)
Advances from Winnipeg Regional health Authority	330,000	260,000
Net decrease in deferred contributions related to future periods	487	(1,328)
	(285,353)	(609,402)
Investing activities:		
Investments	—	780,431
Long-term receivables from Winnipeg Regional Health Authority	(27,262)	(740,370)
Repayments of long-term receivables from Winnipeg Regional Health Authority	175,329	138,624
	148,067	178,685
Capital activities:		
Additions to capital assets	(3,302,058)	(1,675,893)
Financing activities:		
Bank indebtedness	(125,605)	720,851
Increase in deferred contributions related to capital assets	1,156,870	3,035,634
Repayments on bank loan	(20,880)	(20,880)
Repayments of long-term debt principal	(365,556)	(425,705)
	644,829	3,309,900
Increase (decrease) in cash and cash equivalents	(2,794,515)	1,203,290
Cash and cash equivalents, beginning of year	6,693,349	5,490,059
Cash and cash equivalents, end of year	\$ 3,898,834	\$ 6,693,349
Cash and cash equivalents is comprised of the following:		
Cash	\$ 2,820,403	\$ 1,964,918
Cash equivalents	1,078,431	4,728,431
Cash and cash equivalents, end of year	\$ 3,898,834	\$ 6,693,349

See accompanying notes to combined financial statements.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements

Years ended March 31, 2016 and 2015

General:

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

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

St. Joseph's Residence Inc. (St. Joseph) was incorporated on October 29, 1987 under the laws of Manitoba.

Saint-Boniface functions as a bilingual long-term care facility and also provides a respite program, Adult Day Program and provides care services for the Supportive Housing Program. Saint-Vital functions as a long-term care facility mandated by the Provincial Government to provide services to French speaking residents. St. Joseph functions as a long-term care facility. Saint-Boniface, Saint-Vital and St. Joseph have a common Board of Directors (the Board) and have the same Member, Catholic Health Corporation of Manitoba. During fiscal 2016, the Board of Saint-Boniface and Saint-Vital became the Board of St. Joseph. As a result, these combined financial statements include the assets, liabilities, operating fund deficiency and operations of St. Joseph including historical comparative information.

1. Significant accounting policies:

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

(a) Basis of presentation:

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

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

1. Significant accounting policies (continued):

(b) Fund accounting:

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

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

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

All other assets, liabilities, revenues and expenses are reported in the Operating Fund. Cumulative operating deficits in the Corporations are retained in the Operating Fund. The deficiency in the Operating Fund balance at March 31, 2016 and 2015 relates to St. Joseph.

(c) Revenue recognition:

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

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

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

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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

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

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

(d) Cash and cash equivalents:

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

(e) Operating deficits or surpluses:

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

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

1. Significant accounting policies (continued):

(f) Capital assets:

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

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

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

(g) Leasehold estate:

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

(h) Financial instruments:

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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the 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 or 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. 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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

1. Significant accounting policies (continued):

(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. Employee benefits:

(a) Employee future benefits:

Employee future benefits consist of:

	2016	2015
Pre-retirement benefits	\$ 3,591,254	\$ 3,595,836
Accumulated non-vested sick leave benefits	859,646	793,935
	<u>\$ 4,450,900</u>	<u>\$ 4,389,771</u>

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

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporations' future pre-retirement benefits obligation include mortality and withdrawal rates, a discount rate of 3.00 percent (2015 - 2.55 percent), a rate of salary increase of 3.50 percent (2015 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

2. Employee benefits (continued):

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

	2016	2015
Accrued benefit obligation:		
Balance, beginning of year	\$ 3,595,836	\$ 3,831,836
Current benefit cost	259,000	243,000
Interest	88,000	114,000
Benefits paid	(345,582)	(555,000)
Balance, end of year	3,597,254	3,633,836
Amortized actuarial loss	(6,000)	(38,000)
Pre-retirement benefits	\$ 3,591,254	\$ 3,595,836

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

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The decrease recorded in fiscal 2016 was \$4,582 (2015 - \$236,000) and is recorded in the combined statements of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2016 aggregates \$3,210,036 (2015 - \$3,214,618) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2015 - 100 percent) of actual pre-retirement benefits paid during the year.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

2. Employee benefits (continued):

The Corporations provide accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Corporations' accumulated non-vested sick leave benefits include a discount rate of 3.00 percent (2015 - 2.55 percent) and a rate of salary increase of 3.50 percent (2015 - 3.50 percent).

A recoverable from the WRHA of \$859,646 (2015 - \$793,935) 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 increase recorded in 2016 was \$65,711 (2015 - \$58,056) 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, 2016 is \$2,310,143 (2015 - \$2,224,148).

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of \$1,458,347 as included on the combined 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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

3. Receivable from Winnipeg Regional Health Authority:

	Saint-Boniface	Saint-Vital	St. Joseph	2016 Combined
Receivable:				
Prior years'	\$ 1,105,132	\$ 390,165	\$ 544,083	\$ 2,039,380
Resident charges	377,657	—	—	377,657
Salaries and benefits	1,515,643	482,344	316,862	2,314,849
Employee pre-retirement benefits	28,818	17,604	21,090	67,512
Other	140,463	91,279	149,510	381,252
	3,167,713	981,392	1,031,545	5,180,650
Payable:				
Prior years'	404,621	134,750	26,253	565,624
Resident charges-resident fees	—	59,340	29,241	88,581
Interest	11,028	—	—	11,028
Other	14,571	—	—	14,571
	430,220	194,090	55,494	679,804
	\$ 2,737,493	\$ 787,302	\$ 976,051	\$ 4,500,846

	Saint-Boniface	Saint-Vital	St. Joseph	2015 Combined
Receivable:				
Prior years'	\$ 516,494	\$ 174,095	\$ 831,797	\$ 1,522,386
Salaries and benefits	804,804	399,073	—	1,203,877
Employee pre-retirement benefits	359,483	79,378	—	438,861
Other	54,904	65,271	—	120,175
	1,735,685	717,817	831,797	3,285,299
Payable:				
Prior years'	322,472	48,324	153,945	524,741
Resident charges-resident fees	40,433	80,720	—	121,153
Interest	755	103	—	858
Other	30,778	—	—	30,778
	394,438	129,147	153,945	677,530
	\$ 1,341,247	\$ 588,670	\$ 677,852	\$ 2,607,769

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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

4. Investments:

At March 31, 2016, the Corporations have invested in a government investment certificate of \$400,000 (2015 - \$400,000) which is interest bearing at 2.10 percent (2015 - 2.60 percent) and matures November 30, 2018 (2015 - November 30, 2015).

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

	2016	2015
Flooring replacement (St. Joseph)	\$ 50,061	\$ 85,401
Sprinkler system upgrade (Saint-Boniface)	195,362	230,342
Nurse call system upgrade (Saint-Boniface)	91,655	107,675
Replacement of windows and bricks (Saint-Boniface)	348,692	400,976
Replacement of generator (Saint-Boniface)	477,915	498,586
Tub replacement and renovations (Saint-Vital)	297,848	196,026
Roof replacement (Saint-Boniface)	189,571	307,427
Roof replacement (Saint-Vital)	159,376	132,114
	1,810,480	1,958,547
Current portion	253,644	138,624
	\$ 1,556,836	\$ 1,819,923

The Corporations have eight long-term receivables from WRHA relating to capital projects. The long-term receivables require aggregate monthly principal payments of \$21,137 plus interest at prime less 0.25 percent and mature between August 31, 2017 and November 15, 2025

6. Capital assets:

			2016
	Cost	Accumulated amortization	Net book value
Land	\$ 193,965	\$ —	\$ 193,965
Land improvements	569,024	525,198	43,826
Buildings	34,079,053	16,962,975	17,116,078
Building service equipment	3,293,928	1,543,630	1,750,298
Equipment	9,332,511	6,378,173	2,954,338
Software licences and fees	550,471	379,420	171,051
Work in progress	155,954	—	155,954
	\$ 48,174,906	\$ 25,789,396	\$ 22,385,510

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

6. Capital assets (continued):

			2015
	Cost	Accumulated amortization	Net book value
Land	\$ 193,965	\$ —	\$ 193,965
Land improvements	569,023	514,041	54,982
Buildings	31,097,558	16,007,783	15,089,775
Building service equipment	3,298,207	1,385,499	1,912,708
Equipment	7,991,196	5,923,672	2,067,524
Software licences and fees	517,483	352,560	164,923
Work in progress	1,206,163	—	1,206,163
	\$ 44,873,595	\$ 24,183,555	\$ 20,690,040

7. Leasehold estate:

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

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

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

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

7. Leasehold estate (continued):

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.

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

8. Bank indebtedness:

At March 31, 2016, the Corporations had authorized lines of credit of \$2,050,000 (2015 - \$3,199,914) of which \$88,646 (2015 - \$1,364,165) was used to finance the following projects:

	2016		2015	
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Operating lines of credit	\$ 1,850,000	\$ -	\$ 1,850,000	\$ 131,367
38 bed addition (Saint-Vital)	200,000	88,646	200,000	98,645
Replacement of generator (Saint-Boniface)	-	-	489,075	498,586
Tub replacement and Renovations (Saint-Vital)	-	-	196,026	196,026
Roof replacement (Saint-Vital)	-	-	157,764	132,114
Roof replacement (Saint-Boniface)	-	-	307,049	307,427
	\$ 2,050,000	\$ 88,646	\$ 3,199,914	\$ 1,364,165

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

8. Bank indebtedness (continued):

The lines of credit bear interest at the bank's prime rate less 0.25 percent per annum except for \$350,000 which bears interest at the bank's prime rate less 0.75 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. The line of credit for the 38 bed addition is guaranteed by Fondation Actionmarguerite Foundation Inc., a corporation with the same Member as the Corporations. The lines of credit for the replacement of a generator, tub replacement and renovations and roof replacements were supported by Manitoba Health and on completion of the asset during fiscal 2016, the lines of credit were replaced with long-term financing loans (note 11).

The Corporations have issued letters of guarantee aggregating \$1,090,000 (2015 - \$1,090,000) through its lender to provide guarantees to a supplier.

9. Advances from Winnipeg Regional Health Authority:

At March 31, 2016, to offset related funding commitments outstanding from prior year receivables, funding advances from the WRHA aggregated \$1,101,356 (2015 - \$771,356). These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

10. 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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

11. Long-term debt:

	2016	2015
Term loan on flooring replacement, payable in monthly principal payments of \$2,945 plus interest at prime less 0.75%, due August 31, 2017	\$ 50,061	\$ 85,401
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	91,655	107,675
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	195,362	230,342
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	348,692	400,976
Long-term financing on replacement of generator, payable in monthly principal payments of \$4,075 plus interest at prime less 0.25%, due November 15, 2025	468,699	—
Long-term financing on roof replacement, payable in monthly principal payments of \$2,560 plus interest at prime less 0.25%, due November 15, 2025	294,249	—
Long-term financing on tub replacement and renovations, payable in monthly principal payments of \$1,635 plus interest at prime less 0.25%, due November 15, 2025	187,849	—
Long-term financing on roof replacement, payable in monthly principal payments of \$1,315 plus interest at prime less 0.25%, due November 15, 2025	151,189	—
Mortgage on 1149 Leila, payable in blended monthly principal payments of \$11,017, interest rate of 4.17%, due May 1, 2015	—	21,926
First mortgage on 1978 construction, payable in monthly blended payments of \$13,375, due February 1, 2018. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,384,691	1,443,239
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of \$14,783, due April 1, 2023	964,648	1,063,178
	4,137,095	3,352,737
Current portion	424,558	317,556
	<u>\$ 3,712,537</u>	<u>\$ 3,035,181</u>

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

11. Long-term debt (continued):

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

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

2017	\$ 424,558
2018	419,092
2019	420,897
2020	438,906
2021	458,541
Thereafter	1,975,101
	<u>\$ 4,137,095</u>

12. Deferred contributions:

(a) Expenses of future periods:

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

	2016	2015
Balance, beginning of year	\$ 26,067	\$ 27,395
Add amount received related to future periods	3,028	4,108
Less amount recognized as revenue in the year	(2,541)	(5,436)
Balance, end of year	<u>\$ 26,554</u>	<u>\$ 26,067</u>

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

12. Deferred contributions (continued):

(b) Capital assets:

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

	2016	2015
Balance, beginning of year	\$ 18,180,128	\$ 16,342,198
Additional contributions received	1,156,870	3,027,144
Less amounts amortized to revenue	(1,346,370)	(1,189,214)
Balance, end of year	\$ 17,990,628	\$ 18,180,128

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

	2016	2015
Unamortized capital contributions used to purchase assets	\$ 17,209,359	\$ 15,753,310
Unspent contributions:		
Equipment reserve	527,689	556,390
Major repairs	215,126	176,053
Donations	14,465	14,375
Cash equivalents	23,989	1,680,000
	\$ 17,990,628	\$ 18,180,128

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, 2016, the outstanding principal balance on the note was \$2,383,334 (2015 - \$3,098,334). 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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
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RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

13. Capital Fund:

	2016	2015
Capital assets	\$ 22,385,510	\$ 20,690,040
Leasehold estate	49,139	52,473
	<u>22,434,649</u>	<u>20,742,513</u>
Amount financed by:		
Deferred contributions	(17,209,359)	(15,753,310)
Mortgages	(2,349,339)	(2,528,343)
Bank loan	(19,013)	(39,893)
Line of credit	(88,646)	(98,645)
	<u>\$ 2,768,292</u>	<u>\$ 2,322,322</u>

14. Internally Restricted Fund:

	2016	2015
To be expended only with the approval of the Member of the Corporation	\$ 3,236,099	\$ 2,520,161
Other internal projects	410,982	569,774
	<u>\$ 3,647,081</u>	<u>\$ 3,089,935</u>

15. Related party transactions:

During the year ended March 31, 2016, Fondation Actionmarguerite Foundation Inc., provided donations of \$102,583 (2015 - \$94,670) to Saint-Boniface and Saint-Vital.

During the year ended March 31, 2016, Friends of St. Joseph's Inc., an entity with the same Member as St Joseph, made donations to St. Joseph's of \$60,165 (2015 - \$72,697). At March 31, 2016, St Joseph had a receivable from Friends of St. Joseph's Inc. of \$28,381 (2015 - \$65,331).

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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

16. Employee pension plan:

During the year, the Corporations contributed \$2,376,333 (2015 - \$2,253,332) 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, 2014, 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. On April 1, 2015 employer contribution rates increased to 8.9 percent (2015 - 8.7 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2015 - 10.3 percent) on earnings in excess of YMPE.

17. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporations are exposed to credit risk with respect to accounts receivable, employee benefit recoverable from Winnipeg Regional Health Authority, receivable from Winnipeg Regional Health Authority, long-term receivables from Winnipeg Regional Health Authority, future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and cash and cash equivalents.

The Corporations assess, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporations at March 31, 2016 is the carrying value of these assets.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Notes to Combined Financial Statements (continued)

Years ended March 31, 2016 and 2015

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

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, 2016 and 2015. As at March 31, 2016 and 2015, there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2015.

(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 8, 10 and 11, respectively.

There have been no significant changes to the liquidity risk exposure from 2015.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporations to cash flow interest rate risk. The Corporations are exposed to this risk on its variable interest long-term financing loans 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 2015.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC.,
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Schedule of Combined Statement of Operations - Operating Fund

Year ended March 31, 2016

	PCH Program St. Joseph	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2016 Total
Revenue:						
Winnipeg Regional Health Authority	\$ 5,428,842	\$ 8,250,360	\$ 20,518,815	\$ 429,000	\$ 759,497	\$ 35,386,514
Resident and service fees	1,778,482	2,953,779	4,761,176	48,226	381,619	9,923,282
	7,207,324	11,204,139	25,279,991	477,226	1,141,116	45,309,796
Offset income:						
Cafeteria	10,305	42,545	84,531	-	-	137,381
Interest	-	1,404	2,097	-	-	3,501
Donations	57,321	5,188	7,171	-	-	69,680
Parking	19,401	44,402	84,999	-	2,970	151,772
Shared services	-	244,105	770,950	-	-	1,015,055
Grants	3,996	-	200	-	-	4,196
Recoveries:						
General	30,076	59,928	449,708	-	-	539,712
	121,099	397,572	1,399,656	-	2,970	1,921,297
	7,328,423	11,601,711	26,679,647	477,226	1,144,086	47,231,093
Expenses:						
Salaries and wages	5,149,889	8,294,385	18,458,010	239,549	744,819	32,886,652
Employee benefits	1,180,110	1,818,794	4,053,200	37,060	143,867	7,233,031
Other supplies and expenses	161,327	219,052	468,688	4,422	9,022	862,511
Medical and surgical supplies	111,165	124,901	354,247	-	-	590,313
Drugs	-	3,576	12,937	-	-	16,513
Food costs	277,267	375,187	715,292	39,354	167,308	1,574,408
Utilities	138,333	212,143	468,057	-	-	818,533
Telephone and sundry	35,148	34,913	69,179	2,212	7,346	148,798
Travel	41,548	86,735	66,779	142,682	645	338,389
Professional and other fees	39,561	33,571	142,839	-	1,230	217,201
Advertising and public relations	554	1,807	24,076	-	-	26,437
Insurance	24,885	34,268	55,115	-	-	114,268
Equipment	38,697	89,960	257,634	2,222	1,159	389,672
Buildings and grounds	128,396	223,341	423,576	-	-	775,313
Interest	1,543	1,662	194,828	-	-	198,033
	7,328,423	11,554,295	25,764,457	467,501	1,075,396	46,190,072
Excess of revenue over expenses before the undernoted	-	47,416	915,190	9,725	68,690	1,041,021
Prior year adjustments	16,597	-	-	-	-	16,597
Winnipeg Regional Health Authority employee future benefits receivable	13,465	(12,882)	60,546	-	-	61,129
Employee future benefits	(13,465)	12,882	(60,546)	-	-	(61,129)
Excess of revenue over expenses	16,597	47,416	915,190	9,725	68,690	1,057,618
Transfer to Capital Fund for additions to capital assets	-	(18,763)	(81,813)	-	-	(100,576)
Transfer to Internally Restricted Fund for prior year additions to capital assets	-	-	(531,755)	-	-	(531,755)
Program surplus (deficit)	\$ 16,597	\$ 28,653	\$ 301,622	\$ 9,725	\$ 68,690	\$ 425,287

Shared services: Saint-Boniface and Saint-Vital 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.

**ACTIONMARGUERITE (SAINT-BONIFACE) INC. AND
ACTIONMARGUERITE (SAINT-VITAL) INC. AND ST. JOSEPH'S
RESIDENCE INC.**

Schedule of Combined Statement of Operations - Operating Fund (continued)

Year ended March 31, 2015

	PCH Program St. Joseph	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2015 Total
Revenue:						
Winnipeg Regional Health Authority	\$ 5,163,430	\$ 7,829,849	\$ 19,119,097	\$ 421,139	\$ 758,100	\$ 33,291,615
Resident and service fees	1,743,985	2,887,251	5,124,735	38,076	381,307	10,175,354
	6,907,415	10,717,100	24,243,832	459,215	1,139,407	43,486,969
Offset income:						
Cafeteria	13,575	42,582	107,443	—	—	163,600
Interest	1,969	1,498	1,725	—	—	5,192
Donations	63,214	6,542	5,299	—	—	75,055
Parking	20,153	44,131	90,524	—	2,962	157,770
Shared services	—	277,139	573,551	—	—	850,690
Grants	35,946	—	6,393	—	—	42,339
Recoveries:						
General	71,953	58,186	397,478	—	—	527,617
	206,810	430,078	1,182,413	—	2,962	1,822,263
	7,114,225	11,147,178	25,426,245	459,215	1,142,369	45,289,232
Expenses:						
Salaries and wages	5,137,499	8,014,174	17,736,829	234,597	692,490	31,815,589
Employee benefits	1,169,602	1,699,672	4,160,294	35,956	139,017	7,204,541
Other supplies and expenses	174,809	218,565	423,197	2,983	41,376	860,930
Medical and surgical supplies	102,758	120,709	372,938	—	—	596,405
Drugs	—	2,776	13,945	—	—	16,721
Food costs	248,999	362,626	758,633	28,015	168,878	1,567,151
Utilities	128,611	218,272	540,223	—	—	887,106
Telephone and sundry	14,965	49,874	99,554	2,124	9,008	175,525
Travel	27,313	59,542	62,450	132,758	1,245	283,308
Professional and other fees	68,446	29,276	183,853	—	1,230	282,805
Advertising and public relations	3,811	205	11,597	—	1,310	16,923
Insurance	20,659	32,706	53,018	—	—	106,383
Equipment	51,603	89,784	222,596	14,200	—	378,183
Buildings and grounds	133,949	216,297	260,486	—	—	610,732
Interest	5,756	1,407	217,199	—	—	224,362
	7,288,780	11,115,885	25,116,812	450,633	1,054,554	45,026,664
Excess (deficiency) of revenue over expenses before the undernoted	(174,555)	31,293	309,433	8,582	87,815	262,568
Winnipeg Regional Health Authority employee future benefits receivable	(13,346)	41,508	(206,106)	—	—	(177,944)
Employee future benefits	13,346	(41,508)	206,106	—	—	177,944
Excess of revenue over expenses	(174,555)	31,293	309,433	8,582	87,815	262,568
Transfer to (from) Capital Fund for additions to capital assets	9,823	(4,891)	(52,043)	—	—	(47,111)
Program surplus	\$ (164,732)	\$ 26,402	\$ 257,390	\$ 8,582	\$ 87,815	\$ 215,457

Shared services: Saint-Boniface and Saint-Vital have an agreement to share the cost of specific employee services based on the time spent on each program. Revenue and expenses related to shared services have been eliminated in the Combined Statement of Operations.

**BETHANIA MENNONITE
PERSONAL CARE HOME, INC.**

Financial Statements
For the year ended March 31, 2016



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Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the accompanying financial statements of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba

May 25, 2016

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Statement of Financial Position

March 31	2016	2015
Assets		
Current Assets		
Cash and bank	\$ 91,839	\$ 32,203
Restricted cash and cash equivalents (Note 2)	10,208	10,130
Accounts receivable (Note 3)	520,260	416,072
Due from related parties (Note 4)	63,779	180,598
Inventories	57,500	57,500
Prepaid expenses	21,064	14,331
Vacation entitlement receivable (Note 5)	497,632	497,632
	<u>1,262,282</u>	1,208,466
Retirement obligations asset (Note 13)	945,268	991,268
Capital assets (Note 6)	<u>1,964,404</u>	1,587,147
	<u>\$ 4,171,954</u>	<u>\$ 3,786,881</u>
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 12)	\$ -	\$ 48,698
Accounts payable and accrued liabilities (Note 7)	687,009	681,529
Accrued vacation entitlements (Note 5)	585,335	572,423
Due to related parties (Note 4)	31,071	9,628
Unspent funding (Note 8)	155,905	126,316
	<u>1,459,320</u>	1,438,594
Accrued retirement obligations (Note 13)	772,999	818,999
Deferred contributions (Note 9)	<u>1,491,224</u>	1,080,877
	<u>3,723,543</u>	<u>3,338,470</u>
Commitments and contingencies (Note 10)		
Net Assets		
Invested in capital assets	400,734	447,463
Unrestricted net assets (deficiency)	47,677	948
	<u>448,411</u>	448,411
	<u>\$ 4,171,954</u>	<u>\$ 3,786,881</u>

Approved by the Board:

Original Document Signed Director

Original Document Signed 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

For the year ended March 31	2016	2015
Revenue		
Winnipeg Regional Health Authority	\$ 7,653,103	\$ 7,805,443
Residential charges	2,786,020	2,715,669
Other income (Page 18)	155,560	142,841
	<u>10,594,683</u>	<u>10,663,953</u>
Expenses		
Drugs and medical supplies	146,613	140,413
Food	433,459	414,930
Health and education tax levy	145,295	138,474
Other supplies and expenses	777,636	736,558
Salaries and benefits	8,750,481	8,795,978
Utilities and taxes	307,304	323,933
	<u>10,560,788</u>	<u>10,550,286</u>
Excess of revenue over expenses before amortization	<u>33,895</u>	<u>113,667</u>
Amortization		
Deferred contributions (Note 9)	242,756	220,145
Capital assets (Note 6)	(276,651)	(256,558)
	<u>(33,895)</u>	<u>(36,413)</u>
Excess of revenue over expenses before undernoted	-	77,254
Retrospective deferral for 2014 WRHA capital funding	-	(58,608)
Excess of revenue over expenses	-	18,646
Net assets, beginning of year	<u>448,411</u>	<u>429,765</u>
Net assets, end of year	<u>\$ 448,411</u>	<u>\$ 448,411</u>

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Statement of Cash Flows

For the year ended March 31	2016	2015
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Cash Provided by (used in):

Cash Flows from Operating Activities

Excess of revenue over expenses	\$ -	\$ 18,646
Adjustments for non-cash items		
Amortization of capital assets	276,651	256,558
Change in pre-retirement entitlement receivable	(46,000)	93,000
Change in accrued pre-retirement entitlement	46,000	(93,000)
Net decrease in deferred contributions	410,347	68,405

	686,998	343,609
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Changes in non-cash working capital (Note 11)	75,322	(536,208)
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Net cash provided by (used in) operating activities	762,320	(192,599)
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Cash Flows from Investing Activities

Purchase of capital assets	(653,908)	(214,130)
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Net cash flows used in investing activities	(653,908)	(214,130)
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Net increase (decrease) in cash and cash equivalents	108,412	(406,729)
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Cash and cash equivalents, beginning of year	(6,365)	400,364
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Cash and cash equivalents, end of year	\$ 102,047	\$ (6,365)
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Represented by:

Cash and bank	\$ 91,839	\$ 32,203
Restricted cash and cash equivalents	10,208	10,130
Bank indebtedness	-	(48,698)

	\$ 102,047	\$ (6,365)
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BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Bethania Mennonite Personal Care Home, Inc. (the "Home") is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Bethania, a Mennonite Organization, provides compassionate, outstanding long term care and affordable housing for seniors.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Mennonite Memorial Foundation Inc.

These financial statements present the financial position and results of operations of the personal care home operated as Bethania Mennonite Personal Care Home, Inc. As such, the financial statements for the year ended March 31, 2016 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc, an organization related by common control.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) - Part III of the CPA Canada Handbook.

Revenue Recognition

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

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2016.

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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

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. Measurement uncertainty exists in the amortization of assets and deferred contributions over the estimated useful lives of the assets and WRHA receivables since year end reconciliations have not been conducted for several previous years.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Employee Future Benefits

The organization maintains a multi-employer pension for its personnel. The expense for this plan is equal to the organization's required contribution for the year.

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

Capital Assets

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

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

Land improvements	4-6.7%
Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent assets segregated for use for replacement reserves or debenture repayment reserves with a maturity of less than 3 months.

2. Restricted Cash and Cash Equivalents

	2016	2015
Restricted cash	\$ 10,208	\$ 10,130

3. Accounts Receivable

	2016	2015
Receivable from residents	\$ 32,941	\$ 38,839
Winnipeg Regional Health Authority	424,011	320,662
Other	31,070	25,962
GST rebate receivable	32,238	30,609
	\$ 520,260	\$ 416,072

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

4. Due from (to) Related Parties

	<u>2016</u>	<u>2015</u>
285 Pembina Inc.	\$ 5,920	\$ 25,642
ArlingtonHaus Inc.	3,390	11,890
Bethania Mennonite Memorial Foundation Inc.	34,825	28,437
BethaniaHaus Inc.	6,602	5,930
Autumn House	122	558
Pembina Place Mennonite Personal Care Home, Inc.	12,920	108,141
	<u>\$ 63,779</u>	<u>\$ 180,598</u>
 Bethania Housing & Projects Inc.	 \$ (30,465)	 \$ (5,618)
KingsfordHaus Inc.	(606)	(4,010)
	<u>\$ (31,071)</u>	<u>\$ (9,628)</u>

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:

	<u>2016</u>	<u>2015</u>
Salary costs paid on behalf of and recovered from related parties	\$ 638,675	\$ 680,087
Salary and IT expenses charged by related party	259,732	248,838
Maintenance fee recovery	25,679	19,553

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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

5. Accrued Vacation Entitlements

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

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

	2016	2015
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:

Balance, beginning of year	\$ 572,423	\$ 537,147
Net change in accrued vacation entitlements	12,912	35,276
Balance, end of year	\$ 585,335	\$ 572,423

6. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	\$ -	\$ 1	\$ -
Land improvements	340,263	340,263	340,263	340,263
Building	5,295,756	4,427,416	5,186,728	4,252,266
Computer equipment	337,093	337,093	337,093	337,093
Furniture, fixtures and equipment	5,011,646	3,931,309	4,464,905	3,827,947
Intangible assets	10,208	-	10,208	-
Deferred software licenses	5,518	-	5,518	-
	\$ 11,000,485	\$ 9,036,081	\$ 10,344,716	\$ 8,757,569
Cost less accumulated amortization		\$ 1,964,404		\$ 1,587,147

Amortization of capital assets for the year ended March 31, 2016 is \$276,651 (2015 - \$256,558).

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

7. Accounts Payable and Accrued Liabilities

	2016	2015
Trade accounts payable	\$ 116,308	\$ 173,868
Accrued liabilities	40,504	126,029
Salaries and employee benefits payable	336,566	279,480
Government remittances payable	193,631	102,152
	\$ 687,009	\$ 681,529

8. Unspent Funding

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.

	2016	2015
Balance, beginning of year	\$ 58,807	\$ 41,709
Contributions - Winnipeg Regional Health Authority	655,519	188,039
Interest allocation	77	276
Transfer to deferred contributions		
- capital asset purchases	(641,957)	(171,217)
	72,446	58,807

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	49,485	74,859
Contributions - Winnipeg Regional Health Authority	14,423	14,424
Interest allocation	15	18
Transfer to deferred contributions		
- capital asset purchases	-	(39,816)
Balance, end of year	63,923	49,485

Insurance Reserve

Balance, beginning of year	18,024	16,512
Contributions - Winnipeg Regional Health Authority	1,512	1,512
Balance, end of year	19,536	18,024
Total Unspent Funding	\$ 155,905	\$ 126,316

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

9. Deferred Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contribution balance are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,080,877	\$ 1,005,708
Funding for principal repayments on debenture	90,961	113,015
Winnipeg Regional Health Authority 2015/2014 adjustment	13,812	58,608
Transfer from replacement reserves	641,957	214,124
Long-term debt principal reductions	(93,627)	(90,433)
Amounts amortized to revenue	<u>(242,756)</u>	<u>(220,145)</u>
Balance, end of year	<u>\$ 1,491,224</u>	<u>\$ 1,080,877</u>

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

	<u>2016</u>	<u>2015</u>
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	\$ 154,592	\$ 180,004
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	149,364	174,608
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	<u>229,784</u>	<u>272,754</u>
	<u>\$ 533,740</u>	<u>\$ 627,366</u>

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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

10. Commitments and Contingencies (continued)

- 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, 2016, 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, 2016. The Home is a named insured under the WRHA policy with HIROC.

11. Changes in Non-cash Working Capital

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ (104,188)	\$ (346,778)
Inventories	-	297
Prepaid expenses	(6,733)	(1,439)
Due from (to) related parties	138,262	(133,503)
Accounts payable and accrued liabilities	5,480	(90,061)
Accrued vacation payable	12,912	35,276
Unspent funding	29,589	-
	<u>\$ 75,322</u>	<u>\$ (536,208)</u>

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, 2016 - 2.70%). The line of credit is secured by a general assignment of accounts receivable. The line of credit was unutilized as at March 31, 2016.

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:

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

13. Employee Future Benefits (continued)

a) Accrued retirement obligation

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, 2016. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2015 - 3.35%) and a rate of salary increase of 3.50% (2015 - 3.50%) 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.

	<u>2016</u>	<u>2015</u>
Employee future benefits recoverable from		
Manitoba Health	\$ 652,360	\$ 652,360
Winnipeg Regional Health Authority	292,908	338,908
	\$ 945,268	\$ 991,268

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 818,999	\$ 725,999
Net change in pre-retirement entitlements	(46,000)	93,000
Balance, end of year	\$ 772,999	\$ 818,999

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

13. Employee Future Benefits (continued)

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, 2014 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 \$536,543 (2015 - \$495,509) 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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

14. Funding of Future Employee Benefits (continued)

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

15. Economic Dependence

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

16. Comparative Figures

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

17. Financial Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Home to credit risk consist principally of accounts receivable, related party receivable, vacation entitlements receivable, and retirement obligations receivable.

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

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.

Notes to Financial Statements

For the year ended March 31, 2016

17. 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 Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

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

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Home is exposed to liquidity risk due to its working capital deficiency.

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

For the year ended March 31	2016	2015
Other Income		
BethaniaHaus meal recoveries	\$ 10,030	\$ 6,398
Dietary recoveries	34,533	38,829
Shared service recoveries	32,899	29,592
Other recoveries and miscellaneous	78,098	68,022
	<hr/>	<hr/>
	\$ 155,560	\$ 142,841

Financial Statements of

**CLINIQUE YOVILLE
CLINIC INC.**

Year ended March 31, 2016



KPMG LLP
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the accompanying financial statements of Clinique Youville Clinic Inc., which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clinique Youville Clinic Inc. as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 16, 2016

Winnipeg, Canada

CLINIQUE YOVILLE CLINIC INC.

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 319,779	\$ 377,224
Short-term investments	547,459	537,253
Accounts receivable	9,017	6,691
Receivable from Winnipeg Regional Health Authority (note 2)	275,738	149,551
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3[a])	125,848	125,848
Prepaid expenses	40,671	39,036
	<u>1,318,512</u>	<u>1,235,603</u>
Capital assets (note 4)	64,940	74,159
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority [notes 3(b) and 3(c)]	241,457	231,297
	<u>\$ 1,624,909</u>	<u>\$ 1,541,059</u>

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 3[a])	\$ 373,982	\$ 407,281
Future employee pre-retirement benefits payable (note 3[b])	251,617	240,617
Sick leave benefits payable (note 3[c])	27,981	28,821
	<u>653,580</u>	<u>676,719</u>
Deferred contributions for (note 5):		
Future expense	149,015	191,881
Capital assets	60,795	68,142
	<u>209,810</u>	<u>260,023</u>
Fund balances:		
Unrestricted:		
Operations	236,970	107,774
Internally restricted	520,404	490,526
Capital fund	4,145	6,017
	<u>761,519</u>	<u>604,317</u>
Commitments (note 8)		
	<u>\$ 1,624,909</u>	<u>\$ 1,541,059</u>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Original Document Signed

Date JUNE 16, 2016

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Operations	Ancillary Programs	Internally Restricted	Capital Fund	2016 Total	2015 Total
Revenue:						
Winnipeg Regional Health Authority	\$ 3,006,700	\$ -	\$ -	\$ -	\$ 3,006,700	\$ 2,786,943
Other	122,932	6,380	-	-	129,312	92,900
Insurance recoveries	6,264	-	-	-	6,264	6,491
Amortization of deferred contributions related to capital assets (note 5[b])	-	-	-	18,353	18,353	20,862
Interest and donations	-	-	29,878	-	29,878	43,864
Communication and Special Projects	-	1,428	-	-	1,428	4,139
Diabetes Cardiac Initiative	-	21,173	-	-	21,173	63,811
Student Volunteers	-	194	-	-	194	100
Healthy Baby Program	-	33,279	-	-	33,279	39,334
Intergenerational Community Outreach Pathways	-	4,575	-	-	4,575	1,996
Nobody's Perfect Special Projects	-	4,010	-	-	4,010	2,624
Nobody's Perfect Program	-	21,591	-	-	21,591	44,740
Nutrition Programs	-	78,967	-	-	78,967	74,821
Seniors on the Move	-	338	-	-	338	798
Teen Clinic Volunteer Funding	-	3,317	-	-	3,317	3,020
Young Adult Type 1	-	7,090	-	-	7,090	4,063
	-	6,813	-	-	6,813	5,972
	3,135,896	189,155	29,878	18,353	3,373,282	3,196,478
Expenses:						
Amortization of capital assets	-	-	-	20,225	20,225	23,555
Salaries and benefits	2,446,158	120,568	-	-	2,566,726	2,508,615
Building, equipment and maintenance	410,732	-	-	-	410,732	412,466
Printing, stationery and telephone	42,565	7,026	-	-	49,591	54,177
Supplies and services	99,216	54,758	-	-	153,974	102,375
Clinical supplies	8,029	6,803	-	-	14,832	21,917
	3,006,700	189,155	-	20,225	3,216,080	3,123,105
Excess (deficiency) of revenue over expenses	129,196	-	29,878	(1,872)	157,202	73,373
Fund balances, beginning of year	107,774	-	490,526	6,017	604,317	530,944
Fund balances, end of year	\$ 236,970	\$ -	\$ 520,404	\$ 4,145	\$ 761,519	\$ 604,317

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating activities:		
Excess of revenue over expenses	\$ 157,202	\$ 73,373
Items not involving cash:		
Amortization of capital assets	20,225	23,555
Amortization of deferred contributions related to capital assets	(18,353)	(20,862)
Change in non-cash working capital balances:		
Accounts receivable	(2,326)	55
Receivable from Winnipeg Regional Health Authority	(126,187)	(85,398)
Prepaid expenses	(1,635)	(2,340)
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority	(10,160)	(6,266)
Accounts payable and accrued liabilities	(33,299)	77,413
Future employee pre-retirement benefits payable	11,000	7,000
Sick leave benefits payable	(840)	(734)
Deferred contributions received related to future expense	146,289	170,133
Deferred contributions recognized as revenue in the year	(189,155)	(248,885)
	(47,239)	(12,956)
Capital activities:		
Purchase of capital assets	(11,006)	(12,456)
Deferred contributions received or receivable related to capital assets	11,006	12,456
	—	—
Investing activities:		
Increase in short-term investments	(10,206)	(10,630)
Decrease in cash	(57,445)	(23,586)
Cash, beginning of year	377,224	400,810
Cash, end of year	\$ 319,779	\$ 377,224

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2016

General:

The corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.
- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.
- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women's health services; as well as a community health information line.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

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

Operating grants are recorded as revenue in the period to which they relate.

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

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

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

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

(b) Operating deficits or surpluses:

The corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The corporation's Service Purchase Agreement with the WRHA continues in effect until March 31, 2016. A new agreement comes into effect April 1, 2016 and shall continue for seven years until March 31, 2023 subject to certain provisions.

In accordance with the terms and conditions of the Service Purchase Agreement between the corporation and the WRHA, annual operating deficits are the responsibility of the corporation. The corporation may retain the greater of 50 percent of the annual operating surplus related to insured services and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

The corporation reports the operations and ancillary programs separately in the unrestricted fund.

Revenue and expenses related to patient care program delivery are reported 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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

The Internally Restricted Fund represents funds received through donations and interest income. All expenditures from this fund require the approval of the Board of Directors.

The Capital Fund reports the revenue and expenses related to capital asset equipment and construction projects. Funding for capital assets purchased with internally designated funds is recorded as an inter-fund transfer.

(d) Financial instruments:

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

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

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

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

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

The corporation did not incur any remeasurement gains and losses during the year ended March 31, 2016 (2015 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

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

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

(e) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

(f) Future employee benefits:

The cost of the corporation's employee retirement benefits is accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The accumulated non-vested sick leave liability is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) Employee benefits:

The cost of the corporation's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. WRHA provides funding for a portion of vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

(h) Income taxes:

The corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(i) Use of estimates:

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

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Receivable from Winnipeg Regional Health Authority:

The details of receivable from WRHA are as follows:

	2016	2015
One-time deficit funding ^(a)	\$ 175,296	\$ –
Basic equipment funding	11,006	9,391
Healthcare spending account	8,449	13,205
Pension contribution increases	8,935	15,253
Pre-retirement funding	–	31,291
Union increases	62,010	78,332
Other	10,042	2,079
	<u>\$ 275,738</u>	<u>\$ 149,551</u>

^(a) In June 2016 the WRHA informed the corporation that it intended to fund the fiscal 2016 deficit arising from WRHA-funded operations. This amount has been accrued as accounts receivable at March 31, 2016.

3. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2016, accounts payable and accrued liabilities includes employee benefits payable of \$186,713 (2015 - \$164,470).

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.

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Employee benefit plans (continued):

(b) Future employee pre-retirement benefits:

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

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the corporation's pre-retirement benefit plan obligations include mortality and withdrawal rates, a discount rate of 3.0 percent (2015 - 2.25 percent) and a rate of salary increase of 3.5 percent (2015 - 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:

	2016	2015
Benefit plan obligations:		
Balance, beginning of year	\$ 240,617	\$ 233,617
Current service cost	9,000	20,000
Pre-retirement pay-out	—	(18,000)
Interest cost	2,000	7,000
Balance, end of year	251,617	242,617
Amortized actuarial gain	—	(2,000)
Benefit plan obligations, end of year	\$ 251,617	\$ 240,617

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Employee benefit plans (continued):

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

In addition, during fiscal 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of \$22,708.

The amount recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability since 2007, which include an interest component. The increase recorded in fiscal 2016 was \$11,000 (2015 - \$7,000) recorded as revenue in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2016 aggregates \$213,476 (2015 - \$202,476) and has no specified terms of repayment.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Cash funding provided by the WRHA for 2016 was 100 percent (2015 - 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 3.0 percent (2015 2.55 percent) and a rate of salary increase of 3.0 percent (2015 - 3.5 percent).

A recoverable from the WRHA of \$27,981 (2015 - \$28,821) for the accumulated non-vested sick leave benefits has been recorded on the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The decrease recorded in 2016 was \$840 (2015 - \$734 decrease) and is recorded in the statement of operations.

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 206,625	\$ 178,949	\$ 27,676	\$ 34,596
Computer equipment	340,872	305,753	35,119	36,805
Leasehold improvements	430,399	428,254	2,145	2,758
	\$ 977,896	\$ 912,956	\$ 64,940	\$ 74,159

5. Deferred contributions:

(a) Future expense:

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

	2016	2015
Balance, beginning of year	\$ 191,881	\$ 270,633
Add amount received related to future periods	146,289	170,133
Less amount recognized as revenue in the year	(189,155)	(248,885)
Balance, end of year	\$ 149,015	\$ 191,881

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.

	2016	2015
Balance, beginning of year	\$ 68,142	\$ 76,548
Additional contributions received or receivable	11,006	12,456
Less amounts amortized to revenue	(18,353)	(20,862)
Balance, end of year	\$ 60,795	\$ 68,142

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan.

During the year, the Corporation contributed \$171,069 (2015 - \$152,266) on behalf of its employees. The most recent funding actuarial valuation of the plan as at December 31, 2014, reported the plan had a deficiency of actuarial value of net assets over actuarial value of 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.

On April 1, 2014, with the inclusion of contributions toward the Healthcare Employees' Pension Plan - Manitoba, Cost of Living Adjustment Plan (HEPP-COLA), the Corporation's contribution rates increased to 8.7 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.3 percent on earnings in excess of YMPE. On April 1, 2015, with an additional 0.2 percent contribution toward HEPP-COLA, the Corporation's contribution rate increased to 8.9 percent of pensionable earnings up to the YMPE and 10.5 percent on earnings in excess of YMPE.

7. Related party transactions:

- (a) From Youville's inception in 1983 to March 31, 2016, 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 years ended March 31, 2016 and 2015. There have been no contributions by Regina Grey Nuns since 1996.
- (b) In 2013, the corporation entered into a memorandum of understanding with St. Boniface General Hospital to assist with the corporation's Diabetes Cardiac Surgery Initiative project. During the year, the corporation funded nil (2015 - \$37,200) to the St. Boniface General Hospital in connection with this project.

CLINIQUE YOVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through August 2018 and January 2017, respectively, as per the following schedule:

Fiscal:		
2017	\$	191,425
2018		96,425
2019		40,177

9. 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, 2016 is the carrying value of these assets.

At March 31, 2016, all accounts receivable were current. There were no amounts past due.

There have been no significant changes to the credit risk exposure from 2015.

(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 2017.

There have been no significant changes to the liquidity risk exposure from 2015.

Financial Statements of

**DONWOOD MANOR PERSONAL
CARE HOME INC.**

March 31, 2016

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 statement of financial position as at March 31, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Donwood Manor Personal Care Home Inc. as at March 31, 2016 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.



Chartered Accountants

May 30, 2016
Winnipeg, Manitoba

DONWOOD MANOR PERSONAL CARE HOME INC.**Statement of Financial Position****March 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Resident trust bank	\$ 29,628	\$ 49,347
Account receivable (Note 3)	75,951	70,326
Due from Winnipeg Regional Health Authority ("WRHA") (Note 8)	300,410	333,868
Prepaid expenses	26,672	14,145
Inventories	56,434	55,677
Due from related parties (Note 4)	15,153	36,634
Vacation entitlements receivable (Note 5)	273,191	273,191
	<u>777,439</u>	<u>833,188</u>
RETIREMENT OBLIGATION ASSETS (Note 14)	677,333	683,333
RESTRICTED DEPOSITS		
Expenses of future periods	68,495	64,794
CAPITAL ASSETS (Note 6)	5,163,399	5,516,664
	<u>\$ 6,686,666</u>	<u>\$ 7,097,979</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 7)	\$ 227,929	\$ 263,550
Accounts payable and accruals	508,361	556,644
Due to related parties (Note 4)	-	33,898
Mortgage amortization grant received in advance	-	4,274
Resident trust account	24,974	26,896
Current portion of long-term debt (Note 9)	209,112	251,524
Accrued vacation entitlements (Note 5)	445,481	445,600
	<u>1,415,857</u>	<u>1,582,386</u>
ACCRUED RETIREMENT OBLIGATIONS (Note 14)	677,333	683,333
LONG-TERM DEBT (Note 9)	160,424	202,190
DEFERRED CONTRIBUTIONS (Note 10)		
Expenses of future periods	20,318	16,694
Capital assets	4,686,429	4,934,304
	<u>6,960,361</u>	<u>7,418,907</u>
COMMITMENTS AND CONTINGENCIES (Note 12)		
DEFICIENCY IN NET ASSETS		
Unrestricted net deficiency	(381,129)	(449,574)
Invested in capital assets (Note 11)	107,434	128,646
	<u>(273,695)</u>	<u>(320,928)</u>
	<u>\$ 6,686,666</u>	<u>\$ 7,097,979</u>

APPROVED BY THE BOARD

Original Document Signed
..... Director

Original Document Signed
..... Director

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2016

	2016		
	Invested in capital assets	Unrestricted Net Deficiency	Total
Balance, beginning of year	\$ 128,646	\$ (449,574)	\$ (320,928)
Excess of expenditures over revenues for the year	(862)	48,095	47,233
Net changes in invested in capital assets	(20,350)	20,350	-
Balance, end of year	\$ 107,434	\$ (381,129)	\$ (273,695)

	2015		
	Invested in capital assets	Unrestricted Net Deficiency	Total
Balance, beginning of year	\$ 150,693	\$ (261,843)	\$ (111,150)
Excess of revenue over expenditures for the year	(861)	(208,917)	(209,778)
Net changes in invested in capital assets	(21,186)	21,186	-
Balance, end of year	\$ 128,646	\$ (449,574)	\$ (320,928)

DONWOOD MANOR PERSONAL CARE HOME INC.**Statement of Operations****For the Year Ended March 31, 2016**

	Budget	2016	2015
	(Unaudited)		
REVENUE			
Winnipeg Regional Health Authority (Note 13)	\$ 5,961,862	\$ 6,344,902	\$ 6,369,382
Residential charges	2,061,400	2,163,654	2,061,372
Amortization of deferred contributions related to capital assets	-	352,403	347,098
Recoveries	397,845	427,639	440,047
Contributed services - value in kind (Note 2 e))	-	64,563	63,524
Interest income	-	282	634
Other income	78,501	64,448	12,963
	8,499,608	9,417,891	9,295,020
EXPENSE			
Operating (schedule)	8,466,627	8,952,830	9,093,315
Amortization of capital assets	-	353,265	347,959
Contributed services (Note 2 e))	-	64,563	63,524
	8,466,627	9,370,658	9,504,798
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE OTHER ITEMS	32,981	47,233	(209,778)
OTHER ITEMS			
Change in accrued retirement obligations			
WRHA funding accrued	-	(6,000)	91,000
Liability for the year	-	6,000	(91,000)
	-	-	-
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	\$ 32,981	\$ 47,233	\$ (209,778)

DONWOOD MANOR PERSONAL CARE HOME INC.**Statement of Cash Flows****For the Year Ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue)	\$ 47,233	\$ (209,778)
Items not affecting cash:		
Amortization of capital assets	353,265	347,959
Amortization of deferred contributions - capital assets	(352,403)	(347,098)
	48,095	(208,917)
Changes in non-cash operating working capital items:		
Accounts receivable	(5,625)	15,923
Due from WRHA	33,458	(198,010)
Prepaid expenses	(12,527)	2,246
Inventories	(757)	6,022
Accounts payable and accrued liabilities	(48,283)	231,097
Vacation entitlements accrued	(119)	33,449
Accrued retirement obligation change, net	-	(5,559)
	14,242	(123,749)
FINANCING ACTIVITIES		
Change in bank indebtedness	(35,621)	120,759
Proceeds from deferred contributions	104,528	177,860
Repayment of long-term debt	(84,178)	(79,501)
Repayment of amounts due to related parties	(33,898)	(5,207)
Mortgage amortization of grant received in advance	(4,274)	-
Deferred contributions - expenses of future periods, net	3,624	794
	(49,819)	214,705
INVESTING ACTIVITIES		
Collection of amounts due from related parties	21,481	3,629
Acquisition of capital assets	-	(77,173)
Decrease (increase) in resident trust account, net	(1,922)	5,184
Increase (decrease) in resident trust bank, net	19,719	(18,733)
Increase in restricted deposits - expenses of future periods, net	(3,701)	(3,863)
	35,577	(90,956)
NET CHANGE IN CASH	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	\$ -	\$ -

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

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 operates under the control of a common Board of Directors and provides long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is the Donwood Manor Foundation Inc. and its related entities, Valhalla Cove Inc. and Donwood Management Inc. by virtue of overlapping board membership and management.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Capital assets

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

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

Buildings	40 years
Furniture and equipment	5 - 10 years

b) Revenue recognition

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

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

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, 2016.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

i) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

ii) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year or 2% of the global budget indicated in its funding letter from the WRHA for any such fiscal year. Any surplus beyond the foregoing levels shall be repaid to the WRHA on demand.

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

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.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

d) *Inventories*

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

e) *Contributed services*

A substantial number of volunteers contribute a significant amount of volunteer time each year. The fair value of the hours provided to the Home have been estimated by Management and recorded in the statement of operations.

f) *Employee future benefits*

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

g) *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation entitlements and accrued retirement obligations. Actual results could differ from these estimates.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Receivable from residents	\$ 16,057	\$ 1,210
Accounts receivable	9,709	51,632
GST rebate	50,185	17,484
	<u>\$ 75,951</u>	<u>\$ 70,326</u>

4. DUE FROM (TO) RELATED PARTIES

	<u>2016</u>	<u>2015</u>
Due from Donwood Manor EPH Inc.	\$ 6,284	\$ 32,075
Due from Donwood South Inc.	1,667	-
Due from Donwood Manor Foundation Inc.	2,632	-
Due from Valhalla Cove Inc.	1,438	-
Due from Donwood Management Inc.	-	1,267
Due from Winnipeg Condominium Corporation No. 297	3,132	3,292
	<u>\$ 15,153</u>	<u>\$ 36,634</u>

	<u>2016</u>	<u>2015</u>
Due to Donwood Manor Foundation Inc.	\$ -	\$ (29,559)
Due to Donwood South Inc.	-	(632)
Due to Valhalla Cove Inc.	-	(3,707)
	<u>\$ -</u>	<u>\$ (33,898)</u>

Amounts due from related parties are unsecured and non-interest bearing with no specific terms of repayment.

Administrative salaries allocations of \$133,914 (2015 - \$130,967) and IT costs of \$6,480 (2015 - \$6,480) have been charged to other related Donwood companies. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

5. ACCRUED VACATION ENTITLEMENTS

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

6. CAPITAL ASSETS

	<u>2016</u>			<u>2015</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 15,000	\$ -	\$ 15,000	\$ 15,000
Buildings	9,476,211	4,950,980	4,525,231	4,737,417
Furniture and equipment	2,294,133	1,670,965	623,168	762,247
	\$ 11,785,344	\$ 6,621,945	\$ 5,163,399	\$ 5,516,664

7. BANK INDEBTEDNESS

As at March 31, 2016 the Home has accessed \$193,201 of its approved line of credit of \$500,000 with the Royal Bank of Canada with the remaining indebtedness balance being outstanding cheques in excess of outstanding deposits and other cash balances. The line of credit is secured by a general assignment of book debts and bears interest at prime.

8. DUE (TO) FROM WINNIPEG REGIONAL HEALTH AUTHORITY

	<u>2016</u>	<u>2015</u>
2004/2005 funding adjustment	\$ -	\$ (107,034)
2005/2006 funding adjustment	-	26,226
2006/2007 funding adjustment	-	(39,364)
2007/2008 funding adjustment	-	23,334
2008/2009 funding adjustment	-	(66,344)
2009/2010 funding adjustment	-	(9,323)
2010/2011 funding adjustment	-	66,022
2011/2012 funding adjustment	-	82,724
2012/2013 funding adjustment	-	(22,277)
2013/2014 funding adjustment	11,335	48,481
2014/2015 funding adjustment	165,477	331,423
2015/2016 funding adjustment	123,598	-
	\$ 300,410	\$ 333,868

9. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Generator loan	\$ 169,618	\$ 215,278
CMHC loan	199,918	238,436
	369,536	453,714
Less: current portion	(209,112)	(251,524)
	\$ 160,424	\$ 202,190

The generator loan bears interest at prime less 0.5% and is repayable in monthly payments of \$3,805 plus interest. Matures January 1, 2017.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

9. LONG-TERM DEBT (continued)

The CMHC loan bears interest at 7.875%, is repayable in monthly blended payments of \$4,469, and matures August 1, 2020.

Principal repayments over the next five years are expected to be as follows:

2017	\$	209,112
2018		42,665
2019		46,091
2020		49,615
2021		22,053

10. DEFERRED CONTRIBUTIONS

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and equipment replacement.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 16,694	\$ 15,900
Add: amount received during the year	23,969	24,799
Less: expenditures for the year	(20,345)	(24,005)
	<u>\$ 20,318</u>	<u>\$ 16,694</u>

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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 4,934,304	\$ 5,103,542
Add: WRHA contributions	104,528	177,860
Less: amounts amortized to revenue	(352,403)	(347,098)
	<u>\$ 4,686,429</u>	<u>\$ 4,934,304</u>

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

11. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 5,163,399	\$ 5,516,664
Less: amounts financed by deferred contributions	(4,686,429)	(4,934,304)
Less: amounts financed by long-term debt	(369,536)	(453,714)
	<u>\$ 107,434</u>	<u>\$ 128,646</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions	\$ 352,403	\$ 347,098
Amortization of capital assets	(353,265)	(347,959)
Purchase of capital assets	-	77,173
Amounts funded by WRHA capital asset funding	-	(77,173)
Amounts repaid during the year	84,178	79,501
Mortgage repayments funded by WRHA	(84,178)	(79,501)
Funding received for capital assets previously purchased	(20,350)	(21,186)
	<u>\$ (21,212)</u>	<u>\$ (22,047)</u>

12. COMMITMENTS AND CONTINGENCIES

- a) The nature of the Home's activities are such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2016 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, 2016.

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

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

13. REVENUE FROM THE WINNIPEG REGIONAL HEALTH AUTHORITY

WRHA Revenue per final funding report	\$ 5,457,432
Add:	
Staffing increase for hours of care	632,406
MNU salaries and benefits	3,487
PIECES training	5,784
Health care and pension benefits	88,548
Current change in pre-retirement liability	(6,000)
Pre-retirement actual payouts (100% funded by WRHA)	60,505
Support staff increases	221,335
Supplemental staffing	42,360
Median rate funding	23,570
Leap year funding	22,371
Miscellaneous	975
	<u>1,095,341</u>
Less:	
Principal repayment	(82,218)
Interest repayment	(18,278)
Reserve for major repairs	(3,621)
Reserve for insurance	(1,500)
Residential charges repayable	(102,254)
	<u>(207,871)</u>
Revenue from WRHA	<u>\$ 6,344,902</u>

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

14. 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 continuous 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

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2015. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 2.55% (2015 – 2.90%) and a rate of salary increase of 3.5% (2015 - 3.50%) 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.

	<u>2016</u>	<u>2015</u>
Employee future benefits are recoverable from:		
Manitoba Health	\$ 372,737	\$ 372,737
WRHA	304,596	310,596
	<u>\$ 677,333</u>	<u>\$ 683,333</u>

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

14. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to 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 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, 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, 2012 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 \$503,356 (2015 - \$497,984) and are included in the statement of operations.

15. 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 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.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

15. FUNDING OF FUTURE EMPLOYEE BENEFITS (continued)

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, 2016, the unfunded portion of future employee benefits amounts to \$Nil (2015 - \$Nil).

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Donwood Manor PCH).

16. CAPITAL MANAGEMENT

The Home considers its capital to include its Unrestricted Net Assets and Invested in Capital Assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

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

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

17. 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.

DONWOOD MANOR PERSONAL CARE HOME INC.

Notes to Financial Statements

March 31, 2016

17. 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:

	<u>2016</u>	<u>2015</u>
Account receivable	\$ 39,052	\$ 80,059
Due from the WHRA	300,410	333,868
Vacation entitlements receivable	273,191	273,191
Retirement obligations receivable	677,333	683,333
	<u>\$ 1,289,986</u>	<u>\$ 1,370,451</u>

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 the WRHA, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

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.

DONWOOD MANOR PERSONAL CARE HOME INC.
Schedule of Supplementary Information
For the Year Ended March 31, 2016

Schedule

	Budget (Unaudited)	2016	2015
OPERATING COSTS			
Salaries			
Nursing services	\$ 4,048,195	\$ 4,371,895	\$ 4,421,268
Special services	169,452	179,006	232,680
General services	1,721,376	1,801,876	1,726,496
Employee Benefits			
Canada Pension Plan	127,718	259,917	262,406
Employment Insurance	133,324	147,470	148,425
Registered pension	94,519	503,356	497,984
Health and education levy	140,939	138,192	139,055
Workers Compensation Insurance	267,897	95,950	131,821
Dental plan insurance	515,296	37,325	38,916
Group Life Insurance	40,824	13,374	13,207
Group health care	12,444	49,994	53,784
Disability and rehabilitation	46,916	116,866	118,608
Employee Assistance Program	6,804	39,584	31,464
Pre-retirement leave	-	47,701	135,041
Medical Supplies			
Medical / surgical supplies	53,760	60,984	56,836
Incontinence supplies	58,500	65,616	60,632
Hygiene supplies	10,000	11,426	12,584
Drugs, pharmaceutical supplies	756	1,069	1,023
Other supplies and expenses	7,500	1,715	4,535
Resident transportation	15,900	20,672	13,139
Recreation therapy / volunteer	8,196	8,698	9,241
Food services supplies	375,008	381,075	383,787
Laundry and linen supplies	21,156	18,134	23,187
Housekeeping supplies	27,009	31,489	31,594
Physical plant			
Natural gas	65,000	60,392	72,672
Water and sewer	49,500	55,098	55,161
Electricity	95,680	103,279	114,010
Insurance - property	20,500	20,830	17,564
Property taxes	42,545	39,126	35,113
Security and fire	15,000	18,617	16,054
Maintenance	100,894	111,351	122,088
Insurance - liability	4,000	5,973	4,318
Membership fees	3,500	5,582	3,810
Professional fees	19,996	21,060	15,107
Advertising	5,000	6,343	3,794
Staff education and travel	14,500	7,141	13,035
Computer expenses	57,406	36,068	24,401
Bank charges and interest	7,000	8,447	7,141
Office and miscellaneous expenses	42,600	50,139	41,336
	\$ 8,446,610	\$ 8,952,830	\$ 9,093,315

Financial Statements of

EDEN MENTAL HEALTH CENTRE

March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Eden Mental Health Centre

We have audited the accompanying financial statements of Eden Mental Health Centre, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Eden Mental Health Centre as at March 31, 2016 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.



Chartered Accountants

June 16, 2016
Winnipeg, Manitoba

EDEN MENTAL HEALTH CENTRE
Statement of Financial Position
March 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash	\$ -	\$ 192,492
Accounts receivable	59,816	64,034
Inventory	41,992	52,410
Prepaid expenses	24,839	17,572
Vacation entitlement receivable (Note 3)	268,606	268,606
	<u>395,253</u>	<u>595,114</u>
 CAPITAL ASSETS (NOTE 4)	 1,442,514	 1,470,278
 DUE FROM SOUTHERN HEALTH - SANTÉ SUD PRE-RETIREMENT ENTITLEMENT (NOTE 3)	 425,000	 418,000
 RESTRICTED ASSETS	 22,165	 26,176
	<u>\$ 2,284,932</u>	<u>\$ 2,509,568</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 345,595	\$ -
Accounts payable and accrued liabilities	369,602	513,811
Advanced payments received	-	341,666
Due to Southern Health - Santé Sud (Note 5)	336,676	439,516
Accrued vacation entitlements (Note 3)	378,505	410,111
	<u>1,430,378</u>	<u>1,705,104</u>
 DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (NOTE 6)	 952,539	 926,778
 PRE-RETIREMENT ENTITLEMENT (NOTE 3)	 425,000	 418,000
	<u>2,807,917</u>	<u>3,049,882</u>
 CONTINGENCIES (NOTE 11)		
 NET ASSETS		
Invested in Capital Assets (Note 7)	489,975	543,502
Internally Restricted	522	392
Unrestricted	(1,013,482)	(1,084,208)
	<u>(522,985)</u>	<u>(540,314)</u>
	<u>\$ 2,284,932</u>	<u>\$ 2,509,568</u>

APPROVED BY THE DIRECTORS

Original Document Signed Director Original Document Signed Director

EDEN MENTAL HEALTH CENTRE

Statement of Operations

Year Ended March 31, 2016

	2016	2015
REVENUE		
Southern Health - Santé Sud (Note 8)	\$ 8,235,834	\$ 8,405,051
Interest income	3,512	2,743
Other income	35,504	36,056
Pharmacy income	536,514	546,361
Amortization of deferred contributions	70,321	70,624
Parking recovery	5,476	5,335
	8,887,161	9,066,170
EXPENSES		
Administration	631,757	671,157
Amortization	120,347	124,316
Dietary	364,303	350,860
Housekeeping	169,727	175,764
Medical records	267,512	261,553
Nursing department	2,689,575	2,661,743
Occupational therapy	105,406	119,207
Pharmacy - in patient	221,885	211,026
Pharmacy - out patient	408,678	414,974
Plant maintenance	298,559	316,031
Pre-retirement leave	-	38,571
Psychiatric clinic	2,023,421	2,289,783
Psychogeriatric	180,467	129,803
Social work	1,388,195	1,530,177
	8,869,832	9,294,965
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 17,329	\$ (228,795)

EDEN MENTAL HEALTH CENTRE
Statement of Changes in Net Assets
Year Ended March 31, 2016

	2016			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 543,502	\$ 392	\$ (1,084,208)	\$ (540,314)
Deficiency of revenue over expenses	(50,026)	130	67,225	17,329
(Disposition of) investment in capital assets	(3,501)	-	3,501	-
Balance, end of year	\$ 489,975	\$ 522	\$ (1,013,482)	\$ (522,985)

	2015			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 646,324	\$ 8,659	\$ (966,500)	\$ (311,517)
Deficiency of revenue over expenses	(53,692)	(8,267)	(166,838)	(228,797)
(Disposition of) investment in capital assets	(49,130)	-	49,130	-
Balance, end of year	\$ 543,502	\$ 392	\$ (1,084,208)	\$ (540,314)

EDEN MENTAL HEALTH CENTRE**Statement of Cash Flows****Year Ended March 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	17,329	(228,795)
Items not affecting cash:		
Amortization of deferred contributions	(70,321)	(70,624)
Amortization expense	120,347	124,316
	67,355	(175,103)
Changes in non-cash working capital balances:		
Accounts receivable	4,217	4,838
Inventory	10,418	5,600
Prepaid expenses	(7,267)	11,071
Accounts payable and accrued liabilities	(144,209)	112,189
Advanced payments received	(341,666)	341,666
Due to Southern Regional Health Authority	(102,840)	(550,109)
Accrued vacation entitlements	(31,606)	20,196
	(545,598)	(229,652)
FINANCING ACTIVITIES		
Funding received for capital assets	-	50,000
Deferred contributions received - capital assets	96,083	-
	96,083	50,000
INVESTING ACTIVITIES		
Purchase of capital assets	(96,083)	(867)
Proceeds from the sale of capital assets	3,500	
Change in restricted assets	4,011	13,460
	(88,572)	12,593
DECREASE IN CASH POSITION	(538,087)	(167,059)
CASH POSITION, BEGINNING OF YEAR	192,492	359,551
(BANK INDEBTEDNESS) CASH POSITION, END OF YEAR	(345,595)	192,492

EDEN MENTAL HEALTH CENTRE

Notes to the Financial Statements

March 31, 2016

1. NATURE OF BUSINESS

Eden Mental Health Centre (the "Facility") was incorporated under the Manitoba Corporations Act in 1957. The Facility operates a community psychiatric clinic, acute care hospital and related rehabilitation programs for people of Manitoba with mental health issues. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through the Southern Health – Santé Sud ("SHSS"). Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by the SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance at a rate corresponding with the amortization rate for the related capital assets.

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

Pharmacy sales are recognized at the point of sale.

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Inventory

Carrying value is determined at the lower of cost and net realizable value with cost determined on a first-in, first-out basis. Net realizable value is the estimated selling price less the costs necessary to make the sale.

c) Contributed services

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

d) Capital assets

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

Capital assets are amortized on a declining balance basis following the year of acquisition using the following annual rates:

Buildings	5%
Computer equipment	20%
Equipment	10%
Leasehold improvements	10%
Land improvements	10%

e) Pre-Retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) Internally restricted net assets

The Internally restricted net assets are internally restricted for the use of the volunteer program.

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

h) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

i) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	<u>2016</u>	<u>2015</u>
Vacation entitlement receivable	\$ 268,606	\$ 268,606
Pre-retirement entitlement receivable	425,000	418,000

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of \$268,606 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlements. Accrued vacation entitlements, totalling \$378,505 (2015 – \$410,111), also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2016 in the amount of \$425,000 (2015 – \$418,000) has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004 and has been updated annually since then. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities.

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

3. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES (continued)

The significant actuarial assumptions adopted in measuring the Facility's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2.55% in 2015) and a rate of salary increase of 3.00% (3.00% in 2015) plus age related merit / promotion scale with actuarial derived provisions for disability.

4. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,031	\$ -	\$ 2,031	\$ 2,031
Buildings	2,385,237	1,515,302	869,935	822,777
Computer equipment	259,480	182,232	77,248	100,497
Equipment	1,145,158	868,685	276,473	304,054
Leasehold improvements	407,541	201,909	205,632	228,480
Land improvements	47,587	36,392	11,195	12,439
	\$ 4,247,034	\$ 2,804,520	\$ 1,442,514	\$ 1,470,278

5. DUE TO SOUTHERN HEALTH – SANTÉ SUD

	2016	2015
Balance, beginning of year	\$ 439,516	\$ 989,623
SHSS budget funding adjustment	64,585	(34,578)
Staffing items	(66,991)	(14,727)
Miscellaneous funding adjustments	(224,393)	(218,035)
Out-of-globe adjustments	72,917	(240,146)
Other	51,042	(42,621)
	\$ 336,676	\$ 439,516

6. DEFERRED CONTRIBUTIONS

	2016	2015
Related to capital assets		
Balance, beginning of year	\$ 926,777	\$ 997,402
Add: additional contributions received	96,083	-
Less: amounts amortized to revenue	(70,321)	(70,626)
	\$ 952,539	\$ 926,777

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

7. NET INVESTMENT IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 1,442,514	\$ 1,470,278
Less: amounts financed by deferred contributions	(952,539)	(926,776)
	<u>\$ 489,975</u>	<u>\$ 543,502</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions related to capital assets	\$ 70,321	\$ 70,626
Less: amortization expense	(120,347)	(124,318)
	<u>(50,026)</u>	<u>(53,692)</u>
Purchase (refund) of capital assets	92,582	(49,130)
Amounts funded by deferred contributions	(96,083)	-
	<u>(3,501)</u>	<u>(49,130)</u>
	<u>\$ (53,527)</u>	<u>\$ (102,822)</u>

8. SOUTHERN HEALTH – SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue per final budget	\$ 8,135,399	\$ 7,908,299
Current year end estimated – non-global amount	(96,776)	240,146
Other year end adjustments	225,670	185,398
One time funding	(28,459)	71,208
	<u>\$ 8,235,834</u>	<u>\$ 8,405,051</u>

Amounts recoverable or payable are based on RHA funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

9. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Chartered Professional Accountants of Canada Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2013 - \$203,558,000) as well as a solvency deficiency of \$1,955,292,000 (2013 - \$1,097,114,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$371,435 (2015 - \$362,762) and are included in the statement of operations.

10. BANK INDEBTEDNESS

The Facility has an available line of credit of \$500,000 which is secured by a general security agreement. Interest is calculated at the bank's prime rate, payable monthly and due on demand.

11. CONTINGENCIES

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

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Facility may be subjected to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2016.

EDEN MENTAL HEALTH CENTRE
Notes to the Financial Statements
March 31, 2016

12. ECONOMIC DEPENDENCE

The Facility receives in excess of 90% of its total revenue from SHSS and is economically dependent on SHSS for its continued operations.

13. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

Financial Statements of

**FRED DOUGLAS PERSONAL
CARE HOME,**
A DIVISION OF FRED DOUGLAS SOCIETY INC.

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the accompanying financial statements of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information including the Schedule.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 15, 2016

Winnipeg, Canada

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 646,568	\$ 305,648
Accounts receivable (note 3)	693,990	811,687
Inventories and prepaid expenses	27,968	41,112
Employee benefits recoverable from Winnipeg Regional Health Authority [note 11(iii)]	355,603	355,603
Short-term investments (note 4)	103,044	58,038
Receivable from related entities (note 5)	26,086	39,904
	1,853,259	1,611,992
Investments (note 4)	106,349	148,127
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 11[i])	1,035,165	1,059,327
Capital assets (note 6)	3,925,150	4,136,198
	\$ 6,919,923	\$ 6,955,644

	2016	2015
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 978,408	\$ 931,500
Bank financing (note 7)	179,417	252,715
	<u>1,157,825</u>	<u>1,184,215</u>
Employee future benefits (note 11[i])	1,008,183	1,032,345
Deferred contributions (note 8):		
Donations	8,703	11,252
Expenses of future periods	17,478	15,966
Capital assets	2,887,578	3,061,001
Equipment reserve	37,734	42,242
Reserve for major repairs	303,838	253,054
	<u>3,255,331</u>	<u>3,383,515</u>
Net assets:		
Unrestricted	640,429	533,087
Invested in capital assets (note 9)	858,155	822,482
	<u>1,498,584</u>	<u>1,355,569</u>
Commitment (note 12)		
	<u>\$ 6,919,923</u>	<u>\$ 6,955,644</u>

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed Director "Eric Jensen, Chair - Board of Directors"

Original Document Signed Director "Larry Beeston, Chair - Finance Committee"

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Winnipeg Regional Health Authority - Operating	\$ 7,297,178	\$ 7,075,924
Winnipeg Regional Health Authority - Adult Day Program	214,632	214,157
Resident charges	2,451,325	2,396,924
Participant charges - Adult Day Program	32,326	34,403
Donations and grants	51,564	12,845
Amortization of deferred contributions [note 8(c)]	239,820	239,020
	10,286,845	9,973,273
Other income:		
Ancillary	1,480	950
Investment	3,321	2,105
Cafeteria	51,031	45,174
Other	39,697	36,401
	95,529	84,630
Total revenue	10,382,374	10,057,903
Expenses:		
Operating	9,730,566	9,428,166
Adult Day Program	252,947	219,592
Amortization of capital assets	255,846	255,045
	10,239,359	9,902,803
Excess of revenue over expenses before the undernoted	143,015	155,100
Employee future benefits adjustment (note 11)	24,162	(42,608)
Funding (reduction) for employee future benefits (note 11)	(24,162)	42,608
Excess of revenue over expenses	\$ 143,015	\$ 155,100

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted	Invested in capital assets	2016 Total	2015 Total
Net assets, beginning of year	\$ 533,087	\$ 822,482	\$ 1,355,569	\$ 1,200,469
Excess (deficiency) of revenue over expenses	159,041	(16,026)	143,015	155,100
Transfer for bank financing payments	(73,298)	73,298	—	—
Transfer of funds related to capital asset additions	21,599	(21,599)	—	—
Net assets, end of year	\$ 640,429	\$ 858,155	\$ 1,498,584	\$ 1,355,569

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating activities:		
Excess of revenue over expenses	\$ 143,015	\$ 155,100
Items not involving cash:		
Amortization of capital assets	255,846	255,045
Amortization of deferred contributions related to capital assets	(239,820)	(239,020)
Change in non-cash operating working capital:		
Restricted cash	(47,152)	(67,684)
Accounts receivable	117,697	(300,436)
Inventories and prepaid expenses	13,144	(7,808)
Accounts payable and accrued liabilities	46,908	(81,447)
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	49,747	50,814
	339,385	(235,436)
Capital activities:		
Purchase of capital assets	(44,798)	(250,147)
Deferred contributions received for capital assets and equipment reserves	61,889	291,898
	17,091	41,751
Investing activities:		
Increase in investments	(3,228)	(2,252)
Change in receivable from related entities	13,818	308,168
	10,590	305,916
Financing activities:		
Repayment of bank financing	(73,298)	(70,333)
Increase in cash	293,768	41,898
Cash, beginning of year	100,194	58,296
Cash, end of year (note 2)	\$ 393,962	\$ 100,194

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Year ended March 31, 2016

General:

Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a 136-bed personal care home and 90-space adult day program in Winnipeg, Manitoba. Fred Douglas Society Inc. is an outreach ministry of the United Church of Canada.

1. Significant accounting policies:

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

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. (the Society) (unaudited) have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding. The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement (SPA). Operating grants are recorded as revenue in the period to which they relate. The Division's SPA with the WRHA expired March 31, 2015, however an extension to the agreement expiring June 30, 2016 has been agreed to between the Division and the 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.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

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

Investment income includes interest income and realized investment gains and losses.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Division determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 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 3.00 percent (2015 - 2.55 percent), a rate of salary increase of 3.50 percent (2015 - 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)

Year ended March 31, 2016

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. Cash:

	2016	2015
Cash - unrestricted	\$ 393,962	\$ 100,194
Restricted cash	252,606	205,454
	<u>\$ 646,568</u>	<u>\$ 305,648</u>

Restricted cash, along with restricted investments disclosed in note 4, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs.

The Division has a demand revolving credit facility with a maximum limit of \$500,000 (2015 - \$500,000). The operating credit line bears interest at prime rate plus 1 percent (2015 - prime rate plus 1 percent). The facility is secured by a general security agreement and a first charge collateral mortgage against property of the Society. At March 31, 2016, the Division has not utilized this facility (2015 - nil).

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Accounts receivable:

	2016	2015
Accounts receivable	\$ 33,527	\$ 24,403
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	206,174	269,074
MGEU contract increases	455,282	168,413
MNU contract increases	1,041	149,538
Group health benefit funding	24,190	22,987
Resident charges	(165,622)	(15,469)
Capital funding	54,793	180,382
Pension increase funding	20,903	44,568
Surplus recovery (a)	—	(70,000)
Other	63,702	37,791
	\$ 693,990	\$ 811,687

(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. The surplus recovery balance in 2015 related to the operating surplus for fiscal 2013. This balance was paid to the WRHA during the year.

4. Investments:

		2016		2015
	Average effective yield	Carrying value	Average effective yield	Carrying value
Government investment certificates	2.43%	\$ 148,128	2.41%	\$ 189,907
Money market fund		61,265		16,258
		209,393		206,165
Current portion, shown as short-term investments		(103,044)		(58,038)
		\$ 106,349		\$ 148,127

The government investment certificates mature during fiscal years 2017 to 2019.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Investments (continued):

The allocation of investments between unrestricted and restricted is as follows:

	2016	2015
Unrestricted investments	\$ 94,246	\$ 89,105
Restricted investments	115,147	117,060
	<u>\$ 209,393</u>	<u>\$ 206,165</u>

5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2016	2015
Fred Douglas Heritage House Inc.	\$ 7,192	\$ 3,608
Fred Douglas Foundation, Inc.	2,252	21,047
Fred Douglas Apartments	8,242	12,051
Fred Douglas Courts	9,018	4,834
6032281 Manitoba Association Inc.	—	(41)
Fred Douglas Society Inc.	(618)	(1,595)
	<u>\$ 26,086</u>	<u>\$ 39,904</u>

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. Subsequent to March 31, 2016, all receivable balances from related entities have been received in full.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 17,137	\$ —	\$ 17,137	\$ 17,137
Buildings	9,751,074	6,501,798	3,249,276	3,389,606
Furniture and equipment	2,580,903	1,922,166	658,737	729,455
	\$ 12,349,114	\$ 8,423,964	\$ 3,925,150	\$ 4,136,198

7. Bank financing:

	2016	2015
3.10% mortgage, Assiniboine Credit Union, payable \$3,095 monthly including principal and interest, maturing January 25, 2017	\$ 147,487	\$ 179,668
3.10% demand term loan, Assiniboine Credit Union, interest at payable \$3,563 monthly including principal and interest, maturing January 25, 2017	31,930	73,047
	\$ 179,417	\$ 252,715

The Assiniboine Credit Union mortgage and term loan are secured as disclosed in note 2 for the demand revolving credit facility.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2016	2015
Balance, beginning of year	\$ 11,252	\$ 12,734
Contributions received	6,094	7,081
Amounts recognized as revenue in the year	(8,643)	(8,563)
Balance, end of year	\$ 8,703	\$ 11,252

(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.

	2016	2015
Balance, beginning of year	\$ 15,966	\$ 14,454
Contributions received	1,512	1,512
Balance, end of year	\$ 17,478	\$ 15,966

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Deferred contributions (continued):

(c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2016	2015
Balance, beginning of year	\$ 3,061,001	\$ 3,029,858
Transfer from deferred contributions - equipment reserve	4,508	2,065
Contributions received	61,889	268,098
Amounts amortized to revenue in the year	(239,820)	(239,020)
Balance, end of year	\$ 2,887,578	\$ 3,061,001

(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.

	2016	2015
Balance, beginning of year	\$ 42,242	\$ 20,507
Contributions received	—	23,800
Transfer to deferred contributions - capital assets	(4,508)	(2,065)
Balance, end of year	\$ 37,734	\$ 42,242

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Deferred contributions (continued):

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2016	2015
Balance, beginning of year	\$ 253,054	\$ 202,270
Contributions received	50,784	50,784
Balance, end of year	\$ 303,838	\$ 253,054

9. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 3,925,150	\$ 4,136,198
Deferred contributions - capital assets	(2,887,578)	(3,061,001)
Bank financing	(179,417)	(252,715)
	\$ 858,155	\$ 822,482

10. Related party transactions:

During the year, the Division received \$2,926 (2015 - \$625) in funding for improvements and resident services and nil (2015 - \$16,332) 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)

Year ended March 31, 2016

11. Employee future benefits and employee benefits:

(i) Employee future benefits consists of:

	2016	2015
Pre-retirement benefits	\$ 755,056	\$ 762,005
Accumulated non-vested sick leave benefits	253,127	270,340
	<u>\$ 1,008,183</u>	<u>\$ 1,032,345</u>

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:

	2016	2015
Accrued benefit obligation:		
Balance, beginning of year	\$ 762,005	\$ 763,005
Current benefit cost	58,000	50,000
Interest	19,000	22,000
Amortized actuarial gain	(1,000)	(8,000)
Benefits paid	(82,949)	(65,000)
Liability for benefits	<u>\$ 755,056</u>	<u>\$ 762,005</u>

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Employee future benefits and employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement obligation at March 31, 2005, and was recorded as a long-term receivable on the statement of financial position.

The receivable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The decrease in fiscal 2016 was \$6,949 (2015 - \$1,000) and is recorded in the statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2016 aggregates \$782,038 (2015 - \$788,987) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2015 - 100 percent) of actual pre-retirement benefits paid during the year.

The Division provides accumulating sick leave benefits to substantially all of its employees. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Division's accumulated non-vested sick leave benefits include a discount rate of 3.00 percent (2015 - 2.55 percent) and a rate of salary increase of 3.50 percent (2015 - 3.50 percent).

A recoverable from the WRHA of \$253,127 (2015 - \$270,340) for the accumulated non-vested sick leave benefits has been recorded in the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The decrease recorded in 2016 was \$17,213 (2015 - increase of \$43,608) and is recorded in the statement of operations.

- (ii) Eligible employees of the Division are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Employee future benefits and employee benefits (continued):

The most recent actuarial valuation of the plan as at December 31, 2014, 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. On April 1, 2015, with the inclusion of contributions towards the Cost of Living Adjustment Plan, employer contribution rates increased to 8.9 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent on earnings in excess of YMPE.

- (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, 2016 is \$524,049 (2015 - \$500,035).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of \$355,603 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

12. Commitment:

For fiscal 2017, the Division has a service purchase agreement for the adult day program for annual transportation service of approximately \$100,000.

13. Financial risks:

The Division is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Division to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Financial risks (continued):

Liquidity risk is the risk that the Division will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Division manages its liquidity risk by monitoring its operating requirements. The Division prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Division is exposed to credit risk with respect to accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, employee future benefits recoverable from Winnipeg Regional Health Authority and investments.

There has been no change to the above noted risk exposures from 2015.

14. Trusts under administration:

At March 31, 2016, the balance of funds held in trust on behalf of the residents who reside at the Division was \$22,735 (2015 - \$26,425).

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Nursing services:		
Medical supplies and services	\$ 62,693	\$ 55,227
Resident transportation	41,066	46,882
Incontinence supplies	65,519	67,224
Nursing administration	18,268	17,996
	187,546	187,329
Resident services:		
Activities	19,603	15,966
Other	5,422	8,357
	25,025	24,323
General administration:		
Advertising	182	2,062
Audit and professional fees	74,941	119,615
Bank charges and interest	883	2,040
Bonding and insurance	5,198	5,235
Data processing and communications	58,724	58,216
Delivery and courier	467	652
Equipment lease and maintenance	18,495	20,892
Meetings and miscellaneous	2,716	1,021
Licenses and membership fees	5,476	6,270
Postage	2,871	5,118
Printing, stationery and office supplies	12,901	11,432
Staff and resident events and appreciation	11,026	15,006
Travel	1,594	2,280
	195,474	249,839
Dietary:		
Food	342,428	320,055
Glassware and cutlery	358	1,655
Supplies	30,367	17,277
	373,153	338,987
Laundry:		
Supplies	4,623	3,968
Linen:		
Supplies and service	86,450	81,353
Housekeeping:		
Supplies	45,769	35,891
Carried forward	918,040	921,690

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Brought forward	\$ 918,040	\$ 921,690
Physical plant:		
Operations:		
Electricity	92,872	96,283
Natural gas	46,098	44,493
Insurance	50,197	33,215
Taxes	65,565	21,268
Water	75,103	65,925
Maintenance and repairs:		
Buildings and grounds	204,460	208,097
Equipment	20,635	16,699
Other	8,661	8,295
Bank loan interest	1,617	2,642
Interest on bank financing	4,940	5,518
	570,148	502,435
Salaries:		
Nursing	4,920,284	4,776,442
Administration	387,961	414,457
Resident services	293,855	274,906
Dietary	569,502	547,055
Support services	507,033	496,218
Employee benefits	1,544,582	1,474,963
Accrued vacation	19,161	20,000
	8,242,378	8,004,041
Total operating expenses	\$ 9,730,566	\$ 9,428,166

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
INDEPENDENT AUDITORS' REPORT
COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016**

HOLY FAMILY HOME

NOTICE OF RELEASE

THE ACCOMPANYING FINANCIAL STATEMENTS OF
THE HOLY FAMILY HOME FOR THE YEAR ENDED
MARCH 31, 2016 AND THE AUDITORS' REPORT TO
THE HOLY FAMILY HOME BOARD WERE APPROVED
AND ACCEPTED BY THE HOLY FAMILY HOME
BOARD AT THE ANNUAL MEETING OF JUNE 27, 2016.

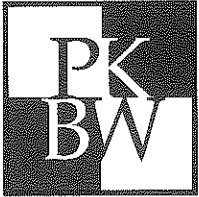
Original Document Signed

.....
(Chairperson of the Holy Family Home Board)

Original Document Signed

.....
(Chairperson of the Finance and Audit Committee)

INDEPENDENT AUDITORS' REPORT



GROUP

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

To The Board of Directors of Holy Family Home, Inc.:

We have audited the accompanying statement of public sector compensation disclosure of Holy Family Home, Inc. for the year ended March 31, 2016 ("the statement"). The statement has been prepared by management based on The Public Sector Compensation Disclosure Act of Manitoba.

Management's Responsibility for the Schedule

Management is responsible for the preparation of the statement in accordance with The Public Sector Compensation Disclosure Act of Manitoba, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the schedule 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 statement.

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 information in the statement of public sector compensation disclosure of Holy Family Home, Inc. for the year ended March 31, 2016 is prepared, in all material respects, in accordance with The Public Sector Compensation Disclosure Act of Manitoba.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the statement which describes the basis of accounting. The statement is prepared to assist Holy Family Home, Inc. to meet the requirements of The Public Sector Compensation Disclosure Act of Manitoba. As a result, the statement may not be suitable for another purpose.

PKBW Group

Winnipeg, Manitoba
June 27, 2016

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016**

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2016 TOTAL	2015 TOTAL
CURRENT ASSETS				
Cash (Note 3)	\$ 464,456	993,125	1,457,581	3,407,310
Accounts receivable	94,219	-	94,219	109,818
Due from WRHA (Note 2(b))	2,752,913	-	2,752,913	2,118,964
Due from WRHA - Accrued vacation pay (Note 4)	719,492	-	719,492	719,492
Due from Holy Family Home, Inc.	-	1,022,891	1,022,891	1,216,209
Inventory	69,606	-	69,606	69,464
Prepaid expenses	12,545	-	12,545	11,931
	4,113,231	2,016,016	6,129,247	7,653,188
DUE FROM WRHA - PRE-RETIREMENT LEAVE (Note 4)	1,594,686	-	1,594,686	1,679,686
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	-	9,089,090	9,089,090	8,334,262
	<u>\$ 5,707,917</u>	<u>11,105,106</u>	<u>16,813,023</u>	<u>17,667,136</u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016**

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2016 TOTAL	2015 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,764,708	16,891	1,781,599	1,867,085
Source deductions payable	-	-	-	147,586
GST payable	1,786	-	1,786	3,258
Accrued vacation pay (Note 4)	1,097,137	-	1,097,137	1,072,797
Demand loans (Note 11)	-	4,609,174	4,609,174	3,963,015
Current portion of long-term debt (Note 6)	-	217,373	217,373	122,422
Due from SSMI Plant Fund	1,022,891	-	1,022,891	1,216,209
Due (from) to SSMI Works (Note 10)	(45,044)	2,025,477	1,980,433	3,087,115
	<u>3,841,478</u>	<u>6,868,915</u>	<u>10,710,393</u>	<u>11,479,487</u>
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	<u>1,865,000</u>	<u>-</u>	<u>1,865,000</u>	<u>1,950,000</u>
LONG-TERM DEBT (Note 6)	<u>-</u>	<u>2,083,952</u>	<u>2,083,952</u>	<u>2,358,688</u>
DEFERRED CONTRIBUTIONS				
Deferred capital contributions (Notes 2(d) and 7)	-	1,110,726	1,110,726	948,096
Deferred contributions for major building repairs (Notes 2(d) and 8)	-	190,144	190,144	214,784
	<u>-</u>	<u>1,300,870</u>	<u>1,300,870</u>	<u>1,162,880</u>
NET ASSETS				
Internally restricted (Schedule 1)	16,707	-	16,707	16,707
Invested in tangible capital assets	-	1,076,390	1,076,390	949,589
Unrestricted				
Unfunded employee future benefits (Note 4(d))	(647,958)	-	(647,958)	(623,618)
Unrestricted	632,690	(225,021)	407,669	373,403
	<u>1,439</u>	<u>851,369</u>	<u>852,808</u>	<u>716,081</u>
	<u>\$ 5,707,917</u>	<u>11,105,106</u>	<u>16,813,023</u>	<u>17,667,136</u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016**

	2016	2015
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 12)	\$ 14,775,483	13,966,471
Resident/ participant charges	5,056,370	5,000,400
	<u>19,831,853</u>	<u>18,966,871</u>
Offset income		
Dietary	89,947	87,648
Investment income (Note 9)	14,517	25,839
Amortization of deferred capital contributions (Note 7)	157,314	184,905
Recognition of deferred contributions for major building repairs (Note 8)	16,018	-
Debt servicing funding	233,112	233,274
Miscellaneous	177,818	185,039
	<u>688,726</u>	<u>716,705</u>
	<u>20,520,579</u>	<u>19,683,576</u>
EXPENSES		
Salaries and benefits		
Nursing	11,796,585	11,431,541
Special	1,188,311	1,162,775
General	3,612,607	3,553,774
	<u>16,597,503</u>	<u>16,148,090</u>
Nursing services	533,110	481,159
Special services	55,093	29,429
General administration	486,823	440,681
Dietary	860,995	829,804
Laundry and linen	238,070	243,687
Housekeeping	44,337	56,748
Physical plant	1,016,441	848,681
Debt structure and amortization (Notes 5 and 6)	580,550	608,194
Bad debts	-	(12,638)
	<u>20,412,922</u>	<u>19,673,835</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	107,657	9,741
OTHER ITEMS		
Pre-retirement leave funded	146,361	416,024
Pre-retirement leave expense	(168,000)	(172,024)
Unfunded employee future benefits (Note 4)	(24,340)	(53,874)
	<u>(45,979)</u>	<u>190,126</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	61,678	199,867
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 12)	269,160	269,160
Participant charges	36,655	34,072
Salaries and benefits	(141,060)	(139,877)
General administration	(103,889)	(104,461)
Dietary	(9,776)	(7,667)
	<u>51,090</u>	<u>51,227</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 112,768</u>	<u>251,094</u>

**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, 2016**

2016

UNRESTRICTED						
HOLY FAMILY HOME, INC.						
UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
(623,618)	464,753	(91,350)	(250,215)	16,707	949,589	716,081
(24,340)	146,298	9,551	131,509	-	(18,741)	112,768
-	21,639	-	21,639	-	-	21,639
-	-	-	-	-	2,320	2,320
-	-	(143,222)	(143,222)	-	143,222	-
\$ (647,958)	632,690	(225,021)	(240,289)	16,707	1,076,390	852,808

BALANCE , BEGINNING OF YEAR
Excess (deficiency) of revenue over expenses
Pre-retirement leave remeasurement (Note 2 (i))
Transfer from SSMI (Note 10)
Transfer (Note 14)

BALANCE, END OF YEAR

2015

UNRESTRICTED						
HOLY FAMILY HOME, INC.						
UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUBTOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
\$ (569,744)	381,928	(686,477)	(874,293)	16,707	1,485,949	628,363
(53,874)	309,056	11,785	266,967	-	(15,873)	251,094
-	(244,000)	-	(244,000)	-	-	(244,000)
-	17,769	-	17,769	-	62,855	80,624
-	-	583,342	583,342	-	(583,342)	-
\$ (623,618)	464,753	(91,350)	(250,215)	16,707	949,589	716,081

BALANCE , BEGINNING OF YEAR
Excess (deficiency) of revenue over expenses
Pre-retirement leave remeasurement (Note 2 (i))
Transfer from SSMI (Note 10)
Transfer (Note 14)

BALANCE, END OF YEAR

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2016**

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 112,768	251,094
Add non-cash item(s):		
Amortization of tangible capital assets	409,167	423,066
Amortization of deferred capital contributions	(157,314)	(184,905)
Recognition of deferred contributions for major building repairs	(16,018)	-
	<u>348,603</u>	<u>489,255</u>
Change in non-cash working capital:		
Accounts receivable	15,599	(19,934)
Due from WRHA	(633,949)	(770,584)
Due from WRHA - Accrued vacation pay and pre-retirement leave	85,000	(197,000)
Inventory	(142)	(5,555)
Prepaid expenses	(614)	(456)
Accounts payable and accrued liabilities	(85,486)	130,678
Source deductions payable	(147,586)	(3,835)
GST payable	(1,472)	(11,618)
Accrued vacation pay and pre-retirement leave	(60,660)	250,875
	<u>(480,707)</u>	<u>(138,174)</u>
INVESTING ACTIVITIES		
Change in investments held for capital purposes	-	185,699
Purchase of tangible capital assets - equipment and building improvements	(1,163,995)	(2,809,871)
	<u>(1,163,995)</u>	<u>(2,624,172)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	(179,785)	(168,942)
Increase in demand loans	646,159	3,120,351
Additions of externally restricted fund balances - reserves	23,136	23,136
Deferred capital contributions	288,186	171,258
Pre-retirement leave remeasurement	21,639	(244,000)
Due to (from) related parties	(1,106,682)	2,230,068
Transfers from (to) related parties	2,320	80,624
	<u>(305,027)</u>	<u>5,212,495</u>
INCREASE (DECREASE) IN CASH	<u>(1,949,729)</u>	<u>2,450,149</u>
CASH, BEGINNING OF YEAR	<u>3,407,310</u>	<u>957,161</u>
CASH, END OF YEAR	<u><u>\$ 1,457,581</u></u>	<u><u>3,407,310</u></u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

1. ACCOUNTING ENTITIES

Holy Family Home, Inc. (HFH) was incorporated by a Special Act of the Province of Manitoba on May 6, 1963. HFH is sponsored, owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFH within the motto of the Sisters "To Serve is to Love".

The Ukrainian Catholic Congregation of Sister Servants of Mary Immaculate (SSMI) is a Federally incorporated religious organization operating as a not-for-profit organization and as a registered charity under the Income Tax Act. The SSMI Plant Fund records the major tangible capital assets less the related debt and the equity belonging to SSMI in Winnipeg, Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Accounting Framework

These combined financial statements are in accordance with Canadian accounting standards for not-for-profit organizations except for the application of CPA Canada Handbook Section 4450, paragraph 14 which requires an organization to either consolidate in its financial statements all entities under its control or provide disclosure in the notes to the financial statements of the total assets, liabilities, net assets, revenues, expenses, and cash flows from operating, financing, and investing activities reported in the period along with disclosure of details of any restrictions, by major category, on the resources of the controlled organizations and disclosure of the significant differences in accounting policies from those followed by the reporting organizations. These combined financial statements only report on the assets, liabilities, net assets, revenues, expenses and cash flows of Holy Family Home, Inc. and SSMI Plant Fund and do not include the total assets, liabilities, net assets, revenues, expenses and cash flows of all entities controlled by Sisters Servants of Mary Immaculate.

(b) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from WRHA and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to WRHA. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Winnipeg Regional Health Authority Funding (Continued)

The WRHA performs a final review of HFH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFH's audited financial statements up to and including March 31, 2004. The WRHA is currently working on year end settlements up to March 31, 2014 which are expected to be completed in 2016/2017.

(c) Tangible Capital Assets

Tangible capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than \$2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 to 65 years. Building renovations are amortized over the remaining useful life of the related building.

Assets under development or construction are not amortized until available for use.

(d) Deferred Contributions

Deferred contributions received for the funding and acquisition of tangible capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related tangible capital asset.

Deferred contributions received for major building repairs represent unspent balances of amounts funded for future expenditures. These deferred contributions are utilized for expenditures approved by the WRHA.

(e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

(f) Revenue Recognition

HFH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Restricted contributions include lump sum payments received to fund tangible capital assets purchases which are recognized as deferred capital contributions. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured. Unrestricted contributions include debt servicing funding which is recognized as revenue in the period received.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

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, loan advances, and long-term debt. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

(h) Accounting estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include the useful life of tangible capital assets and amounts payable for services not billed yet at the time these financial statements were approved. Actual results may differ from estimates.

3. CASH

	Total 2016	Total 2015
Home		
Holy Family Home, Inc.	\$ 464,456	1,235,363
Plant Fund		
SSMI Plant fund	866,400	2,068,358
Major building repairs reserve fund	104,222	81,086
Equipment amortization fund	22,503	22,503
	<u>993,125</u>	<u>2,171,947</u>
	<u>\$ 1,457,581</u>	<u>3,407,310</u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Accrued Vacation Pay and Pre- Retirement Leave	Accrued Vacation Pay and Pre- Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2015	Vacation pay	\$ 719,492	1,072,797	(353,305)
	Pre-retirement leave	1,679,686	1,950,000	(270,314)
		<u>\$ 2,399,178</u>	<u>3,022,797</u>	<u>(623,619)</u>
March 31, 2016	Vacation pay	\$ 719,492	1,097,137	(377,645)
	Pre-retirement leave	1,594,686	1,865,000	(270,314)
		<u>\$ 2,314,178</u>	<u>2,962,137</u>	<u>(647,959)</u>

(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 \$377,645 (2015 - \$353,305).

(b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of \$1,594,686 (2015 - \$1,679,686) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years 2006/2007 to 2015/2016. 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, 2016 of \$1,865,000 (2015 - \$1,950,000) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2016, HFH paid out retirement allowances to their employees in the amount of \$231,361 (2015 - \$219,024) in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2016 was \$270,314 (2015 - \$270,314).

(d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which includes Vacation Pay) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the Service Purchase Agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat. Secondly, in keeping with the terms of the Service Purchase Agreement, future employee benefits should be recognized, both as a liability and as a receivable.

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

(d) Unfunded Employee Future Benefits (continued)

The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable. HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements. In 2016 the unfunded employee future benefits increased by \$24,340 (2015 - \$53,874).

5. TANGIBLE CAPITAL ASSETS

	2016		2015	
	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	1,449,756	1,616,588	1,416,621
Building - Phase II	3,957,077	2,840,721	3,957,077	2,801,808
Building - Phase V	1,621,247	1,233,558	1,621,247	1,163,069
Building - Phase VI	4,357,538	-	3,529,698	-
Building - Link	1,500,962	922,032	1,500,962	900,590
Building - Canopy	70,161	59,922	70,161	56,999
Building Improvements	1,709,931	415,217	1,432,510	342,879
Equipment	3,133,137	2,456,431	3,074,403	2,286,504
Equipment - Phase I	350,892	350,892	350,892	350,892
Equipment - Link	95,483	95,483	95,483	95,483
Religious Mosaic and Icons	42,574	-	42,574	-
	<u>\$ 18,913,102</u>	<u>9,824,012</u>	<u>17,749,107</u>	<u>9,414,845</u>
Net book value	<u>\$ 9,089,090</u>		<u>8,334,262</u>	

Building – Phase VI is in the pre-construction phase with an estimated total cost of \$68,352,043. 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 \$409,167 (2015- \$423,066).

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

6. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Toronto Dominion Bank due April 1, 2018, prime plus 0.50%, repayable in monthly installments of \$1,850 plus interest. Accrued interest \$116 (2015 - \$169).	\$ 63,595	85,795
Toronto Dominion Bank due March 30, 2017, prime plus .50%, repayable in monthly installments of \$1,830 plus interest. Accrued interest \$181 (2015 - \$237).	96,115	118,075
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 \$2,203 (2015 - \$2,878).	385,766	449,724
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 \$14,391 (2015 - \$15,452).	1,755,849	1,827,516
	<u>2,301,325</u>	<u>2,481,110</u>
Less: current portion	217,373	122,422
	<u>\$ 2,083,952</u>	<u>2,358,688</u>

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31, 2017	\$ 217,373
2018	148,382
2019	115,572
2020	124,872
2021	127,277
Thereafter	<u>1,567,849</u>
	<u>\$ 2,301,325</u>

Total interest expensed in the statement of operations is \$171,384 (2015 - \$185,128).

7. DEFERRED CAPITAL CONTRIBUTIONS

	<u>Funds for Future Capital Purchases</u>	<u>Tangible Capital Assets</u>	<u>2016 Total</u>	<u>2015 Total</u>
BALANCE, BEGINNING OF YEAR	\$ 25,415	922,681	948,096	961,743
Add: Deferred contributions - WRHA	-	285,866	285,866	194,950
Transfer for tangible capital assets purchased	-	31,758	31,758	(34,692)
Donations - HFH Ladies Auxiliary	-	-	-	11,000
Transfers - SSMI Building Fund	-	2,320	2,320	-
	<u>25,415</u>	<u>1,242,625</u>	<u>1,268,040</u>	<u>1,133,001</u>
Deduct: Amortization of deferred contributions	-	157,314	157,314	184,905
BALANCE, END OF YEAR	<u>\$ 25,415</u>	<u>1,085,311</u>	<u>1,110,726</u>	<u>948,096</u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2016 Total	2015 Total
BALANCE, BEGINNING OF YEAR	\$ 74,998	139,786	214,784	191,648
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
	83,134	154,786	237,920	214,784
Deduct: Recognition of deferred contributions	-	16,018	16,018	-
Deduct: Transfer to deferred capital contributions	-	31,758	31,758	-
BALANCE, END OF YEAR	<u>\$ 83,134</u>	<u>107,010</u>	<u>190,144</u>	<u>214,784</u>

9. INVESTMENT INCOME

	2016	2015
Holy Family Home, Inc. investment income	\$ 4,966	14,054
SSMI Plant Fund investment income	9,551	11,785
	<u>\$ 14,517</u>	<u>25,839</u>

10. RELATED PARTY TRANSACTIONS

Holy Family Home, Inc. (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate because they are all under common ownership and control of SSMI. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties. Any outstanding balances due to (from) the related parties are non-interest bearing, unsecured and due on demand.

During the current year the Sisters Servants of Mary Immaculate approved a transfer of net assets totaling \$2,320 (2015 - \$80,624) from Sisters Servants of Mary Immaculate to Sisters Servants of Mary Immaculate Plant Fund to fund equipment additions, residence repairs and building improvements.

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

11. DEMAND LOANS

The organization has established lines of credit totalling \$533,138 from the Carpathia Credit Union for previously self-funded building improvements. The lines of credit are due on demand, bear interest at the Bank of Canada's overnight rate plus 1.35%, and are secured by credit agreements signed by the organization in the amount of \$533,138 and letters of comfort from Manitoba Health in the amount of \$533,138.

The organization also established a line of credit of \$4,200,000 from the Carpathia Credit Union for the initial planning process for the personal care home bed additions. The line of credit is due on demand, bears interest at the Bank of Canada's overnight rate plus 1.35%, and is secured by a credit agreement signed by the organization in the amount of \$4,200,000 and a letter of comfort from Manitoba Health in the amount of \$4,200,000.

At March 31, the organization has utilized its credit facilities follows:

	<u>2016</u>	<u>2015</u>
Carpathia Credit Union line of credit, bearing interest at 2.10%, for purpose of planning bed additions.	\$ 4,198,952	3,502,894
Carpathia Credit Union line of credit, bearing interest at 2.10%, for purpose of boiler replacement.	227,845	248,727
Carpathia Credit Union line of credit, bearing interest at 2.10%, for purpose of roof replacement.	182,377	211,394
	<u>\$ 4,609,174</u>	<u>3,963,015</u>

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	<u>2016</u>	<u>2015</u>
Total funds received during year	\$15,253,078	14,238,729
Add:		
Change in pre-retirement leave	-	197,000
Change in accounts receivable balance	633,949	827,816
	<u>15,887,027</u>	<u>15,263,545</u>
Deduct:		
Loan funding deferred	233,112	222,288
Pre-retirement leave funded	146,361	416,024
Change in pre-retirement leave	85,000	-
Capital funding deferred	285,866	231,414
Major reserves funding deferred	23,136	23,136
Residential charges claw back	68,909	135,052
	<u>842,384</u>	<u>1,027,914</u>
	<u>\$15,044,643</u>	<u>14,235,631</u>

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING (Continued)

Funding broken down as follows:

Resident Services	\$14,775,483	13,966,471
Adult Day Care	269,160	269,160
	<u>\$15,044,643</u>	<u>14,235,631</u>

13. FINANCIAL RISK MANAGEMENT

(a) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities, accrued vacation pay and pre-retirement leave, and long-term debt. Accounts payable and accrued liabilities are paid in the normal course of business and except under certain exceptions, no later than one month.

The organization's approach to managing liquidity risk is to manage its cashflow to ensure it will always have sufficient liquidity to meet liabilities when due. At March 31, 2016, the organization has a cash balance of \$1,457,581.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable and amounts due from WRHA.

Management manages credit risk associated with accounts receivable and amounts due from WRHA by regularly pursuing collections and annually confirming amounts due from WRHA.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its Toronto Dominion Bank loan being at a variable rate.

Management mitigates interest rate risk on its investments by locking in to term deposits at guaranteed rates of return and varying maturity dates. Interest rate risk on other long-term debt is mitigated by the debt being at fixed rates for the remainder of their terms.

14. TRANSFER OF NET ASSETS

During the current fiscal year \$143,222 was transferred from the SSMI Plant Fund from 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.

In the prior fiscal year \$583,342 was transferred to the SSMI Plant Fund from net assets invested in tangible capital assets. The transfer related to previously self-funded purchases of tangible capital assets including the construction of Phase VI, building improvements, and equipment that have now been funded through borrowings and WRHA debt service funding.

SCHEDULE 1

**HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
SCHEDULE OF INTERNALLY RESTRICTED NET ASSETS
YEAR ENDED MARCH 31, 2016**

	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2016 TOTAL	2015 TOTAL
BALANCE, BEGINNING OF YEAR	\$ 2,502	14,205	-	16,707	16,707
Excess (deficiency) of revenue over expenses from operations	-	-	-	-	-
BALANCE, END OF YEAR	<u>\$ 2,502</u>	<u>14,205</u>	<u>-</u>	<u>16,707</u>	<u>16,707</u>

HOPE CENTRE HEALTH CARE INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

Holukoff Chiarella

CHARTERED ACCOUNTANTS

Kevin Masse, B.Comm. (Hons), C.A.
(Practising as Kevin Masse Chartered Accountant Ltd.)
Ralph Orr, B.Comm. (Hons), C.A.
(Practising as Ralph Orr Chartered Accountant Ltd.)

101 - 1180 Pembina Highway
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
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INDEPENDENT AUDITORS' REPORT

To the Members of
Hope Centre Health Care Incorporated

We have audited the accompanying financial statements of Hope Centre Health Care Incorporated, which comprise the statement of financial position as at March 31, 2016 and the statements of change in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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, these financial statements present fairly, in all material respects, the financial position of Hope Centre Health Care Incorporated as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for Not-for-Profit Organizations.

Holukoff Chiarella

WINNIPEG, MANITOBA
May 26, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

HOPE CENTRE HEALTH CARE INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 19,459	
Accounts receivable	272,838	335,724
Prepaid expenses	<u>2,999</u>	<u>2,940</u>
	295,296	338,664
CAPITAL ASSETS, Note 3	<u>33,250</u>	<u>37,000</u>
	\$ <u>328,546</u>	<u>375,664</u>

	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT		
Bank indebtedness	\$	14,508
Accounts payable	10,064	17,741
Advances from Winnipeg Regional Health Authority (WRHA)		35,000
Surplus payable - Winnipeg Regional Health Authority (WRHA)	18,058	29,018
Short-term debt, Note 4	<u>87,000</u>	<u>47,250</u>
	115,122	143,517
NET ASSETS		
Unrestricted fund - Accumulated surplus, Note 5	180,174	195,147
Investment in capital assets	<u>33,250</u>	<u>37,000</u>
	213,424	232,147
	\$ <u>328,546</u>	<u>375,664</u>

APPROVED ON BEHALF OF THE BOARD:

Original Document Signed

DIRECTOR

Original Document Signed

DIRECTOR

HOPE CENTRE HEALTH CARE INCORPORATED
STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2016

	Unrestricted <u>Fund</u>	Investment in Capital <u>Assets Fund</u>	Total <u>2016</u>	Total <u>2015</u>
BALANCE, BEGINNING OF YEAR	\$ 195,147	37,000	232,147	224,780
EXCESS REVENUE (EXPENDITURE)	(18,723)		(18,723)	7,367
AMORTIZATION OF CAPITAL ASSETS	<u>3,750</u>	<u>(3,750)</u>	<u> </u>	<u> </u>
BALANCE, END OF YEAR	\$ <u>180,174</u>	<u>33,250</u>	<u>213,424</u>	<u>232,147</u>

HOPE CENTRE HEALTH CARE INCORPORATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Medical health - WRHA	\$ 1,132,199	1,086,522
Medical receipts - Province of Manitoba	5,922	6,774
Interest	<u>204</u>	<u>418</u>
	<u>1,138,325</u>	<u>1,093,714</u>
EXPENSES, Schedule 1		
Administration	100,070	92,420
Primary health care	951,675	883,275
Occupancy	<u>99,200</u>	<u>101,717</u>
	<u>1,150,945</u>	<u>1,077,412</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(12,620)	16,302
OTHER ITEMS		
Revenue adjustments from prior years	<u>(6,103)</u>	<u>(8,935)</u>
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	(18,723)	7,367
AMORTIZATION EXPENSE	<u>3,750</u>	<u>3,750</u>
COMBINED ANNUAL SURPLUS (DEFICIT)	\$ <u>(22,473)</u>	<u>3,617</u>

HOPE CENTRE HEALTH CARE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ (18,723)	7,367
Add non-cash item		
Amortization	3,750	3,750
Net change in non-cash working capital items		
Accounts receivable	62,886	(81,843)
Prepaid expenses	(59)	(13)
Accounts payable	(7,677)	(23,122)
Surplus payable to WRHA	<u>(10,960)</u>	<u>(93,861)</u>
	<u>29,217</u>	<u>(93,861)</u>
INVESTING TRANSACTIONS		
Short-term investments		14,108
Long-term investments	<u> </u>	<u>5</u>
	<u> </u>	<u>14,113</u>
FINANCING TRANSACTIONS		
Advance from WRHA	(35,000)	35,000
Increase in short term debt	<u>39,750</u>	<u>13,250</u>
	<u>4,750</u>	<u>48,250</u>
NET CHANGE IN CASH POSITION	33,967	(31,498)
CASH POSITION AT BEGINNING OF YEAR	<u>(14,508)</u>	<u>16,990</u>
CASH POSITION AT END OF YEAR	\$ <u>19,459</u>	<u>(14,508)</u>

HOPE CENTRE HEALTH CARE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. PURPOSE OF THE ORGANIZATION

Hope Centre Health Care Incorporated (the "Organization") was incorporated on December 22, 1982 under the Manitoba Corporations Act as a not-for-profit organization and is exempt from income tax as a registered charity under the Income Tax Act.

Hope Centre Health Care Incorporated is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

The Organization is committed to providing a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God and worthy of a competent standard of care rendered with respect, dignity and compassion.

2. 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) Inventory

Inventories are insignificant; thus all inventory is charged to operations in the current year of operations.

b) Capital Assets

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

Amortization is taken on the straight-line basis over the assets' estimated useful lives, as follows.

Buildings	5%
Equipment	30%
Furniture and fixtures	20%

c) Revenue Recognition

The Organization accounts for its revenue under the deferral method, whereby revenue is recognized in the year that the related expenditures are made.

Manitoba Health and WRHA provide funding to the Organization based on their assessment of the Organization's annual operating budgets and on approved capital expenditures. Periodically, they review actual operating results and process adjustments to amounts previously provided. The Organization accounts for these adjustments as a credit or charge to operations in the year that they are determined.

HOPE CENTRE HEALTH CARE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial Instruments

Initial and subsequent measurement

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include bank indebtedness, accounts payable, advances from and surplus payable to WRHA and short term debt.

Transaction costs

Transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

e) 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 revenue and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CAPITAL ASSETS

Capital assets are comprised of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 32,000		32,000	
Buildings	73,213	73,213	73,213	73,213
Equipment	47,907	46,657	47,907	42,907
Furniture and fixtures	<u>50,898</u>	<u>50,898</u>	<u>50,898</u>	<u>50,898</u>
	\$ 204,018	170,768	204,018	167,018
Net Book Value	\$ 33,250		37,000	

HOPE CENTRE HEALTH CARE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

4. SHORT TERM DEBT

The Organization has an operating line of credit facility with Royal Bank of Canada to a maximum of \$87,000, bearing interest at a rate of 4.70%. Interest is payable monthly, and the principal balance fluctuates as funds are required for operations, or as funds are available from operations to pay down the principal balance. Secured by a general security agreement covering all assets.

5. ACCUMULATED SURPLUS

A portion of this balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and the conditions of the relevant agreements.

6. ECONOMIC DEPENDENCE

The Organization is dependent on support from the WRHA and Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

7. COMMITMENTS

The Organization has a commitment for the rental of its operating facility at 240 Powers Street in Winnipeg, Manitoba until April 30, 2018 with total annual lease payments as follows:

2017	\$ 44,748
2018	45,210

8. FINANCIAL RISKS AND CONCENTRATION OF 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 accounts receivable are due from specific organizations. There has been no change to the risk exposures from 2015.

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's exposure to liquidity risk is dependent on collection of accounts receivable and obtaining sufficient funding from the WRHA. Cash flow from operations provides the Organization's cash requirements. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from 2015.

HOPE CENTRE HEALTH CARE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. FINANCIAL RISKS AND CONCENTRATION OF RISK, continued

c) Currency risk

The Organization is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates as it does not buy or sell goods or services in foreign currency. There has been no change to the risk exposure from 2015.

d) Interest rate risk

The Organization is exposed to financial risks as a result of interest rate fluctuations on its operating line of credit. The impact of any changes is minimal to operations. There has been no change to the risk exposure from 2015.

SCHEDULE 1

HOPE CENTRE HEALTH CARE INCORPORATED
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ADMINISTRATION		
Bank charges and interest	\$ 4,875	5,942
Computer maintenance	9,952	4,234
Insurance	4,347	4,289
Memberships	2,643	
Professional fees	4,520	5,675
Salaries and benefits	<u>73,733</u>	<u>72,280</u>
	\$ <u>100,070</u>	<u>92,420</u>
PRIMARY HEALTH CARE		
Auto allowance	\$ 3,913	2,469
Communications	6,551	10,182
Postage	1,680	1,818
Professional fees	5,342	4,103
Program equipment	7,305	10,214
Program supplies	20,380	20,939
Public relations	7,658	5,382
Salaries - Benefits	129,972	106,344
- Health care	521,464	478,327
- Physician	<u>247,410</u>	<u>243,497</u>
	\$ <u>951,675</u>	<u>883,275</u>
OCCUPANCY		
Amortization	\$ 3,750	3,750
Cleaning - Janitorial	16,963	21,562
Cleaning supplies	3,905	5,541
Property maintenance	16,733	12,497
Property taxes	1,798	1,720
Rental - 240 Powers Street, Note 7	44,248	43,824
Utilities	<u>11,803</u>	<u>12,823</u>
	\$ <u>99,200</u>	<u>101,717</u>
TOTAL EXPENSES	\$ <u>1,150,945</u>	<u>1,077,412</u>

Klinic Incorporated
(Operating as Klinic Community Health Centre)
Financial Statements
March 31, 2016



500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
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Independent Auditors' Report

To the Members of
Klinic Incorporated

We have audited the accompanying financial statements of Klinic Incorporated, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Klinic Incorporated as at March 31, 2016 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.

A handwritten signature in cursive script that reads "Booke & Partners".

Winnipeg, Canada
June 1, 2016

Chartered Professional Accountants

Klinic Incorporated
Statement of Operations

Year Ended March 31

	2016				2015	
	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	Total	Total
Revenues						
Grants and other revenue (Page 14)	\$10,760,019	\$ -	\$ -	-	\$10,760,019	\$10,429,778
Donations	-	-	-	10,170	10,170	7,406
Interest	-	-	-	4,187	4,187	7,707
Amortization of deferred revenues (Note 8)	-	4,736	72,168	-	76,904	77,299
	<u>10,760,019</u>	<u>4,736</u>	<u>72,168</u>	<u>14,357</u>	<u>10,851,280</u>	<u>10,522,190</u>
Expenses						
Expenditures (Page 14)	10,686,946	-	-	-	10,686,946	10,359,089
Amortization	43,600	11,913	67,707	-	123,220	126,022
Special projects (recovery)	-	-	-	9,372	9,372	(1,567)
	<u>10,730,546</u>	<u>11,913</u>	<u>67,707</u>	<u>9,372</u>	<u>10,819,538</u>	<u>10,483,544</u>
Excess (deficiency) of revenues over expenses from operations	29,473	(7,177)	4,461	4,985	31,742	38,646
Pre-retirement leave (Note 9)	(18,758)	-	-	-	(18,758)	(45,800)
Excess (deficiency) of revenues over expenses	<u>\$ 10,715</u>	<u>\$ (7,177)</u>	<u>\$ 4,461</u>	<u>\$ 4,985</u>	<u>\$ 12,984</u>	<u>\$ (7,154)</u>

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Changes in Fund Balances

Year Ended March 31	2016				2015
	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	Total
Fund balances, beginning of year	\$ (462,831)	\$ 59,345	\$ 189,325	\$ 450,794	\$ 236,633
Excess (deficiency) of revenues over expenses	10,715	(7,177)	4,461	4,985	12,984
Transfer to Capital Asset Fund for purchase of capital assets	(26,449)	26,449	-	-	-
Fund balances, end of year	\$ (478,565)	\$ 78,617	\$ 193,786	\$ 455,779	\$ 249,617
					\$ 236,633

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Financial Position

March 31

2016

2015

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	Total	Total
Assets						
Current						
Cash (Note 3)	\$ 486,939	\$ -	\$ -	\$ 303,712	\$ 790,651	\$ 836,762
Cash in trust - external projects (Notes 3 and 4)	47,194	-	-	-	47,194	31,209
Receivables (Note 5)	1,214,631	-	-	-	1,214,631	1,251,328
Prepaid expenses	85,989	-	-	-	85,989	15,517
	1,834,753	-	-	303,712	2,138,465	2,134,816
Interfund balances (Note 6)	(221,083)	-	69,016	152,067	-	-
Pre-retirement leave receivable from Winnipeg Regional Health Authority	572,064	-	-	-	572,064	519,822
Capital assets (Note 7)	13,923	149,427	702,400	-	865,750	925,788
	<u>\$ 2,199,657</u>	<u>\$ 149,427</u>	<u>\$ 771,416</u>	<u>\$ 455,779</u>	<u>\$ 3,576,279</u>	<u>\$ 3,580,426</u>
Liabilities						
Current						
Payables and accruals	\$ 1,297,336	\$ -	\$ -	\$ -	\$ 1,297,336	\$ 1,344,015
Deferred revenue (Note 8)	230,692	-	-	-	230,692	210,474
Obligation under capital lease	-	-	-	-	-	13,209
Funds in trust - external projects (Note 4)	47,194	-	-	-	47,194	31,209
	1,575,222	-	-	-	1,575,222	1,598,907
Deferred revenue (Note 8)	-	70,810	577,630	-	648,440	712,886
Pre-retirement leave (Note 9)	1,103,000	-	-	-	1,103,000	1,032,000
	<u>2,678,222</u>	<u>70,810</u>	<u>577,630</u>	<u>-</u>	<u>3,326,662</u>	<u>3,343,793</u>
Fund balances						
Invested in capital assets	-	78,617	124,773	-	203,390	179,655
Unrestricted - retainable	(478,565)	-	69,013	455,779	46,227	56,978
	<u>(478,565)</u>	<u>78,617</u>	<u>193,786</u>	<u>455,779</u>	<u>249,617</u>	<u>236,633</u>
	<u>\$ 2,199,657</u>	<u>\$ 149,427</u>	<u>\$ 771,416</u>	<u>\$ 455,779</u>	<u>\$ 3,576,279</u>	<u>\$ 3,580,426</u>

Approved by the Board

Original Document Signed _____ Director

Original Document Signed _____ Director

See accompanying notes to the financial statements.

Klinic Incorporated Statement of Cash Flows

March 31

	2016				2015			
	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	Total		Total	
Cash flows from operating activities								
Cash received from:								
Winnipeg Regional Health Authority	\$ 8,251,845	\$ -	\$ -	-	\$ 8,251,845	\$ 7,845,948		
Province of Manitoba	1,612,959	-	-	-	1,612,959	1,300,547		
Government of Canada	212,358	-	-	-	212,358	199,186		
University of Winnipeg	183,622	-	-	-	183,622	122,500		
Workshops and honorariums	39,970	-	-	-	39,970	52,372		
Donations	2,856	-	-	10,170	13,026	15,031		
External projects	160,608	-	-	-	160,608	225,321		
Interest	2,062	-	-	4,187	6,249	8,594		
Other sources	516,612	-	-	-	516,612	820,336		
Cash paid for:								
Human resources and benefits	(9,995,572)	-	-	-	(9,995,572)	(9,422,199)		
Materials and services	(813,015)	-	-	(9,371)	(822,386)	(986,418)		
External projects	(144,623)	-	-	-	(144,623)	(233,457)		
Interest	(1,611)	-	-	-	(1,611)	(1,611)		
	<u>28,071</u>	<u>-</u>	<u>-</u>	<u>4,986</u>	<u>33,057</u>	<u>(53,850)</u>		
Cash flows from financing and investing activities								
Winnipeg Regional Health Authority								
Purchase of capital assets	(24,276)	(38,907)	-	-	(63,183)	(83,690)		
Net cash used in financing and investing activities	<u>(24,276)</u>	<u>(38,907)</u>	<u>-</u>	<u>-</u>	<u>(63,183)</u>	<u>(83,690)</u>		
Net (decrease) increase in cash	3,795	(38,907)	-	4,986	(30,126)	(137,540)		
Cash, beginning of year	836,957	-	-	31,014	867,971	1,005,511		
Interfund adjustments	<u>(306,619)</u>	<u>38,907</u>	<u>-</u>	<u>267,712</u>	<u>-</u>	<u>-</u>		
Cash, end of year (Note 3)	<u>\$ 534,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,712</u>	<u>\$ 837,845</u>	<u>\$ 867,971</u>		

See accompanying notes to the financial statements.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

1. Purpose of the organization

Klinic Incorporated (the organization) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling, public education and training for the Province of Manitoba.

The organization is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets (including computer equipment), liabilities, revenues and expenses related to the organization's activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets (excluding computer equipment).

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization's building at 545 Broadway, known as The Wilson House.

The 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.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased property and equipment are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated residual value of capital assets over their estimated lives are as follows:

Operating Fund

Computer equipment	3 years	straight-line
Computer equipment under capital lease	3 years	straight-line

Capital Asset Fund

Building	20 years	straight-line
Furniture and equipment	10 - 20 years	straight-line
Website	10 years	straight-line

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 3.0% (2015 - 2.9%), a rate of salary increase of 3.5% (2015 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) External projects

External projects are sponsored by the organization and directed by third party organizations. The organization provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funds in trust - external projects.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

2. Summary of significant accounting policies - continued

g) Allocation of expenses

The organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

h) Accounting estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

i) Financial instruments

It is management's opinion that the organization is not exposed to significant credit, currency, interest rate, liquidity, market or price risk arising from its financial instruments.

3. Cash

	<u>2016</u>	<u>2015</u>
Operating Fund		
Cash and short-term investments	\$ 486,939	\$ 805,748
Cash in trust - external projects	<u>47,194</u>	<u>31,209</u>
	534,133	836,957
Donation Fund	<u>303,712</u>	<u>31,014</u>
	<u>\$ 837,845</u>	<u>\$ 867,971</u>

The organization has available an operating line of credit with an authorized limit of \$25,000 (2015 - \$25,000) bearing interest at prime. The line of credit was not in use at March 31, 2016 (2015 - \$NIL).

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

4. Cash in trust - external projects

Funds in trust for external projects is as follows:

	<u>2016</u>	<u>2015</u>
Manitoba Public Health Association	\$ 14,357	\$ 15,092
Communities 4 Families - Downtown Parent Coalition	15,893	5,715
West Central Community Guide	2	2
Manitoba Network for Suicide Prevention	3,433	3,303
Wellness Committee	3,562	4,936
Trauma Forum	8,217	521
Mothers Support Circle	435	434
Male Childhood Abuse Workshop	669	669
Take Back the Night	626	537
	<u>\$ 47,194</u>	<u>\$ 31,209</u>

5. Receivables

	<u>2016</u>	<u>2015</u>
Winnipeg Regional Health Authority	\$ 730,987	\$ 1,061,846
Less: advance	<u>-</u>	<u>300,000</u>
Net Winnipeg Regional Health Authority	730,987	761,846
Other	<u>483,644</u>	<u>489,482</u>
	<u>\$ 1,214,631</u>	<u>\$ 1,251,328</u>

6. Interfund balances

The interfund balances are non interest bearing and have no fixed terms of repayment.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

7. Capital assets

	<u>2016</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Operating Fund			
Computer equipment	<u>\$ 175,034</u>	<u>\$ 161,111</u>	<u>\$ 13,923</u>
Capital Asset Fund			
Building	<u>2,420,530</u>	<u>2,384,062</u>	<u>36,468</u>
Furniture and equipment	<u>373,923</u>	<u>293,602</u>	<u>80,321</u>
Website	<u>35,284</u>	<u>2,646</u>	<u>32,638</u>
	<u>2,829,737</u>	<u>2,680,310</u>	<u>149,427</u>
Wilson House Fund			
Land	<u>160,500</u>	<u>-</u>	<u>160,500</u>
Building	<u>1,354,146</u>	<u>812,246</u>	<u>541,900</u>
	<u>1,514,646</u>	<u>812,246</u>	<u>702,400</u>
	<u>\$ 4,519,417</u>	<u>\$ 3,653,667</u>	<u>\$ 865,750</u>
			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Operating Fund			
Computer equipment	<u>\$ 93,647</u>	<u>\$ 73,781</u>	<u>\$ 19,866</u>
Computer equipment under capital lease	<u>73,591</u>	<u>60,210</u>	<u>13,381</u>
	<u>167,238</u>	<u>133,991</u>	<u>33,247</u>
Capital Asset Fund			
Building	<u>2,420,530</u>	<u>2,381,328</u>	<u>39,202</u>
Furniture and equipment	<u>360,486</u>	<u>287,069</u>	<u>73,417</u>
Website	<u>9,814</u>	<u>-</u>	<u>9,814</u>
	<u>2,790,830</u>	<u>2,668,397</u>	<u>122,433</u>
Wilson House Fund			
Land	<u>160,500</u>	<u>-</u>	<u>160,500</u>
Building	<u>1,354,146</u>	<u>744,538</u>	<u>609,608</u>
	<u>1,514,646</u>	<u>744,538</u>	<u>770,108</u>
	<u>\$ 4,472,714</u>	<u>\$ 3,546,926</u>	<u>\$ 925,788</u>

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

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:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 210,474	\$ 209,208
Less: amounts recognized as revenue during the year	(62,456)	(69,789)
Add: amounts received related to next year	<u>82,674</u>	<u>71,055</u>
	<u>\$ 230,692</u>	<u>\$ 210,474</u>

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

Beginning balance	\$ 63,088	\$ 27,930
Less: amounts recognized as revenue during the year:		
Province of Manitoba	(2,709)	(2,709)
Winnipeg Regional Health Authority	<u>(2,027)</u>	<u>(2,422)</u>
	(4,736)	(5,131)
Add: contributions	<u>12,458</u>	<u>40,289</u>
	<u>\$ 70,810</u>	<u>\$ 63,088</u>

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	\$ 649,798	\$ 721,401
Less: amounts recognized as revenue during the year	(72,168)	(72,168)
Add: contributions	<u>-</u>	<u>565</u>
	<u>\$ 577,630</u>	<u>\$ 649,798</u>

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.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

9. 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	<u>2016</u>	<u>2015</u>
Opening balance	\$ 1,032,000	\$ 852,000
Increase in obligation	<u>71,000</u>	<u>180,000</u>
Ending balance	<u>\$ 1,103,000</u>	<u>\$ 1,032,000</u>
Pre-retirement leave		
Current year retirement benefits paid	\$ (20,968)	\$ (95,790)
Current year recovery	20,968	95,790
Increase in obligation	(71,000)	(180,000)
Increase in receivable	<u>52,242</u>	<u>134,200</u>
	<u>\$ (18,758)</u>	<u>\$ (45,800)</u>

10. 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, \$648,796 (2015 - \$614,937) 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.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2016

11. 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.

12. Commitments

On December 22, 2015 an offer to purchase land and building at 167 Sherbrook Street and 186 Furby Street was signed. The offer is conditional upon the re-zoning of 186 Furby Street to be lawfully used as a parking lot.

13. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Klinic Incorporated
Schedule of Operations
Year Ended March 31

2016 2015

(Note 13)

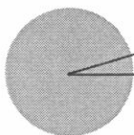
Revenues	General Operations	Teen Talk	Klinic Student Health Services	Rural Farm	Dream Catcher	GLBT	Choices	Total	Total
Grants									
Winnipeg Regional Health Authority	\$ 7,942,289	\$ 156,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,098,292	\$ 7,877,451
Fixed payments	32,751	-	-	-	-	-	-	32,751	63,164
Other funding									
Province of Manitoba	485,202	219,837	-	297,000	47,000	-	-	1,049,039	898,172
Health, Healthy Living and Seniors		276,944	-	-	-	-	-	376,644	373,739
Children and Youth Opportunities		15,000	-	-	-	-	100,600	15,000	15,000
Education and Training	87,500	-	-	-	-	-	-	87,500	87,500
Addictions Foundation of Manitoba		-	-	-	-	-	-	-	-
Government of Canada									
Canada Drug Strategy	-	87,679	-	-	-	-	-	87,679	88,664
Public Health Agency Canada	-	49,855	-	-	-	-	-	49,855	49,855
First Nations and Inuit Health	-	25,000	-	-	-	-	-	25,000	20,000
Status of Women	70,662	-	-	-	-	-	-	70,662	69,632
Workers Compensation Board	55,000	-	-	-	-	-	-	55,000	55,000
Winnipeg Foundation	25,000	-	-	-	-	-	-	25,000	14,000
University of Winnipeg	-	-	-	-	-	-	750	25,750	14,000
Other	591,403	9,700	170,360	-	-	-	-	170,360	163,260
Workshops	34,118	-	-	85	300	-	-	571,468	594,414
Donations	1,984	-	-	804	-	-	-	34,118	51,425
Interest	2,052	-	-	-	-	-	-	2,788	7,595
Total revenues	9,297,661	839,118	170,360	297,883	47,300	6,051	101,350	10,760,619	10,429,779
Expenditures									
Salaries	6,032,084	628,992	138,876	256,074	37,840	-	76,774	7,170,440	7,006,794
Medical remuneration	1,089,365	-	-	52,197	-	-	-	1,089,365	971,783
Benefits and payroll tax (Note 10)	1,236,496	129,249	30,332	13,084	12,084	-	17,989	1,536,317	1,448,000
Food and dietary supplies	36,046	131	-	398	1,043	-	-	37,618	38,099
Housekeeping	38,202	-	-	-	-	-	-	38,202	13,923
Medical supplies	38,737	-	795	-	-	-	-	39,532	3,575
Office supplies	184,593	10,635	142	9,697	1,524	-	5,119	211,110	192,699
Other	213,586	68,384	133	13,256	643	650	1,468	298,170	230,639
Professional fees	44,101	-	-	-	-	-	-	44,101	64,540
Rent	1,378	-	-	15,414	-	-	-	16,792	16,189
Repairs and maintenance	111,750	1,204	92	3,199	-	-	-	116,245	130,816
Pharmacy and drugs	3,586	-	-	-	-	5,411	-	8,997	18,805
Reproductive health supplies	44,513	1,513	-	-	-	-	-	46,026	47,402
Utilities and property taxes	67,330	-	-	-	-	-	-	67,330	74,247
Volunteer services	6,436	-	-	-	-	-	-	6,436	4,324
Website	-	-	-	-	-	-	-	-	-
Total expenditures	9,196,843	839,118	170,360	360,274	52,940	6,051	101,350	10,686,846	10,359,099
Excess (deficiency) of revenues over expenditures from operations	\$ 131,118	\$ -	\$ -	\$ (62,405)	\$ (5,640)	\$ -	\$ -	\$ 73,073	\$ 70,689

See accompanying notes to the financial statements.

LHC PERSONAL CARE HOME INC.

Financial Statements

Year Ended March 31, 2016



June 23, 2016

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, 2016 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 LHC Personal Care Home Inc. as at March 31, 2016 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.

Chartered Accountants

LHC PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 395,124	\$ 377,253
Restricted cash - resident trust	13,037	20,298
Restricted cash - reserve fund	187,307	187,532
Accounts receivable - residents	15,686	-
Accounts receivable - other	8,158	8,436
Due from Lions Manor (Note 7)	-	11,764
Vacation entitlement receivable (Note 4)	138,650	138,650
Prepaid expenses	20,679	16,221
Due from Winnipeg Regional Health Authority (Note 3)	15,318	-
	793,959	760,154
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (Note 4)	186,453	185,453
CAPITAL ASSETS (Note 5)	8,051,652	8,420,502
	\$ 9,032,064	\$ 9,366,109
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 80,456	\$ 54,223
Accrued vacation, statutory, overtime and benefits	399,109	383,168
Due to Lions Manor (Note 7)	47,631	-
Resident trust payable	13,037	20,298
Due to Winnipeg Regional Health Authority (Note 3)	-	113,711
	540,233	571,400
ACCRUED PRE-RETIREMENT ENTITLEMENT (Note 4)	207,000	206,000
DEFERRED CONTRIBUTIONS (Note 9)	7,177,031	7,544,755
	7,924,264	8,322,155
NET ASSETS	1,107,800	1,043,954
	\$ 9,032,064	\$ 9,366,109

ON BEHALF OF THE BOARD

Original Document Signed Director

Original Document Signed Director

LHC PERSONAL CARE HOME INC.**Statement of Operations**
Year Ended March 31, 2016

	2016	2015
REVENUE		
Winnipeg Regional Health Authority	\$ 5,885,641	\$ 5,735,490
Resident charges	2,265,704	2,215,998
Other	33,787	43,124
	<u>8,185,132</u>	<u>7,994,612</u>
EXPENDITURES		
Accrued vacation, statutory, overtime and benefits	15,941	49,720
Electricity	155,576	150,966
Health and education levy	113,219	110,407
Insurance	36,728	40,184
Medical remuneration	19,056	18,829
Medical supplies and equipment	134,995	152,728
Natural gas	39,767	64,093
Operational supplies and services	199,792	216,381
Other employee benefits	926,483	903,948
Other nursing expenses	7,217	4,300
Plant maintenance	85,991	147,550
Pre-retirement payout	28,425	-
Professional fees	21,815	8,094
Property taxes	85,283	81,371
Purchased meals (Note 7)	911,088	880,803
Resident travel	24,685	16,241
Salaries	5,191,981	5,126,771
Water and waste	50,465	48,974
Workers Compensation premiums	70,428	64,554
	<u>8,118,935</u>	<u>8,085,914</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS	<u>66,197</u>	<u>(91,302)</u>
OTHER ITEMS		
Amortization of deferred contributions	413,016	461,504
Amortization of capital assets	(414,367)	(398,378)
Change in pre-retirement obligation	(1,000)	(28,000)
	<u>(2,351)</u>	<u>35,126</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	<u>\$ 63,846</u>	<u>\$ (56,176)</u>

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2016

	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 1,043,954	\$ 1,100,130
Excess (deficiency) of revenue over expenditures for the year (page 3)	<u>63,846</u>	<u>(56,176)</u>
NET ASSETS - END OF YEAR	<u>\$ 1,107,800</u>	<u>\$ 1,043,954</u>

LHC PERSONAL CARE HOME INC.
Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over other items	\$ 63,846	\$ (56,176)
Items not affecting cash:		
Amortization of capital assets	414,367	398,378
Net decrease (increase) in resident trust	7,261	(3,420)
Net decrease in reserve funds	225	16,252
Change in deferred contributions	(367,724)	(315,869)
Change in deferred funds	-	-
	<u>117,975</u>	<u>39,165</u>
Changes in non-cash working capital:		
Accounts receivable	(15,408)	48,430
Prepaid expenses	(4,458)	13,696
Pre-retirement entitlement receivable	(1,000)	(28,000)
Accounts payable and accrued liabilities	26,233	(159,373)
Resident trust payable	(7,261)	3,420
Accrued vacation, statutory, overtime and benefits	15,941	49,720
Accrued pre-retirement entitlement	1,000	28,000
	<u>15,047</u>	<u>(44,107)</u>
Cash flow from (used by) operating activities	<u>133,022</u>	<u>(4,942)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(45,517)</u>	<u>(97,411)</u>
FINANCING ACTIVITIES		
Due from a related party	59,395	201,770
Due to Winnipeg Regional Health Authority	(129,029)	(365,074)
Cash flow used by financing activities	<u>(69,634)</u>	<u>(163,304)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>17,871</u>	<u>(265,657)</u>
Cash - beginning of year	<u>377,253</u>	<u>642,910</u>
CASH - END OF YEAR	<u>\$ 395,124</u>	<u>\$ 377,253</u>

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

1. ENTITY DEFINITION

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Organization is principally involved in providing licensed personal care services to 116 residents, operating under a services purchase agreement with the Winnipeg Regional Health Authority ("WRHA"). As the entity is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, 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. There has been no change in this risk assessment from the prior year.

The Organization's financial instruments consist of cash, accounts receivable, due from/to related parties, vacation entitlement receivable, pre-retirement entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, due to/from WRHA, and accrued pre-retirement entitlement.

Transaction costs for financial instruments are expensed in the period incurred and recognized in excess of revenue over expenditures.

(continues)

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

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

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

Land improvements	10%
Buildings	2.5%
Computer hardware and software	33%
Furniture, fixtures and equipment	10%

Revenue recognition

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

Under the Health Insurance Act and regulations hereto, the Organization is funded primarily by the WRHA in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2016.

With respect to actual operating results, certain adjustments to funding may be made by the WRHA after completion of their review of the Organization's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

1. Deficits - The WRHA shall not be responsible for past or future deficits of the Organization 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.

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

(continues)

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions and pledges restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

The operations of the Organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and is, therefore, not reflected in these financial statements.

Employee future benefits

Substantially all of the employees of the Organization are members of a defined benefit pension plan as described in note 10. As it is a multi-employer plan, insufficient information is available to account for the plan using defined benefit plan accounting standards. Therefore, the plan is accounted for using defined contribution plan accounting standards.

3. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	2016	2015
Bridge funding	\$ (300,000)	\$ (300,000)
COLA increases	15,182	33,425
CUPE salary increases	389,800	100,000
Dialysis transporting funding	2,561	1,210
Enhanced orientation new LTC nurses	-	736
Flu immunization costs	372	501
Health spending account	18,176	17,314
Leap year residential charges	18,970	-
MNU salary increases	-	135,730
Non-union D&R funding increase	18,000	9,000
Non-union funding increase	-	29,000
Pre-retirement payout	39,779	11,354
Residential charges	(195,403)	(142,644)
Security guard - extra services	3,092	-
Seminar reimbursement	660	385
Supplemental staffing	-	(9,722)
Tub project	4,129	-
	\$ 15,318	\$ (113,711)

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

4. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WRHA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the benefits recoverable and payable are classified as long-term debt whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations is capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the Organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. The accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

5. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land improvements	\$ 17,289	\$ 17,289	\$ 17,289	\$ 17,289
Land	189,282	-	189,282	-
Buildings	12,324,767	4,928,142	12,324,767	4,619,951
Computer hardware and software	126,266	80,826	98,060	34,035
Furniture, fixtures and equipment	1,638,926	1,218,621	1,621,615	1,159,236
	\$ 14,296,530	\$ 6,244,878	\$ 14,251,013	\$ 5,830,511
Net book value	\$ 8,051,652		\$ 8,420,502	

6. BANK INDEBTEDNESS

The Organization has a revolving line of credit with a maximum limit of \$200,000. The loan is secured by a general security agreement on all of the Organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand.

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

7. RELATED PARTIES

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 meal costs are charged based on a rate per resident meal day.

The following is a summary of the Organization's related party transactions:

	<u>2016</u>	<u>2015</u>
Dietary meal costs	<u>\$ 911,088</u>	<u>\$ 880,803</u>

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 Lions Manor: \$ 47,631 \$ (11,764)

The balances are non-interest bearing, due on demand and are unsecured.

8. 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, 2016, no litigation is in process. With respect to potential claims at March 31, 2016, management believes that the Organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

9. DEFERRED CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Balance - beginning of year	<u>\$ 7,357,222</u>	<u>\$ 7,656,841</u>
Transfers from equipment funding	<u>45,517</u>	<u>97,410</u>
Transfers from major repairs funding	<u>-</u>	<u>64,475</u>
Less amounts amortized to revenue	<u>(413,016)</u>	<u>(461,504)</u>
Balance - end of year	<u>6,989,723</u>	<u>7,357,222</u>

(continues)

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2016

9. DEFERRED CONTRIBUTIONS *(continued)*

	<u>2016</u>	<u>2015</u>
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.		
Balance - beginning of year	89,808	82,127
Contributions - Winnipeg Regional Health Authority	7,680	72,156
Purchases	-	(64,475)
	<u>97,488</u>	<u>89,808</u>
Balance - end of year		
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.		
Balance - beginning of year	97,725	121,656
Contributions - Winnipeg Regional Health Authority	37,612	73,479
Purchases	(45,517)	(97,410)
	<u>89,820</u>	<u>97,725</u>
Balance - end of year		
Total deferred contributions balance	<u>\$ 7,177,031</u>	<u>\$ 7,544,755</u>

10. PENSION PLAN

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent available audited financial statements of the Plan as at December 31, 2014 indicates the Plan is in a deficit position. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$410,578 (2015 - \$397,091) and are included in the consolidated statement of operations.

11. ECONOMIC DEPENDENCE

The Organization is economically dependent upon government for funding its operations.

LUTHER HOME CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2016



CRAIG & ROSS

CHARTERED PROFESSIONAL ACCOUNTANTS

June 9, 2016

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, 2016, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Note 3 indicates that the Corporation follows certain accounting policies that are not in accordance with Canadian accounting standards for not-for-profit organizations in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation. The effect of these departures from Canadian accounting standards for not-for-profit organizations materially impact capital assets and operating expenses of the Corporation, but would not have a pervasive impact on the financial statements as a whole.

Qualified Opinion

In our opinion, except for the effects of following certain accounting policies as disclosed in Note 3 in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation, the financial statements present fairly, in all material respects, the financial position of Luther Home Corporation as at March 31, 2016, 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.

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

LUTHER HOME CORPORATION**Statement of Financial Position****March 31, 2016**

	2016	2015
ASSETS		
CURRENT		
Cash and marketable securities (Note 4)	\$ 589,669	\$ 718,612
Accounts receivable	519,143	344,839
Prepaid expenses	18,637	16,809
Inventory	26,712	22,876
	1,154,161	1,103,136
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (Note 5)	577,272	538,272
CAPITAL ASSETS (Note 6)	5,690,386	5,576,623
	\$ 7,421,819	\$ 7,218,031
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued expenses	\$ 909,910	\$ 839,335
Subsidy due to Manitoba Housing	-	18,528
Current portion of long-term debt (Note 7)	120,219	110,153
	1,030,129	968,016
Term loans due on demand (Note 7)	535,092	503,841
	1,565,221	1,471,857
ACCRUED BENEFIT ENTITLEMENT	556,000	517,000
LONG-TERM DEBT (Note 7)	1,772,594	1,892,479
SUBSIDY SURPLUS RESERVE	80,484	79,719
REPLACEMENT RESERVE (Note 8)	157,535	135,272
DEFERRED CONTRIBUTIONS		
Capital assets	667,844	533,830
	4,799,678	4,630,157
NET ASSETS		
Unrestricted	2,185,257	2,170,060
Internally restricted - Sterkell	168,067	151,839
Internally restricted - Christ Lutheran Church	256,115	253,679
Internally restricted - Memorial Fund (Note 9)	12,702	12,296
	2,622,141	2,587,874
	\$ 7,421,819	\$ 7,218,031

APPROVED ON BEHALF OF THE BOARDOriginal Document Signed *Director*Original Document Signed *Director*

LUTHER HOME CORPORATION**Statement of Operations****Year Ended March 31, 2016**

	2016	2015
REVENUE		
Long-term care (Schedule 1)	\$ 6,314,567	\$ 6,056,024
1080 Powers (Schedule 2)	531,306	523,606
1084 Powers (Schedule 3)	344,393	324,414
364 Leila (Schedule 4)	536,544	529,490
Adult Day Program (Schedule 5)	144,914	143,896
Home Care Program (Schedule 6)	332,688	332,688
Management Services (Schedule 7)	5,724	7,732
Memorial Fund (Schedule 8)	34,974	29,015
Donation Fund - Sterkell	24,420	26,839
Donation Fund - Christ Lutheran Church	2,436	253,679
	8,271,966	8,227,383
EXPENSES		
Long-term care (Schedule 1)	6,308,783	6,084,290
1080 Powers (Schedule 2)	496,306	508,606
1084 Powers (Schedule 3)	248,576	269,266
364 Leila (Schedule 4)	528,710	532,467
Adult Day Program (Schedule 5)	142,447	143,041
Home Care Program (Schedule 6)	342,045	350,594
Management Services (Schedule 7)	14,088	33,660
Memorial Fund (Schedule 8)	34,568	32,484
Donation Fund - Sterkell	8,192	-
	8,123,715	7,954,408
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION	148,251	272,975
ALLOCATION TO REPLACEMENT RESERVE	112,976	78,418
ALLOCATION TO INSURANCE DEDUCTIBLE RESERVE	1,008	1,008
EXCESS OF REVENUE OVER EXPENSES	\$ 34,267	\$ 193,549

LUTHER HOME CORPORATION**Statement of Cash Flow****Year Ended March 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 34,267	\$ 193,549
Adjustments for:		
Allocation to replacement reserve	112,976	78,418
Amortization of capital assets	301,273	293,570
Amortization of deferred contributions related to capital assets	(92,314)	(44,973)
	356,202	520,564
Adjustments for changes in non-cash working capital:		
Accounts receivable	(174,304)	(124,330)
Inventories	(3,836)	4,149
Prepaid expenses	(1,828)	(3,765)
Accounts payable and accrued expenses and Manitoba Housing	52,047	89,324
Accrued benefit entitlement	39,000	18,555
	267,281	504,497
Cash flow from operating activities	267,281	504,497
INVESTING ACTIVITIES		
Purchase of capital assets	(415,036)	(83,197)
Due from Winnipeg Regional Health Authority	(39,000)	(20,001)
	(454,036)	(103,198)
Cash flow used by investing activities	(454,036)	(103,198)
FINANCING ACTIVITIES		
Change in deferred contributions	136,380	(34,134)
Proceeds from term loans	180,450	-
Repayment of term loans	(149,199)	(128,093)
Repayment of long-term debt	(109,819)	(100,830)
	57,812	(263,057)
Cash flow from (used by) financing activities	57,812	(263,057)
INCREASE (DECREASE) IN CASH FLOW	(128,943)	138,242
CASH - BEGINNING OF YEAR	718,612	580,370
CASH - END OF YEAR	\$ 589,669	\$ 718,612

LUTHER HOME CORPORATION
Statement of Changes in Net Assets

Year Ended March 31, 2016

	Sterkell	Christ Lutheran Church	Memorial Fund	Unrestricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 151,839	253,679	12,296	\$ 2,170,060	\$ 2,587,874	\$ 2,394,325
EXCESS OF REVENUE OVER EXPENSES	16,228	2,436	406	15,197	34,267	193,549
NET ASSETS - END OF YEAR	<u>\$ 168,067</u>	<u>256,115</u>	<u>12,702</u>	<u>\$ 2,185,257</u>	<u>\$ 2,622,141</u>	<u>\$ 2,587,874</u>

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

1. INCORPORATION AND OPERATIONS

Luther Home Corporation (the "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.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations (ASNPO), except as disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), except as explained below, in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation (MHRC).

The specific accounting policies that differ from the Canadian accounting standards for not-for-profit organizations (ASNPO) include the following:

- (a) Amortization for the building, furniture and equipment at 1080 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from MHRC. No amortization is charged on other capital assets. Donated capital assets are not amortized.
- (b) Capital assets purchased from the Replacement Reserve are charged against Replacement Reserve account, rather than being capitalized on the statement of financial position and amortized over these estimated useful lives; and
- (c) A reserve for future capital replacement is appropriated annually from operations.

(continues)

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue recognized for donated assets is deferred when the donated asset is received and recognized in each period to the extent of the amortization expense on the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization, except as required under the operating agreement with MHRC for 1080 Powers Street, is based on the estimated useful lives of capital assets.

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

Capital assets

Capital assets are recorded at cost, less any related grants. The cost for contributed capital assets is considered to be fair value at the date of contribution.

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

	<u>Rate</u>
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)

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets *(continued)*

The Corporation performs impairment testing on capital assets whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

For 1080 Powers Street, amortization is provided on the building, furniture and equipment purchased from loans by MHRC at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Corporation is registered as a 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 Corporation's operations through an annual allocation to the reserve. The amount to be allocated is the amount set out in the corresponding budget or another amount approved by the Corporation.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized at the same rate as related assets are amortized.

Inventory

Inventory held for consumption in the production process of goods to be distributed are recognized at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Accrued benefit entitlement

1081 Andrews Street has a contractual commitment to pay out to employees four days per year of service upon retirement if they comply with the following conditions:

- (a) have ten years of service and have reached the age of 55; or
- (b) qualify for the "80" rule which is calculated by adding the number of years of service to the age of the employee; or
- (c) retire at or after the age of 65; or
- (d) terminate employment at any time due to permanent disability.

(continues)

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accrued benefit entitlement *(continued)*

The Corporation has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the WRHA up to a pre-determined percentage.

Internally restricted net assets

The Corporation has restricted donations in the Memorial Fund and two Donation Funds. These funds may be designated for specific projects to enhance the care of residents of the Corporation.

Financial instruments

Financial instruments consist of cash and marketable securities, accounts receivable, accounts payable and accrued expenses, subsidy due to MHRC, term loans due on demand and long-term debt.

All financial instruments are initially recorded at fair value, and are subsequently reported at amortized cost.

Transaction costs on all financial instruments are expensed as incurred.

It is management's opinion that the Corporation is not exposed to any significant interest, currency, or credit risk arising from these financial instruments.

4. CASH AND MARKETABLE SECURITIES

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 1.93% at year end. Restricted cash and marketable securities are amounts allocated to reserve and trust accounts that are subject to restrictions.

	2016	2015
Cash and marketable securities, restricted	\$ 238,019	\$ 214,991
Cash and marketable securities, unrestricted	351,650	503,621
	<u>\$ 589,669</u>	<u>\$ 718,612</u>

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

5. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

	2016	2015
Vacation entitlement	\$ 133,100	\$ 133,100
Pre-retirement entitlement	442,172	405,172
	<u>\$ 577,272</u>	<u>\$ 538,272</u>

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the change in the pre-retirement entitlement. For the period April 1, 2006 to March 31, 2016, the WRHA fully funded the change in the pre-retirement entitlement.

6. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land – 1081 Andrews St.	\$ 51,952	\$ -	\$ 51,952	\$ -
Buildings – 1081 Andrews St.	3,064,366	1,450,270	3,064,366	1,354,496
Automotive – 1081 Andrews St.	74,399	71,099	74,399	71,099
Real time locating system – computer	16,461	11,116	16,461	10,226
Computer and system software – 1081 Andrews St.	221,710	182,491	183,011	181,970
Furniture, equipment and improvements – 1081 Andrews St.	2,952,132	2,194,315	2,865,584	2,091,000
Real time locating system	167,863	159,469	167,863	142,683
Buildings – 364 Leila Ave	229,430	107,478	229,430	102,103
Furniture and fixtures – 364 Leila Ave.	24,404	24,238	24,404	23,907
Land, building and equipment – 1080 Powers St.	3,074,992	720,280	2,889,843	642,000
Land, building and equipment – 1084 Powers St.	1,925,129	1,296,336	1,925,129	1,296,335
	<u>\$ 11,907,480</u>	<u>\$ 6,217,094</u>	<u>\$ 11,492,442</u>	<u>\$ 5,915,819</u>
Net book value	<u>\$ 5,690,386</u>		<u>\$ 5,576,623</u>	

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

7. LONG-TERM DEBT

	2016	2015
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.	\$ 1,750,074	\$ 1,828,354
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.	142,738	174,277
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.	26,253	57,873
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.	96,534	120,234
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.	193,550	226,670
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, for renovations at 1084 Powers Street, due September 1, 2017.	59,410	99,064
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, for roof replacement at 1080 Powers Street, due January 1, 2021.	159,345	-
	2,427,905	2,506,473
Less: Term loans due on demand	535,092	503,841
Less: Current portion of long-term debt	120,219	110,153
	\$ 1,772,594	\$ 1,892,479

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

2017	\$ 120,000
2018	131,000
2019	143,000
2020	149,000
2021	126,600

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

8. REPLACEMENT RESERVE

1081 Andrews Street

Under the terms of the agreement with WRHA, the replacement reserve account was credited in the amount of \$4,776 (2015 - \$4,776). These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by WRHA from time to time. The use of the funds in the account may require approval by the WHRA.

1080 Powers Street

Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of \$35,000 (2015 - \$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 FUNDS

During the 2013 fiscal year, the Board of Directors approved using the Memorial Fund to fund the deficiency of revenue of expenses of the operations of the Chaplaincy Services (Schedule 8) in the amount of \$17,538. For the current year, a surplus on the operations of the Chaplaincy Services in the amount of \$406 was transferred to the Memorial Fund.

During the current year, a donation was received from the Christ Lutheran Church, with specific conditions on the use of the donated funds.

10. PROVINCIAL HOME CARE

1084 Powers Street received \$332,688 (2015 - \$332,688) from the WRHA – Home Care Division during the current year as a reimbursement of staff salaries and benefits paid.

11. RESIDENTIAL SUPPORT PROGRAM

364 Leila Avenue received \$536,544 (2015 - \$529,490) from Family Services during the current year for residential services.

Subsequent to year-end, the residential support program ceased operations.

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2016

12. ECONOMIC DEPENDENCE

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of the total revenue, 70% (2015 – 70%) is from these organizations.

13. PENSION PLAN

Substantially all of the employees of the Home are members of The Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years that provide the highest earnings, prior to retirement, termination or death. Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates in consultation with its actuaries. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to \$355,414 (2015 - \$355,414). This amount was determined by contributing 8.9% of eligible salaries up to \$54,800 and 10.5% of the portion of salaries in excess of \$54,800 and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2014, indicates the Plan is fully funded.

LUTHER HOME CORPORATION**Schedule 1****Statement of Operations
Long-Term Care****Year Ended March 31, 2016**

	2016	2015
REVENUE FROM RESIDENT SERVICES		
Winnipeg Regional Health Authority	\$ 4,503,465	\$ 4,283,833
Amortization of deferred contributions	92,314	44,973
Residential charges	1,355,930	1,330,367
	5,951,709	5,659,173
OFFSET REVENUES		
Dietetics	131,093	138,517
Parking	13,029	12,557
Project maintenance	182,273	191,301
Other	36,463	54,476
	362,858	396,851
	6,314,567	6,056,024
EXPENSES		
Administration	83,049	70,415
Amortization of capital assets	217,285	216,511
Benefit bank value change - vacation	30,635	18,555
Food	245,896	237,844
Interest on long-term debt	23,304	29,473
Maintenance and repairs	42,435	77,914
Medical supplies	91,562	89,934
Other supplies and expenses	143,443	150,622
Purchased services	25,606	24,663
Salaries, benefits and payroll levy	5,275,770	5,032,476
Utilities	129,798	135,883
	6,308,783	6,084,290
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ALLOCATION	5,784	(28,266)
Allocation to replacement reserve	4,776	4,776
Allocation to insurance deductible reserve	1,008	1,008
DEFICIENCY OF REVENUE OVER EXPENSES	\$ -	\$ (34,050)

LUTHER HOME CORPORATION

Schedule 2

**Statement of Operations
1080 Powers St.**

Year Ended March 31, 2016

	Budget 2016	Actual 2016	Actual 2015
REVENUES			
Manitoba Housing Renewal Corporation - subsidy	\$ -	\$ 280,816	\$ 280,209
Manitoba Housing Renewal Corporation - other	-	2,170	-
Rental revenue	213,500	225,162	219,427
Cablevision	16,000	17,082	17,010
Other	6,000	6,076	6,960
	235,500	531,306	523,606
EXPENSES			
Administration	27,000	31,764	31,140
Amortization of capital assets	-	78,280	71,352
Cablevision	14,000	14,889	15,941
Electricity	47,000	48,071	47,162
Insurance	3,500	5,910	4,266
Interest on long-term debt	-	178,367	185,295
Interest on long-term debt - roof replacement	-	3,918	
Repairs and maintenance	71,300	78,419	74,886
Natural gas	11,000	12,258	16,167
Property taxes	-	24,169	23,562
Water	18,000	20,261	20,307
	191,800	496,306	490,078
EXCESS OF REVENUE OVER EXPENSES BEFORE EXCESS SUBSIDY AND ALLOCATION	43,700	35,000	33,528
ALLOCATION TO REPLACEMENT RESERVE	35,000	35,000	15,000
EXCESS SUBSIDY DUE TO MANITOBA HOUSING RENEWAL CORPORATION	-	-	(18,528)
EXCESS OF REVENUE OVER EXPENSES	\$ 8,700	\$ -	\$ -

LUTHER HOME CORPORATION**Schedule 3****Statement of Operations
1084 Powers St.****Year Ended March 31, 2016**

	2016	2015
REVENUES		
Rental revenue	\$ 334,539	\$ 314,649
Other	9,854	9,765
	344,393	324,414
EXPENSES		
Administration	39,000	39,120
Cablevision	21,654	19,284
Electricity	25,371	25,612
Insurance	9,031	6,836
Interest on long-term debt	2,837	4,491
Janitorial services	18,289	18,716
Maintenance and repairs	63,216	81,667
Natural gas	16,345	20,539
Other supplies and expenses	1,462	1,597
Professional fees	2,965	2,160
Property taxes	32,291	32,022
Security	-	2,010
Water	16,115	15,212
	248,576	269,266
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	95,817	55,148
Allocation to replacement reserve	63,200	58,642
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 32,617	\$ (3,494)

LUTHER HOME CORPORATION**Schedule 4****Statement of Operations
364 Leila Ave.****Year Ended March 31, 2016**

	2016	2015
REVENUES		
Province of Manitoba - residential support program	\$ 438,893	\$ 437,694
Province of Manitoba - residential support program - Extra staffing	85,949	78,538
Province of Manitoba - residential support program - Benefits	11,702	13,258
	536,544	529,490
EXPENSES		
Administration	19,200	39,700
Amortization of capital assets	5,708	5,708
Electricity	4,165	4,274
Food supplies	27,977	26,770
Insurance	783	556
Janitorial services	3,782	4,410
Maintenance and repairs	13,354	11,174
Natural gas	1,037	958
Other supplies and expenses	1,424	3,861
Professional fees	2,965	2,160
Property taxes	4,462	4,265
Salaries, benefits and payroll levy	436,804	422,269
Telephone	3,909	3,609
Water	3,140	2,753
	528,710	532,467
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	7,834	(2,977)
Allocation to replacement reserve	10,000	-
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (2,166)	\$ (2,977)

LUTHER HOME CORPORATION**Schedule 5****Statement of Operations
Adult Day Program****Year Ended March 31, 2016**

	2016	2015
REVENUES		
Winnipeg Regional Health Authority	\$ 126,738	\$ 125,223
Participant charges	18,176	18,673
	<u>144,914</u>	<u>143,896</u>
EXPENSES		
Other supplies and expenses	15,978	16,457
Salaries, benefits and payroll levy	62,855	62,086
Travel	63,614	64,498
	<u>142,447</u>	<u>143,041</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 2,467	\$ 855

LUTHER HOME CORPORATION**Schedule 6****Statement of Operations
Home Care Program****Year Ended March 31, 2016**

	2016	2015
REVENUES		
Winnipeg Regional Health Authority	\$ 332,688	\$ 332,688
EXPENSES		
Other expenses	14,400	15,180
Salaries, benefits and payroll levy	327,645	335,414
	342,045	350,594
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (9,357)	\$ (17,906)

LUTHER HOME CORPORATION

7

**Statement of Operations
Management Services****Year Ended March 31, 2016**

	2015	
REVENUE		
Other	\$ 5,724	\$ 7,732
EXPENSES		
Board expenses	1,593	2,917
Education	690	17,250
Legal fees	355	-
Miscellaneous	81	25
Scholarship	500	1,000
Staff appreciation	8,451	9,330
Tenant and staff gifts	2,419	3,138
	14,088	33,660
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (8,364)	\$ (25,928)

LUTHER HOME CORPORATION**Schedule 8****Statement of Operations
Memorial Fund****Year Ended March 31, 2016**

	2016	2015
REVENUES		
General contributions	\$ 34,974	\$ 29,015
EXPENSES		
Miscellaneous	259	60
Spiritual care	34,309	32,424
	34,568	32,484
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 406	\$ (3,469)

LUTHER HOME CORPORATION

Supplementary Information

Schedule 9

Year Ended March 31, 2016

	1080		1084		364	
	Long-Term Care	Powers Street	Powers Street	Leila Avenue		Total
REPLACEMENT RESERVE						
RESERVE FOR CAPITAL ASSETS						
Opening balance	\$ 15,559	\$ 102,726	\$ -	\$ -	\$ -	\$ 118,285
Current allocation	229,888	35,000	63,200	10,000		338,088
Interest earned	-	1,170	108	-		1,278
Current expenditures	(244,478)	(21,289)	(51,912)	(1,025)		(318,704)
Ending balance	969	117,607	11,396	8,975		138,947
RESERVE FOR MAJOR REPAIRS						
Opening balance	6,907	-	-	-		6,907
Current allocation	4,776	-	-	-		4,776
Interest earned	132	-	-	-		132
Current expenditures	(4,315)	-	-	-		(4,315)
Ending balance	7,500	-	-	-		7,500
RESERVE FOR INSURANCE DEDUCTIBLE						
Opening balance	10,080	-	-	-		10,080
Current allocation	1,008	-	-	-		1,008
Ending balance	11,088	-	-	-		11,088
TOTAL	\$ 19,557	\$ 117,607	\$ 11,396	\$ 8,975	\$ -	\$ 157,535
CAPITAL ASSETS AND ACCUMULATED DEPRECIATION						
CAPITAL ASSETS						
Opening balance	\$ 6,423,635	\$ 2,889,844	\$ 1,925,129	\$ 253,835	\$ -	\$ 11,492,443
Additions	229,888	185,148	-	-		415,036
Ending balance	6,653,523	3,074,992	1,925,129	253,835		11,907,479
ACCUMULATED DEPRECIATION						
Opening balance	3,851,473	642,001	1,296,335	126,011		5,915,820
Current year depreciation	217,285	78,280	-	5,708		301,273
Ending balance	4,068,758	720,281	1,296,335	131,719		6,217,093
NET BOOK VALUE	\$ 2,584,765	\$ 2,354,711	\$ 628,794	\$ 122,116	\$ -	\$ 5,690,386
SUBSIDY SURPLUS						
Opening balance	\$ -	\$ -	\$ 79,719	\$ -	\$ -	\$ 79,719
Interest earned	-	-	765	-		765
Ending balance	\$ -	\$ -	\$ 80,484	\$ -	\$ -	\$ 80,484
LONG-TERM DEBT						
Opening balance	\$ 579,057	\$ 1,828,354	\$ 99,064	\$ -	\$ -	\$ 2,506,475
Additional loan	-	180,450	-	-		180,450
Principal payment	(119,980)	(99,385)	(39,654)	-		(259,019)
Ending balance	459,077	1,909,419	59,410	-		2,427,906
Less: Current portion and term loans due on demand	(350,083)	(245,819)	(59,410)	-		(655,312)
	\$ 108,994	\$ 1,663,600	\$ -	\$ -	\$ -	\$ 1,772,594

[illegible]

MFL OCCUPATIONAL HEALTH

AND SAFETY CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2016

SIMON HALL CHARTERED ACCOUNTANT
100 - 338 Broadway
WINNIPEG, MANITOBA
R3C 0T3

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, 2016, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBIILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Not For Profit Reporting Standards, for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical 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 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, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian Not For Profit Reporting Standards.

Original Document Signed
SIMON HALL
CHARTERED ACCOUNTANT

June 27, 2016
Winnipeg, Manitoba

SIMON HALL CHARTERED ACCOUNTANT
100 - 338 Broadway
WINNIPEG, MANITOBA
R3C 0T3

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 2015/2016 by the MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. were adequate, having regard to the size of the Centre, to preserve and protect its assets;
- b) The funds of the Centre, primarily derived from the Winnipeg Regional Health Authority, have, to the best of my knowledge, been applied for the purposes of the Centre following processes and procedures authorized by its Board.
- c) My audit revealed no material irregularity or discrepancy in the administration of the Centre nor any matters that do not now have the attention of the Board.

Original Document Signed
SIMON HALL
CHARTERED ACCOUNTANT

June 27, 2016
Winnipeg, Manitoba

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

	Operating Fund \$	Special Projects Fund \$	Total 2016 \$	Total 2015 \$
CURRENT ASSETS:				
Cash Note 3	91,598	-	91,598	104,345
Short term investments Note 4	283,753	175,000	458,753	447,248
Accounts Rec Note 5	<u>74,601</u>	<u>-</u>	<u>74,601</u>	<u>78,910</u>
TOTAL ASSETS	<u><u>449,952</u></u>	<u><u>175,000</u></u>	<u><u>624,952</u></u>	<u><u>630,503</u></u>
CURRENT LIABILITIES: 39				
Accounts payable & accrued liabilities Note 8	148,781	-	148,781	145,282
Repayable to WRHA Note 9	37,870	-	37,870	78,895
Deferred revenue Note 10	<u>29,953</u>	<u>-</u>	<u>29,953</u>	<u>37,177</u>
	<u>216,604</u>	<u>-</u>	<u>216,604</u>	<u>261,354</u>
CONTINGENT LIABILITIES: (note 11)				
NET ASSETS:				
Internally restricted	-	175,000	175,000	175,000
Unrestricted	<u>233,348</u>	<u>-</u>	<u>233,348</u>	<u>194,149</u>
	<u>233,348</u>	<u>175,000</u>	<u>408,348</u>	<u>369,149</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>449,952</u></u>	<u><u>175,000</u></u>	<u><u>624,952</u></u>	<u><u>630,503</u></u>
APPROVED BY BOARD:				

Original Document Signed : Director

Original Document Signed : Director

Original Document Signed : Director

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2016

	Operating Fund \$	Special Projects Fund \$	Total 2016 \$	Total 2015 \$
REVENUES:				
WRHA: Medical Clinic	863,421	-	863,421	796,618
WRHA: recoveries	-	-	-	(13,345)
WRHA: reimbursements	-	-	-	-
Interest & other	18,627	-	18,627	12,330
WCB Research & Workplace Innovation Program	46,000	-	46,000	2,829
Fundraising	18,132	-	18,132	6,893
Citizenship & Immigration Canada	112,498	-	112,498	100,474
Deferred contribution for capital assets	-	-	-	-
Deferred revenue in	16,406	-	16,406	-
Deferred revenue out	(17,753)	-	(17,753)	-
Total Revenues	<u>1,057,331</u>	<u>-</u>	<u>1,057,331</u>	<u>905,799</u>
EXPENDITURES:	<u>1,018,133</u>	<u>-</u>	<u>1,018,133</u>	<u>883,867</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>39,198</u></u>	<u><u>-</u></u>	<u><u>39,198</u></u>	<u><u>21,932</u></u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2016

	Operating Fund \$	Special Projects Fund \$	Total 2016 \$	Total 2015 \$
EXPENDITURES BREAKDOWN - OPERATING:				
Audit & accounting	12,116	-	12,116	10,503
Accreditation Fees	103	-	103	202
Computer software and services	6,547	-	6,547	2,828
Bank charges	436	-	436	481
Delivery	121	-	121	166
Employee benefits	105,828	-	105,828	101,806
Equipment rental & minor purchases	22,086	-	22,086	12,796
Fundraising	-	-	-	-
Insurance	4,595	-	4,595	5,306
Memberships	500	-	500	250
Legal	145	-	145	25
License fees	1,187	-	1,187	461
Meeting Expense	1,587	-	1,587	1,388
Miscellaneous	4,459	-	4,459	7,703
Newsletter	6,803	-	6,803	10,040
Printing/Stationery & Office Supplies	20,842	-	20,842	10,693
Postage	1,366	-	1,366	647
Pre-retirement	5,221	-	5,221	(24,000)
Publications	3,530	-	3,530	2,617
Public relations	2,263	-	2,263	2,200
Purchased services	22,357	-	22,357	22,838
Rent	70,509	-	70,509	70,509
Staff education & recruitment	5,882	-	5,882	450
Staff parking	5,662	-	5,662	6,905
Staff travel & exp.	6,045	-	6,045	3,069
Telephone	7,915	-	7,915	7,472
Work place services	1,145	-	1,145	6,882
Wages & salaries	<u>698,883</u>	<u>-</u>	<u>698,883</u>	<u>619,630</u>
Total Operating Expenditures	<u>1,018,133</u>	<u>-</u>	<u>1,018,133</u>	<u>883,867</u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS

AS AT MARCH 31, 2016

	Operating Fund \$	Special Projects Fund \$	Total 2016 \$	Total 2015 \$
Fund balance, beginning of year	194,150	175,000	369,150	347,217
Surplus (deficiency) for the year	39,198	-	39,198	21,932
Interfund transfers	-	-	-	-
Closing fund balance	<u>233,348</u>	<u>175,000</u>	<u>408,348</u>	<u>369,149</u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	39,198	21,932
Add: amortization	<u>-</u>	<u>-</u>
	39,198	21,932
Change in working capital:		
Accounts receivable	4,309	30,191
Short term investments	(11,505)	5
Accounts payable & accrued liabilities	3,499	(56,938)
Repayable to WRHA	(41,025)	13,056
Deferred revenue	<u>(7,224)</u>	<u>17,206</u>
	<u>(51,946)</u>	<u>3,520</u>
Cash from (used for) operations	<u>(12,748)</u>	<u>25,452</u>
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	<u>-</u>	<u>-</u>
Cash from (used for) investing & financing	<u>-</u>	<u>-</u>
Increase (decrease) in cash for the year	(12,748)	25,452
Cash, beginning of year	<u>104,345</u>	<u>78,893</u>
Cash, end of year (note 3)	<u><u>91,597</u></u>	<u><u>104,345</u></u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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.

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating	91,503	104,250
Shares	<u>95</u>	<u>95</u>
	<u>91,598</u>	<u>104,345</u>

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

4. SHORT TERM INVESTMENTS

	<u>2016</u>	<u>2015</u>
	\$	\$
Daily interest account	<u>458,753</u>	<u>447,248</u>

5. ACCOUNTS RECEIVABLE

Trade receivables	70,992	77,101
Receiver General (GST)	<u>3,609</u>	<u>1,809</u>
	<u>74,601</u>	<u>78,910</u>

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2016</u>	<u>Net Book Value 2015</u>
	\$	\$	\$	\$
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	<u>7,700</u>	<u>(7,700)</u>	<u>-</u>	<u>-</u>
Total	<u>247,846</u>	<u>(247,846)</u>	<u>-</u>	<u>-</u>

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.

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables	27,173	12,537
Accrued liabilities	99,907	119,273
Trust liabilities	<u>21,701</u>	<u>13,472</u>
	<u>148,781</u>	<u>145,282</u>
 9. REPAYABLE TO WRHA		
Revenue in excess of expenditures:		
2011/2012	-	25,776
2012/2013	-	16,122
2013/2014	23,941	23,941
2014/2015	13,056	13,056
2015/2016	<u>873</u>	<u>-</u>
	<u>37,870</u>	<u>78,895</u>
 10. DEFERRED REVENUE		
R.W.I.P.	17,753	16,406
Other	-	9,371
WRHA: Insurance reserve	<u>12,200</u>	<u>11,400</u>
	<u>29,953</u>	<u>37,177</u>

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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:

	<u>Wages</u>	<u>Benefits</u>	<u>Other</u>	<u>Total</u>
	\$	\$	\$	\$
Executive Director	45,722	7,087	-	52,809
Executive Director	46,665	6,333	-	52,998
Health Educator	54,956	8,982	-	63,938
Librarian	52,509	8,460	-	60,969
Occupational Health Specialist	53,507	8,796	-	62,303
Occupational Health Nurse	64,613	9,649	-	74,262
Occupational Health Nurse	63,899	8,968	-	72,867
Cross Cultural	67,398	5,863	-	73,261
Finance/Office Admin	73,920	8,699	-	82,619

13. COMPARATIVE FIGURES

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

14. FINANCIAL COMMITMENTS

The MFL - OHC leases its office space from the Union Centre. The monthly lease cost is The lease is in effect to April 30, 2018.

15. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2016

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	R.W.I.P.	Citizenship & Immigration Canada	Total Fund 2016	Total Fund 2015
	\$	\$	\$	\$	\$	\$
REVENUES:						
WRHA: Medical Clinic	863,421	-	-	-	863,421	796,618
: recoveries	-	-	-	-	-	(13,345)
: reimbursement	-	-	-	-	-	-
Interest & other	-	18,627	-	-	18,627	12,330
R.W.I.P.	-	-	46,000	-	46,000	2,829
Fundraising	-	18,132	-	-	18,132	6,893
Citizenship & Immigration	-	-	-	112,498	112,498	100,474
Deferred revenue in	-	-	16,406	-	16,406	-
Deferred revenue out	-	-	(17,753)	-	(17,753)	-
Total Revenues	<u>863,421</u>	<u>36,759</u>	<u>44,653</u>	<u>112,498</u>	<u>1,057,331</u>	<u>905,799</u>
EXPENDITURES - OPERATING:						
Total Operating Expenditures	<u>846,461</u>	<u>13,596</u>	<u>44,653</u>	<u>113,423</u>	<u>1,018,133</u>	<u>883,867</u>
Surplus/(deficit)	<u>16,960</u>	<u>23,163</u>	<u>-</u>	<u>(925)</u>	<u>39,198</u>	<u>21,932</u>

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.
SUPPLEMENTARY STATEMENT OF OPERATIONS CONTINUED
FOR THE YEAR MARCH 31, 2016

OPERATING FUND EXPENDITURE BREAKDOWN

	W.R.H.A. PAGE 15	Donations & Other Programs	R.W.I.P.	Citizenship & Immigration Canada	Total Fund 2016	Total Fund 2015
	\$	\$	\$	\$	\$	\$
EXPENDITURES BREAKDOWN - OPERATING:						
Accreditation fees	103	-	-	-	103	202
Auditing/accounting	12,116	-	-	-	12,116	10,503
Bank charges	436	-	-	-	436	481
Computer software & service	6,547	-	-	-	6,547	2,828
Delivery	121	-	-	-	121	166
Employee benefits	91,280	-	-	14,548	105,828	101,806
Equipment rental & minor purchases	22,086	-	-	-	22,086	12,796
Fundraising	-	-	-	-	-	-
Memberships	500	-	-	-	500	250
Insurance	4,595	-	-	-	4,595	5,306
Legal	145	-	-	-	145	25
License fees	1,187	-	-	-	1,187	461
Meeting Expense	1,587	-	-	-	1,587	1,388
Miscellaneous	2,651	-	1,326	482	4,459	7,703
Newsletter	-	6,803	-	-	6,803	10,040
Office supplies/Printing/ Stationary	7,380	2,291	-	11,171	20,842	10,693
Postage	1,366	-	-	-	1,366	647
Pre-retirement	5,221	-	-	-	5,221	(24,000)
Publications	3,530	-	-	-	3,530	2,617
Public relations	2,263	-	-	-	2,263	2,200
Purchased services	3,853	-	-	18,504	22,357	22,838
Rent	70,509	-	-	-	70,509	70,509
Staff education & recruitment	2,446	3,077	-	359	5,882	450
Staff parking	5,662	-	-	-	5,662	6,905
Staff travel	1,907	1,425	1,752	961	6,045	3,069
Telephone	7,915	-	-	-	7,915	7,472
Workplaces services	1,145	-	-	-	1,145	6,882
Wages & salaries	589,910	-	41,575	67,398	698,883	619,630
Total Operating Expenditures	846,461	13,596	44,653	113,423	1,018,133	883,867

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

WRHA FUNDED OPERATING PROGRAMS

	ACTUAL <u>2016</u> \$	ACTUAL <u>2015</u> \$
REVENUES:		
WRHA: Medical Clinic	863,421	796,618
WRHA: recoveries	-	(13,345)
Total Revenues	<u>863,421</u>	<u>783,273</u>
EXPENDITURES - OPERATING:		
Accreditation Fees	103	202
Amortization of equipment	-	-
Audit & accounting	12,116	10,503
Bank charges & interest	436	481
Computer software & services	6,547	2,828
Delivery	121	166
Employee benefits	91,280	93,192
Equipment rental & minor purchases	22,086	12,796
Memberships	500	250
Insurance	4,595	5,306
Legal	145	25
Licence fees	1,187	461
Meeting expenses	1,587	1,388
Miscellaneous	2,651	6,594
Pre-retirement expenses	5,221	(24,000)
Printing/stationery/office	7,380	4,411
Postage	1,366	647
Public relations	2,263	2,200
Publications	3,530	2,617
Purchased services	3,853	2,470
Rent	70,509	70,509
Staff education & recruitment	2,446	450
Staff parking	5,662	5,705
Staff travel & expenses	1,907	1,555
Telephone	7,915	7,472
Workplace services	1,145	6,882
Wages & salaries	<u>589,910</u>	<u>553,566</u>
Total Operating Expenditures	<u>846,461</u>	<u>768,676</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>16,960</u></u>	<u><u>14,597</u></u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

RESEARCH & WORKPLACE INNOVATION PROGRAM

	<u>Total</u> <u>2016</u> \$	<u>Total</u> <u>2015</u> \$
REVENUES:		
W.C.B.	46,000	19,235
Deferred revenue in	16,406	-
Deferred revenue out	<u>(17,753)</u>	<u>(16,406)</u>
Total Revenues	<u>44,653</u>	<u>2,829</u>
EXPENDITURES:		
Refreshments	1,326	327
Stipends	7,980	-
Travel	1,752	240
Wages & benefits	<u>33,595</u>	<u>2,262</u>
Total Operating Expenditures	<u>44,653</u>	<u>2,829</u>
Excess of Revenue Over Expenditures	<u>-</u>	<u>-</u>

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

CITIZENSHIP & IMMIGRATION CANADA

	Total <u>2016</u> \$	Total <u>2015</u> \$
REVENUES:		
Citizenship & Immigration Canada	<u>112,498</u>	<u>100,474</u>
EXPENDITURES:		
Refreshments	-	-
Employee Benefits	14,548	8,614
Miscellaneous	482	788
Stationary	11,171	5,628
Purchased Services	18,504	20,368
Staff education & recruitment	359	-
Staff Travel	961	1,275
Wages & Salaries	<u>67,398</u>	<u>63,801</u>
Total Operating Expenditures	<u>113,423</u>	<u>100,474</u>
Excess of Revenue Over Expenditures	<u>(925)</u>	<u>-</u>

"See Auditor's Report and Accompanying Notes"

Main Street Project, Inc.
Financial Statements
March 31, 2016



500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
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www.bookeandpartners.ca

Independent Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the accompanying financial statements of Main Street Project, Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report - continued

Basis for Qualified Opinion

Note 2(e) describes the amortization policy for property and equipment and states that the building at 71 Martha Street is being amortized at a rate equal to the reduction of the mortgage principal for the year. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Main Street Project, Inc. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
May 24, 2016

Chartered Professional Accountants

Main Street Project, Inc.
Statement of Operations

Year Ended March 31

				2016	2015
	Operating Fund	Restricted Funds (Note 9)	Capital Fund	Total	Total
Revenues					
Grants	\$4,623,137	\$ 1,008	\$ 26,387	\$4,650,532	\$4,447,769
Per diem payments	1,040,022	9,800	-	1,049,822	1,031,462
Miscellaneous and other	802	-	-	802	9,053
Development - donations	66,158	-	-	66,158	16,999
Loan forgiveness and MHRC subsidy (Note 8)	8,100	-	68,150	76,250	76,250
	<u>5,738,219</u>	<u>10,808</u>	<u>94,537</u>	<u>5,843,564</u>	<u>5,581,533</u>
Expenses					
Crisis and Detoxification Centre (Page 14)	1,586,234	-	30,271	1,616,505	1,625,648
I.P.D.A. (Page 15)	779,497	-	15,007	794,504	738,207
Mainstay - Residential Component (Page 16 and Note 8)	152,939	-	71,326	224,265	227,843
Mainstay - Client Services (Page 17)	646,179	-	14,117	660,296	613,227
Opportunities Ahead (Page 18)	-	-	-	-	87,489
Shelter (Page 19)	460,071	-	9,266	469,337	422,022
Project Break Away (Page 20)	239,085	-	6,643	245,728	265,063
Outreach Mentor (Page 21)	71,160	-	1,843	73,003	115,555
The Bell Hotel (Page 22)	798,087	-	2,909	800,996	848,975
River Point Program (Page 23)	914,015	-	1,318	915,333	654,376
Development	39,644	-	-	39,644	-
	<u>5,686,911</u>	<u>-</u>	<u>152,700</u>	<u>5,839,611</u>	<u>5,598,405</u>
Excess (deficiency) of revenues over expenses before other items	<u>51,308</u>	<u>10,808</u>	<u>(58,163)</u>	<u>3,953</u>	<u>(16,872)</u>
Other items					
Winnipeg Regional Health Authority	54,409	-	-	54,409	-
Interest income	2,378	5,850	-	8,228	9,074
Unrealized (loss) gain on investments	-	(1,410)	-	(1,410)	3,350
Miscellaneous and other (Note 11)	(9,062)	-	-	(9,062)	8,962
Bad debt recovery	-	-	-	-	25,000
	<u>47,725</u>	<u>4,440</u>	<u>-</u>	<u>52,165</u>	<u>46,386</u>
Excess (deficiency) of revenues over expenses	<u>\$ 99,033</u>	<u>\$ 15,248</u>	<u>\$ (58,163)</u>	<u>\$ 56,118</u>	<u>\$ 29,514</u>

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Changes in Fund Balances

Year Ended March 31				2016	2015
	Operating Fund	Restricted Funds (Note 9)	Capital Fund	Total	Total
Fund balances, beginning of year	\$ 194,409	\$ 511,542	\$ (6,363)	\$ 699,588	\$ 670,074
Excess (deficiency) of revenues over expenses	99,033	15,248	(58,163)	56,118	29,514
Property and equipment additions	(60,968)	-	60,968	-	-
Interfund transfers (Note 9)	61,850	(30,677)	(31,173)	-	-
Fund balances, end of year	<u>\$ 294,324</u>	<u>\$ 496,113</u>	<u>\$ (34,731)</u>	<u>\$ 755,706</u>	<u>\$ 699,588</u>

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Financial Position

March 31

2016

2015

Assets

Current

Cash and term deposits	\$ 730,570	\$ 729,896
Receivables, net of allowance (Note 4)	511,374	267,436
Prepays	16,754	22,086
Funds held in trust (Note 3)	<u>8,353</u>	<u>8,072</u>
	1,267,051	1,027,490
Property and equipment (Note 5)	667,832	715,899
Restricted funds (Note 9)	<u>496,113</u>	<u>511,542</u>
	<u>\$ 2,430,996</u>	<u>\$ 2,254,931</u>

Liabilities

Current

Payables and accruals	\$ 954,997	\$ 813,519
Funds held in trust (Note 3)	8,353	8,072
Deferred contributions (Note 7)	9,928	11,490
Current portion of long-term debt (Note 8)	<u>26,298</u>	<u>24,490</u>
	999,576	857,571
Deferred contributions for property and equipment (Note 6)	99,893	95,106
Long-term debt (Note 8)	<u>575,821</u>	<u>602,666</u>
	<u>1,675,290</u>	<u>1,555,343</u>

Fund Balances

Operating	294,324	194,409
Restricted (Note 9)	496,113	511,542
Capital	<u>(34,731)</u>	<u>(6,363)</u>
	<u>755,706</u>	<u>699,588</u>
	<u>\$ 2,430,996</u>	<u>\$ 2,254,931</u>

Commitment (Note 10)

Approved by the Board

Original Document Signed _____ Director

Original Document Signed _____ Director

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Cash Flows

Year Ended March 31

2016

2015

Cash derived from (applied to)

Operating

Excess of revenues over expenses	\$ 56,118	\$ 29,514
Amortization of property and equipment	109,035	103,582
Amortization of deferred contributions for property and equipment	(26,387)	(23,575)
Unrealized loss (gain) on investments	<u>1,410</u>	<u>(3,350)</u>
	140,176	106,171

Change in non-cash operating working capital

Receivables	(243,938)	(14,244)
Prepays	5,332	1,056
Payables and accruals	141,478	301,349
Deferred contributions	<u>(1,562)</u>	<u>(244,808)</u>
	41,486	149,524

Financing

Reduction of long-term debt	<u>(25,037)</u>	<u>(23,473)</u>
-----------------------------	-----------------	-----------------

Investing

Purchase of property and equipment	(60,968)	(82,097)
Decrease in restricted funds	14,019	7,520
Grants received towards purchase of property and equipment	<u>31,174</u>	<u>57,544</u>
	(15,775)	(17,033)

Net increase in cash

674 109,018

Cash

Beginning of year 729,896 620,878

End of year **\$ 730,570** **\$ 729,896**

See accompanying notes to the financial statements.

Main Street Project, Inc.
Notes to the Financial Statements

March 31, 2016

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. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's property and equipment.

b) Revenue recognition

Restricted amounts are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted amounts are recognized as revenue when earned and collection is reasonably assured.

c) Investments

Investments are initially and subsequently measured at fair value. Changes in fair values are recognized in the statement of operations in the period incurred. Transaction costs that are directly attributable to the acquisition of these investments are recognized in net income in the period incurred.

Main Street Project, Inc.
Notes to the Financial Statements
March 31, 2016

2. Significant accounting policies (continued)

d) Contributed goods and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor cost of these contributed goods and services are recognized in these financial statements.

e) Property and equipment

Purchased property and equipment are recorded in the Capital Fund at cost. Contributed property and equipment are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha Street building, as 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.

3. Funds held in trust

In September 2000, the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused. Funds held on behalf of clients as at March 31, 2016 was \$3,818 (2015 - \$3,537).

Funds held in trust of \$4,535 (2015 - \$4,535) relate to the organization's social club.

Main Street Project, Inc.
Notes to the Financial Statements
March 31, 2016

4. Receivables

	<u>2016</u>	<u>2015</u>
Winnipeg Regional Health Authority	\$ 170,034	\$ 5,014
City of Winnipeg Police Services	109,920	58,560
Province of Manitoba	156,940	95,080
Manitoba Housing and Renewal Corporation	30,692	-
Homelessness Partnership Strategy	-	40,651
Funds recoverable	10,000	10,000
City of Winnipeg	24,000	24,000
Goods and Services Tax recoverable	7,951	7,431
Winnipeg Foundation	10,833	21,626
Doorways project	-	8,085
Other	<u>1,004</u>	<u>6,989</u>
	521,374	277,436
Less: allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 511,374</u>	<u>\$ 267,436</u>

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Land	\$ 47,410	\$ -	\$ 47,410	\$ 47,410
Building - 71 Martha Street	554,295	284,315	269,980	294,317
Buildings - 75 and 77 Martha Street	421,563	240,890	180,673	191,212
Furniture and equipment	647,191	488,125	159,066	160,406
Vehicles	<u>60,356</u>	<u>49,653</u>	<u>10,703</u>	<u>22,554</u>
	<u>\$ 1,730,815</u>	<u>\$ 1,062,983</u>	<u>\$ 667,832</u>	<u>\$ 715,899</u>

Amortization expense of \$109,035 (2015 - \$103,582) is included in expenses of the Capital Fund.

6. Deferred contributions for property and equipment

Deferred contributions for the purchase of property and equipment of \$99,893 (2015 - \$95,106) 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 statement of operations of the Capital Fund.

Main Street Project, Inc.
Notes to the Financial Statements
March 31, 2016

7. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	<u>2016</u>	<u>2015</u>
Manitoba Government and General Employees' Union	\$ -	\$ 1,562
Manitoba Liquor & Lotteries	<u>9,928</u>	<u>9,928</u>
	<u>\$ 9,928</u>	<u>\$ 11,490</u>

8. Long-term debt

	<u>2016</u>	<u>2015</u>
MHRC first mortgage, repayable in monthly blended payments of \$5,679, with interest at a rate of 7.25% per annum, due April 1, 2028.	\$ 598,269	\$ 622,606
Manitoba Housing, economic stimulus forgivable loan, maturing November 1, 2021.	<u>3,850</u>	<u>4,550</u>
	<u>602,119</u>	627,156
Less: current portion	<u>(26,298)</u>	<u>(24,490)</u>
	<u>\$ 575,821</u>	<u>\$ 602,666</u>

The mortgage is secured by a general security agreement over the building.

The organization receives an annual subsidy from Manitoba Housing and Renewal Corporation (MHRC) to fund property taxes and mortgage principal and interest payments related to 71 Martha Street. In 2016, a subsidy of \$7,400 (2015 - \$7,400) has been recognized as revenue of the Operating Fund and \$68,150 (2015 - \$68,150) has been recognized as revenue of the Capital Fund.

Mortgage interest of \$43,665 (2015 - \$45,238) is included in expenses of the Capital Fund for Mainstay - Residential Component.

In a prior year, under the terms of the Financial Assistance Agreement, MHRC provided economic stimulus funding to Main Street Project, Inc. in the amount of \$7,000 as a forgivable loan. The loan is to be amortized over 10 years from the date of the final advance. In the event the organization discontinues providing affordable housing prior to the maturity date, the unearned portion of the loan will become immediately due and payable.

Main Street Project, Inc.
Notes to the Financial Statements

March 31, 2016

8. Long-term debt (continued)

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2017	\$ 26,298
2018	28,239
2019	30,324
2020	32,562
2021	34,966

9. Restricted funds

Externally Restricted Funds

	<u>Insurance Reserve</u>	<u>Replacement Reserve</u>	<u>2016 Total</u>	<u>2015 Total</u>
Balance, beginning of year	\$ 14,129	\$ 102,889	\$ 117,018	\$ 105,181
Excess of revenues over expenses	<u>1,009</u>	<u>10,552</u>	<u>11,561</u>	<u>11,837</u>
Balance, end of year	<u>\$ 15,138</u>	<u>\$ 113,441</u>	<u>\$ 128,579</u>	<u>\$ 117,018</u>

Internally Restricted Funds

	<u>Staff Development Fund</u>	<u>Donations Reserve</u>	<u>Legal Reserve</u>	<u>Capital Asset Reserve</u>	<u>2016 Total</u>	<u>2015 Total</u>
Balance, beginning of year	\$ 20,895	\$ 245,629	\$ 50,000	\$ 78,000	\$ 394,524	\$ 410,531
Excess of revenues over expenses	289	3,398	-	-	3,687	8,114
Transfer to Operating Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,677)</u>	<u>(30,677)</u>	<u>(24,121)</u>
Balance, end of year	<u>\$ 21,184</u>	<u>\$ 249,027</u>	<u>\$ 50,000</u>	<u>\$ 47,323</u>	<u>\$ 367,534</u>	<u>\$ 394,524</u>

Externally and internally restricted funds balance, end of year \$ 496,113 \$ 511,542

During the year, the board approved a transfer from the Operating Fund to the Capital Fund to fund the purchases of capital assets net of grants received of \$31,173.

Main Street Project, Inc.
Notes to the Financial Statements

March 31, 2016

9. Restricted funds (continued)

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purpose of funding future major repairs to the building.

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.

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. Commitment

The lease for office space at 611 Main Street expired during the year. Monthly lease payments of \$1,633 have been agreed to as a new lease continues to be negotiated.

Main Street Project, Inc.
Notes to the Financial Statements

March 31, 2016

11. Miscellaneous and other

	<u>2016</u>	<u>2015</u>
Engineering assessment fees	\$ (8,699)	\$ -
Gain on disposal of asset	185	-
Doorways project	-	11,140
Fundraising income	-	8,344
Miscellaneous	1,610	1,599
Branding expense	<u>(2,158)</u>	<u>(12,121)</u>
	<u>\$ (9,062)</u>	<u>\$ 8,962</u>

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, \$209,267 (2015 - \$163,330) 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.

Main Street Project, Inc.**Schedule of Crisis and Detoxification Centre Program**

Year Ended March 31

2016**2015**

Revenues

Grant

Winnipeg Regional Health Authority

\$ 1,659,547 \$ 1,648,299

Donations

- 1,017

Miscellaneous

- 604**1,659,547** 1,649,920

Expenses

Advertising

2,405 1,322

Board

967 1,066

Cleaning and staff supplies

34,382 31,329

Client and medical supplies

8,987 8,713

Food

132,357 123,823

Insurance

3,604 4,102

Office

11,763 15,395

Professional fees

25,835 32,438

Program

271 1,703

Property taxes

3,303 3,254

Rent

5,619 5,271

Repairs, maintenance and replacements

32,317 39,681

Staff training

2,074 2,343

Telephone and internet

10,631 10,500

Travel

1,505 1,154

Utilities

18,857 18,856

Wages and benefits

1,291,357 1,298,274**1,586,234** 1,599,224

Excess of revenues over expenses

\$ 73,313 \$ 50,696

See accompanying notes to the financial statements.

Main Street Project, Inc.**Schedule of Intoxicated Persons Detention Area (I.P.D.A.) Program**

Year Ended March 31

2016**2015**

Revenues

Per diems

City of Winnipeg Police Services

\$ 680,700 \$ 676,622

Donations

- 4,685680,700 681,307

Expenses

Bad debt

130 -

Board

488 371

Cleaning and staff supplies

15,302 13,931

Client and medical supplies

4,398 889

Food

9,301 10,772

Insurance

950 1,697

Office

7,475 10,699

Professional fees

10,642 7,412

Programs

3,102 112

Property taxes

3,303 3,254

Rent

5,934 2,889

Repairs, maintenance and replacements

14,248 19,313

Staff training

1,248 6,119

Telephone and internet

4,645 6,084

Travel

4,698 4,383

Utilities

18,787 18,720

Wages and benefits

674,846 618,732779,497 725,377

Deficiency of revenues over expenses

\$ (98,797) \$ (44,070)

See accompanying notes to the financial statements.

Main Street Project, Inc.**Schedule of Mainstay (Residential Component) Program**

Year Ended March 31

2016**2015**

Revenues

Grants

Winnipeg Regional Health Authority

\$ 25,665 \$ 19,500

Manitoba Housing and Renewal Corporation

30,692 -

Per diems

Province of Manitoba

94,801 87,476

Other

10,175 16,559

Manitoba Housing and Renewal Corporation

Property taxes subsidy

7,400 7,400

Miscellaneous

65 1,056168,798 131,991

Expenses

Board

80 -

Cleaning and staff supplies

9,697 11,369

Insurance

1,137 1,023

Office

4,990 553

Professional fees

2,500 4,952

Property taxes

7,400 7,400

Repairs, maintenance and replacements

17,660 17,369

Telephone and internet

666 650

Utilities

45,927 49,586

Wages and benefits

60,613 61,701

Waste removal

2,269 1,462152,939 156,065

Excess (deficiency) of revenues over expenses

\$ 15,859 \$ (24,074)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Mainstay (Client Services) Program

Year Ended March 31	2016	2015
Revenues		
Grants		
City of Winnipeg	\$ 96,000	\$ 96,000
Winnipeg Regional Health Authority	282,032	268,814
Per diems		
Province of Manitoba	254,465	234,804
Other	9,681	16,123
Manitoba Housing and Renewal Corporation		
loan forgiveness (Note 8)	700	700
Miscellaneous	127	-
	<u>643,005</u>	<u>616,441</u>
Expenses		
Advertising	779	557
Board	389	318
Cleaning and staff supplies	1,615	7,296
Client and medical supplies	4,422	3,743
Food	79,535	74,425
Insurance	819	1,794
Office	4,847	4,619
Professional fees	7,016	12,820
Program	72	115
Rent	5,086	4,708
Repairs, maintenance and replacements	5,054	11,730
Staff training	37	83
Telephone and internet	6,138	5,070
Travel	1,407	992
Utilities	565	2,004
Wages and benefits	528,398	472,501
	<u>646,179</u>	<u>602,775</u>
(Deficiency) excess of revenues over expenses	<u>\$ (3,174)</u>	<u>\$ 13,666</u>

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Opportunities Ahead Program

Year Ended March 31

2016

2015

Revenues

Grant

Human Resources Development Canada

\$ - \$ 79,619

Expenses

Board

- 47

Insurance

- 370

Office

- 740

Professional fees

- 3,682

Program

- 2,548

Rent

- 76

Repairs, maintenance and replacements

- 203

Staff training

- 5

Telephone and internet

- 1,612

Travel

- 275

Utilities

- 1,493

Wages and benefits

- 74,046

- 85,097

Deficiency of revenues over expenses

\$ - \$ (5,478)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Shelter Program

Year Ended March 31

2016

2015

Revenues

Grants

Manitoba Housing and Renewal Corporation

\$ 356,800 \$ 356,800

Winnipeg Foundation

28,374 21,626

Miscellaneous

610 3,875

385,784 382,301

Expenses

Advertising

742 617

Board

206 161

Cleaning and staff supplies

9,181 7,273

Client and medical supplies

2,988 5,342

Food

- 1,926

Insurance

474 937

Office

7,708 4,285

Professional fees

9,888 9,766

Program

189 460

Property tax

3,303 3,254

Rent

5,585 2,337

Repairs, maintenance and replacements

21,090 22,492

Staff training

376 262

Telephone and internet

5,022 4,922

Travel

507 466

Utilities

18,787 18,677

Wages and benefits

374,025 330,223

460,071 413,400

Deficiency of revenues over expenses

\$ (74,287) \$ (31,099)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Project Break Away Program

Year Ended March 31

2016

2015

Revenues		
Grants		
United Way	\$ 148,940	\$ 162,445
Manitoba Housing and Renewal Corporation	176,000	176,000
Miscellaneous	-	384
	<u>324,940</u>	<u>338,829</u>
Expenses		
Advertising	252	-
Board	210	204
Insurance	3,914	2,428
Office	2,395	6,718
Professional fees	3,573	5,327
Program	5	100
Property tax	771	-
Rent	11,808	20,858
Repairs, maintenance and replacements	2,182	4,657
Staff training	581	389
Telephone and internet	4,264	3,726
Travel	1,668	3,611
Utilities	3,546	2,692
Wages and benefits	203,916	206,758
	<u>239,085</u>	<u>257,468</u>
Excess of revenues over expenses	<u>\$ 85,855</u>	<u>\$ 81,361</u>

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Outreach Mentor Program

Year Ended March 31

2016

2015

Revenues

Grants

Manitoba Housing and Renewal Corporation

\$ 102,000 **\$ 102,000**

Miscellaneous

- 384

102,000 **102,384**

Expenses

Board

54 78

Cleaning and staff supplies

- 34

Insurance

825 163

Office

924 594

Programs

2 5

Professional fees

1,637 1,855

Property tax

330 -

Rent

5,201 8,403

Repairs, maintenance and replacements

443 450

Staff training

236 473

Telephone and internet

2,036 2,021

Travel

458 539

Utilities

1,843 1,371

Wages and benefits

57,171 96,100

71,160 112,086

Excess (deficiency) of revenues over expenses

\$ 30,840 **\$ (9,702)**

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of The Bell Hotel

Year Ended March 31

2016

2015

Revenues

Grants

Winnipeg Regional Health Authority

\$ 798,087 **\$ 834,259**

Miscellaneous

- 1,201

798,087 **835,460**

Expenses

Advertising

394 919

Board

492 368

Cleaning and staff supplies

3,413 4,052

Client and medical supplies

71 520

Food

5,537 6,835

Insurance

1,546 2,010

Office

6,089 6,968

Professional fees

13,152 15,665

Program

31 127

Rent

5,059 2,207

Repairs, maintenance and replacements

3,472 5,165

Staff training

973 2,327

Telephone and internet

9,877 9,950

Travel

1,269 1,029

Utilities

565 380

Wages and benefits

746,147 **786,022**

798,087 **844,544**

Excess (deficiency) of revenues over expenses

\$ - **\$ (9,084)**

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of River Point Program

Year Ended March 31	2016	2015
Revenues		
Grants		
Province of Manitoba	\$ 919,000	\$ 653,138
Miscellaneous	-	411
	<u>919,000</u>	<u>653,549</u>
Expenses		
Advertising	1,149	586
Board	566	137
Cleaning and staff supplies	7,594	6,200
Client and medical supplies	4,125	11,990
Food	96,548	43,963
Insurance	1,857	2,503
Office	8,792	11,875
Professional fees	15,936	16,651
Programs	1,048	3,701
Rent	5,539	3,669
Repairs, maintenance and replacements	2,655	6,718
Staff training	1,399	895
Telephone and internet	10,082	6,851
Travel	699	495
Utilities	565	415
Wages and benefits	755,461	536,900
	<u>914,015</u>	<u>653,549</u>
Excess of revenues over expenses	<u>\$ 4,985</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**MEADOWOOD MANOR AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE
OF MANITOBA PUBLIC ACCOUNTS VOLUME IV**

Financial Statements of

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)**

March 31, 2016

Independent Auditor's Report

To the Board Members of
Menno Home for the Aged Inc. (Personal Care Home Division)

We have audited the accompanying financial statements of Menno Home for the Aged Inc. (Personal Care Home Division), which comprise the statement of financial position as at March 31, 2016 and the statements of changes in net assets, operations and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Menno Home For the Aged Inc. (Personal Care Home Division) as at March 31, 2016 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.



Chartered Accountants

June 7, 2016
Winnipeg, Manitoba

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Financial Position
March 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash	\$ 162,118	\$ 137,295
Accounts receivable (Note 4)	10,259	16,172
Prepaid expenses	3,871	2,927
Inventories	25,122	22,550
Due from Southern Health - Santé Sud (Note 5)	133,546	72,342
Vacation entitlements receivable (Note 6)	108,516	108,516
	<u>443,432</u>	<u>359,802</u>
PRE-RETIREMENT OBLIGATION ASSETS (Note 13)	221,000	221,000
CAPITAL ASSETS (Note 7)	2,000,391	1,365,840
	<u>\$ 2,664,823</u>	<u>\$ 1,946,642</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 221,401	\$ 188,915
Accrued vacation entitlements (Note 6)	199,471	186,771
	<u>420,872</u>	<u>375,686</u>
PRE-RETIREMENT OBLIGATIONS (Note 13)	221,000	221,000
DEFERRED CONTRIBUTIONS (Note 9)		
Expenses of future periods	30,328	17,291
Capital assets	1,834,951	1,196,147
	<u>2,507,151</u>	<u>1,810,124</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Unrestricted net assets	(7,767)	(33,175)
Invested in capital assets (Note 10)	165,439	169,693
	<u>157,672</u>	<u>136,518</u>
	<u>\$ 2,664,823</u>	<u>\$ 1,946,642</u>

APPROVED BY THE BOARD

..... Original Document Signed Director
..... Original Document Signed Director

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Changes in Net Assets
For the Year Ended March 31, 2016**

	2016		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 169,693	\$ (33,175)	\$ 136,518
Excess of (expenses over revenues) revenue over expenses for year	(4,254)	25,408	21,154
Balance, end of year	\$ 165,439	\$ (7,767)	\$ 157,672

	2015		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 173,968	\$ (47,144)	\$ 126,824
Excess of (expenses over revenues) revenue over expenses for year	(4,255)	13,949	9,694
Net changes in invested in capital assets	(20)	20	-
Balance, end of year	\$ 169,693	\$ (33,175)	\$ 136,518

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)**

Statement of Operations

For the Year Ended March 31, 2016

	2016	2015
REVENUE		
Southern Health - Santé Sud (Note 12)	\$ 2,685,738	\$ 2,619,957
Residential charges	587,966	565,369
CMHC capital funding	-	6,021
Amortization of deferrred contributions related to capital assets	117,234	95,135
Meal recoveries	6,137	7,906
Other recoveries	206,527	139,883
Donation revenue	500,000	-
Interest income	409	472
	4,104,011	3,434,743
EXPENSE		
Administration	408,819	400,790
Amortization of capital assets	121,488	99,390
Dietary	502,067	435,340
Drugs	89,444	76,780
Housekeeping	98,574	98,321
Laundry and linens	104,859	104,160
Nursing	1,961,741	1,913,043
Patient support services	65,413	70,321
Physical plant	102,429	105,670
Pre-retirement obligations	26,329	21,260
Utilities, taxes and insurance	101,694	99,974
	3,582,857	3,425,049
DONATION TO THE MENNO HOMES FOUNDATION	500,000	-
EXCESS OF REVENUE OVER EXPENDITURES	\$ 21,154	\$ 9,694

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)

Statement of Cash Flows

For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expense	\$ 21,154	\$ 9,694
Items not affecting cash:		
Amortization of capital assets	121,488	99,390
Amortization of deferred contributions - expenses of future periods	(1,641)	-
Amortization of deferred contributions - capital assets	(117,234)	(95,135)
	<u>23,767</u>	<u>13,949</u>
Changes in non-cash operating working capital items:		
Accounts receivable	5,913	(1,810)
Due from SH - SS	(61,204)	(56,430)
Prepaid expenses	(944)	917
Inventories	(2,573)	2,627
Accounts payable and accrued liabilities	32,486	22,739
Vacation entitlements accrued	12,700	2,896
	<u>10,145</u>	<u>(15,112)</u>
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	756,038	341,902
Repayment of long term debt	-	(349,951)
Deferred contributions received - expenses of future periods	14,679	49,103
	<u>770,717</u>	<u>41,054</u>
INVESTING ACTIVITY		
Acquisition of capital assets	(756,039)	(29,315)
NET INCREASE (DECREASE) IN CASH	24,823	(3,373)
CASH, BEGINNING OF YEAR	137,295	140,668
CASH, END OF YEAR	\$ 162,118	\$ 137,295

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

1. NATURE OF BUSINESS

Menno Home for the Aged - Personal Care Home Division (the "Home") is a division of Menno Home for the Aged Inc.

Menno Home for the Aged was incorporated by Letters of Patent under the Corporations Act of the Province of Manitoba on January 25, 1960 and Articles of Amendment certified on November 17, 1982 and operates in Grunthal, Manitoba under the name Menno Home for the Aged. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The objective of the Home is to operate as a personal care home for the elderly and infirm in the Grunthal, Manitoba area.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operation of the personal care home division of Menno Home for the Aged Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Greendale Estates Division).

Consolidated financial statements for the corporation have not been prepared. Separate financial statements are presented for each division to facilitate reporting to the funders and other users of each division.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Capital assets

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

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

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Furniture and equipment	5 to 10 years

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition

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

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Southern Health - Santé Sud ("SH-SS") by the Province of Manitoba in accordance with budget arrangements established by SH-SS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with SH-SS with respect to the year ended March 31, 2016.

With respect to actual operating results, certain adjustments to funding will be made by SH-SS after completion of their review of the Home's accounts. Any adjustments will be reflected in operations in the year the final statement of recommended costs is received from SH-SS.

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

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

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Home subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

d) Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Contributed services

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

f) Employee future benefits

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

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation entitlements and accrued retirement obligations. Actual results could differ from these estimates.

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Receivable from residents	\$ 1,850	\$ 3,231
Goods and Services Tax	4,574	6,484
Other receivable	3,835	6,457
	<u>\$ 10,259</u>	<u>\$ 16,172</u>

5. DUE FROM SOUTHERN HEALTH – SANTÉ SUD

	<u>2016</u>	<u>2015</u>
2015/16 funding adjustments	\$ 133,546	\$ 72,342
	<u>\$ 133,546</u>	<u>\$ 72,342</u>

6. ACCRUED VACATION ENTITLEMENTS

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

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

7. CAPITAL ASSETS

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 97,366	\$ -	\$ 97,366	\$ 97,366
Land improvements	14,043	2,457	11,586	12,288
Buildings	1,249,814	930,423	319,391	350,635
Building improvements	1,766,803	273,845	1,492,958	817,746
Furniture and equipment	260,726	181,636	79,090	87,805
Construction in progress	-	-	-	-
	\$ 3,388,752	\$ 1,388,361	\$ 2,000,391	\$ 1,365,840

8. CREDIT FACILITY

The Home has a line of credit with Community Credit Union to a maximum of \$95,000 bearing interest at the Credit Union prime rate and is secured by a general security agreement on the Home's accounts receivable. As at year end the Home had not utilized any portion of the line of credit.

9. DEFERRED CONTRIBUTIONS

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs, equipment replacement and insurance deductibles.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 17,291	\$ 5,572
Add: amount received during the year	14,679	49,103
Less: transfer to deferred contributions – capital assets	-	(37,384)
Less: expenditures for the year	(1,642)	-
	\$ 30,328	\$ 17,291

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

9. DEFERRED CONTRIBUTIONS (continued)

Capital assets

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,196,147	\$ 911,996
Add: SH-SS contributions	756,038	326,181
Add: transferred from deferred contributions – expenses of future periods	-	37,384
Add: donations	-	15,721
Less: amounts amortized to revenue	(117,234)	(95,135)
	<u>\$ 1,834,951</u>	<u>\$ 1,196,147</u>

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 97,366	\$ 97,366
Other capital assets	1,903,024	1,268,474
Amounts financed by deferred contributions	(1,834,951)	(1,196,147)
	<u>\$ 165,439</u>	<u>\$ 169,693</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions	\$ 117,234	\$ 95,135
Amortization of capital assets	(121,488)	(99,390)
Purchase of capital assets	756,038	29,315
Amounts funded by SH-SH	(756,038)	(29,315)
Transfer from donations	-	(20)
	<u>\$ (4,254)</u>	<u>\$ (4,275)</u>

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

11. COMMITMENTS AND CONTINGENCIES

- a) The Nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2016 management believes the Home has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.
- b) On July 1, 1987, a group of health care organizations (subscribers), formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2016.

The Home is a named insured under the SH-SS policy with HIROC.

12. REVENUE FROM SOUTHERN HEALTH – SANTÉ SUD

	<u>2016</u>	<u>2015</u>
Revenue per final funding report	\$ 2,563,200	\$ 2,492,600
Add:		
Capitation fees	18,336	18,336
Pre-retirement leave	26,329	21,260
Health spending account funding variance	-	1,507
HEB employer 0.8% funding	-	14,793
15/16 HEB COLA funding	20,222	-
15/16 Leap Year funding	7,720	-
Out of globe adjustment - other	49,931	30,632
CUPE 2.5% increase funding	-	40,842
	122,538	127,370
Less: Mortgage interest	-	(13)
Revenue for the year	\$ 2,685,738	\$ 2,619,957

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

13. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

- i. has 10 years of service and has reached the age 55
- ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii. retires at or after age 65
- iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2016. The significant actuarial assumptions adopted in measuring the Nursing Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2015 – 2.55%) and a rate of salary increase of 3.50% (2015 - 3.5%) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2004 / 2005, the SH-SS assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the SH-SS hold funding to meet this obligation.

	<u>2016</u>	<u>2015</u>
Employee future benefits recovered from		
Manitoba Health	\$ 63,303	\$ 63,303
SH-SS	157,697	157,697
	<u>\$ 221,000</u>	<u>\$ 221,000</u>

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

13. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan

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

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

Pension expense is based on Plan management's best estimates consultation with its actuaries, of the amount, together with the 8.9% of salary, 10.5% of salaries greater than \$54,900, contributed by the employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The employer contributions to the Plan are 8.9% of salary, 10.5% of salaries greater than \$54,900.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2015 - \$203,558,000 as well as a solvency deficiency of \$1,955,292,000 (2015 - \$1,097,114,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$180,563 (2015 - \$161,118) and are included in the statement of operations.

14. CAPITAL MANAGEMENT

The Home considers its capital to comprise its unrestricted net assets and net invested in capital assets balances.

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

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

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

15. FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Home to credit risk consist primarily of accounts receivable. The Home's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2016	2015
Accounts receivable	\$ 10,259	\$ 16,172
Vacation entitlements receivable	108,516	108,516
Due from SH-SS	133,546	72,342
Retirement obligations receivable	221,000	221,000
	\$ 473,321	\$ 418,030

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 SH-SS, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest. The Home is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2016

16. FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

MOUNT CARMEL CLINIC

Financial Statements
For the year ended March 31, 2016



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BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of MOUNT CARMEL CLINIC

We have audited the accompanying financial statements of **MOUNT CARMEL CLINIC**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2016 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 26, 2016

MOUNT CARMEL CLINIC

Statement of Financial Position

As at March 31

2016

2015

Assets

Current Assets

Cash and bank	\$ 1,724,646	\$ 2,098,011
Accounts receivable (Note 2)	451,806	196,210
Due from WRHA (Note 3)	249,900	460,200
Inventories	75,392	73,383
Prepaid expenses	13,081	12,932
Vacation entitlements receivable	381,653	381,653
	<u>2,896,478</u>	<u>3,222,389</u>

Due from Mount Carmel Clinic Foundation 108,607 20,955

Retirement obligation receivable (Note 14) 493,372 517,257

Capital assets (Note 5) 5,521,995 3,848,273

Total assets \$ 9,020,452 \$ 7,608,874

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities (Note 6)	\$ 587,079	\$ 736,631
Due to WRHA (Note 7)	72,686	146,304
Accrued vacation entitlements (Note 4)	439,036	480,845
Deferred revenue (Note 8)	507,117	355,066
	<u>1,605,918</u>	<u>1,718,846</u>

Accrued retirement obligations (Note 14) 789,000 717,000

Deferred Contributions (Note 9)

Expenses of future periods	178,690	223,046
Capital assets	4,087,613	2,656,305
	<u>4,266,303</u>	<u>2,879,351</u>

Total liabilities 6,661,221 5,315,197

Commitments and contingencies (Note 13)

Total net assets (page 5) 2,359,231 2,293,677

\$ 9,020,452 **\$ 7,608,874**

Approved on behalf of the Board of Directors:

Original Document Signed

Director

Original Document Signed

Director

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

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

MOUNT CARMEL CLINIC

Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Amortization of deferred contributions	\$ 132,485	\$ 128,772
Dental fees	69,494	65,102
Donations	13,826	14,397
Investment income	28,990	33,652
Medical program	34,706	77,994
Other	879,139	655,579
Parent fees	44,685	44,413
Pharmacy sales	1,120,311	1,065,240
Province of Manitoba	655,774	606,044
United Way of Winnipeg	169,269	155,074
Winnipeg Regional Health Authority (Note 12)	8,350,037	8,343,996
	11,498,716	11,190,263
Expenses		
Amortization of capital assets	244,630	221,722
Bank charges and interest	18,455	15,220
Charitable drug program	24,465	23,247
Drugs	571,969	563,408
Maintenance and repairs	104,000	101,354
Office supplies and expenses	171,804	124,256
Other occupancy costs	81,234	79,194
Program supplies and other expenses	795,315	727,505
Salaries and benefits	9,090,137	8,772,936
Travel, meetings and conferences	88,786	84,618
Utilities	170,367	164,487
	11,361,162	10,877,947
Excess of revenue over expenses for the year before other item	137,554	312,316
Other Item		
Change in accrued retirement obligations		
Increase in liability	(72,000)	(90,884)
Excess of revenue over expenses for the year	\$ 65,554	\$ 221,432

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, 2016

	Unrestricted		Externally Restricted	Internally Restricted			
	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Invested In Capital Assets (Note 11)	2016 Total	2015 Total
Net assets, beginning of year	\$ 576,693	\$ (61,453)	\$ 149,328	\$ 437,141	\$ 1,191,968	\$ 2,293,677	\$ 2,072,245
Excess of revenue over expenses for the year	223,445	(61,510)	15,504	260	(112,145)	65,554	221,432
Interfund Transfers							
Acquisition of capital assets	-	-	-	(354,559)	354,559	-	-
Other	10,982	-	(10,982)	-	-	-	-
Net assets, end of year	\$ 811,120	\$ (122,963)	\$ 153,850	\$ 82,842	\$ 1,434,382	\$ 2,359,231	\$ 2,293,677

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

MOUNT CARMEL CLINIC

Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 65,554	\$ 221,432
Items not affecting cash		
Amortization of capital assets	244,630	221,722
Amortization of deferred contributions related to capital assets	(132,485)	(128,772)
	<u>177,699</u>	<u>314,382</u>
Changes in non-cash working capital		
Accounts receivable	(255,596)	(34,004)
Due from WRHA	210,300	(164,005)
Inventories	(2,009)	(8,916)
Prepaid expenses	(149)	3,724
Retirement obligation receivable	23,885	(90,885)
Accounts payable and accrued liabilities	(149,552)	(157,904)
Due to WRHA	(73,618)	48,496
Accrued vacation entitlements	(41,809)	49,309
Deferred revenue	152,051	(164,749)
Accrued retirement obligations	72,000	102,000
Deferred contributions related to expenses of future periods	(44,356)	(128,235)
	<u>(108,853)</u>	<u>(545,169)</u>
	<u>68,846</u>	<u>(230,787)</u>
Cash Flows from Financing Activities		
Contributions related to capital asset acquisitions	15,468	171,223
Cash Flows from Investing Activities		
Acquisition of capital assets	(370,027)	(505,336)
Net (increase) decrease in amount due from Mount Carmel Clinic Foundation	(87,652)	99,712
	<u>(457,679)</u>	<u>(405,624)</u>
Net decrease in cash and bank for the year	(373,365)	(465,188)
Cash and bank, beginning of year	2,098,011	2,563,199
Cash and bank, end of year	\$ 1,724,646	\$ 2,098,011

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

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies

a) Nature of the Organization

Mount Carmel Clinic ("Clinic") is an inter-disciplinary community health centre committed to providing comprehensive health care to the community. The Clinic is incorporated under The Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

b) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

c) Fund Accounting

The Operating Fund records the day-to-day operations of the Clinic.

The Day Care Fund records the day-to-day operations of the Anne Ross Day Nursery ("Day Care").

The Donation Fund records donor receipts and interest on investments and disburses the funds based on specific instructions or Board of Directors' approval.

The 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.

The Invested in Capital Assets Fund represents the Clinic's internally restricted net assets that are not available for other purposes because they have been invested in capital assets (Note 11).

d) Revenue Recognition

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

The majority of the Clinic's funding is provided by the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements agreed to by the WRHA and the Clinic. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2016.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

d) Revenue Recognition (continued)

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

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

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

e) Inventories

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

f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments traded in an active market are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

g) Employee Future Benefits

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

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

h) Capital Assets

Capital assets with cost exceeding \$2,000 are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful life of the assets as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years

i) Contributed Services

Volunteers contributed a significant number of hours to assist the Clinic in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

j) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Receivable for Clinic services	\$ 301,186	\$ 167,031
Day care deficit funding	61,453	-
Other receivables	89,167	29,179
	<u>\$ 451,806</u>	<u>\$ 196,210</u>

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

3. Due from WRHA

	2016	2015
2013/2014 funding adjustment	\$ -	\$ 263,583
2014/2015 funding adjustment	3,056	196,617
2015/2016 funding adjustment	246,844	-
	\$ 249,900	\$ 460,200

4. Accrued Vacation Entitlements

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

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

	2016	2015
Balance, beginning of year	\$ 480,845	\$ 431,536
Net (decrease) increase in accrued vacation entitlements	(41,809)	49,309
Balance, end of year	\$ 439,036	\$ 480,845

5. Capital Assets

	2016			2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	
Landscaping	\$ 222,702	\$ -	\$ 222,702	\$ -	
Buildings	6,445,882	3,179,681	6,246,356	3,018,533	
Furniture, fixtures and equipment	748,191	473,225	667,765	419,919	
Computer equipment	209,716	160,431	179,284	130,255	
Construction-in-progress	1,708,841	-	100,873	-	
	\$ 9,335,332	\$ 3,813,337	\$ 7,416,980	\$ 3,568,707	
Net book value		\$ 5,521,995		\$ 3,848,273	

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2016

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include \$18,824 (\$47,789 in 2015) in government remittances payable.

7. Due to WRHA

Amounts due to WRHA are for medical remuneration.

8. Deferred Revenue

	2016	2015
Operating Fund		
Day Care grant	\$ 4,276	\$ 4,392
Day Care subsidy advance	14,985	15,510
FACT Coalition	38,761	35,117
Other	93,107	129,057
Parenting Student Program	63,341	26,973
Primary Health	28,594	27,454
Sage House	75,298	14,827
	<u>318,362</u>	<u>253,330</u>
Donation Fund		
Child Day Care Centre	10,575	9,112
Mount Carmel Clinic Foundation	103,884	15,106
Other	28,817	26,301
Sage House	45,479	51,217
	<u>188,755</u>	<u>101,736</u>
	<u>\$ 507,117</u>	<u>\$ 355,066</u>

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

9. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 223,046	\$ 351,281
Add amounts received during year	51,025	9,000
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year	(100,181)	(142,035)
Transfer from Day Care	4,800	4,800
Balance, end of year	<u>\$ 178,690</u>	<u>\$ 223,046</u>

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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,656,305	\$ 2,613,854
Add amounts received during year	1,563,793	171,223
Less amounts recognized as revenue during the year	(132,485)	(128,772)
Balance, end of year	<u>\$ 4,087,613</u>	<u>\$ 2,656,305</u>

10. Operating Line of Credit

The Clinic has an operating line of credit for \$275,000 which bears interest at the bank's prime rate of 2.70% at March 31, 2016. The balance in the line of credit at year end was \$NIL (\$NIL in 2015). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2016

11. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets, net book value	\$ 5,521,995	\$ 3,848,273
Less amounts financed by deferred contributions	4,087,613	2,656,305
	<u>\$ 1,434,382</u>	<u>\$ 1,191,968</u>

The deficiency of revenue over expenses for the year for the Invested in Capital Assets Fund is calculated as follows:

	<u>2016</u>	<u>2015</u>
Revenue		
Amortization of deferred contributions related to capital assets	\$ 132,485	\$ 128,772
Expenses		
Amortization of capital assets	244,630	221,722
Deficiency of revenue over expenses for the year	<u>\$ (112,145)</u>	<u>\$ (92,950)</u>

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

12. Revenue from the WRHA

	2016	2015
Revenue as per WRHA final funding document (March 31, 2016 EFT)	\$ 8,262,387	\$ 8,034,941
Add (Deduct)		
Group health	34,831	43,043
Mothering Project	(5,000)	18,256
Other	(40,000)	4,190
Pre-retirement leave	2,655	90,885
Staffing positions	276,124	161,640
ACT funding	(25,875)	59,834
	242,735	377,848
Deduct		
Deferred funds		
Strategic planning	(3,855)	(3,855)
Strengthening Families	(138,703)	(37,825)
Medical remuneration	(4,519)	(19,105)
	(147,077)	(60,785)
Total funding approved by WRHA	8,358,045	8,352,004
Deduct		
Reserve for major repairs	(7,000)	(7,000)
Deferred funds - Insurance deductible	(1,008)	(1,008)
	(8,008)	(8,008)
Revenue from WRHA	\$ 8,350,037	\$ 8,343,996

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2016

13. Commitments and 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, 2016. 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 December 2019. Payments required are as follows for years ending March 31:

2017	\$	45,200
2018		7,500
2019		7,000
2020		5,300

14. 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

MOUNT CARMEL CLINIC Notes to Financial Statements

For the year ended March 31, 2016

14. 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, 2016. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.6% (3.6% in 2015) and a rate of salary increase of 3.0% (3.0% in 2015) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year for employees engaged in WRHA funded programs. This amount will also be paid when required and the WRHA holds funding to meet this obligation. The retirement obligation is receivable from Manitoba Health.

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 717,000	\$ 615,000
Net increase in pre-retirement entitlements	<u>72,000</u>	<u>102,000</u>
Balance, end of year	<u>\$ 789,000</u>	<u>\$ 717,000</u>

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.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

14. Employee Future Benefits (continued)

Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under \$52,500 and 9.50% for salaries greater than \$52,500, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014 indicated that the Plan is in deficit. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2013, both employer and employee contribution rates increased to 7.90% of pensionable earnings up to YMPE and 9.50% on earnings in excess of the YMPE. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to \$524,008 (\$483,939 in 2015) and are included in the statement of operations.

15. Economic Dependence

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

16. 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.

MOUNT CARMEL CLINIC

Notes to Financial Statements

For the year ended March 31, 2016

16. Financial Risk Management (continued)

Credit Risk (continued)

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

	2016	2015
Accounts receivable	\$ 451,806	\$ 196,210
Due from WRHA	249,900	460,200
Vacation entitlements receivable	381,653	381,653
Retirement obligations receivable	493,372	517,257
	<u>\$ 1,576,731</u>	<u>\$ 1,555,320</u>

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, and has access to an operating line of credit.

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 Clinic is not exposed to significant interest rate risk since its cash is held in short-term or variable rate products, and the operating line of credit is not utilized at year end.

Nine Circles Community Health Centre Inc.
Financial Statements
March 31, 2016



500 - Five Donald Street
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Independent Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the accompanying financial statements of Nine Circles Community Health Centre Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of financial activities, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nine Circles Community Health Centre Inc. as at March 31, 2016, 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.

A handwritten signature in blue ink that reads "Booke & Partners".

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31

2016

2015

	Operating Fund	Capital Fund	Ed Mousseau Fund	Total	Total
Revenues					
Winnipeg Regional Health Authority	\$3,931,885	\$ -	\$ -	\$3,931,885	\$3,642,653
AIDS Community Action Program	210,113	-	-	210,113	236,608
Grants	37,522	-	-	37,522	57,342
Interest income	22,873	-	1,246	24,119	25,785
Donations	20,508	-	-	20,508	19,673
Amortization of deferred contributions	-	14,771	-	14,771	17,814
	<u>4,222,901</u>	<u>14,771</u>	<u>1,246</u>	<u>4,238,918</u>	<u>3,999,875</u>
Expenses					
Operating Fund (Page 12)	4,120,226	-	-	4,120,226	3,862,192
Amortization	-	51,895	-	51,895	48,265
Interest on capital lease	-	-	-	-	52
	<u>4,120,226</u>	<u>51,895</u>	<u>-</u>	<u>4,172,121</u>	<u>3,910,509</u>
Excess (deficiency) of revenues over expenses before under noted items	102,675	(37,124)	1,246	66,797	89,366
Pre-retirement leave (Note 11)					
Recovery	7,032	-	-	7,032	55,000
Expense	<u>(7,032)</u>	<u>-</u>	<u>-</u>	<u>(7,032)</u>	<u>(55,000)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 102,675</u>	<u>\$ (37,124)</u>	<u>\$ 1,246</u>	<u>\$ 66,797</u>	<u>\$ 89,366</u>

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances

Year Ended March 31

2016

2015

	Operating Fund	Invested in Capital Assets	Ed Mousseau Fund	Total	Total
Fund balance, beginning of year	\$ 890,850	\$ 86,236	\$ 16,528	\$ 993,614	\$ 904,248
Excess (deficiency) of revenues over expenses	102,675	(37,124)	1,246	66,797	89,366
Transfer to Capital Fund for purchase of capital assets	<u>(46,343)</u>	<u>46,343</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 947,182</u>	<u>\$ 95,455</u>	<u>\$ 17,774</u>	<u>\$1,060,411</u>	<u>\$ 993,614</u>

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Financial Position

Year Ended March 31

2016

2015

Assets

Current

Cash and short-term investments (Note 3)	\$1,573,399	\$1,502,887
Receivables (Note 4)	157,484	146,775
Due from Winnipeg Regional Health Authority	308,376	234,281
Prepays	8,914	6,079

2,048,173 1,890,022

Due from Winnipeg Regional Health Authority (Note 11) **257,290** 250,258

Long-term investments **148,037** 146,791

Capital assets (Note 5) **146,052** 148,814

\$2,599,552 **\$2,435,885**

Liabilities

Current

Payables and accruals	\$ 494,866	\$ 426,880
Funds held in trust	2,360	2,360
Deferred contributions		
General operations (Notes 3 and 6)	566,055	532,223
Current portion of obligations under capital lease (Note 7)	7,249	7,249

1,070,530 968,712

Deferred contributions

Related to capital assets (Note 8) **28,850** 33,581

Restricted contributions (Note 10) **130,262** 130,262

Pre-retirement leave (Note 11) **295,000** 287,968

Obligations under capital lease (Note 7) **14,499** 21,748

1,539,141 **1,442,271**

Fund Balances

Operating Fund **947,182** 890,850

Capital Fund **95,455** 86,236

Ed Mousseau Fund **17,774** 16,528

1,060,411 **993,614**

\$2,599,552 **\$2,435,885**

Approved by the Board

Original Document Signed _____ Director

Original Document Signed _____ Director

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Cash Flows

Year Ended March 31

2016

2015

Cash derived from (applied to):

Operating

Excess of revenues over expenses	\$ 66,797	\$ 89,366
Amortization of capital assets	51,895	48,265
Amortization of deferred contributions	<u>(14,771)</u>	<u>(17,814)</u>

103,921	119,817
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Change in non-cash operating assets and liabilities (Note 9)	<u>14,179</u>	<u>(20,408)</u>
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<u>118,100</u>	<u>99,409</u>
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Investing

Interest income reinvested	(1,246)	-
Purchase of capital assets	<u>(49,133)</u>	<u>(14,077)</u>

Financing

Repayment of capital lease	(7,249)	(14,791)
Funding received to purchase capital assets	<u>10,040</u>	<u>7,756</u>

<u>2,791</u>	<u>(7,035)</u>
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Net increase in cash	70,512	78,297
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Cash and short-term investments, beginning of year	<u>1,502,887</u>	<u>1,424,590</u>
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Cash and short-term investments, end of year	<u>\$1,573,399</u>	<u>\$1,502,887</u>
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See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

1. Nature of operations

Nine Circles Community Health Centre Inc. (the Organization) is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	4-5 years	straight-line
Computer equipment	4-5 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	4-10 years	straight-line

Amortization expense is reported in the Capital Fund.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

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 3.0% (2015 - 2.9%), a rate of salary increase of 3.5% (2015 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

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.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

3. Cash and short-term investments

Cash and short-term investments consist of:

	<u>2016</u>	<u>2015</u>
Cash	\$ 725,778	\$ 671,477
Cash held in trust	2,360	2,360
Assiniboine Credit Union GIC, bearing interest at 1.85%, maturing and renewed annually on March 22nd	845,261	-
Assiniboine Credit Union GIC, bearing interest at 1.95%, redeemed during the year	<u>-</u>	<u>829,050</u>
	<u>\$1,573,399</u>	<u>\$1,502,887</u>

The cash balance is earmarked as follows:

	<u>2016</u>	<u>2015</u>
Operating cash	\$1,007,344	\$ 970,664
Externally restricted cash	<u>566,055</u>	<u>532,223</u>
	<u>\$1,573,399</u>	<u>\$1,502,887</u>

4. Receivables

	<u>2016</u>	<u>2015</u>
GST receivable	\$ 32,451	\$ 30,261
Other receivables	<u>125,033</u>	<u>116,514</u>
	<u>\$ 157,484</u>	<u>\$ 146,775</u>

5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Equipment	\$ 121,815	\$ 88,167	\$ 33,648	\$ 18,276
Computer equipment	139,162	125,646	13,516	14,450
Computer software	50,049	43,993	6,056	9,583
Leaseholds	206,893	156,231	50,662	49,361
Equipment under capital lease	<u>107,635</u>	<u>65,465</u>	<u>42,170</u>	<u>57,144</u>
	<u>\$ 625,554</u>	<u>\$ 479,502</u>	<u>\$ 146,052</u>	<u>\$ 148,814</u>

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

6. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to subsequent years.

The changes for the year in the deferred contributions balance are as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 532,223	\$ 562,080
Grant revenue recognized during the year	(352,520)	(433,475)
Contributions received during the year	<u>386,352</u>	<u>403,618</u>
Ending balance	<u>\$ 566,055</u>	<u>\$ 532,223</u>

7. Obligations under capital lease

	<u>2016</u>	<u>2015</u>
Obligations under capital lease	\$ 21,748	\$ 28,997
Less: amount representing interest at 0%	<u>-</u>	<u>-</u>
	21,748	28,997
Less: current portion of obligations	<u>7,249</u>	<u>7,249</u>
	<u>\$ 14,499</u>	<u>\$ 21,748</u>

Approximate future minimum lease payments in the next four years are as follows:

2017	\$ 7,249
2018	7,249
2019	<u>7,250</u>
	<u>\$ 21,748</u>

The leases are secured by the underlying assets.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of \$28,850 (2015 - \$33,581) represent grants and donations for equipment, computer equipment, computer software and leasehold improvements. Deferred contributions are amortized in the Capital Fund on the statement of financial activities.

9. Change in non-cash operating assets and liabilities

	<u>2016</u>	<u>2015</u>
Receivables	\$ (10,709)	\$ (32,321)
Due from Winnipeg Regional Health Authority	(81,127)	(108,895)
Prepays	(2,835)	2,212
Payables and accruals	67,986	97,242
Funds held in trust	-	(3,789)
Deferred contributions - general operations	33,832	(29,857)
Pre-retirement leave	<u>7,032</u>	<u>55,000</u>
	<u>\$ 14,179</u>	<u>\$ (20,408)</u>

10. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS.

11. Pre-retirement leave

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by 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 \$7,032 (2015 - \$55,000).

Pre-retirement benefits for the current year of \$7,032 (2015 - \$55,000) were funded by Winnipeg Regional Health Authority.

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2016

12. Pension

The Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, \$194,335 (2015 - \$171,376) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

13. Office space

In the current year, WRHA paid rent on behalf of the Organization in the amount of \$341,937 (2015 - \$249,876). The revenue and expense related to rent is not recorded in these financial statements.

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.

Year Ended March 31

2015

See accompanying notes to the financial statements.

Niverville Heritage PCH Inc.
Financial Statements
March 31, 2016

Independent Auditors' Report

To the Board of Directors of Niverville Heritage PCH Inc.:

We have audited the accompanying financial statements of Niverville Heritage PCH Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Niverville Heritage PCH Inc. as at March 31, 2016 and the results of its operations, changes in net assets (deficit) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

July 27, 2016

MNP LLP

Chartered Professional Accountants

Niverville Heritage PCH Inc.
Statement of Financial Position

As at March 31, 2016

	2016	2015
Assets		
Current		
Cash (Note 3)	868,935	1,535,663
Restricted cash	194,880	194,300
Accounts receivable (Note 4)	181,370	547,493
Prepaid expenses and deposits	5,364	814
	1,250,549	2,278,270
Advances to related parties (Note 5)	1,286,359	466,957
Capital assets (Note 6)	11,973,040	12,569,288
	14,509,948	15,314,515
Liabilities		
Current		
Accounts payable and accruals (Note 7)	627,340	726,587
Advances from related party (Note 8)	444,248	566,000
Current portion of long-term debt (Note 9)	305,000	270,000
	1,376,588	1,562,587
Long-term debt (Note 9)	11,826,273	12,168,849
Deferred contributions related to capital assets (Note 10)	1,576,354	1,712,769
	14,779,215	15,444,205
Net Assets (Deficit)		
Unrestricted	(464,147)	(323,990)
Internally restricted for future capital assets	194,880	194,300
	(269,267)	(129,690)
	14,509,948	15,314,515

Approved on behalf of the Board of Directors

Original Document Signed

Director

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Director

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Director

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Director

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Director

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Director

The accompanying notes are an integral part of these financial statements

MNP

Niverville Heritage PCH Inc.
Statement of Operations
For the year ended March 31, 2016

	2016	2015
Revenues		
Southern Health - Sante Sud Inc.	6,089,807	5,892,828
Amortization of deferred contributions related to capital assets	136,415	106,874
Rental income	1,289,662	1,299,560
Other revenue	81,035	17,634
	7,596,919	7,316,896
Expenses		
Advertising and promotion	11,910	24,545
Amortization	555,221	556,382
Bad debts	-	20,996
Bank charges and interest	8,478	7,814
Food services	665,287	633,745
Insurance	42,554	39,980
Interest on long-term debt	352,424	355,259
Medical supplies and equipment	129,750	152,629
Office supplies and services	36,767	51,197
Professional and management fees	161,215	111,277
Property taxes	71,857	88,759
Repairs and maintenance	146,796	150,787
Resident expenses	267,070	255,794
Salaries and benefits	5,105,493	4,765,915
Telephone and internet	25,279	31,398
Utilities	156,395	204,716
	7,736,496	7,451,193
Deficiency of revenues over expenses	(139,577)	(134,297)

The accompanying notes are an integral part of these financial statements

MNP

Niverville Heritage PCH Inc.
Statement of Changes in Net Assets (Deficit)
For the year ended March 31, 2016

	<i>Unrestricted</i>	<i>Internally restricted for future capital assets</i>	<i>2016</i>	<i>2015</i>
Net assets (deficit), beginning of year	(323,990)	194,300	(129,690)	4,607
Excess (deficiency) of revenues over expenses	(140,157)	580	(139,577)	(134,297)
Net assets (deficit), end of year	(464,147)	194,880	(269,267)	(129,690)

The accompanying notes are an integral part of these financial statements

MNP

Niverville Heritage PCH Inc.
Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenues over expenses	(139,577)	(134,297)
Amortization	555,221	556,382
Amortization of deferred contributions related to capital assets	(136,415)	(106,874)
	279,229	315,211
Changes in working capital accounts		
Accounts receivable	366,123	(214,848)
Prepaid expenses and deposits	(4,550)	(814)
Accounts payable and accruals	(99,248)	368,724
	541,554	468,273
Financing		
Repayment of advances from related party	(121,752)	(358,791)
Repayment of long-term debt	(307,576)	(271,277)
	(429,328)	(630,068)
Investing		
Deferred contributions received	-	70,240
Advances to related parties	(819,402)	-
Repayment of advances to related parties	-	304,500
Purchase of capital assets	(18,731)	(108,695)
Green energy credit for capital assets	-	69,405
Tax credit for capital assets	59,759	-
	(778,374)	335,450
Increase (decrease) in cash resources	(666,148)	173,655
Cash resources, beginning of year	1,729,963	1,556,308
Cash resources, end of year	1,063,815	1,729,963
Cash resources are composed of:		
Cash	868,935	1,535,663
Restricted cash	194,880	194,300
	1,063,815	1,729,963

The accompanying notes are an integral part of these financial statements



1. Incorporation and nature of the organization

Niverville Heritage PCH Inc. (the "Home") is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services to 80 residents, operating under a service purchase agreement with Southern Health - Sante Sud Inc. ("SH-SS").

The Home qualifies as a not-for-profit organization as defined in the Income Tax Act of Canada and, as such, is exempt from income under section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash

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

Capital assets

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

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

	Rate
Building	30 years
Furniture and equipment	3-5 years

Revenue recognition

The Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by SH-SS in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period in which they relate. The financial statements reflect arrangements approved by SH-SS with respect to the year ended March 31, 2016.

Residential rent revenue is recognized when the services are provided and collection is reasonably assured.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Home's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Government assistance

Claims for assistance under various government grant programs are recorded as a reduction of the cost of related asset in the period in which eligible expenditures are incurred, with any amortization calculated on the net amount.

Contributed services

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

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

Long-lived assets

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

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and advances to related parties are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. No allowance was recorded in the current year. Amortization and deferred contributions are based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

Financial instruments

The Home recognizes its financial instruments when the Home becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Home may irrevocably elect to subsequently measure any financial instrument at fair value. The Home has not made such an election during the year. All financial instruments are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

3. Line of credit

The Home has an operating line of credit authorized up to \$150,000 bearing interest at prime plus 1%. The prime rate is 3.75%. As at March 31, 2016 the line of credit is at nil.

4. Accounts receivable

	2016	2015
Government remittances receivable	51,320	191,029
Receivable from Southern Health - Sante Sud Inc.	128,917	356,464
Other receivables	1,133	-
	181,370	547,493

Niverville Heritage PCH Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

5. Advances to related parties

During the year, advances were made to companies related through common control. The advances bear no interest, are unsecured, and have no fixed terms of repayment.

	2016	2015
5906386 Manitoba Ltd.	270,746	252,457
St Adolphe Personal Care Home Inc.	215,001	214,500
Heritage Life Retirement Living Inc.	800,612	-
	1,286,359	466,957

These transactions were conducted in the normal course of operations and are recorded at their exchange amount which is the amount of consideration established and agreed upon by the related companies.

6. Capital assets

	Cost	Accumulated amortization	2016 Net book value
Land leasehold	400,000	-	400,000
Building	12,190,242	1,015,828	11,174,414
Furniture and equipment	769,762	371,136	398,626
	13,360,004	1,386,964	11,973,040

	Cost	Accumulated amortization	2015 Net book value
Land leasehold	400,000	-	400,000
Building	12,244,670	613,559	11,631,111
Furniture and equipment	756,361	218,184	538,177
	13,401,031	831,743	12,569,288

The Home is the registered owner of a land leasehold estate from May 1, 2006. The lease term is for fifty years with the option to renew for an additional fifty years. The Home has the first right of refusal to purchase the land. The basis annual rent is \$1 per year and the Home shall pay all taxes and fees.

7. Accounts payable and accruals

	2016	2015
Trade payables and accruals	152,276	133,752
Government remittances	34,385	40,096
Salaries payable	193,355	440,412
Vacation payable	247,324	112,327
	627,340	726,587

Niverville Heritage PCH Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

8. Advances from related party

	2016	2015
Niverville Heritage Holdings Inc.	444,248	566,000

The advance payable bears no interest, is unsecured and has no fixed terms of repayment. The companies are related by virtue of common control.

These transactions were conducted in the normal course of operations and are recorded at their exchange amount which is the amount of consideration established and agreed upon by the related companies.

9. Long-term debt

	2016	2015
Mortgage payable bearing interest at at prime plus 0.10% (2.85%), repayable in monthly payments of \$55,000, including interest, with an amortization period ending May 2047, secured by a demand promissory note in the amount of \$12,800,000 and a first charge on property.	12,131,273	12,438,849
Less: current portion	305,000	270,000
	11,826,273	12,168,849

Future estimated principal payments in the next five years are estimated as follows:

2017	305,000
2018	314,000
2019	324,000
2020	334,000
2021	343,000

10. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2016	2015
Balance, beginning of year	1,712,769	1,749,403
Amount received during the year	-	70,240
Less: amounts recognized as revenue during the year	(136,415)	(106,874)
Balance, end of year	1,576,354	1,712,769

Niverville Heritage PCH Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

11. Related party transactions

The following expenses were paid to Niverville Heritage Holdings Inc., a related party as described in Note 8.

	2016	2015
Food services	646,550	620,299
Professional and management fees	110,491	75,494
Repairs and maintenance	64,903	62,759
Telephone and internet	124,912	21,069
Utilities	20,123	155,813
	966,979	935,434

These expenses were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Financial instruments

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Home is exposed to interest rate cash flow risk with respect to its line of credit and long-term debt which are subject to floating interest rates based on bank prime lending rates plus 1% and 0.10%, respectively.

Credit concentration

As at March 31, 2016, one organization accounted for 80% (2015 - 80%) of revenues from operations and two organizations accounted for 100% (2015 - 100%) of the accounts receivable. The Home believes that there is no unusual exposure associated with the collection of these receivables. The Home performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

13. Economic dependence

A significant portion of the Home's operating funds are provided by Southern Health - Sante Sud Inc. and its ability to continue viable operations is dependent upon maintaining this funding.



NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Financial Statements

Year Ended March 31, 2016



INDEPENDENT AUDITOR'S REPORT

To the Members of NorWest Co-op Community Health Centre, Inc.

We have audited the accompanying financial statements of NorWest Co-op Community Health Centre, Inc., which comprise the statement of financial position as at March 31, 2016 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)

Independent Auditor's Report to the Members of NorWest Co-op Community Health Centre, Inc.
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NorWest Co-op Community Health Centre, Inc. as at March 31, 2016 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.

A handwritten signature in black ink that reads "Lazer Grant LLP". The signature is written in a cursive, flowing style.

Winnipeg, MB
June 13, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Financial Position

March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 2,455,529	\$ 1,835,934
Accounts receivable (Note 4)	342,915	587,784
Vacation entitlement receivable	46,693	46,693
Prepaid expenses	2,999	2,940
	2,848,136	2,473,351
CAPITAL ASSETS (Note 5)	577,815	707,319
INTERNALLY RESTRICTED CASH	100,000	100,000
	\$ 3,525,951	\$ 3,280,670
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 383,909	\$ 508,948
Vacation entitlement payable	370,500	323,906
Deferred revenue (Note 7)	571,803	154,202
	1,326,212	987,056
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	572,322	706,794
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION (Note 9)	354,000	313,000
	2,252,534	2,006,850
NET ASSETS	1,273,417	1,273,820
	\$ 3,525,951	\$ 3,280,670

LEASE COMMITMENTS (Note 11)

ECONOMIC DEPENDENCE (Note 12)

ON BEHALF OF THE BOARD

Original Document Signed _____ Director

Original Document Signed _____ Director

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2016

	Health Centre (Schedule 1)	Early Learning and Child Care Centre (Schedule 2)	Total 2016	Total 2015
REVENUES	\$ 7,247,903	\$ 808,316	\$ 8,056,220	\$ 7,659,886
EXPENSES				
Accounting and computer fees	30,720	-	30,720	29,879
Administrative	216,585	23,796	240,381	214,861
Amortization	167,446	-	167,446	98,215
Fundraising	39,127	-	39,127	46,392
Networking and EMR charges	40,641	-	40,641	43,983
Medical supplies	72,549	-	72,549	50,661
Pre-retirement	34,561	6,513	41,074	75,000
Professional fees	76,554	-	76,554	83,994
Program	281,978	29,155	311,133	288,721
Rent and utilities	202,451	25,648	228,099	198,918
Repairs and maintenance	78,849	3,326	82,175	89,536
Salaries and benefits <i>(Notes 9, 10)</i>	5,809,331	768,997	6,578,328	6,015,243
Service contracts	29,261	-	29,261	31,088
Staff training	40,450	-	40,450	55,933
Staff travel	37,578	-	37,578	46,022
	7,158,082	857,435	8,015,517	7,368,446
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 89,822	\$ (49,119)	\$ 40,703	\$ 291,440

NORWEST CO-OP COMMUNITY CENTRE, INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2016

	Membership	Invested In Capital Assets	Restricted Internally Restricted	Restricted Insight Mentor Program	Restricted Project Choices	Restricted Community Development	Restricted Central support	Restricted Counselling services	Restricted Women's Place	Restricted Parent Child Coalition	Restricted Community Food Centre	Surplus subject to WRHA audit	Unrestricted	Total 2016	Total 2015
HEALTH CENTRE															
NET ASSETS - BEGINNING OF THE YEAR	\$ 3,276	\$ 524	100,000	\$ 8,879	\$ 15,876	\$ 39,959	\$ 90,434	\$ 131,122	\$ (31,837)	\$ 6,389	-	\$ 519,534	\$ 300,070	\$ 1,103,926	\$ 919,807
Membership	830	-	-	-	-	-	-	-	-	-	-	-	-	830	720
Co-operative tax credit	-	-	-	-	-	-	-	-	-	-	-	-	750	750	750
Excess surplus paid to WRHA for 2013/14	-	-	-	-	-	-	-	-	-	-	-	(42,686)	-	(42,686)	-
Surplus transferred towards HANS project expenses	-	-	-	-	-	23,392	-	-	-	-	-	-	(23,392)	-	-
Surplus transferred towards Food Centre fundraising	-	-	-	-	-	-	-	-	-	-	39,127	-	(39,127)	-	-
Surplus transferred towards Food Centre equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,768)
Excess (deficiency) of revenues over expenses	-	(1,133)	-	4,902	(10,073)	(41,471)	(6,037)	(43,221)	34,998	(161)	(39,127)	161,698	34,496	89,822	235,447
NET ASSETS- END OF THE YEAR	4,106	(509)	100,000	13,781	5,603	21,880	84,377	82,901	3,061	6,199	-	638,547	272,797	1,232,642	1,183,926
EARLY LEARNING AND CHILD CARE CENTRE															
NET ASSETS - BEGINNING OF THE YEAR	200	-	-	-	-	-	-	-	-	-	-	-	89,694	89,894	63,861
Surplus transferred towards equipment	-	6,103	-	-	-	-	-	-	-	-	-	-	(6,103)	-	-
Membership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	-	-	-	(49,119)	(49,119)	25,993
NET ASSETS- END OF THE YEAR	200	6,103	-	-	-	-	-	-	-	-	-	-	34,472	40,775	89,894
TOTAL NET ASSETS	\$ 4,306	\$ 5,493	\$ 100,000	\$ 13,781	\$ 5,603	\$ 21,880	\$ 84,377	\$ 82,901	\$ 3,061	\$ 6,199	-	\$ 638,547	\$ 307,269	\$ 1,273,417	\$ 1,273,820

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Cash Flow

Year Ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 40,703	\$ 291,440
Items not affecting cash:		
Amortization of capital assets	167,446	98,215
Amortization of deferred contributions	(166,313)	(97,169)
	41,836	292,486
Changes in non-cash working capital:		
Accounts receivable	244,869	1,401,349
Accounts payable and accrued liabilities	(125,037)	(110,912)
Deferred revenue	417,601	(64,963)
Prepaid expenses	(59)	(37)
Vacation entitlement payable	46,594	49,087
Pre-retirement benefits	41,000	75,000
	624,968	1,349,524
Cash flow from operating activities	666,804	1,642,010
INVESTING ACTIVITIES		
Purchase of capital assets	(37,943)	(681,899)
Increase in internally restricted cash	-	(100,000)
Cash flow used by investing activities	(37,943)	(781,899)
FINANCING ACTIVITIES		
Bridge funding from WRHA	-	(850,000)
Cooperative tax credit	750	750
Membership fees	830	730
Contributions for purchase of capital assets	31,840	679,101
Repayment of surplus to WRHA	(42,686)	-
Cash flow used by financing activities	(9,266)	(169,419)
INCREASE IN CASH	619,595	690,692
Cash and cash equivalents - beginning of year	1,835,934	1,145,242
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,455,529	\$ 1,835,934
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 1,087,311	\$ 891,195
Guaranteed investment certificates	1,368,218	944,739
	\$ 2,455,529	\$ 1,835,934

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Notes to Financial Statements

Year Ended March 31, 2016

1. PURPOSE OF ORGANIZATION

NorWest Co-op Community Health Centre, Inc. (the "co-operative") works in partnership with the community to "promote people taking control of their health". The co-operative's mission is to engage its community in co-operative health and wellness in its geographic neighbourhoods and identified populations. The co-operative's underlying values are Respect, Innovation and Co-operation.

The co-operative was incorporated on November 23, 1972 without share capital. It is presently operated under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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.

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.

(continues)

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Notes to Financial Statements

Year Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Internally restricted net assets

The co-operative's board of directors internally restricted resources amounting to \$100,000. These amounts are to be used for research and program development and staff education. These internally restricted amounts are not available for other purposes without approval of the board of directors.

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 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
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.

One-half the normal rate of amortization is recorded in the year of acquisition.

Revenue recognition

1. The co-operative 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.

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Notes to Financial Statements

Year Ended March 31, 2016

3. FINANCIAL INSTRUMENTS

The co-operative is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the co-operative's risk exposure and concentration as of March 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The co-operative is exposed to credit risk from day care fees from parents. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The co-operative has a significant number of parents which minimizes concentration of credit risk.

4. ACCOUNTS RECEIVABLE

	2016	2015
Health Centre		
Goods and services tax	\$ 20,665	\$ 32,581
Winnipeg Regional Health Authority	200,050	333,322
Grants	84,915	180,764
Other	4,884	2,791
Co-operative tax credit	750	750
	311,264	550,208
Early Learning Child Care Centre		
Day care fees	\$ 13,467	\$ 17,056
Day care government subsidy	8,034	11,892
Inclusion Support Staffing grant	10,150	8,628
	31,651	37,576
Grand total	\$ 342,915	\$ 587,784

5. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 58,193	\$ 56,185	\$ 58,193	\$ 54,177
Furniture and fixtures	268,678	138,685	259,319	101,233
Leasehold improvements	686,469	240,655	657,885	112,668
	\$ 1,013,340	\$ 435,525	\$ 975,397	\$ 268,078
Net book value	\$ 577,815		\$ 707,319	

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Notes to Financial Statements

Year Ended March 31, 2016

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Health Centre		
Winnipeg Regional Health Authority	\$ 10,403	\$ 35,047
Trade payables	163,369	242,707
Accrued audit fees	12,500	11,059
Salaries	160,911	171,441
Other	15,366	27,070
	362,549	487,324
Early Learning Child Care Centre		
Subsidy advances	8,680	8,680
Pension advance	4,283	4,283
Other	8,397	8,661
	21,360	21,624
Grand total	\$ 383,909	\$ 508,948

The repayable subsidy advance and pension advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. DEFERRED REVENUE

Deferred revenue relates to restricted operating funding for various programs received in the current period that is for programming expenses to be incurred in the subsequent year. The changes in the deferred revenue balance are as follows:

	2016	2015
Beginning balance	\$ 154,202	\$ 219,165
Less: amounts recognized as revenue in the year	(154,202)	(219,165)
Add: amounts received related to the following year	571,803	154,202
	\$ 571,803	\$ 154,202

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.**Notes to Financial Statements****Year Ended March 31, 2016****8. DEFERRED CAPITAL 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:

	2016	2015
Beginning balance	\$ 706,794	\$ 122,064
Contributions	31,841	681,899
Amounts recognized as revenue	(166,313)	(97,169)
	\$ 572,322	\$ 706,794

9. PRE-RETIREMENT LEAVE BENEFIT OBLIGATION

Based on the continuance of funding bodies' policies to reimburse facilities for pre-retirement leave, the co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rate basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For fiscal year 2016, 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 \$21,803 (2015 - \$39,404)

During fiscal year 2016, the benefit obligation earned by employees as at March 31, 2016 was actuarially determined to be \$354,000 (2015 - \$313,000). This has been reported as a liability on the Statement of Financial Position.

10. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of \$393,375 (2015 - \$354,205). The pension contributions are included in salaries and benefits expense of the applicable programs in the Statement of Revenues and Expenditures.

11. LEASE COMMITMENTS

The co-operative leases premises and equipment under operating lease agreements. Future minimum lease payments as at year end are as follows:

2017	\$ 91,713
2018	56,293
2019	18,969

12. 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.

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Notes to Financial Statements

Year Ended March 31, 2016

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

14. SCHEDULES TO FINANCIAL STATEMENTS

The accompanying schedules to the financial statements numbered one through four have been presented as unaudited and are included for information purposes only.

NORWEST CO-OP COMMUNITY HEALTH CENTRE INC.
HEALTH CENTRE (Schedule 1)
Year ended March 31, 2016
Unaudited (Note 13)

	Primary Health Care Program	Insight Mentor Program	Project Choices	Foot care Program	Norwest Clinic at Blue Bird	Community Development Programs (Schedule 3)	Family Counselling Programs (Schedule 4)	Parent Child Coalition Program	Community Food Centre	Mobile Diabetic Screening	Mental Health Teen Clinics	Intervention & Outreach Team	Capital assets	2015	2016
REVENUE															
Citizenship and Immigration Canada	-	-	-	-	-	\$ 125,301	-	-	-	-	-	-	-	\$ 125,301	\$ 123,244
Community Food Centre of Canada	-	-	-	-	-	-	-	-	335,913	-	-	-	-	335,913	222,343
Manitoba Children and Youth Opportunities	-	269,500	100,600	-	-	230,000	-	102,500	-	-	16,850	310,799	-	1,030,249	671,867
H.W. Siebens Charitable Foundation	-	-	-	-	-	-	-	-	142,448	-	-	-	-	142,448	75,000
Human Resources Development of Canada	-	-	-	-	-	4,553	-	-	-	-	-	-	-	4,553	5,285
Interest Income	23,026	-	-	-	-	-	-	-	-	-	-	-	-	23,026	21,465
Investor's Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,435
The Lawson Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,879
Local Investment Toward Employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,879
Manitoba Family Services and Housing	-	-	-	-	-	-	-	-	-	148,422	-	-	-	148,422	62,453
Manitoba Housing and Community Development	-	-	-	-	-	-	751,700	-	-	-	-	-	-	-	5,615
Manitoba Housing Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	751,700
Manitoba Justice	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,465
Manitoba Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,745
Manitoba Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,745
Manitoba Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,000
Manitoba Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Manitoba Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,868
Other (MB Health Recovery)	15,059	-	-	-	-	59,797	-	-	-	-	-	-	-	115,724	78,001
United Way of Winnipeg	-	-	-	-	-	317,963	-	-	-	-	-	-	-	317,968	314,700
Winnipeg Regional Health Authority	3,695,224	-	-	320,072	471,560	-	-	-	1,722	-	-	-	-	4,483,577	4,366,453
Winnipeg Foundation	-	-	-	-	-	46,388	-	-	30,000	-	-	-	-	76,388	62,383
Amortization of deferred contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	165,313	97,169
Deferred revenue	-	-	-	-	-	(51,753)	-	-	(119,573)	(75,187)	(11,816)	(309,073)	-	(587,402)	(147,311)
	3,738,309	269,500	100,600	320,072	471,560	750,978	751,700	102,500	456,377	73,235	5,034	1,726	165,313	7,247,903	6,902,737
EXPENSES															
Accounting and computer fees	-	4,500	2,580	500	-	6,000	8,400	1,920	6,720	-	-	-	-	30,720	29,579
Administrative	115,015	9,371	4,595	8,460	6,072	33,750	18,603	5,171	12,882	901	337	1,429	-	216,585	190,108
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	167,446	88,215
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-	-	39,127	46,392
Networking and EMR Charges	34,281	-	-	-	-	6,360	-	-	-	-	-	-	-	40,641	43,983
Medical supplies	41,473	-	-	10,719	3,344	3,275	5,061	-	-	17,013	-	-	-	72,549	50,661
Pre-retirement expenses (includes payout)	16,815	(857)	\$14	1,479	3,508	489	64,689	50	2,979	262	74	-	-	34,561	72,666
Professional fees	8,176	1,000	1,000	600	500	489	64,689	5,317	50,086	3,510	1,159	-	-	76,554	83,594
Program expenses (includes one-time purchases)	83,981	5,579	3,143	8,071	2,883	97,721	10,518	-	79,796	-	-	-	-	281,978	255,835
Rent and utilities	42,495	-	-	-	39,498	-	40,661	-	829	-	-	-	-	202,451	178,432
Repairs and maintenance	68,716	-	-	-	-	9,038	511,094	89,237	291,313	45,693	266	-	-	78,849	80,950
Salaries and benefits	3,099,591	231,751	95,834	265,338	405,167	667,038	81,094	-	-	-	-	297	-	5,809,331	5,366,132
Service contracts	26,772	-	-	-	2,394	-	95	-	-	-	3,018	-	-	29,261	31,088
Staff training	23,826	2,080	1,500	368	660	4,235	3,042	548	325	3,356	150	-	-	40,450	55,933
Staff travel	1,508	11,205	1,007	1,184	-	10,903	7,817	448	1,446	2,030	30	-	-	37,578	46,022
	3,582,441	284,598	110,673	286,818	474,486	832,449	770,980	102,631	495,504	73,235	5,034	1,726	167,446	7,156,062	6,637,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 175,868	\$ 4,902	\$ (10,073)	\$ 23,253	\$ (2,926)	\$ (41,471)	\$ (19,280)	\$ (191)	\$ (39,127)	-	-	-	\$ (1,133)	\$ 89,822	\$ 285,447

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.
EARLY LEARNING AND CHILD CARE CENTRE (Schedule 2)

Year Ended March 31, 2016

Unaudited (Note 13)

	2016	2015
REVENUE		
Child care fees	\$ 195,621	\$ 217,280
Child care fee subsidies - Province of Manitoba	130,514	105,722
Inclusion Support Staffing grant	81,807	73,856
Operating grant	353,849	327,163
Interest	1,388	1,390
Other sources	13,972	3,644
Training grant	12,048	9,204
Manitoba child care program pension grant	19,117	18,890
	808,316	757,149
EXPENSES		
Administrative	23,796	24,753
Pre-retirement expenses	6,513	2,334
Program expenses	29,155	32,886
Rent and utilities	25,648	20,486
Repairs and maintenance	3,326	586
Salaries and benefits	768,997	650,111
	857,435	731,156
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (49,119)	\$ 25,993

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.
COMMUNITY DEVELOPMENT PROGRAMS (Schedule 3)

Year Ended March 31, 2016
Unaudited (Note 13)

	Community Development	Summer Student	Immigrant Settlement	Gilbert Park Going Places	TOTAL 2016	TOTAL 2015
REVENUE						
Citizenship and Immigration Canada	-	-	\$ 125,301	-	\$ 125,301	\$ 123,244
Investors Group	14,879	-	-	-	14,879	16,435
Manitoba Children and Youth Opportunities	-	-	-	230,000	230,000	230,000
Local Investment Toward Employment (L.I.T.E)	5,615	-	-	-	5,615	3,454
MB Justice (Light Houses)	24,000	-	-	-	24,000	24,000
MB Housing Authority	24,745	-	-	-	24,745	24,745
MB Housing and Community Development	2,135	7,330	-	-	9,465	71,227
Other Payment Sources	37,550	2,247	-	-	39,797	37,080
United Way of Winnipeg	317,988	-	-	-	317,988	314,700
Human Resources Development of Canada	-	4,553	-	-	4,553	5,286
Winnipeg Foundation	1,500	-	-	44,888	46,388	62,383
Deferred revenue	(32,673)	-	-	(19,080)	(51,753)	(37,372)
	395,739	14,130	125,301	255,808	790,978	875,182
EXPENSES						
Accounting and computer fees	-	-	3,600	2,400	6,000	3,600
Administrative	7,857	-	14,698	11,195	33,750	26,997
Pre-retirement expenses	3,107	-	438	(270)	3,275	7,480
Professional fees	-	-	100	389	489	-
Program expenses	55,861	-	7,067	34,793	97,721	99,728
Repairs and maintenance	5,715	-	-	3,323	9,038	12,058
Salaries and benefits	356,756	14,130	96,646	199,506	667,038	676,080
Staff training	1,621	-	394	2,220	4,235	22,920
Staff travel	7,457	-	2,795	650	10,903	16,277
	438,373	14,130	125,739	254,206	832,449	865,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (42,634)	-	(438)	\$ 1,602	\$ (41,471)	\$ 10,042

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

FAMILY COUNSELLING PROGRAMS (Schedule 4)

Year Ended March 31, 2016

Unaudited (Note 13)

	Counselling services	Central Support	Women's Place	TOTAL 2016	TOTAL 2015
REVENUE					
MB Family Services and Housing	\$ 346,700	\$ 185,600	\$ 219,400	\$751,700	\$ 751,700
Other payment sources	-	-	-	-	2,697
	346,700	185,600	219,400	751,700	754,397
EXPENSES					
Accounting and computer fees	-	8,400	-	8,400	8,639
Administrative	-	18,603	-	18,603	18,320
Legal fees	-	-	64,689	64,689	74,138
Pre-retirement expenses	3,970	1,146	945	6,061	12,513
Professional fees	-	-	-	-	486
Program expenses	4,727	1,270	4,521	10,518	10,782
Rent and utilities	-	40,661	-	40,661	39,991
Salaries and benefits	386,224	114,571	110,300	611,094	575,939
Service contracts	-	95	-	95	454
Staff training	-	3,042	-	3,042	3,314
Staff travel	-	3,870	3,947	7,817	9,507
	394,921	191,657	184,402	770,980	754,083
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	\$ (48,221)	\$ (6,057)	\$ 34,998	\$ (19,280)	\$ 314

**ODD FELLOWS AND REBEKAHS
PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE**

Financial Statements
For the year ended March 31, 2016



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700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE

We have audited the accompanying financial statements of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flow for the year ended March 31, 2016, 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, 2016 and the results of its operations and its cash flows for the year ended March 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 14, 2016

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31 **2016** **2015**

Assets

Current Assets

Cash	\$ 2,177,979	\$ 282,825
Short-term investments (Note 2)	292,304	286,965
Accounts receivable	2,721,447	402,025
Employee benefits recoverable	230,242	230,242
Inventory - supplies on hand	23,412	739
Prepaid expenses	17,999	22,949
Due from Winnipeg Regional Health Authority (Note 5)	365,233	74,326

5,828,616 **1,300,071**

Deferred benefit entitlements

579,737 **552,736**

Capital assets (Note 4)

2,073,448 **2,133,315**

\$ 8,481,801 **\$ 3,986,122**

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 4,771,592	\$ 311,877
Accrued vacation entitlements (Note 3)	318,225	324,252
Trust liabilities	9,069	4,368

5,098,886 **640,497**

Pre-retirement entitlement (Note 3)

547,000 **520,000**

Deferred Contributions

Externally restricted (Schedule 1)	291,882	273,546
Capital assets (Schedule 2)	1,992,370	2,053,474
Donations (Schedule 3)	60,370	73,849
Reserve for insurance deductible (Schedule 4)	4,201	13,193

2,348,823 **2,414,062**

Total liabilities and deferred contributions

7,994,709 **3,574,559**

Contingencies (Note 8)

- **-**

Net assets, unrestricted

487,092 **411,563**

\$ 8,481,801 **\$ 3,986,122**

Approved on behalf of the Board:

Original Document Signed

Chairperson

Original Document Signed

Treasurer

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Changes in Net Assets

For the year ended March 31	2016	2015
Balance, beginning of year	\$ 411,563	\$ 285,519
WRHA prior year adjustments	-	45,318
Prior year adjustments for agency costs (Note 14)	75,529	-
Excess of revenue over expenditures for the year	-	80,726
Balance, end of year	\$ 487,092	\$ 411,563

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Winnipeg Regional Health Authority (Note 7)	\$ 4,222,011	\$ 4,815,481
Residential charges	1,889,578	1,164,839
Amortization of deferred contributions related to capital assets	147,509	149,727
Recoveries and offset income	79,141	369,363
Mortgage interest subsidy	45,359	45,359
Donations and other	23,766	13,971
Interest earned	5,459	6,457
	<u>6,412,823</u>	<u>6,565,197</u>
Expenditures		
Nursing personal care	4,102,530	4,406,985
Food services	756,241	579,219
General and administrative	413,864	420,301
Housekeeping	256,049	189,126
Plant maintenance	195,978	203,517
Plant operation	183,699	105,713
Amortization	150,340	152,558
In-service education	122,224	92,269
Recreation	109,795	99,401
Laundry and linen	105,780	110,592
Social work	43,103	39,851
Interest on long-term debt	13,259	20,606
	<u>6,452,862</u>	<u>6,420,138</u>
Excess (deficiency) of revenue over expenditures for the year before the undernoted	(40,039)	145,059
Flood costs not covered by insurance	(284,105)	-
Pre-retirement entitlement, change in liability	(27,000)	2,000
Pre-retirement payouts	(18,637)	(66,333)
Winnipeg Regional Health Authority deficit funding	369,781	-
Excess of revenue over expenditures for the year	\$ -	\$ 80,726

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31

2016

2015

Cash Flows from Operating Activities

Excess of revenue over expenditures for the year	\$	-	\$	80,726
Adjustments for				
Amortization of capital assets		150,340		152,558
Amortization of deferred contributions related to capital assets		(147,509)		(149,727)
WRHA prior year adjustments		-		45,318
Agency costs prior year adjustments		75,529		-
Loss on disposal of assets		1,966		-
		<u>80,326</u>		<u>128,875</u>

Changes in non-cash working capital balances

Accounts receivable	(2,319,422)	(357,145)
Due from Winnipeg Regional Health Authority	(290,907)	153,970
Inventory - supplies on hand	(22,673)	24,517
Prepaid expenses	4,950	(4,364)
Deferred benefit entitlements	(27,000)	(2,000)
Accrued vacation entitlement	(6,027)	9,059
Pre-retirement entitlement	27,000	2,000
Accounts payable and accrued expenses	4,459,715	(97,440)
Trust liabilities	4,701	(4,935)
	<u>1,830,337</u>	<u>(276,338)</u>
	<u>1,910,663</u>	<u>(147,463)</u>

Cash Flows from Financing Activities

Deferred contributions - externally restricted	18,336	33,736
Deferred contributions - capital assets	86,405	(10)
Deferred contributions - donations	(13,479)	(17,241)
Reserve for insurance deductible	(8,992)	1,008
	<u>82,270</u>	<u>17,493</u>

Cash Flows from Investing Activities

Purchase of capital assets and construction, net	(92,440)	(9,968)
Increase in short-term investments	(5,339)	(6,447)
	<u>(97,779)</u>	<u>(16,415)</u>

Increase (decrease) in cash and cash equivalents

1,895,154 (146,385)

Cash and cash equivalents, beginning of year

282,825 429,210

Cash and cash equivalents, end of year

\$ 2,177,979 \$ 282,825

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Odd Fellows and Rebekahs Care Homes Inc. Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority ("WRHA") relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	10 years, straight-line basis
Buildings	30-50 years, straight-line basis
Equipment	5-10 years, straight-line basis

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

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.

Employee Benefits

The organization records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the organization's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in Note 3.

The cost of the organization's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the organization's future employee benefits payable include mortality and withdrawal rates, a discount rate of 3.125% (2.9% in 2015), a rate of salary increase of 3.5% (3.5% in 2015) plus an age-related merit/promotion scale with no provision for disability.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements

For the year ended March 31, 2016

2. Short-term Investments

	2016	2015
Steinbach Credit Union, regular savings, 1.7% (1.85% in 2015)	\$ 292,304	\$ 286,965

3. Future Employee Benefits Recoverable

Employee pre-retirement benefits are accrued as incurred as determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of March 31, 2016 reports an obligation of \$547,000 (\$520,000 in 2015). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The change in pre-retirement liability for fiscal 2016 of \$27,000 (\$2,000 in 2015) will be funded by the WRHA.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing at March 31, 2004, adjusted for allocations from the WHRA in 2005, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the WRHA, and through it to Golden Links Lodge, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount is reflected as a current year expense on the statement of operations following the "excess of revenue over expenditures before other items" balance.

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	\$ 217,027	\$ 217,027	\$ -	\$ -
Buildings	4,021,837	2,310,728	1,711,109	1,827,125
Building addition				
Special Needs Unit	388,858	216,032	172,826	183,628
Equipment	1,011,411	821,898	189,513	122,562
Equipment				
Special Needs Unit	31,771	31,771	-	-
	\$ 5,670,904	\$ 3,597,456	\$ 2,073,448	\$ 2,133,315

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements

For the year ended March 31, 2016

5. Due from (to) Winnipeg Regional Health Authority Inc.

Any surplus related to Out of Globe funding is repayable to the WRHA. Any surplus related to In Globe funding for the year (including PCH staffing), less the greater of 2% of funding or 50% of the actual operating surplus for the year, is repayable to the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

Differences that may occur on final settlement of approved costs are charged directly to net assets or operations. Prior years surplus and deficit, settlement for which has not yet been adjusted is as follows:

	2016	2015
2013 fiscal year end	\$ -	\$ 43,552
2014 fiscal year end	7,415	7,415
2015 fiscal year end	(48,765)	89,807
2015 fiscal year end - repayable In-Globe surplus	(66,448)	(66,448)
2016 fiscal year end	473,031	-
Balance, end of year	<u>\$ 365,233</u>	<u>\$ 74,326</u>

6. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

7. Winnipeg Regional Health Authority Operating Income

	2016	2015
Budgeted Items	\$ 4,265,436	\$ 4,255,921
Current adjustments - Out of Globe	(43,425)	626,008
Repayable In-Globe surplus	-	(66,448)
Balance, end of year	<u>\$ 4,222,011</u>	<u>\$ 4,815,481</u>

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements

For the year ended March 31, 2016

8. 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, 2016.

9. Land Lease

The land used by the organization is owned by the Grand Lodge of Manitoba, I.O.O.F. The organization has leased the land for a term of 50 years from March 1, 1980 without any leasing cost other than maintaining the property.

10. Pension Plans

During the year, the organization contributed \$348,538 (\$329,956 in 2015) 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, 2014 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2014, both employer and employee contribution rates increased to 7.9% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.5% on earnings in excess of the YMPE.

On April 1, 2015, with the inclusion on contributions towards the Cost of Living Adjustment Plan of 1%, the contribution rates increased to 8.9% (employer and employee portion) of pensionable earnings up to the YMPE and 10.5% (employer and employee portion) on earnings in excess of YMPE.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements

For the year ended March 31, 2016

11. Disclaimer

The information contained in this report is the property of Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge, and may not be combined, consolidated or in any way modified without the written authorization of the Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge.

12. Financial Risk Management

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

Credit Risk

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

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

	2016	2015
Accounts receivable	\$ 2,721,447	\$ 402,025
Due from WRHA	365,233	74,326
Vacation entitlements receivable	230,242	230,242
Retirement obligations receivable	579,737	552,736
	<u>\$ 3,896,659</u>	<u>\$ 1,259,329</u>

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.

**ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Notes to Financial Statements**

For the year ended March 31, 2016

12. Financial Risk Management (continued)

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The organization is not exposed to significant interest rate risk. Its investments are held in short-term or variable rate products.

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

The organization is not exposed to other price risk.

13. Building Water Damage

In April 2014, the facility suffered extensive water damage. It is expected that insurance will cover the majority of costs. The insurance deductible and any excess cost not covered by insurance will be recognized in the year incurred.

14. Prior Year Adjustment

During the year, it was noted that \$75,529 agency costs in prior year was expensed rather than set up as the insurance receivable. As a result, there is \$75,529 increase in current year net assets.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31	2016	2015
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Reserve for Major Repairs

Balance, beginning of year	\$ 176,544	\$ 158,208
Current year funding	18,336	18,336
Balance, end of year	\$ 194,880	\$ 176,544

Equipment Replacements

Balance, beginning of year	\$ 97,002	\$ 81,602
Current year funding	-	15,400
Balance, end of year	\$ 97,002	\$ 97,002

Total Deferred Contributions - Externally Restricted	\$ 291,882	\$ 273,546
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ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2016	2015
Balance, beginning of year	\$ 2,053,474	\$ 2,203,211
Current year funding	266,080	152,904
Debt reduction	(179,675)	(152,914)
Amortize to revenue	(147,509)	(149,727)
Balance, end of year	\$ 1,992,370	\$ 2,053,474

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2016	2015
Balance, beginning of year	\$	73,849	\$ 91,090
Current year donations		26,111	2,966
Current year expenditures		(39,590)	(20,207)
Balance, end of year	\$	60,370	\$ 73,849

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

<u>For the year ended March 31</u>		<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$	13,193	\$ 12,185
Current year funding		1,008	1,008
Current year expenditures		<u>(10,000)</u>	<u>-</u>
Balance, end of year	\$	4,201	\$ 13,193



Park Manor Care Inc.

Financial Statements
March 31, 2016



June 19, 2016

Independent Auditor's Report

To the Board of Directors of Park Manor Care Inc.

We have audited the accompanying financial statements of Park Manor Care Inc., which comprise the statement of financial position as at March 31, 2016 and the statement of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Park Manor Care Inc. as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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Park Manor Care Inc.
Statement of Financial Position
As at March 31, 2016

ASSETS	Operating Fund \$	Restricted		2016 Total \$	2015 Total \$
		Capital Fund \$	Development Fund \$		
Current Assets					
Cash	1,072,727	40,768	1,449	1,114,944	846,975
Investments - Short-term (note 3)	-	-	634,578	634,578	587,564
Receivable from WRHA (note 4)	772,716	-	-	772,716	807,746
Accounts Receivable (note 5)	94,264	-	-	94,264	96,413
Inventories & Prepaid Expenses (note 6)	46,111	-	-	46,111	38,912
Due from Related Parties (note 7)	47,022	-	-	47,022	158,863
Due from (to) Other Funds	(1,183,519)	171,464	1,012,055	-	-
Total Current Assets	849,321	212,232	1,648,082	2,709,635	2,536,473
Non-Current Assets					
Receivable from WRHA (note 4)	885,727	-	-	885,727	839,727
Capital Assets (note 8)	-	1,270,394	-	1,270,394	1,387,074
Investments - Long-term (note 3)	-	-	234,254	234,254	481,113
Total Non-Current Assets	885,727	1,270,394	234,254	2,390,375	2,707,914
Total Assets	1,735,048	1,482,626	1,882,336	5,100,010	5,244,387
LIABILITIES & FUND BALANCES					
Current Liabilities					
Bank Indebtedness (note 9)	-	-	-	-	279,388
Wages & Benefits Payable	108,219	-	-	108,219	128,716
Vacation & Statutory Holidays Payable	386,543	-	-	386,543	367,803
Accounts Payable to WRHA	141,580	-	-	141,580	87,206
Accounts Payable & Accruals (note 10)	249,684	-	-	249,684	116,212
Resident Trust	(1,322)	-	-	(1,322)	(3,776)
Current Portion of Long-term Debt (note 11)	-	38,115	-	38,115	35,970
Total Current Liabilities	884,704	38,115	-	922,819	1,011,519
Non-Current Liabilities					
Pre-retirement Leave (note 12)	723,000	-	-	723,000	677,000
Deferred Contributions (note 13)	9,888	968,805	-	978,693	1,067,496
Long-term Debt (note 11)	-	13,941	-	13,941	52,056
Total Non-Current Liabilities	732,888	982,746	-	1,715,634	1,796,552
Total Liabilities	1,617,592	1,020,861	-	2,638,453	2,808,071
Fund Balances					
Unrestricted	117,456	-	-	117,456	112,734
Invested in Capital Assets	-	291,558	-	291,558	240,434
Restricted	-	170,207	1,882,336	2,052,543	2,083,148
Total Fund Balances	117,456	461,765	1,882,336	2,461,557	2,436,316
Total Liabilities & Fund Balances	1,735,048	1,482,626	1,882,336	5,100,010	5,244,387

Approved by the Board of Directors

Original Document Signed

Director

Original Document Signed

Director

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

Park Manor Care Inc.
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2016

	Operating Fund \$	Restricted		2016 Total \$	2015 Total \$
		Capital Fund \$	Development Fund \$		
REVENUES					
Winnipeg Regional Health Authority (note 14)	4,984,259	4,128	-	4,988,387	4,870,540
Residential Charges	1,899,258	-	-	1,899,258	1,849,610
Accrued Future Employee Benefits	46,000	-	-	46,000	44,000
Pre-retirement Leave	59,617	-	-	59,617	106,238
Deferred Contributions (note 13)	-	197,689	-	197,689	187,280
Department Recoveries	116,489	-	-	116,489	123,046
Food Service Recoveries	93,498	-	-	93,498	86,120
Adventist Care Foundation - Grants	120,748	-	-	120,748	89,474
Interest Income	-	-	41,323	41,323	58,007
Donations	-	-	22,498	22,498	27,822
Other Revenue	19,423	-	22,356	41,779	46,155
Total Revenues	7,339,292	201,817	86,177	7,627,286	7,488,292
EXPENSES					
Salaries and Wages	5,308,568	-	-	5,308,568	5,182,709
Employee Benefits (note 15)	885,402	-	-	885,402	888,503
Accrued Future Employee Benefits	46,000	-	-	46,000	44,000
Pre-retirement Leave	59,617	-	-	59,617	106,238
Health and Education Tax	113,667	-	-	113,667	110,794
Administration	129,845	-	-	129,845	136,726
Resident Care and Supports	158,250	-	-	158,250	164,158
Food Services	287,420	-	-	287,420	275,961
Environmental Services	42,056	-	-	42,056	49,658
Physical Plant	119,152	-	-	119,152	104,281
Utilities	183,029	-	-	183,029	159,131
Amortization	-	192,664	-	192,664	180,582
Interest on Long-term Debt	-	4,119	-	4,119	6,143
Other Expenses	6,286	-	70,692	76,978	99,008
Total Expenses	7,339,292	196,783	70,692	7,606,767	7,507,892
Excess (Deficiency) of Gen'l Revenues over Expenses	-	5,034	15,485	20,519	(19,600)
Other Programs					
Adult Day Program (schedule 1)	3,872	-	-	3,872	16,273
SSGL Program (schedule 2)	850	-	-	850	(2,815)
Excess (Deficiency) of All Revenues over Expenses	4,722	5,034	15,485	25,241	(6,142)
Fund Balances - Beginning of Year	112,734	456,731	1,866,851	2,436,316	2,442,458
Fund Balances - End of Year	117,456	461,765	1,882,336	2,461,557	2,436,316

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

Park Manor Care Inc.
Statement of Cash Flows
Year Ended March 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN)	Total \$	Total \$
Operating Activities		
Excess (Deficiency) of Revenue over Expenses	25,241	(6,142)
Amortization	192,664	180,582
Changes in Non-Cash Working Capital Items	218,523	(456,416)
Net Cash Provided by (used in) Operating	436,428	(281,976)
Investing Activities		
Purchase of Capital Assets	(75,984)	(190,959)
Net Proceeds on Disposal of Investments	199,845	1,067,013
Net Cash Provided by (used in) Investing	123,861	876,054
Financing Activities		
Repayment of Long-term Debt	(35,970)	(33,947)
Due to Related Party	111,841	(161,787)
Deferred Contributions	(88,803)	53,927
Net Cash Provided by (used in) Financing	(12,932)	(141,807)
Increase (Decrease) in Cash During the Year	547,357	452,271
Cash - Beginning of Year	567,587	115,316
Cash - End of Year	1,114,944	567,587
Cash is Comprised of		
Cash	1,114,944	846,975
Bank Indebtedness (note 9)	-	(279,388)
Cash - End of Year	1,114,944	567,587

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

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

1. Incorporation and Nature of the Organization

Park Manor Care Inc. (the Organization) was originally incorporated as a non-profit organization without share capital under *The Corporations Act of Manitoba* on May 19, 1966. The Organization is registered as a not-for-profit organization under the *Income Tax Act* and as such is exempt from income taxes.

The organization is privately operated under the auspices of The Manitoba-Saskatchewan Conference of the Seventh-day Adventist Church, in cooperation with the Winnipeg Regional Health Authority, providing quality compassionate long-term care to elderly persons in the Transcona area of Winnipeg, Manitoba.

The Mission of the Organization is:

"Offering love, peace, compassion, hope and empowerment...to CARE as Christ does."

2. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self-balancing group of accounts is provided for each accounting fund established by the Organization.

For financial reporting purposes, the accounts have been classified into three funds. The activities carried out by each fund are as follows:

- The Operating Fund accounts for the Organization's general and administrative operating activities.
- The Capital Fund reports the Organization's investment of resources in long-term capital assets.
- The Development Fund is to be used for the purpose of reporting contributions held for specific projects that the Organization has planned as determined by the Board of Directors.

Cash

Cash includes amounts held on deposit at banking institutions.

Investments

Short-term investments consist of Guaranteed Investment Certificates (GICs) maturing within the next fiscal year and include related accrued interest.

Long-term investments consist of GICs maturing beyond the next fiscal year and include related accrued interest.

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

Capital Assets

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

The Organization capitalizes all individual assets grouped in a similar kind with a cost over \$2,000.

Amortization of capital assets starts in the year of acquisition whether it is acquired at the beginning of the year or at the end. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Building and improvements	5 - 40 years
Computer equipment	5 years
Equipment	5 - 20 years

Long-lived Assets

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

The organization performs impairment testing on long-lived assets held for use whenever events or changing circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized in the statement of operations when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount.

Deferred Contributions

Deferred contributions relating to the Operating Fund are contributions designated for future general operations or self-funding of insurance deductibles. These contributions are recognized when the expense is incurred.

Deferred contributions relating to the Capital Fund represent the unamortized portion of contributions received for the purchase of capital assets. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income and other revenues are recognized when earned.

Use of Estimates

The preparation of financial statements as set out in the basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Contributed Services

Volunteers at the Organization contributed approximately 10,400 (2015 - 10,760) hours of service in various activities. Due to the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured 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 in the year incurred.

Financial assets measured at amortized cost include Cash, Investments - Short term and Long term, Receivable from the WRHA, Accounts Receivable and amounts Due from Related Parties.

Financial liabilities measured at amortized cost include Wages & Benefits Payable, Vacation and Statutory Holidays Payable, Accounts Payable to WRHA, Accounts Payable & Accruals and Long-term Debt.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

3. Investments

	2016	2015
	Total \$	Total \$
Short-term Investments		
Non-redeemable GIC, earning interest at escalating rates between 1.09% and 6.59%, maturing August 2015	-	200,633
Non-redeemable GIC, earning interest at escalating rates between 1.51% and 6.25%, maturing December 2015	-	323,545
Non-redeemable GIC, earning interest at 2.8% maturing May 2016	227,699	-
Non-redeemable GIC, Flexible Term earning interest at 1% maturing December 9, 2016	373,151	-
Accrued Interest	33,728	63,386
Total Short-term Investments	634,578	587,564
Long-term Investments		
Non-redeemable GIC, earning interest at 2.8% maturing May 2016	-	227,699
Non-redeemable GIC, earning interest at escalating rates between 1.5% and 5.5%, maturing May 2017	215,874	215,874
Accrued Interest	18,380	37,540
Total Long-term Investments	234,254	481,113
Total Investments	868,832	1,068,677

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

4. Receivable from Winnipeg Regional Health Authority (WRHA)

	2016	2015
	Total \$	Total \$
Pre-retirement Leave	885,727	839,727
Other Receivables - Current	772,716	807,746
Total Receivable from WRHA	1,658,443	1,647,473

5. Accounts Receivable

	2016	2015
	Total \$	Total \$
Residents Fees	42,898	46,757
Resident's Personal	20,104	13,888
GST Rebate	13,033	15,702
Employees	2,133	11,568
Other	27,384	8,498
Total	105,552	96,413
Less: Allowance for Bad Debts	11,288	-
Net Account Receivable	94,264	96,413

6. Inventories & Prepaid Expenses

	2016	2015
	Total \$	Total \$
Medical and Surgical Supplies	13,970	10,756
Food Services Food	15,590	11,865
Food Services Supplies	2,715	1,674
Housekeeping Supplies	2,908	3,387
Linen Supplies	3,326	1,771
Total Inventories	38,509	29,453
Insurance	3,665	\$3,899
Other	3,937	\$5,560
Total Prepaid Expenses	7,602	9,459
Total Inventories & Prepaid Expenses	46,111	38,912

7. Due from Related Parties

	2016	2015
	Total \$	Total \$
Adventist Care Foundation Inc.	27,118	91,926
East Park Lodge Inc.	19,904	66,937
Total Due from Related Parties	47,022	158,863

East Park Lodge Inc., Adventist Care Foundation Inc. and the Organization are related by virtue of a common President Vice-President and Secretary of the Corporations.

During the year East Park Lodge Inc. paid \$22,800 (2015 - \$21,600) in management fees, \$25,200 (2015 - \$25,000) in maintenance fees and \$19,200 (2015 - \$19,000) in housekeeping fees to the Organization.

During the year the Adventist Care Foundation Inc. paid grants to the Organization relating to an Annual Grant of \$36,000 (2015 - \$35,000), Materials Management Grant of \$nil (2015 - \$35,000) and Grants for Consultants totalling \$84,748 (2015 - \$19,474).

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

8. Capital Assets

Asset Class	Cost \$	Accumulated Amortization \$	2016 Total \$	2015 Total \$
Land	28,266	-	28,266	28,266
Buildings and Improvements	3,636,877	2,670,456	966,421	1,081,307
Computer Equipment	43,229	38,167	5,062	10,446
Equipment and Furniture	855,329	600,759	254,570	255,954
Construction in Progress	16,075	-	16,075	11,101
Total Capital Assets	4,579,776	3,309,382	1,270,394	1,387,074

9. Bank Indebtedness

The Organization has an available line of operating credit to a maximum of \$175,000 (2015 - \$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 WRHA/Manitoba Health.

	2016 Total \$	2015 Total \$
Cheques issued in excess of funds on hand	-	74,409
Operating Line of Credit	-	204,979
Total Bank Indebtedness	-	279,388

10. Government Remittances Payable

Included in accounts payable and accruals as at March 31, 2016 is \$4,081 (2015 - \$2,625) of payroll deductions owing. Payroll related obligations owed directly to the government are remitted with each pay period and the last pay period for this fiscal period was March 27, 2016.

11. Long-term Debt

	2016 Total \$	2015 Total \$
First mortgage payable in monthly installments of \$3,341 including interest at 5.88% secured by land and building, maturing July 1, 2017.	52,056	88,026
Less: Current Portion	38,115	35,970
Total Long-term Debt	13,941	52,056

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

12. Pre-retirement Leave

Under guidelines produced by the WRHA, they will fund the Organization's vacation pay liability, recognized as accounts receivable in the amount of \$232,434 as at March 31, 2004. For the March 31, 2016 fiscal year, the Organization incurred employee future benefits and receivable from WRHA in the same amount as directed by Manitoba Health and the WRHA.

Retirement Benefits

Under guidelines produced by Manitoba Health and/or WRHA, funding owed to the Organization related to pre-retirement leave benefits and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years. 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 2.9% and a rate of salary increase of 3.5%.

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

Fiscal Year	Future Liability \$	Accounts Receivable \$
2004-05	319,838	303,367
2005-06	373,074	328,650
2006-07	413,647	369,223
2007-08	389,789	345,365
2008-09	436,072	336,365
2009-10	503,001	433,294
2010-11	646,331	576,624
2011-12	690,928	621,221
2012-13	766,214	696,507
2013-14	633,000	563,293
2014-15	677,000	607,293
2015-16	723,000	653,293

13. Deferred Contributions

	Operating	Capital	2016 Total \$	2015 Total \$
Balance - Beginning of Year	8,881	1,058,615	1,067,496	1,013,569
Contributions Received during the Year				
Donations	-	16,707	16,707	12,187
WRHA - Mortgage Principal Payment	-	35,976	35,976	33,935
WRHA - Basic Equipment Funding	-	17,500	17,500	17,500
WRHA - Other Equipment Funding	-	33,400	33,400	-
WRHA - Major Repairs Funding	-	4,296	4,296	4,296
WRHA - Safety & Security Funding	-	-	-	172,280
WRHA - Insurance Deductible	1,007	-	1,007	1,009
Total Deferred Contributions Available	9,888	1,166,494	1,176,382	1,254,776
Recognized as Revenue during the Year	-	197,689	197,689	187,280
Balance - End of Year	9,888	968,805	978,693	1,067,496

Park Manor Care Inc.
Notes to Financial Statements
Year Ended March 31, 2016

14. WRHA Operating Funding

	2016	2015
Funding Category	Total \$	Total \$
Baseline Operating	4,310,538	4,246,511
Supplemental	192,498	168,624
3.6 HPRD Staffing	241,454	241,454
Accrued Wage Adjustments	221,730	199,347
HEB/HEPP/Blue Cross Benefits	50,562	48,701
Medical Administration	14,106	14,016
Median Rate Adjustment	-	2,120
Staff Training & Influenza Vaccine	3,485	5,458
Special Resident Transportation	2,986	11,617
Total WRHA Operating Funding	5,037,359	4,937,848
Less: Resident Fees Year End Adjustment	53,100	73,452
Net WRHA Operating Funding	4,984,259	4,864,396

15. Employee Benefit Contributions

	2016	2015
Benefit Category	Total \$	Total \$
Canada Pension Plan	213,161	208,243
HEPP Pension Plan (note 16)	330,235	334,469
Employment Insurance	127,712	125,233
Workers Compensation Board	58,396	75,877
Disability and Rehabilitation Plan	52,767	48,226
Extended Health Plan	32,090	30,972
Dental Plan	37,027	35,906
Group Life Plan	8,718	8,903
Healthcare Spending Account	21,197	16,721
Employment Assistance Plan	4,099	3,953
Total Employer Contributions - General Programs	885,402	888,503

16. Pension Plan

The Organization participates in the Health Employees' Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of Canadian Institute of Chartered Accountants Accounting Standards for Private Enterprises Section 3462. Total contributions to the plan on behalf of employees of all programs during the year were \$340,945 (2015 - \$345,249).

17. Risk Management

The Organization manages risk and risk exposures by applying policies approved by the Board of Directors.

It is management's opinion that the Organization is not exposed to significant currency or other price risks arising from its financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Organization, in the normal course of business, is exposed to credit risk from its residents. However, the broad resident base minimizes the credit risk.

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Organization's cash flows, financial position, and revenue. Certain of the Organization's investments are subject to changes in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Organization may have difficulty meeting its financial obligations associated with financial liabilities in full. Management expects the Organization to be able to meet its financial obligations in the foreseeable future.

18. Significant Funding Source

A significant portion of the Organization's operating funds are received from the WRHA. The percentage of total revenues from the WRHA for the current year is 67.9% (2015 - 67.7%).

19. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Park Manor Care Inc.
Schedule 1 - Adult Day Program
Year Ended March 31, 2016

	2016	2015
REVENUES	Total \$	Total \$
Winnipeg Regional Health Authority (WRHA)	157,536	157,536
Participant Fees	17,906	17,942
Other Revenue	-	80
Total Revenues	175,442	175,558
EXPENSES		
Salaries and Wages	76,703	70,775
Employee Benefits	12,219	13,116
Health and Education Tax	1,690	1,923
Participant Travel	60,085	53,387
Participant Meals	11,574	10,080
Program Expense	1,832	2,008
Administrative Expense	2,467	3,796
Management Fees	5,000	4,200
Total Expenses	171,570	159,285
Excess (Deficiency) of Revenues over Expenses	3,872	16,273

Park Manor Care Inc.**Schedule 2 - Support for Seniors in Group Living (SSGL) Program**

Year Ended March 31, 2016

	2016	2015
REVENUES	Total \$	Total \$
Winnipeg Regional Health Authority (WRHA)	87,486	83,482
Other Revenue	178	25
Total Revenues	87,664	83,507
EXPENSES		
Salaries and Wages	63,290	59,899
Employee Benefits	13,643	13,109
Health and Education Tax	1,344	1,234
Program Expense	1,709	2,950
Administrative Expense	2,928	5,230
Management Fees	3,900	3,900
Total Expenses	86,814	86,322
Excess (Deficiency) of Revenues over Expenses	850	(2,815)

**PEMBINA PLACE MENNONITE
PERSONAL CARE HOME INC.**

Financial Statements
For the year ended March 31, 2016



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BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Directors of PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in net deficiency, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2016

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Financial Position

March 31	2016	2015
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Assets

Current Assets

Cash and bank	\$ 102,999	\$ 48,643
Restricted cash	35,664	91,683
Accounts receivable (Note 2)	85,472	92,733
Inventories	7,600	7,600
Prepaid expenses	4,410	6,753
Vacation entitlement receivable (Note 3)	<u>121,948</u>	<u>121,948</u>

	358,093	369,360
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Retirement obligations asset (Note 9)	264,999	239,999
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Capital assets (Note 4)	<u>392,711</u>	<u>344,106</u>
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	\$ 1,015,803	\$ 953,465
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Liabilities and Net Deficiency

Current Liabilities

Accounts payable (Note 6)	\$ 289,781	\$ 304,436
Accrued vacation entitlements (Note 3)	193,153	179,081
Unspent equipment funding (Note 7)	<u>74,155</u>	<u>84,839</u>

	557,089	568,356
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Accrued retirement obligation (Note 9)	264,999	239,999
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Deferred contributions (Note 8)	<u>392,711</u>	<u>344,106</u>
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	<u>1,214,799</u>	<u>1,152,461</u>
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Net Deficiency

Invested in capital assets	-	-
Unrestricted net deficiency	<u>(198,996)</u>	<u>(198,996)</u>

	<u>(198,996)</u>	<u>(198,996)</u>
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	\$ 1,015,803	\$ 953,465
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Approved by the Board:

Original Document Signed _____

Director

Original Document Signed _____

Director

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Operations and Changes in Net Deficiency

For the year ended March 31	2016	2015
Revenue		
Winnipeg Regional Health Authority	\$ 3,131,819	\$ 3,085,447
Residential charges	1,186,612	1,074,210
Other income	31,916	31,029
	<u>4,350,347</u>	<u>4,190,686</u>
Expenses		
Drugs and medical supplies	89,949	89,819
Office and miscellaneous	14,498	13,073
Other supplies and expenses	55,358	56,413
Professional fees	18,205	14,019
Purchased services	572,031	561,058
Repairs and maintenance	14,087	24,883
Resident travel	6,280	3,625
Salaries and benefits	3,353,720	3,199,391
Service charges and fees	13,128	15,327
Shared building operation expenses (Note 10)	192,000	192,000
Telephone	20,982	19,495
Travel	109	71
	<u>4,350,347</u>	<u>4,189,174</u>
Excess of revenue over expenses before amortization	<u>-</u>	<u>1,512</u>
Amortization		
Deferred contributions (Note 8)	44,373	41,207
Capital assets (Note 4)	<u>(44,373)</u>	<u>(41,207)</u>
	<u>-</u>	<u>-</u>
Excess of revenue over expenses	<u>-</u>	<u>1,512</u>
Net deficiency, beginning of year	<u>(198,996)</u>	<u>(200,508)</u>
Net deficiency, end of year	<u>\$ (198,996)</u>	<u>\$ (198,996)</u>

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Cash Flows

For the year ended March 31 **2016** **2015**

Cash Provided by (used in):

Cash Flows from Operating Activities

Excess of revenue over expenses	\$ -	\$ 1,512
Adjustment for non-cash items		
Amortization of capital assets	<u>44,373</u>	41,207
	44,373	42,719
Changes in non-cash working capital		
Accounts receivable	7,261	(55,155)
Vacation entitlement receivable	(25,000)	(19,000)
Prepaid expenses	2,343	(3,944)
Accounts payable	(14,655)	(11,513)
Vacation entitlement payable	39,072	35,894
Unspent equipment funding	<u>(10,684)</u>	-

Net cash flows used in by operating activities 42,710 (10,999)

Cash Flows from Financing Activities

Deferred contributions 48,605 12,495

Net cash flows provided by financing activities 48,605 12,495

Cash Flows from Investing Activities

Purchase of capital assets (92,978) (31,661)

Net cash flows used in investing activities (92,978) (31,661)

Net decrease in cash and cash equivalents (1,663) (30,165)

Cash and cash equivalents, beginning of year 140,326 170,491

Cash and cash equivalents, end of year \$ 138,663 \$ 140,326

Represented by:

Cash	\$ 102,999	\$ 48,643
Restricted cash	<u>35,664</u>	91,683
	\$ 138,663	\$ 140,326

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. (the "Home") provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a not-for-profit organization and, as such, is exempt from income taxes under The Income Tax Act. The Home, a Mennonite Organization, provides compassionate, outstanding long term care and affordable housing for seniors.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) - Part III of the CPA Canada Handbook.

Revenue Recognition

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

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

- a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree. The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.
- b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories of supplies are carried at the lower of cost and net realizable value determined on a first-in, first-out basis.

Employee Future Benefits

The organization maintains a multi-employer pension for its personnel. The expense for this plan is equal to the organization's required contribution for the year.

Pre-retirement entitlement and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Measurement uncertainty exists in the amortization of assets and deferred contributions over the estimated useful lives of the assets and WRHA receivables since year end reconciliations have not been conducted for several previous years.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Capital Assets

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

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

Leasehold improvements	10%
Furniture, fixtures and equipment	10-20%

2. Accounts Receivable

	2016	2015
Receivable from residents	\$ 17,943	\$ 17,755
Winnipeg Regional Health Authority	44,394	55,601
GST rebate receivable	6,009	5,134
Other	17,126	14,243
	\$ 85,472	\$ 92,733

3. Accrued Vacation Entitlements

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

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

	2016	2015
Balance, beginning of year	\$ 121,948	\$ 121,948
Net changes in vacation entitlements receivable	-	-
Balance, end of year	\$ 121,948	\$ 121,948

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

3. Accrued Vacation Entitlements (continued)

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

	2016	2015
Balance, beginning of year	\$ 179,081	\$ 162,187
Net change in accrued vacation entitlements	14,072	16,894
Balance, end of year	<u>\$ 193,153</u>	<u>\$ 179,081</u>

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 2,506,586	\$ 2,485,347	\$ 2,506,586	\$ 2,482,408
Furniture, fixtures and equipment	894,556	523,084	801,578	481,650
	<u>\$ 3,401,142</u>	<u>\$ 3,008,431</u>	<u>\$ 3,308,164</u>	<u>\$ 2,964,058</u>
Cost less accumulated amortization		<u>\$ 392,711</u>		<u>\$ 344,106</u>

Amortization of capital assets for the year ended March 31, 2016 is \$44,373 (2015 - \$41,207).

5. Bank Overdraft

The organization has a demand credit facility with the Royal Bank, amounting to \$50,000 (2015 - \$50,000), available for operating needs. The overdraft facility bears interest at the bank's prime rate (effective rate at March 31, 2015 - 2.85%), calculated and payable monthly. The line was unutilized as of March 31, 2016.

6. Accounts Payable

	2016	2015
Trade accounts payable	\$ 58,145	\$ 83,365
Salaries and employee benefits payable	156,221	118,546
Due to related parties	75,415	102,525
	<u>\$ 289,781</u>	<u>\$ 304,436</u>

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

7. Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 84,839	\$ 62,798
Additional contributions received		
Winnipeg Regional Health Authority	82,268	53,452
Interest received	26	250
Less transfer to deferred contributions - asset purchases	<u>(92,978)</u>	<u>(31,661)</u>
Balance, end of year	<u>\$ 74,155</u>	<u>\$ 84,839</u>

8. Deferred Contributions

Deferred capital contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contribution balance are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 344,106	\$ 353,652
Transfer from unspent equipment funding	92,978	31,661
Less amounts amortized to revenue	<u>(44,373)</u>	<u>(41,207)</u>
Balance, end of year	<u>\$ 392,711</u>	<u>\$ 344,106</u>

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

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, 2016. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2015 - 3.35%) and a rate of salary increase of 3.5% (2015 - 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.

	2016	2015
Employee future benefits recoverable from:		
Manitoba Health	\$ 83,241	\$ 83,241
Winnipeg Regional Health Authority	181,758	156,758
	\$ 264,999	\$ 239,999

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

	2016	2015
Balance, beginning of year	\$ 239,999	\$ 220,999
Net change in pre-retirement entitlements	25,000	19,000
Balance, end of year	\$ 264,999	\$ 239,999

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

9. Employee Future Benefits (continued)

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, 2014 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 \$216,133 (2015 - \$187,235) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

	<u>2016</u>	<u>2015</u>
Salary and IT expenses charged by related party	\$ 384,410	\$ 401,680
Shared building operations expenses	192,000	192,000
Salary costs paid on behalf of and recovered from related party	-	35,500

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

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted a portion of building operation expenses for the year ended March 31, 2016.

Accounts payable includes \$75,415 (2015 - \$102,525) payable to related parties. The balances are unsecured, non interest bearing and due on demand.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

11. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 9, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) is recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

12. Economic Dependence

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

13. Financial Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Home's activities. The risks have not changed from the previous year.

Credit risk

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

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

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

13. Financial Risk Management (continued)

Credit risk (continued)

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

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

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Home is exposed to liquidity risk due to its working capital deficiency.

Financial Statements of

PRAIRIE VIEW LODGE

March 31, 2016

Independent Auditor's Report

To the Board of Directors of Prairie View Lodge,

We have audited the accompanying financial statements of Prairie View Lodge, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prairie View Lodge as at March 31, 2016 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.



Chartered Accountants

June 27, 2016
Winnipeg, Manitoba

PRAIRIE VIEW LODGE
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 145,318	\$ 275,771
Investments	76,679	74,266
Accounts receivable	29,410	24,364
	251,407	374,401
 CONSTRUCTION IN PROGRESS	 -	 455,629
CAPITAL ASSETS (Note 3)	847,074	97,094
OTHER ASSETS	188	188
	\$ 1,098,669	\$ 927,312
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 91,179	\$ 270,104
Funding payment received in advance	-	39,832
Due to Southern Health - Santé Sud (Note 4)	23,044	86,201
Current portion of mortgage payable (Note 5)	4,079	3,776
	118,302	399,913
 MORTGAGE PAYABLE (Note 5)	 27,351	 31,730
 DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 6)	 14,786	 13,886
 DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 6)	 810,202	 326,417
	970,641	771,946
 CONTINGENCIES (Note 11)		
 NET ASSETS		
Invested in capital assets (Note 7)	1,555	4,117
Internally restricted	630	630
Reserve fund (Note 8)	101,973	92,973
Unrestricted	23,870	57,646
	128,028	155,366
	\$ 1,098,669	\$ 927,312

APPROVED BY THE DIRECTORS

..... Original Document Signed Director
..... Original Document Signed Director

PRAIRIE VIEW LODGE
Statement of Operations
For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUES		
Southern Health - Santé Sud (Note 9)	\$ 926,806	\$ 922,290
Residential charges	503,138	461,615
Ancillary operations (Note 10)	98,477	97,905
Amortization of deferred contributions - capital assets	33,552	12,361
Other income	98	886
	<u>1,562,071</u>	<u>1,495,057</u>
EXPENSES		
Long term care (Schedule 1)	1,415,221	1,402,804
Ancillary operations (Schedule 2)	133,364	95,285
Amortization	33,552	12,361
Pharmacy capitation	16,272	12,606
	<u>1,598,409</u>	<u>1,523,056</u>
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (36,338)	\$ (27,999)

PRAIRIE VIEW LODGE
Statement of Changes in Net Assets
For the year ended March 31, 2016

	2016			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Reserve Total
Balance, beginning of year	\$ 4,117	\$ 630	\$ 57,646	\$ 92,973
Deficiency of revenue over expenses	(2,562)	-	(33,776)	-
Reserve for Major Repairs	-	-	-	9,000
Balance, end of year	\$ 1,555	\$ 630	\$ 23,870	\$ 101,973
				128,028

	2015			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Reserve Total
Balance, beginning of year	\$ 3,088	\$ 630	\$ 95,674	\$ 83,973
Excess (deficiency) of revenues over expenses	(2,562)	-	(25,437)	-
Transfers (Note 8)	3,591	-	(12,591)	9,000
Balance, end of year	\$ 4,117	\$ 630	\$ 57,646	\$ 92,973
				155,366

PRAIRIE VIEW LODGE
Statement of Cash Flows
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Items not affecting cash:		
Deficiency of revenue over expenses	\$ (36,338)	\$ (27,999)
Amortization	36,114	14,923
Amortization of deferred contributions - capital assets	(33,552)	(12,361)
Transfers to the reserve fund	9,000	9,000
	<u>(24,776)</u>	<u>(16,437)</u>
Changes in non-cash operating working capital items:		
Investments	(2,413)	(720)
Accounts receivable	(5,046)	11,330
Prepaid expenses	-	97,169
Accounts payable and accrued liabilities	(178,925)	247,893
Funding payment received in advance	(39,832)	39,832
Due to Southern Health - Santé Sud	(63,157)	(16,251)
	<u>(314,149)</u>	<u>362,816</u>
FINANCING ACTIVITIES		
Deferred contributions received - expense of future periods	900	900
Repayment of mortgage payable	(4,076)	(3,593)
Deferred contributions received - capital assets	517,337	275,666
	<u>514,161</u>	<u>272,973</u>
INVESTING ACTIVITY		
Purchase of capital assets	(330,465)	(471,535)
(DECREASE) INCREASE IN CASH POSITION	(130,453)	164,254
CASH POSITION, BEGINNING OF YEAR	275,771	111,517
CASH POSITION, END OF YEAR	\$ 145,318	\$ 275,771

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

1. NATURE OF BUSINESS

Prairie View Lodge Inc. (the "Lodge") is an incorporated not for profit organization sponsored by the United Church of Canada. The Lodge is principally involved in providing long-term care and related services for residents living within the area under the jurisdiction of the Southern Health – Santé Sud ("SH-SS"), with funding provided by Manitoba Health through SH-SS. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Lodge has elected to continue to provide the services to SH-SS under a service purchase contract. The Lodge is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

The Lodge follows the deferral method of accounting for contributions which include donations and government grants. The Lodge is funded primarily by the Province of Manitoba, through SH-SS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SH-SS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

Revenue derived from ancillary operations and residential charges is recorded in the period to which it relates.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

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

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Southern Health – Santé Sud Funding

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The Lodge is responsible for any in-globe deficits and may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the Lodge may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Lodge as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Buildings	2%
Equipment	10%
Property improvements	10%

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Lodge subsequently measures all its financial assets and financial liabilities at amortized cost.

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and allowance for doubtful accounts. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Hostel Land	\$ 1,100	\$ -	\$ 1,100	\$ 1,100
Hostel buildings	878,776	177,567	701,209	-
Hostel equipment	326,621	197,001	129,620	78,287
Hostel property improvements	3,444	3,444	-	-
Units buildings	203,132	191,726	11,406	13,687
Units equipment	5,545	3,856	1,689	1,970
Units land	2,050	-	2,050	2,050
	\$ 1,420,668	\$ 573,594	\$ 847,074	\$ 97,094

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

4. DUE TO SOUTHERN HEALTH – SANTÉ SUD

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 86,201	\$ 102,452
Payment of prior year balance	(86,201)	-
Current year's estimated out-of-globe amounts	23,310	(12,541)
Miscellaneous	(266)	(3,710)
	<u>\$ 23,044</u>	<u>\$ 86,201</u>

5. MORTGAGE PAYABLE

	<u>2016</u>	<u>2015</u>
CMHC loan	\$ 31,430	\$ 35,506
Less: current portion	(4,079)	(3,776)
	<u>\$ 27,351</u>	<u>\$ 31,730</u>

The CMHC loan bears interest at 7.75% and is repayable in monthly blended amounts of \$534 and matures May 1, 2022.

Principal repayments over the next five years are expected to be as follows:

2017	4,079
2018	4,407
2019	4,761
2020	5,143
2021	5,556
Thereafter	7,484

6. DEFERRED CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Expenses of future periods - Hostel		
Balance, beginning of year	\$ 13,886	\$ 12,986
Add: additional contributions received	900	900
	<u>\$ 14,786</u>	<u>\$ 13,886</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

6. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions related to capital assets is as follows:

	<u>2016</u>	<u>2015</u>
Capital Assets – Hostel		
Balance, beginning of year	\$ 326,417	\$ 54,112
Add: additional contributions received	517,337	284,666
Less: amounts amortized to revenue	(33,552)	(12,361)
	<u>\$ 810,202</u>	<u>\$ 326,417</u>

7. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 847,074	\$ 97,094
Construction in progress	-	455,629
Organization costs	188	188
Construction in progress accounts payable	(4,075)	(186,871)
Deferred contributions - capital assets	(810,202)	(326,417)
Mortgage payable	(31,430)	(35,506)
	<u>\$ 1,555</u>	<u>\$ 4,117</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions related to capital assets	\$ 33,552	\$ 12,361
Amortization of capital assets	(36,114)	(14,923)
	<u>(2,562)</u>	<u>(2,562)</u>
Purchase of capital assets	330,465	471,535
Repayment of mortgage payable	4,076	3,593
Construction in progress accounts payable	182,796	(186,871)
Deferred contributions – capital assets	(517,337)	(284,666)
	-	3,591
	<u>\$ (2,562)</u>	<u>\$ 1,029</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

8. RESERVE FUND

The Lodge is required by CMHC to transfer \$9,000 per year to a reserve fund that is to fund future major repairs of the Lodge's units. As at March 31, 2016 the balance of the reserve fund is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 92,973	\$ 83,973
Add: additional contributions received	9,000	9,000
	<u>\$ 101,973</u>	<u>\$ 92,973</u>

9. SOUTHERN HEALTH – SANTÉ SUD REVENUE

SH-SS revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue per final budget	\$ 955,974	\$ 928,974
Provincially funded debt	(3,084)	(3,084)
Amounts recorded as deferred contribution	(900)	(900)
Bed grant disclosed in ancillary revenue	(1,596)	(1,592)
	<u>950,394</u>	<u>923,398</u>
Current year's funding adjustment	(23,588)	(1,108)
Revenue for the year	<u>\$ 926,806</u>	<u>\$ 922,290</u>

Amounts recoverable or payable are based on SH-SS funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

10. ANCILLARY OPERATIONS REVENUE

	<u>2016</u>	<u>2015</u>
Units Rental	\$ 96,881	\$ 95,138
Bed grant for units	1,596	1,592
Investment income	-	1,175
	<u>\$ 98,477</u>	<u>\$ 97,905</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

11. CONTINGENCIES

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

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Lodge may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2016.

12. RELATED ENTITIES

The Lodge has economic interest in the Prairie View Lodge Foundation Inc. ("Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation's by-laws, the Foundation's Board of Directors must be comprised of previous and/or current members of the Board of Directors of the Lodge. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of resident care within the Lodge. The financial statements of the Foundation have not been consolidated in these financial statements.

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to the Lodge under a shared services agreement. Amounts charged to the Lodge for these services are included as purchased services in the statements of expenses. The amount payable in respect of these transactions was \$72,430 as at March 31, 2016 (2015 – receivable of \$68,841). Included in accounts payable and accrued liabilities is an amount payable to Rock Lake Health District of \$4.075 (2015 - \$186,871) related to the construction of an Acute Care Unit.

13. CAPITAL MANAGEMENT

The Lodge defines its capital as the amounts included in the Net Asset balances.

The Lodge's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Lodge sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

14. ECONOMIC DEPENDENCE

The Lodge receives approximately 59% (2015 – 62%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2016

15. COMPARATIVE FIGURES

Certain prior period comparatives have been reclassified to conform to the current year's presentation.

PRAIRIE VIEW LODGE
Statement of Expenses - Long Term Care
For the year ended March 31, 2016

Schedule 1

	<u>2016</u>	<u>2015</u>
EXPENSES		
Administration	\$ 13,169	\$ 13,201
Housekeeping	7,942	6,983
Personal care	57,312	60,914
Physical plant maintenance	26,837	53,568
Physical plant operation	54,699	52,573
Purchased services - nursing	1,251,000	1,208,650
Recreation and activity	4,262	6,915
TOTAL LONG TERM CARE EXPENSES	\$ 1,415,221	\$ 1,402,804

PRAIRIE VIEW LODGE
Statement of Expenses - Ancillary Operations
For the year ended March 31, 2016

Schedule 2

	<u>2016</u>	<u>2015</u>
EXPENSES		
Amortization of capital assets	\$ 2,562	\$ 2,562
Electricity	8,200	8,210
Major repairs	34,000	-
Mortgage interest	2,334	2,818
Property taxes	13,497	13,115
Purchased services - administration	9,123	8,024
Purchased services - janitor	9,600	9,355
Purchased services - maintenance	17,340	17,025
Repairs - building and grounds	33,424	31,418
Water	3,284	2,758
TOTAL ANCILLARY EXPENSES	\$ 133,364	\$ 95,285

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing
Home of Steinbach Inc.)

Financial Statements
For the year ended March 31, 2016



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700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of REST HAVEN NURSING HOME OF STEINBACH INC.

We have audited the accompanying financial statements of **REST HAVEN NURSING HOME** (A division of Rest Haven Nursing Home of Steinbach Inc.), which comprise the statements of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **REST HAVEN NURSING HOME** (A division of Rest Haven Nursing Home of Steinbach Inc.) as at March 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2016

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REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Financial Position

March 31	2016	2015
Assets		
Current Assets		
Cash in bank	\$ 407,511	\$ 519,951
Accounts receivable (Note 2)	96,753	16,692
Due from SHSS (Note 3)	32,901	-
Due from related parties (Note 4)	128,524	37,848
Inventories	38,215	38,682
Prepaid expenses	48,017	61,006
Vacation entitlements receivable (Note 5)	152,406	152,406
	904,327	826,585
Retirement obligations receivable (Note 6)	268,000	277,000
Capital assets (Note 7)	4,658,565	3,357,588
	\$ 5,830,892	\$ 4,461,173
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued charges (Note 9)	\$ 265,005	\$ 263,417
Due to SHSS (Note 3)	-	38,638
Accrued vacation entitlements (Note 5)	380,935	298,040
	645,940	600,095
Accrued retirement obligations (Note 6)	268,000	277,000
Deferred Contributions (Note 10)		
Expenses of future periods	6,665	10,792
Capital assets	4,534,881	3,275,415
	5,455,486	4,163,302
Commitments and contingencies (Note 12)		
Net assets		
Invested in capital assets (Note 11)	123,684	82,173
Unrestricted	251,722	215,698
	375,406	297,871
	\$ 5,830,892	\$ 4,461,173

Approved on behalf of the Board:

Original Document Signed Director Original Document Signed Director

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Southern Health - Sante Sud fixed payments (Note 13)	\$ 3,973,521	\$ 3,862,497
Residential charges	933,733	922,251
Amortization of deferred contributions related to capital assets	277,618	246,107
Other recoveries	58,526	58,535
Meal recoveries	50,630	48,804
Canada Mortgage & Housing Corporation capital funding	27,182	25,091
Interest income	2,531	366
	5,323,741	5,163,651
Expenditures		
Administration	392,816	359,056
Amortization of capital assets	279,461	246,486
Cafeteria/courtesy meals	29,512	20,526
Dietary	507,236	478,910
Drugs	138,728	127,986
Housekeeping	225,442	198,530
Laundry/linen	169,284	147,619
Nursing	2,885,290	2,883,039
Patient support services	199,502	191,195
Physical plant	164,294	169,172
Pre-retirement obligations	41,336	15,000
Utilities/taxes/insurance	189,986	187,894
Woodhaven Manor Inc. - food services	23,319	27,501
	5,246,206	5,052,914
Excess of revenue over expenditures for the year	\$ 77,535	\$ 110,737

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Changes in Net Assets

For the year ended March 31 **2016** **2015**

		Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	\$	82,173	\$ 215,698	\$ 297,871	\$ 187,134
Excess (deficiency) of revenue over expenditures for the year		(1,843)	79,378	77,535	110,737
Net changes in investment in capital assets (Note 11)		43,354	(43,354)	-	-
Balance, end of year	\$	123,684	\$ 251,722	\$ 375,406	\$ 297,871

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	\$ 77,535	\$ 110,737
Items not involving cash:		
Amortization of capital assets	279,461	246,486
Amortization of deferred contributions related to capital assets	(277,618)	(246,107)
	<u>79,378</u>	<u>111,116</u>
Changes in non-cash working capital:		
Accounts receivable	(80,061)	73,192
Due from SHSS	(71,539)	356,286
Inventory	467	(2,080)
Prepaid expenses	12,989	20,599
Accounts payable and accrued charges	1,588	65,154
Accrued vacation entitlements	82,895	2,486
	<u>(53,661)</u>	<u>515,637</u>
Retirement obligations receivable	<u>9,000</u>	<u>(15,000)</u>
Accrued retirement obligations	<u>(9,000)</u>	<u>15,000</u>
	<u>25,717</u>	<u>626,753</u>
Cash Flows from Financing Activities		
SHSS funding - capital assets	1,505,034	36,250
Donations	32,050	-
Decrease in deferred contributions related to expenses of future periods	(4,127)	(2,719)
	<u>1,532,957</u>	<u>33,531</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(1,580,438)	(51,419)
Advances to related parties	(90,676)	(28,714)
	<u>(1,671,114)</u>	<u>(80,133)</u>
Net increase (decrease) in cash and cash equivalents	(112,440)	580,151
Cash and cash equivalents, beginning of year	519,951	(60,200)
Cash and cash equivalents, end of year	\$ 407,511	\$ 519,951

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Rest Haven Nursing Home is a division of Rest Haven Nursing Home of Steinbach Inc. Rest Haven Nursing Home of Steinbach Inc. was incorporated under the laws of the Province of Manitoba on November 23, 1971. The corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Rest Haven Nursing Home is principally involved in providing residential care services to Steinbach and surrounding areas.

Rest Haven Nursing Home of Steinbach Inc., is a member of the HavenGroup of companies which operate under the control of a common Board of Directors, and provides long-term care services to elderly and disadvantaged individuals in Steinbach. Other entities within the group include the other operating divisions of Rest Haven Nursing Home of Steinbach Inc. (Rest Haven Apartments - Cedarwood Apartments and Parkview Apartments and Tenant Resource Co-ordinator), Greenwood Meadows Inc. and Woodhaven Manor Inc.

Also related to the Group is The HavenGroup Foundation 2006 Inc. by nature of overlapping board membership and management.

These financial statements present the financial position and results of operations of the Rest Haven Nursing Home. As such, these financial statements do not include the assets, liabilities, net assets, revenue and expenditures of the other divisions of Rest Haven Nursing Home of Steinbach Inc. or the other companies in the Group.

Consolidated financial statements for the Group have been compiled; however, separate financial statements are presented for each entity to facilitate reporting to the funders and other users of each entity.

Basis of Accounting

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

Inventories

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Capital Assets

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

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

Building	2.5%
Building renovations and upgrades	5%
Building service equipment	5%
Furniture, fixtures and equipment	5 - 10%
Computerization and software	20%

Employee Future Benefits

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

Revenue Recognition

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

Under the Health Insurance Act and regulations thereto, the Home is funded primarily by the Southern Health - Sante Sud (SHSS) in accordance with budget arrangements established by the Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by SHSS with respect to the year ended March 31, 2016.

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

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

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

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

Revenue from the residential services and marketed services is recognized when the service is provided or the goods are sold.

Contributed Services

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

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

2. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Receivable from residents	\$ 5,120	\$ 8,845
GST receivable	8,405	7,847
Steinbach Housing Inc.	73,200	-
Other	10,028	-
	<u>\$ 96,753</u>	<u>\$ 16,692</u>

3. Due from SHSS

	<u>2016</u>	<u>2015</u>
2014/2015 funding adjustment	\$ -	\$ (38,638)
2015/2016 funding adjustment	32,901	-
	<u>\$ 32,901</u>	<u>\$ (38,638)</u>

4. Related Party Transactions

Balances due from related parties do not bear interest, have no specific terms of repayment and are unsecured. These transactions mainly consist of the allocation of salaries to Rest Haven Nursing Home, Woodhaven Manor Inc., and Rest Haven Apartments. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for services. All parties are related by common control.

	<u>2016</u>	<u>2015</u>
Due from		
Rest Haven Apartments	\$ 66,291	\$ 705
HavenGroup Foundation 2006 Inc.	22,001	34,934
Woodhaven Manor Inc.	40,232	2,209
	<u>\$ 128,524</u>	<u>\$ 37,848</u>

5. Accrued Vacation Entitlements

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

5. Accrued Vacation Entitlements (continued)

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 152,406	\$ 152,406
Net changes in vacation entitlements receivable	-	-
Balance, end of year	<u>\$ 152,406</u>	<u>\$ 152,406</u>

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

Balance, beginning of year	\$ 298,040	\$ 295,554
Net increase in accrued vacation entitlements	<u>82,895</u>	<u>2,486</u>
Balance, end of year	<u>\$ 380,935</u>	<u>\$ 298,040</u>

6. Employee Future Benefits

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- i. has 10 years service and has reached the age 55
- ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii. retires at or after age 65
- iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2016. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2015 - 2.55%) and a rate of salary increase of 3.50% (2015 - 3.50%) plus age related merit/promotion scale with a provision for potential disability.

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

6. Employee Future Benefits (continued)

Accrued Retirement Entitlement (continued)

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

Commencing in 2004/05, the SHSS assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the SHSS holds funding to meet this obligation.

	<u>2016</u>	<u>2015</u>
Employee future benefits recoverable from		
Manitoba Health	\$ 195,628	\$ 195,628
SHSS	<u>72,372</u>	<u>81,372</u>
	<u>\$ 268,000</u>	<u>\$ 277,000</u>

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 277,000	\$ 262,000
Net increase (decrease) in pre-retirement entitlements	<u>(9,000)</u>	<u>15,000</u>
Balance, end of year	<u>\$ 268,000</u>	<u>\$ 277,000</u>

Pension Plan

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

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

6. Employee Future Benefits (continued)

Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 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, 2014 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 \$309,886 (2015 - \$286,867) and are included in the statement of operations.

7. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 67,383	\$ -	\$ 67,383	\$ -
Building	2,202,843	1,707,204	2,202,843	1,652,133
Building renovations and upgrades	3,035,109	735,197	2,953,015	585,494
Building service equipment	1,848,647	179,755	372,937	127,151
Furniture, fixtures and equipment	341,855	215,116	319,221	193,033
Computerization and software	6,521	6,521	6,521	6,521
	\$ 7,502,358	\$ 2,843,793	\$ 5,921,920	\$ 2,564,332
Cost less accumulated amortization		\$ 4,658,565		\$ 3,357,588

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

8. Line of Credit

The Home has an approved line of credit of \$100,000 with Steinbach Credit Union. This line of credit is secured by a general assignment of book debts and bears interest at Steinbach Credit Union standard rate plus 1% (3.70% effective rate). The Home had \$100,000 in capacity under this facility as at March 31, 2016.

9. Accounts Payable

	<u>2016</u>	<u>2015</u>
Trade	\$ 7,049	\$ 22,660
Government remittances	13,764	43,902
Other	<u>244,192</u>	<u>196,855</u>
	<u>\$ 265,005</u>	<u>\$ 263,417</u>

10. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and equipment replacement.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 10,792	\$ 13,511
Add amount received during the year	2,785	5,814
Less expenditures	<u>(6,912)</u>	<u>(8,533)</u>
Balance, end of year	<u>\$ 6,665</u>	<u>\$ 10,792</u>

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

10. Deferred Contributions (continued)

Capital Assets

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 3,275,415	\$ 3,559,966
Additional contributions received		
SHSS and Manitoba Health	1,505,034	36,250
Donations	32,050	-
Disposal of assets	-	(2,894)
Adjustment to construction funding	-	(71,800)
Less amounts amortized to revenue	<u>(277,618)</u>	<u>(246,107)</u>
Balance, end of year	<u>\$ 4,534,881</u>	<u>\$ 3,275,415</u>

Included in deferred contributions - capital assets is funding recognized from Manitoba Health related to their funding of a mortgage on the Nursing Home property. Manitoba Health has assumed this mortgage and includes it as a liability of the Province of Manitoba. As at March 31, 2016 the mortgage had an outstanding balance of \$375,263. The mortgage bears interest at 3.60% and matures January 15, 2018. The mortgage is with Steinbach Credit Union and the interest and principal payment is \$14,000 per month.

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

11. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 4,658,565	\$ 3,357,588
Amounts financed by deferred contributions	(4,534,881)	(3,275,415)
	<u>\$ 123,684</u>	<u>\$ 82,173</u>

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

	<u>2016</u>	<u>2015</u>
Excess of revenues over expenses		
Amortization of deferred contributions related to capital assets	\$ 277,618	\$ 246,107
Amortization of capital assets	(279,461)	(246,486)
	<u>\$ (1,843)</u>	<u>\$ (379)</u>
Net changes in investment in capital assets		
Purchase of capital assets	\$ 1,580,438	\$ 51,419
Amounts funded by:		
SHSS and Manitoba Health funding - capital	(1,505,034)	(36,250)
Donations	(32,050)	-
	<u>\$ 43,354</u>	<u>\$ 15,169</u>

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

12. Commitments and Contingencies

- a) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2016, management believes the Home has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.
- b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2016.

The Home is a named insured under the SHSS policy with HIROC.

13. Revenue from the SHSS

Revenue as per SHSS final funding document	\$ 3,946,600
Add:	
Pre-retirement leave	41,336
Capitation fees	27,504
Leap year funding	12,947
HEB COLA 1.0% funding	35,608
Deduct:	
Out of Globe	(74,688)
Interest on approved borrowings	(15,786)
Revenue from SHSS	<u>\$ 3,973,521</u>

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Notes to Financial Statements

For the year ended March 31, 2016

14. Financial Instrument Risk

The Home is exposed to different types of risk in the normal course of operations. The Home's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Home's activities. The following analysis provides a measurement of those risks.

Credit Risk

Credit risk is the risk that the Home will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments which potentially subject the Home to credit risk consist principally of accounts receivable.

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

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 96,753	\$ 16,692
Due from SHSS	32,901	-
Due from related parties	128,524	37,848
Vacation entitlements receivable	152,406	152,406
Retirement obligations receivable	268,000	277,000
	<u>\$ 678,584</u>	<u>\$ 483,946</u>

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

Due from SHSS, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and Southern Health - Sante Sud.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Home is not exposed to significant interest rate risk, as its cash in bank is held in short-term products.

Financial Statements of

ROCK LAKE HEALTH DISTRICT

March 31, 2016

Independent Auditor's Report

To the Board of Directors of Rock Lake Health District:

We have audited the accompanying financial statements of Rock Lake Health District, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rock Lake Health District as at March 31, 2016 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.



Chartered Accountants

June 27, 2016
Winnipeg, Manitoba

ROCK LAKE HEALTH DISTRICT
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and short-term investments	\$ 812,305	\$ 998,882
Accounts receivable	144,890	460,904
Due from Southern Health - Santé Sud (Note 3)	24,295	-
Prepaid expenses	2,086	9,183
Vacation entitlement receivable (Note 4)	262,780	262,780
	1,246,356	1,731,749
PRE-RETIREMENT ENTITLEMENT (Note 4)	415,000	393,000
CAPITAL ASSETS (Note 5)	937,569	981,155
	\$ 2,598,925	\$ 3,105,904
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 324,676	\$ 607,294
Government remittances payable	1,410	1,817
Due to Southern Health - Santé Sud (Note 3)	-	65,532
Accrued vacation entitlement (Note 4)	344,563	317,228
Funding payment received in advance	-	192,924
Current portion of mortgage payable (Note 6)	-	20,726
	670,649	1,205,521
PRE-RETIREMENT ENTITLEMENT (Note 4)	415,000	393,000
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 7)	149,012	144,009
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 7)	872,789	893,983
	2,107,450	2,636,513
CONTINGENCIES (NOTE 12)		
NET ASSETS		
Invested in capital assets (Note 8)	64,780	66,446
Unrestricted	426,695	402,945
	491,475	469,391
	\$ 2,598,925	\$ 3,105,904

APPROVED BY THE DIRECTORS

Original Document Signed
..... Director

Original Document Signed
..... Director

ROCK LAKE HEALTH DISTRICT
Statement of Operations
March 31, 2016

	2016	2015
REVENUE		
Southern Health - Santé Sud (Note 9)	\$ 4,562,681	\$ 4,273,553
Ancillary operations (Note 10)	1,379,544	1,342,877
Non-insured	539,769	570,779
Amortization of deferred contributions - capital assets	96,893	91,396
Donations	-	535
Interest (expense), net	4,860	(3,457)
Other	232,240	196,916
CMHC subsidy (Note 11)	-	756
Clinic rent	77,885	58,891
	6,893,872	6,532,246
EXPENSES		
Long term care - institutional based (Schedule 1)	3,878,850	3,697,035
Acute care - institutional based (Schedule 2)	2,408,385	2,295,822
Salaried physician program (Schedule 3)	554,503	438,332
Adult day care (Schedule 4)	30,050	32,811
Interest on mortgage payable	-	756
	6,871,788	6,464,756
EXCESS OF REVENUE OVER EXPENSES	\$ 22,084	\$ 67,490

ROCK LAKE HEALTH DISTRICT
Statement of Changes in Net Assets
March 31, 2016

	2016		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 66,446	\$ 402,945	\$ 469,391
Excess (deficiency) of revenue over expenses (Note 8b)	(1,663)	23,747	22,084
Transfers (Note 8b)	(3)	3	-
Balance, end of year	\$ 64,780	\$ 426,695	\$ 491,475

	2015		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 55,319	\$ 346,582	\$ 401,901
Excess (deficiency) of revenue over expenses	(1,663)	69,153	67,490
Transfer from unrestricted	12,790	(12,790)	-
Balance, end of year	\$ 66,446	\$ 402,945	\$ 469,391

ROCK LAKE HEALTH DISTRICT
Statement of Cash Flows
March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 22,084	\$ 67,490
Items not affecting cash:		
Amortization	98,556	93,059
Amortization of deferred contributions - capital assets	(96,893)	(91,396)
	<u>23,747</u>	<u>69,153</u>
Changes in non-cash operating working capital items:		
Accounts receivable	316,013	(325,479)
Due from Southern Regional Health Authority	(24,295)	285,993
Prepaid expenses	7,097	(6,990)
Accounts payable and accrued liabilities	(282,618)	368,831
Due to Southern Regional Health Authority	(65,532)	65,532
Funding payment received in advance	(192,924)	192,924
Accrued vacation entitlements	27,335	15,909
Government remittances payable	(407)	1,817
	<u>(191,584)</u>	<u>667,690</u>
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	75,699	10,103
Deferred contributions received - expense of future periods	5,003	5,000
Repayment of mortgage payable	(20,726)	20,726
	<u>59,976</u>	<u>35,829</u>
INVESTING ACTIVITY		
Purchase of capital assets	(54,969)	(43,619)
	<u>(54,969)</u>	<u>(43,619)</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(186,577)	659,900
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	998,882	338,982
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 812,305	\$ 998,882
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:		
Cash	\$ 548,123	\$ 739,561
Short-term investments	264,182	259,321
	<u>\$ 812,305</u>	<u>\$ 998,882</u>

ROCK LAKE HEALTH DISTRICT

Notes to the Financial Statements

March 31, 2016

1. NATURE OF BUSINESS

Rock Lake Health District (the "District") was incorporated under the District Health and Social Services Act in 1979. The District is principally involved in providing long-term care and related services to residents of Pilot Mound, Crystal City and the surrounding area. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the District has elected to continue to provide the services to Southern Health – Santé Sud (SH-SS) under a service purchase contract. The District is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The District consists of the Rock Lake Hospital and the Rock Lake Personal Care Home. These financial statements report the financial position and results of operations for the entire District.

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

a) *Revenue recognition*

The District follows the deferral method of accounting for contributions which include donations and government grants. The District is funded primarily by the Province of Manitoba, through SH-SS. Funding is in accordance with budget arrangements negotiated with SH-SS, based on Manitoba Health funding guidelines. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

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

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Southern Health – Santé Sud funding

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The District is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the District may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the District as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Land improvements	10%
Building	2 - 5%
Equipment	10%

e) Pre-Retirement entitlement obligation

The District has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The District has recorded an accrual based on an actuarial valuation that includes employees who qualify at year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SH-SS on an out-of-globe basis in the year of payment.

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The District subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. DUE (TO) FROM SOUTHERN HEALTH – SANTÉ SUD

	<u>2016</u>	<u>2015</u>
Out-of-globe amounts	\$ (77,419)	\$ (170,968)
Miscellaneous	22,806	8,486
Health spending account	10,363	13,513
Pre-retirement funding	26,119	-
CUPE increase	-	57,453
HEB COLA funding adjustment	36,866	20,239
Maternity top up	7,875	5,745
Lead year funding	13,241	-
Principal payment adjustment	(15,556)	-
Balance, end of year	\$ 24,295	\$ (65,532)

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

4. VACATION AND PRE-RETIREMENT ENTITLEMENTS

		<u>2016</u>		<u>2015</u>
Vacation entitlement receivable	\$	262,780	\$	262,780
Pre-retirement receivable	\$	415,000	\$	393,000

Funding for the vacation entitlement obligation earned by employees of the District as at March 31, 2004 in the amount of \$262,780 has been set up as a current receivable due from SH-SS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement totaling \$344,563 also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2015 in the amount of \$393,000 has been set up as a non-current receivable from SH-SS. The receivable will be paid by SH-SS when the District requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the District's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2.55% in 2015) and a rate of salary increase of 3.5% (3.5% in 2015) plus age related merit / promotion scale with actuarial derived provisions for disability.

5. CAPITAL ASSETS

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,000	\$ -	\$ 1,000	\$ 1,000
Equipment	844,398	(557,180)	287,218	280,484
Building	2,139,917	(1,490,566)	649,351	699,671
	\$ 2,985,315	\$ (2,047,746)	\$ 937,569	\$ 981,155

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

6. MORTGAGE PAYABLE

	<u>2016</u>	<u>2015</u>
CMHC loan	\$ -	\$ 20,726
Less: current portion	-	(20,726)
	<u>\$ -</u>	<u>\$ -</u>

The CMHC loan was repaid during the year.

7. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for specific expenditures. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	<u>2016</u>	<u>2015</u>
Expenses of future periods:		
Balance, beginning of year	\$ 144,009	\$ 139,009
Add: funding received for major repairs	5,003	5,000
	<u>\$ 149,012</u>	<u>\$ 144,009</u>

Deferred contributions related to capital assets is summarized as follows:

	<u>2016</u>	<u>2015</u>
Related to capital assets:		
Balance, beginning of year	\$ 893,983	\$ 905,035
Add: additional contributions received	75,699	80,344
Less: amounts amortized to revenue	(96,893)	(91,396)
	<u>\$ 872,789</u>	<u>\$ 893,983</u>

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

8. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 937,569	\$ 981,155
Amounts financed by deferred contributions	(872,789)	(893,983)
Amounts financed by mortgage payable	-	(20,726)
	<u>\$ 64,780</u>	<u>\$ 66,446</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions related to capital assets	\$ 96,893	\$ 91,396
Amortization of capital assets	(98,556)	(93,059)
	<u>(1,663)</u>	<u>(1,663)</u>
Purchase of capital assets	54,969	43,619
Repayment of long-term debt	20,726	49,515
Amounts funded by deferred contributions	(75,699)	(80,344)
	<u>(4)</u>	<u>12,790</u>
	<u>\$ (1,667)</u>	<u>\$ 11,127</u>

9. SOUTHERN HEALTH – SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue per final budget	\$ 4,653,576	\$ 4,512,776
Province of Manitoba debt	(20,816)	(36,372)
Amounts recorded as deferred contributions	(5,000)	(5,000)
	<u>4,627,760</u>	<u>4,471,404</u>
Current year's estimated out of globe amounts	(77,419)	(216,955)
Support to Seniors in Group Living home	20,052	19,104
Other	(7,712)	-
	<u>\$ 4,562,681</u>	<u>\$ 4,273,553</u>

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

10. ANCILLARY OPERATIONS REVENUE

	<u>2016</u>	<u>2015</u>
Shared services – Prairie View Lodge	\$ 1,284,660	\$ 1,241,620
Dietetics	81,164	91,284
Meals on Wheels	13,645	9,973
	<u>\$ 1,379,544</u>	<u>\$ 1,342,877</u>

11. CMHC SUBSIDY

The District receives a subsidy from CMHC of \$1,269 each month. The proceeds of this subsidy are used to offset the interest cost of the long-term debt in Note 6 and the excess is recorded in deferred contributions – capital assets.

	<u>2016</u>	<u>2015</u>
CMHC subsidy received during the year	\$ 20,726	\$ 15,226
Amount of subsidy recorded as deferred contributions – capital assets	(20,726)	(14,470)
CMHC subsidy recorded as revenue	\$ -	\$ 756

12. CONTINGENCIES

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

The Healthcare Insurance Reciprocal of Canada (“HIROC”) is an organization that pools the public liability insurance risks of all its members. The District may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2016.

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

13. PENSION PLAN

Substantially all employees of the District are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2013 - \$203,558,000) as well as a solvency deficiency of \$1,955,292,000 (2013 - \$1,097,114,000). Actual contributions to the plan made during the year by the District on behalf of its employees amounted to \$334,845 (2015 - \$301,940) and are included in the statement of operations.

14. RELATED ENTITIES

The Rock Lake Health District has economic interest in the Rock Lake Health District Foundation Inc. ("Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation's by-laws, the Foundation's Board of Directors must be comprised of previous and/or current members of the Board of Directors of Rock Lake Health District. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of patient care within the Rock Lake Health District. During the year, the Foundation funded the Palliative Care Program, Volunteer and Lifeline programs, personal care home renovations as well as contributing to other expenses, including physician and nursing costs and education. The financial statements of the Foundation have not been consolidated in these financial statements.

ROCK LAKE HEALTH DISTRICT
Notes to the Financial Statements
March 31, 2016

14. RELATED ENTITIES (continued)

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to Prairie View Lodge under a shared services agreement. Amounts charged to Prairie View Lodge for these services are included as ancillary operations revenue in the statement of operations. The amount receivable in respect of these transactions was \$72,430 as at March 31, 2016 (2015 – \$68,841).

15. CAPITAL MANAGEMENT

The District defines its capital as the amounts included in the Net Asset balances. The District's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents. The District sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

16. ECONOMIC DEPENDENCE

The District receives approximately 66% (2015 – 65%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

17. COMPARATIVE FIGURES

Certain prior period comparatives have been reclassified to conform to the current year's presentation.

ROCK LAKE HEALTH DISTRICT

Schedule 1

Statement of Expenses - Long Term Care - Institutional Based**March 31, 2016**

	<u>2016</u>	<u>2015</u>
DEPARTMENTAL EXPENSES		
Amortization of capital assets	\$ 38,694	\$ 38,694
Employee benefits	628,995	580,034
Medical and surgical supplies and drugs	57,311	71,837
Other supplies and expenses	380,187	368,719
Pharmacy capitation	13,018	11,004
Purchased services	14,047	13,048
Salaries	2,746,598	2,613,699
	<u>\$ 3,878,850</u>	<u>\$ 3,697,035</u>

ROCK LAKE HEALTH DISTRICT

Schedule 2

Statement of Expenses - Acute Care - Institutional Based**March 31, 2016**

	<u>2016</u>	<u>2015</u>
DEPARTMENTAL EXPENSES		
Amortization of capital assets	\$ 59,863	\$ 54,365
Employee benefits	355,233	329,764
Medical and surgical supplies and drugs	57,391	63,417
Other supplies and expenses	255,709	267,978
Purchased services	40,351	37,846
Salaries	1,639,838	1,542,452
	<u>\$ 2,408,385</u>	<u>\$ 2,295,822</u>

ROCK LAKE HEALTH DISTRICT
Statement of Expenses - Salaried Physician Program
March 31, 2016

Schedule 3

	<u>2016</u>	<u>2015</u>
DEPARTMENTAL EXPENSES		
Other	\$ 95,672	\$ 85,943
Salaries and benefits	449,931	343,144
Supplies	6,542	6,992
Utilities	2,358	2,253
	<hr/>	<hr/>
	\$ 554,503	\$ 438,332
	<hr/>	<hr/>

ROCK LAKE HEALTH DISTRICT
Statement of Expenses - Adult Day Care
March 31, 2016

Schedule 4

	<u>2016</u>	<u>2015</u>
DEPARTMENTAL EXPENSES		
Other supplies and expenses	\$ 894	\$ 1,257
Purchased services	17,560	19,638
Rental	6,027	5,900
Travel	5,569	6,016
	<hr/>	<hr/>
	\$ 30,050	\$ 32,811
	<hr/>	<hr/>

Financial Statements of

ST.AMANT INC.

Year ended March 31, 2016



KPMG LLP
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Winnipeg MB R3B 0X3
Canada

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INDEPENDENT AUDITORS' REPORT

To the Member of St.Amant Inc.

We have audited the accompanying financial statements of St.Amant Inc., which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St.Amant Inc. as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 14, 2016

Winnipeg, Canada

ST.AMANT INC.

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Operating Fund		Capital Fund		Total	Total
	2016	2015	2016	2015	2016	2015
Assets						
Current assets:						
Cash	\$ 631,448	\$ —	\$ 62,924	\$ 64,384	\$ 694,372	\$ 64,384
Accounts receivable	7,627,627	5,583,196	—	—	7,627,627	5,583,196
Receivable from St.Amant Foundation Inc. (note 7)	337,358	439,730	7,098	241,196	344,456	680,926
Inventories	166,295	205,582	—	—	166,295	205,582
Prepaid expenses	210,172	348,669	—	—	210,172	348,669
Vacation pay recoverable from Winnipeg Regional Health Authority (note 9)	1,461,198	1,461,198	—	—	1,461,198	1,461,198
Inter-fund balances	287,626	2,428,504	(287,626)	(2,428,504)	—	—
	10,721,724	10,466,879	(217,604)	(2,122,924)	10,504,120	8,343,955
Capital assets (note 2)	—	—	22,438,944	20,524,997	22,438,944	20,524,997
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 9)	3,742,378	3,480,277	—	—	3,742,378	3,480,277
	\$14,464,102	\$13,947,156	\$22,221,340	\$18,402,073	\$36,685,442	\$32,349,229
Liabilities, Deferred Contributions and Fund Balances						
Current liabilities:						
Bank indebtedness (note 4)	\$ 1,040,477	\$ 1,582,594	\$ —	\$ —	\$1,040,477	\$ 1,582,594
Accounts payable and accrued liabilities	3,056,952	3,041,559	—	—	3,056,952	3,041,559
Employee vacation payable (note 9)	3,857,365	3,544,803	—	—	3,857,365	3,544,803
Advances (note 3)	1,647,480	377,480	—	—	1,647,480	377,480
Current portion of debt (note 5)	—	—	13,790,150	4,493,847	13,790,150	4,493,847
	9,602,274	8,546,436	13,790,150	4,493,847	23,392,424	13,040,283
Employee future benefits (note 9)	4,462,338	4,122,573	—	—	4,462,338	4,122,573
Debt (note 5)	—	—	—	4,440,017	—	4,440,017
Deferred contributions (note 6):						
Expenses of future periods	852,450	1,272,026	—	—	852,450	1,272,026
Capital assets	—	—	5,932,024	6,205,760	5,932,024	6,205,760
	852,450	1,272,026	5,932,024	6,205,760	6,784,474	7,477,786
Fund balances:						
Invested in capital assets	—	—	2,499,166	3,262,449	2,499,166	3,262,449
Internally restricted	103,782	274,732	—	—	103,782	274,732
Unrestricted	(556,742)	(268,611)	—	—	(556,742)	(268,611)
	(452,960)	6,121	2,499,166	3,262,449	2,046,206	3,268,570
	\$14,464,102	\$13,947,156	\$22,221,340	\$18,402,073	\$36,685,442	\$32,349,229

See accompanying notes financial statements.

On behalf of the Board:

Original Document Signed Director

Original Document Signed Director

Tune 23 / 16 Date

ST.AMANT INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Winnipeg Regional Health Authority	Family Services	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	Total 2016	Total 2015
Revenue:								
Family Services	\$ 846,730	\$ 41,449,519	\$ 42,296,249	\$ —	\$ 42,296,249	\$ —	\$ 42,296,249	\$ 37,902,140
Winnipeg Regional Health Authority	30,144,041	3,452,923	33,596,964	—	33,596,964	—	33,596,964	32,538,236
Manitoba Health	—	—	—	—	—	127,094	127,094	130,670
Government of Canada	8,535	573,576	582,111	—	582,111	—	582,111	526,649
School divisions	—	608,341	608,341	—	608,341	—	608,341	565,122
Fees	69,492	266,178	335,670	—	335,670	—	335,670	299,681
Grants	38,856	—	38,856	—	38,856	—	38,856	128,512
Recoveries	184,323	—	184,323	—	184,323	—	184,323	376,580
Investment income	6,392	—	6,392	—	6,392	1,138	7,530	19,985
St.Amant Foundation Inc. donations (note 7)	210,808	95,340	306,148	—	306,148	16,699	322,847	169,015
Amortization of deferred contributions (note 6)	—	—	—	—	—	703,389	703,389	434,943
Gain on disposal of capital assets	—	—	—	—	—	412,713	412,713	—
Other programs	28,944	130,603	159,547	—	159,547	—	159,547	309,558
	31,538,121	46,576,480	78,114,601	—	78,114,601	1,261,033	79,375,634	73,401,091
Expenses:								
Salaries and wages	24,342,745	31,418,551	55,761,296	—	55,761,296	—	55,761,296	51,490,894
Employee benefits	5,180,475	6,664,386	11,844,861	—	11,844,861	—	11,844,861	10,798,616
Purchased services	1,043,418	130,943	1,174,361	—	1,174,361	—	1,174,361	1,041,484
Supplies	1,669,428	412,079	2,081,507	—	2,081,507	—	2,081,507	1,927,989
Food	491,647	579,072	1,070,719	—	1,070,719	—	1,070,719	1,136,744
Utilities	702,613	239,179	941,792	—	941,792	—	941,792	938,758
Equipment	154,755	161,579	316,334	—	316,334	—	316,334	363,235
Property taxes	256,241	163,707	419,948	—	419,948	—	419,948	398,814
Repairs and maintenance	90,096	505,319	595,415	—	595,415	—	595,415	537,297
Interest on long-term debt	—	—	—	—	—	337,089	337,089	329,326
Amortization	—	—	—	—	—	2,151,740	2,151,740	2,131,906
Administration and facility cost allocation (note 8)	(5,251,979)	5,251,979	—	—	—	—	—	—
Other	2,696,542	970,559	3,667,101	58,008	3,725,109	100,163	3,825,272	3,176,242
	31,375,981	46,497,353	77,873,334	58,008	77,931,342	2,588,992	80,520,334	74,271,305
Excess (deficiency) of revenues over expenses before the undernoted	162,140	79,127	241,267	(58,008)	183,259	(1,327,959)	(1,144,700)	(870,214)
Future employee pre-retirement benefits revenue (note 9)	249,409	12,692	262,101	—	262,101	—	262,101	90,738
Future employee pre-retirement benefits (note 9)	(249,500)	(90,265)	(339,765)	—	(339,765)	—	(339,765)	(178,004)
Excess (deficiency) of revenues over expenses	162,049	1,554	163,603	(58,008)	105,595	(1,327,959)	(1,222,364)	(957,480)
Transfer to Capital Fund for purchased capital assets	—	—	—	(112,942)	(112,942)	112,942	—	—
Transfer to Capital Fund for principal repayment	(135,446)	(420,514)	(555,960)	—	(555,960)	555,960	—	—
Transfer to Capital Fund for interest	(26,603)	(281,884)	(308,487)	—	(308,487)	308,487	—	—
Transfer to Operating Fund for gain on disposal	—	412,713	412,713	—	412,713	(412,713)	—	—
Net change in fund balances	—	(288,131)	(288,131)	(170,950)	(459,081)	(763,283)	(1,222,364)	(957,480)
Fund balances, beginning of year			(268,611)	274,732	6,121	3,262,449	3,268,570	4,226,050
Fund balances, end of year			\$ (556,742)	\$ 103,782	\$ (452,960)	\$ 2,499,166	\$ 2,046,206	\$ 3,268,570

See accompanying notes to financial statements.

ST.AMANT INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (1,222,364)	\$ (957,480)
Items not involving cash:		
Amortization of capital assets	2,151,740	2,131,906
Amortization of deferred contributions	(703,389)	(434,943)
Gain on disposal of capital assets	(412,713)	—
Change in non-cash operating working capital:		
Accounts receivable	(2,044,431)	(1,588,577)
Inventories	39,287	11,096
Prepaid expenses	138,497	(39,539)
Receivable from to St.Amant Foundation Inc.	336,470	(66,714)
Employee future benefits recoverable from Winnipeg Regional Health Authority	(262,101)	(90,738)
Bank indebtedness	(542,117)	1,582,594
Accounts payable and accrued liabilities	15,393	(350,507)
Employee vacation payable	312,562	167,749
Advances	1,270,000	—
Employee future benefits	339,765	178,004
Net change in deferred contributions related to expenses of future periods	(214,186)	376,598
	(797,587)	919,449
Capital activities:		
Purchase of capital assets	(4,345,424)	(3,162,317)
Proceeds on disposal of capital assets	692,450	—
Receipt of deferred capital contributions	224,263	333,322
	(3,428,711)	(2,828,995)
Financing activities:		
Proceeds from long-term debt	15,599,730	716,941
Repayment of long-term debt	(10,743,444)	(594,156)
	4,856,286	122,785
Increase (decrease) in cash	629,988	(1,786,761)
Cash, beginning of year	64,384	1,851,145
Cash, end of year	\$ 694,372	\$ 64,384

See accompanying notes to financial statements.

ST.AMANT INC.

Notes to Financial Statements

Year ended March 31, 2016

General:

St.Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership, and promoting excellence in services for Manitobans with developmental disabilities.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services (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, 2016. The Organization's Service Purchase Agreement (SPA) with the Family Services expired on March 31, 2014, however, it continues in effect until a new agreement is finalized. The SPA with WRHA expired on March 31, 2013, however it continues to be in effect until a new agreement is finalized.

The Organization 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.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the operations of the Organization.

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted as approved by the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital expenditures are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment	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.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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.

(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 3.00 percent (2015 - 2.55 percent) and a rate of salary increase of 3.5 percent (2015 - 3.5 percent) plus an age related merit/promotion scale with no provision for disability.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (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) 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.

2. Capital assets:

		2016		2015	
		Cost	Accumulated amortization	Net book value	Net book value
440 River Road:					
Land	\$ 212,888	\$ —	\$ 212,888	\$ 212,888	
Land improvements	1,141,846	590,817	551,029	603,571	
Buildings	18,943,995	14,708,114	4,235,881	4,499,442	
Buildings service equipment	5,639,925	3,560,765	2,079,160	2,155,156	
Furniture and equipment	533,310	532,994	316	42,721	
Automotive	60,844	21,086	39,758	49,697	
Software	373,482	311,013	62,469	112,150	
	26,906,290	19,724,789	7,181,501	7,675,625	
Community residences:					
Land	4,015,306	—	4,015,306	3,521,400	
Land improvements	2,910	2,789	121	242	
Buildings	13,571,378	3,641,469	9,929,909	7,793,357	
Furniture and equipment	2,086,272	942,164	1,144,108	1,326,846	
Automotive	464,684	296,685	167,999	207,527	
	20,140,550	4,883,107	15,257,443	12,849,372	
	\$ 47,046,840	\$ 24,607,896	\$ 22,438,944	\$ 20,524,997	

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Advances:

The Organization has received working capital advances from WRHA and Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

4. Bank indebtedness:

	2016	2015
Cheques issued in excess of cash on hand	\$ —	\$ 613,594
Line of credit	1,040,477	969,000
	<u>\$ 1,040,477</u>	<u>\$ 1,582,594</u>

During the year, the Organization obtained a revolving demand operating credit facility with the Canadian Imperial Bank of Commerce that replaced the previous line of credit with the National Bank of Canada to finance the day-to-day operations of the Organization in the amount of \$1,700,000 (2015 - \$1,700,000), bearing interest at prime minus 0.7 percent (2015 - bearing interest at prime). The revolving demand operating credit facility is unsecured and is due on demand.

5. Debt:

During the year, the Organization entered into a credit facility agreement with the Canadian Imperial Bank of Commerce for a revolving demand capital expenditure credit facility that replaced the previous credit facility with the National Bank of Canada. The demand capital expenditure credit facility provides for a maximum of \$18,300,000 (2015 - \$20,000,000) in demand loans to finance capital expenditures by the Organization. The cumulative advances under this facility may not exceed \$18,300,000 (2015 - \$20,000,000). At March 31, 2016, the Organization had utilized \$13,790,150 (2015 - \$8,093,641) of this facility. The revolving demand capital expenditure credit facility is unsecured and is due on demand.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Debt (continued):

	2016	2015
Canada Mortgage payable, interest at 7 5/8%	\$ —	\$ 51,156
Canadian Imperial Bank of Commerce loans, Canadian Banker's Acceptance Canadian Deposit Offering Rate plus a stamping fee of 0.57% per annum, revolves quarterly until between January 2026 to January 2041, if not demanded	13,790,150	
National Bank of Canada, loans payable, at an interest rate of prime rate less 0.50%	—	336,871
National Bank of Canada, loans payable, at interest rates ranging from 2.85% to 4.73%	—	8,545,837
	13,790,150	8,933,864
Current portion	13,790,150	4,493,847
	\$ —	\$ 4,440,017

Management does not believe that the demand features of the debt with the Canadian Imperial Bank of Commerce will be exercised in the current year. Assuming payment of the debt is not demanded, regular principal payments required on the debt until maturity are due as follows:

2017	\$ 743,135
2018	743,135
2019	743,135
2020	743,135
2021	743,135
Thereafter	10,074,475
	\$ 13,790,150

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Deferred contributions:

(a) Expenses of future periods:

Deferred contribution related to expenses of future periods represents unspent externally restricted grants and donations.

	2016	2015
Balance, beginning of year	\$ 1,272,026	\$ 895,428
Additional contributions received	378,063	901,215
Less amounts recognized as revenue	(592,249)	(524,617)
Less amounts transferred to deferred contributions - capital assets	(205,390)	—
Balance, end of year	\$ 852,450	\$ 1,272,026

(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.

	2016	2015
Balance, beginning of year	\$ 6,205,760	\$ 6,307,381
Additional contributions received	224,263	333,322
Add amounts transferred from deferred contributions - expenses of future periods	205,390	—
Less amounts recognized as revenue	(703,389)	(434,943)
Balance, end of year	\$ 5,932,024	\$ 6,205,760

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Deferred contributions (continued):

		2016		2015
		Accumulated	Net book	Net book
		amortization	value	value
		Grants		
Land improvements	\$ 912,040	\$ 311,052	\$ 600,988	\$ 608,724
Buildings	7,729,770	4,429,288	3,300,482	3,515,734
Buildings service equipment	1,550,135	860,910	689,225	781,673
Furniture and equipment	1,970,741	971,671	999,070	1,049,369
	\$ 12,162,686	\$ 6,572,921	\$ 5,589,765	\$ 5,955,500

Unspent contributions received for purchase of capital assets at March 31, 2016 are \$342,259 (2015 - \$250,260).

7. Related party transactions and balances:

The Organization pays rent on eight community residences and the Spirit Cottage to St.Amant Foundation Inc. for \$110,904 (2015 - \$80,903). In addition, the Organization paid rent to Sara Riel Foundation Inc., a corporation with the same Member as the Organization in the amount of \$112,630 (2015 - \$26,167). At March 31, 2016, the amount owing to Sara Riel Foundation Inc. is nil (2015 - \$16,167). The Organization charged St.Amant Foundation Inc. \$88,334 (2015 - \$87,216) for parking lot expenses and related loan payments including \$41,045 (2015 - \$46,932) which was recorded in deferred contributions related to capital assets. The Organization also charged St.Amant Foundation Inc. \$102,340 (2015 - \$100,265) for administrative services provided by the Organization during the year.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Related party transactions and balances (continued):

The following are contributions from St.Amant Foundation Inc. received or receivable for the fiscal year:

	2016	2015
Client services programs:		
Leisure Fund	\$ 25,930	\$ –
Autism programs	9,181	351
River Road Place	32,379	3,985
St.Amant School and Developmental Services	975	10,066
Community Residential Program	1,445	4,026
River Road Child Care	2,558	826
Clinical Services	292	–
Volunteer services	580	1,054
Research program	164,137	135,236
Case for Support	68,672	–
Other equipment and supplies	–	3,111
Identified Priority Projects	287,769	245,718
	593,918	404,373
Capital projects and renovations	22,743	28,295
	\$ 616,661	\$ 432,668

Of these contributions, \$22,743 (2015 - \$28,295) have been recorded in deferred contributions related to capital assets and \$287,769 (2015 - \$245,718) in deferred contributions related to expenses of future periods.

The receivable from St.Amant Foundation Inc. of \$344,456 (2015 - \$680,926) 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.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Allocation of expenses:

The Organization has incurred \$6,020,477 (2015 - \$5,407,915) of administration expenses and \$6,253,709 (2015 - \$5,864,843) of facility expenses in fiscal 2016 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 \$4,160,165 (2015 - \$3,218,142) and \$1,091,814 (2015 - \$783,842) of administration and facility expenses to the Family Services program, respectively. The aggregate of \$5,251,979 (2015 - \$4,001,984) 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.

9. Employee future benefits and employee benefits:

	2016	2015
Pre-retirement benefits plan	\$ 2,999,555	\$ 2,852,603
Accumulated non-vested sick leave benefits	1,462,783	1,269,970
	<u>\$ 4,462,338</u>	<u>\$ 4,122,573</u>

(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:

	2016	2015
Accrued benefit obligation:		
Balance, beginning of year	\$ 2,852,603	\$ 2,889,603
Current benefit cost	239,000	186,000
Interest	74,000	86,000
Benefits paid	(161,048)	(280,000)
	<u>3,004,555</u>	<u>2,881,603</u>
Amortized actuarial gain	(5,000)	(29,000)
Liability for benefits	<u>\$ 2,999,555</u>	<u>\$ 2,852,603</u>

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Employee future benefits and employee benefits (continued):

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

The recoverable has been adjusted, based on direction from the WRHA, to include the incremental change in the related liability since fiscal 2007, which includes an interest component. The increase recorded in fiscal 2016 was \$146,952 (2015 - decrease of \$37,000) and is recorded in the statement of operations. Actual funding provided by WRHA was 100 percent (2015 - 100 percent) of actual pre-retirement benefits paid during the year.

The employee future pre-retirement benefits recoverable from WRHA at March 31, 2016 aggregates \$2,721,067 (2015 - \$2,574,115) and has no specified terms of repayment.

(b) Healthcare Employees Pension Plan:

Certain eligible employees of the Organization are members of Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Organization is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Organization contributed \$4,162,124 (2015 - \$3,637,674) on behalf of its employees.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Employee future benefits and employee benefits (continued):

The most recent actuarial valuation of the plan as at December 31, 2014, 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. On April 1, 2015, with the inclusion of contributions towards the Cost of Living Adjustment Plan, employer contribution rates increased to 8.9 percent (2015 - 8.7 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2015 - 10.3 percent) on earnings in excess of YMPE.

(c) Vacation benefits:

The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2016 is \$3,857,365 (2015 - \$3,544,803). The funding received in each subsequent fiscal year from the WRHA includes the vacation payable recoverable from the WRHA of \$1,461,198 as included on the statement of financial position. The vacation pay recoverable from the WRHA is maintained at the employee vacation payable at March 31, 2004.

(d) Accumulated non-vested sick leave benefits:

The Organization provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amount are determined with reference to employee's final earnings at the time they are paid out. The significant assumptions adopted in measuring the Organization's accumulated non-vested sick leave benefits include a discount rate at March 31, 2016 of 3.00 percent (2015 - 2.55 percent) and a rate of salary increase of 3.5 percent (2015 - 3.5 percent).

A recoverable from the WRHA at March 31, 2016 of \$1,021,311 (2015 - \$906,162) has been recorded for the accumulated non-vested sick leave benefits in the statement of financial position. The recoverable has been adjusted, based on direction from the WRHA, for the incremental change in the accumulated non-vested sick leave benefits for employees funded by the WRHA. The increase of \$115,149 (2015 - \$127,738) for 2016 was recorded in the statement of operations.

ST.AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The 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, 2016 and 2015, all accounts receivable were current, there were no amounts past due.

There have been no significant changes to the credit risk exposure from 2015.

(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 2017.

The contractual maturity of debt is disclosed in note 5.

There have been no significant changes to the liquidity risk exposure from 2015.

(c) Interest rate risk:

The Organization is exposed to interest rate risk on its demand operating facility (note 4) as this facility bears interest at a floating interest rate. The Organization is also exposed to interest rate risk on its demand capital expenditure credit facility (note 5) as the loans revolve quarterly at a floating interest rate.

11. Trusts under administration:

At March 31, 2016, the balance of funds held in trust on behalf of the residents who reside at St.Amant Inc. was \$443,467 (2015 - \$552,658).

Financial Statements of

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./

L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Member, St. Boniface General Hospital

To the Board of Directors, St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc.

We have audited the accompanying financial statements of St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc., which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. as at March 31, 2016, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 2, 2016

Winnipeg, Canada

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIARE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 97,390	\$ 85,558
Accounts receivable (note 3)	19,674	18,019
Inventory (note 4)	114,897	117,373
Investments (note 5)	105,730	155,381
	<u>337,691</u>	<u>376,331</u>
Investments (note 5)	111,360	160,089
Capital assets (note 6)	33,080	42,041
	<u>\$ 482,131</u>	<u>\$ 578,461</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 43,752	\$ 29,882
Payable to St. Boniface General Hospital	31,813	24,582
Grants payable to St. Boniface General Hospital	9,771	67,440
	<u>85,336</u>	<u>121,904</u>
Net assets:		
Unrestricted	263,352	314,153
Invested in capital assets	33,080	42,041
Hospital Staff Development (note 7)	100,363	100,363
	<u>396,795</u>	<u>456,557</u>
Commitments (note 9)		
	<u>\$ 482,131</u>	<u>\$ 578,461</u>

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

Approved on behalf of the Board of Directors:

Original Document Signed

Original Document Signed

Date:

June 13/2016

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIARE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Gift Shop sales	\$ 576,871	\$ 593,871
Television and telephone rentals	76,044	84,841
Automated teller machine	34,148	32,421
Kiosk rentals	64,970	56,485
Commissions	35,755	30,156
Infant photography	-	12,209
Miscellaneous	4,372	6,106
Investment income	5,204	8,233
	<u>797,364</u>	<u>824,322</u>
Expenses:		
Gift Shop cost of goods sold	350,916	375,589
Salaries and benefits	167,265	147,565
Television and telephone rentals	51,011	51,016
General	38,221	49,978
Management services (note 8)	41,463	41,441
Amortization	10,336	7,573
	<u>659,212</u>	<u>673,162</u>
Excess of revenue over expenses, before grants	138,152	151,160
Grants (note 8)	197,914	209,591
Deficiency of revenue over expenses	<u>\$ (59,762)</u>	<u>\$ (58,431)</u>

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

**ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.**

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

March 31, 2016	Capital assets	Hospital Staff Development	Unrestricted	Total
Balance, beginning of year	\$ 42,041	\$ 100,363	\$ 314,153	\$ 456,557
Deficiency of revenue over expenses	(10,336)	(5,000)	(44,426)	(59,762)
Capital assets acquired	1,375	-	(1,375)	-
Net asset transfers	-	5,000	(5,000)	-
Balance, end of year	\$ 33,080	\$ 100,363	\$ 263,352	\$ 396,795

March 31, 2015	Capital assets	Hospital Staff Development	Unrestricted	Total
Balance, beginning of year	\$ 27,698	\$ 100,363	\$ 386,927	\$ 514,988
Deficiency of revenue over expenses	(7,573)	(15,000)	(35,858)	(58,431)
Capital assets acquired	21,916	-	(21,916)	-
Net asset transfers	-	15,000	(15,000)	-
Balance, end of year	\$ 42,041	\$ 100,363	\$ 314,153	\$ 456,557

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIARE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities		
Deficiency of revenue over expenses	\$ (59,762)	\$ (58,431)
Items not involving cash:		
Amortization of capital assets	10,336	7,573
Change in non-cash operating working capital:		
Accounts receivable	(1,655)	7,141
Inventory	2,476	6,880
Accounts payable	13,870	(25,139)
Payable to St. Boniface General Hospital	7,231	3,566
Grants payable to St. Boniface General Hospital	(57,669)	4,753
	(85,173)	(53,657)
Capital activities:		
Capital assets acquired	(1,375)	(21,916)
Investing activities:		
Change in investments, net	98,380	(6,003)
Net increase (decrease) in cash	11,832	(81,576)
Cash, beginning of year	85,558	167,134
Cash, end of year	\$ 97,390	\$ 85,558

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 1

Year ended March 31, 2016

1. Purpose of the organization:

The St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. (Auxiliary) is incorporated without share capital under the laws of Manitoba and is a registered charity under the Income Tax Act. Its mandate is to carry on activities to raise funds and to provide supporting services which complement the objectives and mission of the Auxiliary's Member, St. Boniface General Hospital (Hospital), and facilitate enhancement of patient care activities and services to staff. In the event of wind up or dissolution, the net assets shall be paid or transferred to the Hospital.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the PS 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Auxiliary follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably assured. Non-cash contributions are recorded at fair value on the date of contribution.

Investment income is comprised of interest income.

(b) Contributed services:

Volunteers are an integral part of carrying out the activities of the Auxiliary. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair market value.

(c) Grants:

Grants are expensed in the fiscal year for which they are approved.

(d) Inventory:

Inventory is stated at the lower of cost and net realizable value, with cost determined at average cost.

(e) Capital assets:

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

Amortization of capital assets is provided on a straight line basis at rates estimated to amortize the assets over their useful lives. The amortization rates applicable to the various classes of assets are as follows:

Gift Shop and basement storage renovations	10 years
Furniture and equipment and POS system	5 years

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 2

Year ended March 31, 2016

2. Significant accounting policies (continued):

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Auxiliary determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Auxiliary expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 3

Year ended March 31, 2016

3. Accounts receivable:

	March 31, 2016	March 31, 2015
Interest receivable	\$ 2,201	\$ 4,047
Hospitality Network	7,795	6,745
Just Arrived Photography	2,879	2,879
ATM	2,936	2,096
Manitoba Lotteries	6,125	5,042
Other	617	89
	22,553	20,898
Less allowance for doubtful accounts	(2,879)	(2,879)
	\$ 19,674	\$ 18,019

4. Inventory:

	2016	2015
Gift Shop	\$ 111,498	\$ 114,880
Lottery	3,399	2,493
	\$ 114,897	\$ 117,373

During the year, the provision to reflect inventories at the lower of cost and net realizable value was \$3,117 (2015 - \$3,999).

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 4

Year ended March 31, 2016

5. Investments:

	March 31, 2016	March 31, 2015
Mutual Fund		
RBC Investment Savings	\$ 53,454	53,004
Guaranteed investment certificates:		
La Caisse GIC, 2.25% maturing June 2016	52,276	51,125
La Caisse GIC, 2.20% maturing June 2017	55,680	54,482
La Caisse GIC, 2.20% maturing December 2017	55,680	54,482
La Caisse GIC, 2.60% matured June 2015	-	50,000
La Caisse GIC, 2.35% matured November 2015	-	52,377
	217,090	315,470
Less: current portion	105,730	155,381
	\$ 111,360	\$ 160,089

6. Capital assets:

	Cost	Accumulated Amortization	Net Book Value March 31, 2016	Net Book Value March 31, 2015
Gift Shop Renovations	27,277	22,050	5,227	7,956
Basement Storage Renovation	19,969	11,815	8,154	10,152
Furniture and Equipment	43,671	39,678	3,993	3,843
POS System	21,916	6,210	15,706	20,090
	\$ 112,833	\$ 79,753	\$ 33,080	\$ 42,041

7. Hospital Staff Development net assets:

The Hospital Staff Development net assets consist of internally restricted net assets which represent funds that the Auxiliary has designated for scholarships and professional development of Hospital staff and volunteers. These net assets were established by the Board and must maintain a minimum capital component of \$100,000. Allocations to this fund are based on the lesser of the interest income earned on cash and investments in the fiscal year or the excess of the revenue over expenses after grant expense. The Board of Directors may decide to modify the allocation in any given year. Staff development grants are charged to the Hospital Staff Development net assets.

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 5

Year ended March 31, 2016

8. Related party transactions:

St. Boniface General Hospital (Hospital):

The Auxiliary raises funds to assist in the care, comfort and welfare of Hospital patients. During the year, the Auxiliary granted \$197,914 (2015 - \$209,591) to the Hospital to be used for purposes agreed upon with the Hospital.

During the year, the Auxiliary purchased management and administrative services, under the terms of a shared services agreement, from the Hospital at a cost of \$41,463 (2015 - \$41,441).

The above transactions occurred in the ordinary course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Commitments:

The Auxiliary is committed in fiscal 2016/17 to grant the Hospital \$100,000 towards the Enhanced Patient, Staff, and Physician Services Development Project (Atrium). The commitment is reviewed annually, with respect to future commitments. In addition the Auxiliary is committed to grant the Hospital \$35,000 in general and Hospital Staff Development grants.

10. Financial risks:

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Auxiliary is exposed to credit risk with respect to accounts receivable, cash and investments.

The Auxiliary assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Auxiliary at March 31, 2016 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts (note 3). The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations.

As at March 31, 2016, \$2,879 (2015 - \$2,879) of accounts receivable are considered impaired and an allowance for doubtful accounts has been set up.

The Auxiliary's investment policy limits the investments to guaranteed investment certificates. The policy's application is monitored by management and the Board.

There have been no significant changes to the credit risk exposure from 2015.

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Notes to Financial Statements, Page 6

Year ended March 31, 2016

10. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Auxiliary will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Auxiliary manages its liquidity risk by monitoring its operating requirements. The Auxiliary prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2015.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Auxiliary's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

The Auxiliary's investments are exposed to the risk that the value of interest bearing investments will fluctuate due to changes in the level of market interest rates. To properly manage the Auxiliary's interest rate risk, appropriate guidelines on the weighting and duration for investments are set and monitored. There has been no change to the risk exposure from 2015.

Financial Statements of
SALEM HOME INC.
March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Salem Home Inc.

We have audited the accompanying financial statements of Salem Home Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Salem Home Inc. as at March 31, 2016, 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.



Chartered Accountants

May 24, 2016
Winnipeg, Manitoba

SALEM HOME INC.
Statement of Financial Position
March 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash and short term investments (Note 3)	\$ 567,393	\$ 1,035,712
Accounts receivable	37,465	17,829
Prepaid expenses	30,898	18,715
Due from Southern Health - Santé Sud (Note 4)	310,995	206,686
Vacation entitlement receivable (Note 5)	379,275	379,275
	1,326,026	1,658,217
PRE-RETIREMENT ENTITLEMENT (NOTE 5)	752,000	715,000
OTHER ASSETS (NOTE 6)	-	22,951
CAPITAL ASSETS (NOTE 7)	7,556,957	6,958,759
	\$ 9,634,983	\$ 9,354,927
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 425,104	\$ 527,422
Accrued vacation entitlement (Note 5)	585,344	546,626
Advanced payments received	-	388,868
Residents' trust fund	31,055	28,422
Current portion of long-term debt (Note 9)	59,131	57,506
	1,100,634	1,548,844
PRE-RETIREMENT ENTITLEMENT (NOTE 5)	752,000	715,000
LONG-TERM DEBT (NOTE 9)	475,232	537,408
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (NOTE 8)	123,638	148,180
DEFERRED CONTRIBUTIONS		
RELATED TO CAPITAL ASSETS (NOTE 8)	6,641,183	6,033,655
	9,092,687	8,983,087
NET ASSETS		
Invested in capital assets (Note 10)	381,562	330,341
Externally restricted (Note 11)	12,070	12,070
Unrestricted	148,664	29,429
	542,296	371,840
	\$ 9,634,983	\$ 9,354,927

APPROVED BY THE BOARD

Original Document Signed
..... Director

Original Document Signed
..... Director

SALEM HOME INC.
Statement of Operations
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Southern Health - Santé Sud (Note 12)	\$ 9,514,524	\$ 9,156,770
Non-insured	2,224,185	2,210,280
Recoveries revenue	83,212	81,658
Donations and other revenue	5,236	2,641
Interest	36,595	14,365
Ancillary operations	112,649	98,841
Adult day care participant fees	8,522	7,235
Amortization of deferred contributions - expenses of future periods	46,409	45,530
Amortization of deferred contributions - capital assets	384,871	357,055
	<u>12,416,203</u>	<u>11,974,375</u>
EXPENSES		
Long term care - institutional based (Schedule 1)	11,839,035	11,549,432
Amortization	410,707	377,943
Rental properties surplus (Schedule 2)	(9,067)	(3,776)
Major repairs	-	6,771
Medical remuneration and sessional fees	5,072	5,554
	<u>12,245,747</u>	<u>11,935,924</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 170,456</u>	<u>\$ 38,451</u>

SALEM HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2016

	2016			
	Invested in Capital Assets	Externally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 330,341	\$ 12,070	\$ 29,429	\$ 371,840
Excess (deficiency) of revenue over expenses	(32,203)	-	202,659	170,456
Capital assets purchased with unrestricted funds	22,873	-	(22,873)	-
Debt repaid with unrestricted funds	60,551	-	(60,551)	-
Balance, end of year	\$ 381,562	\$ 12,070	\$ 148,664	\$ 542,296

	2015			
	Invested in Capital Assets	Externally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 303,699	\$ 12,070	\$ 17,620	\$ 333,389
Excess (deficiency) of revenue over expenses	(26,715)	-	65,166	38,451
Debt repaid with unrestricted funds	53,357	-	(53,357)	-
Balance, end of year	\$ 330,341	\$ 12,070	\$ 29,429	\$ 371,840

SALEM HOME INC.
Statement of Cash Flows
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 170,456	\$ 38,451
Items not affecting cash:		
Amortization	420,405	387,101
Amortization of deferred contributions - expenses of future periods	(46,409)	(45,530)
Amortization of deferred contributions - capital assets	(388,202)	(357,055)
	<u>156,250</u>	<u>22,967</u>
Changes in non-cash operating working capital accounts:		
Accounts receivable	(19,636)	(1,184)
Prepaid expenses	(12,183)	(261)
Accounts payable and accrued liabilities	(102,318)	97,095
Accrued vacation entitlement	38,718	12,180
Residents' trust fund	2,633	441
Change in other assets	22,951	2,550
Advanced payments received	(388,868)	25,911
Due to / from Southern Health - Santé Sud	(104,309)	191,079
	<u>(406,762)</u>	<u>350,778</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(60,551)	(53,358)
Deferred contributions received - expenses of future periods	21,867	20,244
Deferred contributions received - capital assets	995,730	445,901
	<u>957,046</u>	<u>412,787</u>
INVESTING ACTIVITY		
Purchase of capital assets	(1,018,603)	(449,080)
	<u>(1,018,603)</u>	<u>(449,080)</u>
(DECREASE) INCREASE IN CASH AND SHORT TERM INVESTMENTS	(468,319)	314,485
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	1,035,712	721,227
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	\$ 567,393	\$ 1,035,712

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

1. NATURE OF BUSINESS

Salem Home Inc. (the "Facility") was incorporated under the Manitoba Corporations Act in 1956. The Facility is principally involved in providing long-term care and related services to residents of Winkler and the surrounding area, and specialized psycho-geriatric care to residents living within the area under the jurisdiction of Southern Health - Santé Sud ("SHSS"). As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Facility has elected to continue to provide the services to SHSS under a service purchase contract. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through SHSS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of a fiscal period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

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

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

Endowment contributions are recognized as direct increases in externally restricted net assets and related revenue is recognized as revenue when earned.

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

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) SHSS funding

Funding is provided by SHSS on an expense recovery basis for out-of-globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Buildings	2%
Computer and office equipment	25%
Equipment	10%

e) Pre-retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

3. CASH AND SHORT TERM INVESTMENTS

Guaranteed investment certificates are carried at cost, which approximates market value. The certificates have maturity dates between May and August 2016, and earn interest between 2.00% and 2.35% (2015 – between 2.00% and 2.35%).

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

4. DUE FROM SOUTHERN HEALTH - SANTÉ SUD

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 206,686	\$ 397,765
SHSS budget funding adjustment	22	(382,950)
Staffing items	80,157	211,320
Other miscellaneous funding adjustments	6,172	(8,574)
Out-of-globe adjustment	17,958	(10,875)
	<u>\$ 310,995</u>	<u>\$ 206,686</u>

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	<u>2016</u>	<u>2015</u>
Vacation entitlement receivable	\$ 379,275	\$ 379,275
Pre-retirement entitlement receivable	\$ 752,000	\$ 715,000

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of \$379,275 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2016 in the amount of \$752,000 has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, SHSS has included in its ongoing annual funding to the Facility, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the Facility's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2.55% in 2015) and a rate of salary increase of 3.5% (3.5% in 2015) plus age related merit / promotion scale with actuarial derived provisions for disability.

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

6. OTHER ASSETS

Other assets are comprised of surplus shares issued and controlled by Access Credit Union Ltd. These shares consist of patronage refunds on interest paid and dividends on interest earned. Deferred revenue of this same amount is included in accounts payable and accrued liabilities and will be recognized in the fiscal period in which the related cash is received. As at March 31, 2016 all of the surplus shares were redeemed.

7. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 377,681	\$ -	\$ 377,681	\$ 377,681
Buildings	10,907,203	4,811,909	6,095,294	5,422,689
Computer and office equipment	292,186	289,146	3,040	4,970
Equipment	4,088,097	3,019,712	1,068,385	1,092,587
Construction in Progress	12,557	-	12,557	60,832
	\$ 15,677,724	\$ 8,120,767	\$ 7,556,957	\$ 6,958,759

8. DEFERRED CONTRIBUTIONS

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

	2016	2015
Expenses of future periods		
Balance, beginning of year	\$ 148,180	\$ 173,466
Add: additional contributions received	21,867	20,244
Less: amounts amortized to revenue	(46,409)	(45,530)
	\$ 123,638	\$ 148,180
Related to capital assets		
Balance, beginning of year	\$ 6,033,655	\$ 5,944,809
Add: additional contributions received	995,730	449,232
Less: amounts amortized to revenue	(388,202)	(360,386)
	\$ 6,641,183	\$ 6,033,655

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

9. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Mortgage payable in monthly installments of \$505 including interest at prime, due 2025, secured by land and building and a promissory note in the amount of \$76,500.	\$ 49,765	\$ 54,380
Mortgage payable in monthly installments of \$650 including interest at prime, due 2022, secured by land and building.	47,924	54,302
Mortgage payable in monthly installments of \$500 including interest at prime, due 2029, secured by land and building and a promissory note in the amount of \$90,500.	69,097	73,126
Term loan payable in monthly installments of \$2,390 including interest at prime, due 2018, secured by a promissory note in the amount of \$18,000.	58,392	86,438
Mortgage payment in monthly installments of \$498 including interest at prime, due 2018, secured by land and building and a promissory note in the amount of \$85,000.	73,870	77,746
Mortgage payable in monthly installments of \$668 including interest at prime, due 2018, secured by land and building and a promissory note in the amount of \$114,000.	94,624	99,944
Mortgage payable in monthly installments of \$690 including interest at prime, due 2028, secured by land and building and a promissory note in the amount of \$117,733.	104,326	109,643
Mortgage payable in monthly installments of \$335 including interest at prime, due 2028, secured by land and building and a promissory note in the amount of \$57,267.	36,365	39,335
	534,363	594,914
Less: current portion	(59,131)	(57,506)
	\$ 475,232	\$ 537,408

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

9. LONG TERM DEBT (continued)

Principal repayments on long-term debt in each of the next 5 years are estimated as follows:

2017	\$	59,131
2018		60,924
2019		37,000
2020		34,050
2021		35,898

10. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 7,556,957	\$ 6,958,759
Amounts financed by deferred contributions	(6,641,183)	(6,033,655)
Amounts financed by long-term debt	(534,212)	(594,763)
	<u>\$ 381,562</u>	<u>\$ 330,341</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions related to capital assets	\$ 388,202	\$ 360,386
Amortization of capital assets	(420,405)	(387,101)
	<u>(32,203)</u>	<u>(26,715)</u>
Purchase of capital assets	1,018,603	449,080
Amounts funded by deferred contributions	(995,730)	(449,080)
Amounts funded by long term debt	-	-
Repayment of long term debt	60,551	53,357
	<u>83,424</u>	<u>53,357</u>
	<u>\$ 51,221</u>	<u>\$ 26,642</u>

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

11. RESTRICTIONS ON NET ASSETS

The externally restricted net assets are subject to externally imposed restrictions stipulating that a principal of \$10,000 be maintained intact as a library fund. Accumulated investment income of \$2,070 is restricted for use in the purchase of resource materials for the staff library at the Facility.

12. SOUTHERN HEALTH - SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue per final budget	\$ 9,332,854	\$ 8,982,354
Amounts recorded as deferred contribution	(4,700)	(4,700)
Health spending account and maternity top-ups	71,816	84,606
Provincially funded debt	(14,828)	(19,525)
	<u>9,385,142</u>	<u>9,042,735</u>
 Retroactive salary approvals	 111,196	 211,320
Other budget adjustments	(64,102)	(93,181)
Current year's estimated out of globe amounts	82,288	(4,104)
Revenue for the year	<u>\$ 9,514,524</u>	<u>\$ 9,156,770</u>

Amounts recoverable or payable are based on SHSS funding policies on out-of-globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

13. RELATED PARTY

The Facility exercises significant influence over Salem Foundation Inc. by virtue of its ability to appoint two out of five members of the its Board of Directors. Salem Foundation Inc. was established to raise funds to support the programs of the Facility and assist individuals experiencing cognitive and/or physical dysfunctions of a chronic or long-term nature. Salem Foundation Inc. is incorporated under the Manitoba Corporations Act and is registered charity under the Income Tax Act.

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

14. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan's investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2013 - \$203,558,000) as well as a solvency deficiency of \$ 1,955,292,000 (2013 - \$1,097,114,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$612,059 (2015 - \$564,184) and are included in the statement of operations. The actuarial valuation for December 31, 2015 is not yet available.

15. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

16. ECONOMIC DEPENDENCE

The Facility receives in excess of 76% (2015 – 76%) of its total revenue from Southern Health – Santé Sud and is economically dependent on SHSS for its continued operations.

SALEM HOME INC.
Notes to the Financial Statements
March 31, 2016

17. COMPARATIVE FIGURES

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

SALEM HOME INC.**Statement of Expenses - Long Term Care - Institutional Based****Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
Departmental expenses		
Adult day care	\$ 68,971	\$ 63,245
Administration	696,616	653,433
Food services	1,454,565	1,427,936
Housekeeping	551,774	538,127
Internal services education	126,307	113,050
Laundry and linen	306,424	301,026
Pastoral care	63,841	63,869
Personal care	5,821,800	5,836,337
Pharmacy	78,648	66,468
Plant maintenance	390,618	358,631
Plant operations	371,142	368,890
Pre-retirement benefits	90,572	9,818
Recreation	216,260	236,851
Resident food service	36,272	33,911
Social work	72,227	76,401
Special care unit (Willow)	1,408,768	1,320,349
Undistributed out of globe expenses	51,699	51,366
Vending	3,208	2,819
Volunteer services	29,323	26,905
	\$ 11,839,035	\$ 11,549,432

SALEM HOME INC.**Supplemental Statement of Operations - Rental Properties****Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
REVENUE		
Rental and other income	\$ 53,480	\$ 51,717
Deferred contributions	3,331	3,331
	<u>56,811</u>	<u>55,048</u>
EXPENSES		
Natural gas	1,480	1,446
Electricity	1,801	1,930
Water	1,052	483
Insurance	2,623	2,637
Building maintenance	5,890	6,037
Mortgage interest	13,572	18,212
Municipal taxes	11,628	11,369
Amortization	9,698	9,158
	<u>47,744</u>	<u>51,272</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 9,067	\$ 3,776

**SEVEN OAKS GENERAL HOSPITAL FOUNDATION INC. AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 WERE NOT AVAILABLE AT THE
TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV**

Sexuality Education Resource Centre Manitoba, Inc.
Financial Statements
March 31, 2016



500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

Independent Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the accompanying financial statements of Sexuality Education Resource Centre Manitoba, Inc., which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2016, 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.

A stylized, handwritten signature in blue ink that reads "Booke & Partners".

Winnipeg, Canada
May 25, 2016

Chartered Professional Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations and Changes in Net Assets

Year Ended March 31 2016 2015

Revenues (Page 11)	\$ 2,167,536	\$ 1,968,004
Expenditures (Page 11)	<u>2,181,252</u>	<u>1,937,531</u>
(Deficiency) excess of revenues over expenditures from operations	(13,716)	30,473
Pre-retirement leave (Note 7)	<u>220</u>	<u>1,785</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (13,496)</u>	<u>\$ 32,258</u>

	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>2016</u>	<u>2015</u>
Net assets, beginning of year	\$ 306,173	\$ 12,587	\$ 318,760	\$ 286,502
(Deficiency) excess of revenues over expenditures	(13,496)	-	(13,496)	32,258
Transfer (Note 10)	<u>3,972</u>	<u>(3,972)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 296,649</u>	<u>\$ 8,615</u>	<u>\$ 305,264</u>	<u>\$ 318,760</u>

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31 2016 2015

Assets

Current

Cash and short term deposits	\$ 816,976	\$ 906,657
Receivables (Note 3)	125,710	89,423
Prepays	<u>15,070</u>	<u>16,709</u>

957,756 1,012,789

Pre-retirement leave receivable from Winnipeg Regional

Health Authority (Note 7) 47,411

Capital assets (Note 4) 81,630

\$ 1,105,111 \$ 1,141,830

Liabilities

Current

Payables and accruals (Note 5)	\$ 403,118	\$ 344,338
Deferred revenue (Note 6)	<u>269,596</u>	<u>346,859</u>

672,714 691,197

Pre-retirement leave (Note 7) 101,000

Deferred contributions related to capital assets (Note 8) 30,873

799,847 823,070

Net Assets

Unrestricted 306,173

Internally restricted (Note 9) 12,587

305,264 318,760

\$ 1,105,111 \$ 1,141,830

Commitments (Note 11)

Approved by the Board

Original Document Signed _____ Director

Original Document Signed _____ Director

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31 2016 2015

Cash flows from operating activities

Cash received from:

Winnipeg Regional Health Authority	\$ 1,081,527	\$ 1,268,835
Northern Manitoba Regional Health Authority	35,000	35,000
Province of Manitoba	234,700	40,200
Government of Canada	401,116	406,416
United Way	131,762	131,229
Foundations	41,951	65,084
Donations	3,483	531
Interest	7,151	7,514
Other sources	128,962	85,209

Cash paid for:

Human resources and benefits	(1,528,376)	(1,355,675)
Materials and services	(583,566)	(514,935)
Interest	<u>(245)</u>	<u>(76)</u>

Net cash generated from operating activities (46,535) 169,332

Cash flows used in financing and investing activities

Purchase of capital assets (43,146) (34,747)

Net (decrease) increase in cash **(89,681)** 134,585

Cash and short term deposits, beginning of year **906,657** 772,072

Cash and short term deposits, end of year **\$ 816,976** \$ 906,657

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. (the Organization) is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The Organization is an incorporated not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) 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.

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

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 3.0% (2015 - 2.9%), a rate of salary increase of 3.5% (2015 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

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.

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

3. Receivables

	<u>2016</u>	<u>2015</u>
Receivable from Winnipeg Regional Health Authority	\$ 68,157	\$ 38,645
Grants receivable	39,383	32,018
GST receivable	11,336	9,887
Other receivables	<u>6,834</u>	<u>8,873</u>
	<u>\$ 125,710</u>	<u>\$ 89,423</u>

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>
Winnipeg			
Computers	\$ 77,523	\$ 43,380	\$ 34,143
Furniture and equipment	112,840	74,685	38,155
Leasehold improvements	13,010	3,784	9,226
Brandon			
Computers	11,085	10,606	479
Furniture and equipment	9,195	4,123	5,072
Leasehold improvements	<u>18,612</u>	<u>4,963</u>	<u>13,649</u>
	<u>\$ 242,265</u>	<u>\$ 141,541</u>	<u>\$ 100,724</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>
Winnipeg			
Computers	\$ 63,311	\$ 34,844	\$ 28,467
Furniture and equipment	84,751	65,147	19,604
Leasehold improvements	13,010	2,917	10,093
Brandon			
Computers	10,880	10,486	394
Furniture and equipment	8,556	2,855	5,701
Leasehold improvements	<u>18,612</u>	<u>1,241</u>	<u>17,371</u>
	<u>\$ 199,120</u>	<u>\$ 117,490</u>	<u>\$ 81,630</u>

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

5. Payables and accruals

	<u>2016</u>	<u>2015</u>
Vacation pay and salary accrual	\$ 163,628	\$ 134,954
Trade	<u>239,490</u>	<u>209,384</u>
	<u>\$ 403,118</u>	<u>\$ 344,338</u>

6. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 346,859	\$ 330,247
Less amount recognized as revenue in the year	(128,145)	(8,793)
Add amount received related to the following year	<u>50,882</u>	<u>25,405</u>
Balance, end of year	<u>\$ 269,596</u>	<u>\$ 346,859</u>

Included in deferred revenue is \$NIL (2015 - \$77,195) from the WRHA.

7. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	<u>2016</u>	<u>2015</u>
Opening balance	\$ 101,000	\$ 108,000
Decrease in obligation	<u>(1,000)</u>	<u>(7,000)</u>
	<u>\$ 100,000</u>	<u>\$ 101,000</u>

Pre-retirement leave

Current year retirement benefits paid	\$ (10,619)	\$ (1,925)
Current year recovery	10,619	1,925
Decrease in obligation	1,000	7,000
Decrease in receivable	<u>(780)</u>	<u>(5,215)</u>
	<u>\$ 220</u>	<u>\$ 1,785</u>

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

8. Deferred contributions related to capital assets

Deferred contributions related to property and equipment represent grants and contributions for computers, furniture and equipment and leasehold improvements. Deferred contributions are amortized on the schedule of operations. Amortization was provided in the current year for \$3,740 (2015 - \$NIL).

Included in deferred contributions related to capital assets is \$16,042 (2015 - \$17,009) from the WRHA.

9. Internally restricted net assets

Internally restricted net assets represent funds designated by the Board of Directors for the purpose of website redevelopment.

10. Transfer

During the year, a transfer was made of \$3,972 (2015 - \$607) from internally restricted net assets to unrestricted net assets to cover the costs of website redevelopment.

11. Lease commitments

The Organization leases office space at Unit C, 1700 Pacific Avenue in Brandon, Manitoba. The lease is for five years and expires November 30, 2019. The annual rental lease payment is \$19,200.

The Organization leases office space at Suite 109, 55 Selkirk Avenue in Thompson, Manitoba. The lease is for two years and expires March 31, 2017. The annual rental lease payment is \$5,520.

The Organization leases office space at 226 Osborne Street North in Winnipeg, Manitoba. The lease is for fifteen years and expires August 31, 2024. The annual rental lease payment is \$40,000, with annual increases of \$3,200.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the 226 Osborne Street North lease starting in year two of the lease term in the amount of approximately \$4,000 per year, to be increased by 2% annually.

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2016

12. 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, \$97,275 (2015 - \$80,930) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

13. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

Sexuality Education Resource Centre Manitoba, Inc.

Schedule of Operations

Year Ended March 31

2016

2015

	<u>General Operations</u>	<u>PHAC Projects</u>	<u>Our Daughters</u>	<u>OFTA</u>	<u>The 595 Prevention Team</u>	<u>Total</u>	<u>Total</u>
Revenues							
Grants							
Winnipeg Regional Health Authority							
Fixed payments	\$ 1,141,070	\$ -	\$ -	\$ -	\$ 33,096	\$ 1,174,166	\$ 1,218,158
Other funding	968	-	-	-	-	968	45,817
Government of Canada							
Health Canada	9,313	47,734	-	-	209,383	266,430	257,067
Canadian Institutes of Health Research	-	-	-	-	5,701	5,701	6,756
Canadian Immigration Citizenship	-	-	-	103,902	-	103,902	103,902
First Nations and Inuit Health	-	-	-	-	29,000	29,000	-
Province of Manitoba							
Children and Youth Opportunities	-	-	-	-	40,200	40,200	-
Health, Healthy Living and Seniors	99,500	-	45,000	-	50,000	194,500	40,200
United Way							
Winnipeg	121,534	-	-	-	-	121,534	119,312
Brandon	13,000	-	-	-	-	13,000	13,000
Canadian Women's Foundation	33,650	-	1,724	-	-	35,374	48,170
CancerCare	700	-	-	-	-	700	600
Jewish Foundation of Manitoba	-	-	933	-	-	933	9,381
Interlake Regional Health Authority	-	-	-	-	2,406	2,406	-
Northern Manitoba Regional Health Authority	-	-	-	-	35,000	35,000	35,000
Donations	2,983	-	-	-	-	2,983	531
Interest	7,151	-	-	-	-	7,151	7,514
Administrative fee recoveries and other	87,291	-	-	-	43,891	131,182	62,596
Total revenues	<u>1,517,160</u>	<u>47,734</u>	<u>47,657</u>	<u>103,902</u>	<u>451,083</u>	<u>2,167,536</u>	<u>1,968,004</u>
Expenditures							
Salaries	898,472	30,103	33,286	64,978	215,521	1,242,360	1,114,494
Contract fees	6,623	2,326	3,250	2,847	26,689	41,735	40,812
Honoraria	5,041	4,510	820	-	15,833	26,204	19,770
Benefits (Note 12)	171,001	5,517	6,321	13,078	35,429	231,346	189,296
Amortization	24,052	-	-	-	-	24,052	15,650
Bank charges and interest	32	-	-	-	212	244	76
Evaluation	2,014	-	-	-	7,321	9,335	22,250
Insurance	2,899	-	-	-	1,630	4,529	3,683
Membership and dues	1,376	-	-	-	-	1,376	1,208
Office supplies and services	42,151	623	778	1,275	6,741	51,568	51,962
Postage and delivery	1,496	-	-	18	617	2,131	1,287
Professional development	14,919	-	75	-	1,051	16,045	7,701
Professional fees	14,719	-	-	-	-	14,719	25,180
Program costs	88,994	3,918	3,056	21,706	69,484	187,158	147,754
Promotion	17,273	-	-	-	-	17,273	19,149
Occupancy	143,458	-	-	-	21,342	164,800	153,441
Other	5,150	-	-	-	-	5,150	4,761
Repairs and maintenance	45,690	-	-	-	900	46,590	42,086
Travel	18,686	377	71	-	37,639	56,773	40,566
Telephone	21,392	360	-	-	10,342	32,094	35,350
Website	5,438	-	-	-	332	5,770	1,055
Total expenditures	<u>1,530,876</u>	<u>47,734</u>	<u>47,657</u>	<u>103,902</u>	<u>451,083</u>	<u>2,181,252</u>	<u>1,937,531</u>
(Deficiency) excess of revenues over expenditures	<u>\$ (13,716)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,716)</u>	<u>\$ 30,473</u>

See accompanying notes to the financial statements.

**SOUTHEAST PERSONAL CARE
HOME INC.**

Financial Statements
For the year ended March 31, 2016



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BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of SOUTHEAST PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of SOUTHEAST PERSONAL CARE HOME INC., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOUTHEAST PERSONAL CARE HOME INC. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 31, 2016

SOUTHEAST PERSONAL CARE HOME INC.

Statement of Financial Position

March 31

2016

2015

Assets

Current Assets

Cash and bank	\$ 601,992	\$ 574,455
Short-term investment (Note 4)	-	1,531,586
Accounts receivable (Note 2)	385,241	294,048
Prepaid expenses	8,989	10,487

	996,222	2,410,576
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Retirement obligations receivable (Note 5)	98,102	66,000
--	--------	--------

Capital assets (Note 6)	19,686,011	20,314,047
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Long-term investment (Note 4)	3,085,551	900,000
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	\$ 23,865,886	\$ 23,690,623
--	---------------	---------------

Liabilities and Net Assets

Current Liabilities

Loan payable due on demand	\$ -	\$ 18,941
Accounts payable and accrued charges (Note 7)	418,214	363,015
Due to Winnipeg Regional Health Authority (Note 3)	4,170,173	3,185,449
Resident deposits	10,425	9,259
Accrued vacation entitlements	213,714	200,548

	4,812,526	3,777,212
--	-----------	-----------

Accrued retirement obligations (Note 5)	98,102	66,000
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Deferred Contributions (Note 8)

Capital assets	17,576,061	18,189,918
----------------	------------	------------

	22,486,689	22,033,130
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Commitments and contingencies (Note 10)

Net assets

Invested in capital assets	2,109,950	2,124,129
Unrestricted	(730,753)	(466,636)

	1,379,197	1,657,493
--	-----------	-----------

	\$ 23,865,886	\$ 23,690,623
--	---------------	---------------

Approved on behalf of the Board:

Original Document Signed

Director

Original Document Signed

Director

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

SOUTHEAST PERSONAL CARE HOME INC.

Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Winnipeg Regional Health Authority	\$ 4,518,635	\$ 4,248,001
Residential charges	1,145,755	1,156,451
Aboriginal Affairs and Northern Development Canada	993,013	1,028,591
Deferred contributions recognized for amortization	663,433	696,374
Other Income	19,759	21,787
Interest income	56,329	40,103
	<u>7,396,924</u>	<u>7,191,307</u>
Expenditures		
Administration	474,445	492,388
Amortization	663,433	696,374
Bad debt expense	9,787	33,488
Housekeeping	184,197	169,727
Interest and bank charges	53	1,880
Laundry and linen	131,537	122,214
Nursing	3,811,979	3,507,864
Nutrition and food services	739,444	705,490
Plant operation	155,206	147,417
Pre-retirement obligations	32,102	7,998
Recreation	118,400	140,462
Social work	51,520	50,262
Staff development	19,205	20,072
Utilities, taxes and insurance	299,188	289,451
	<u>6,690,496</u>	<u>6,385,087</u>
Excess of revenue over expenditures before other item	706,428	806,220
Other Item		
WRHA surplus recovery	<u>(984,724)</u>	<u>(1,010,998)</u>
Deficiency of revenue over expenditures for the year	\$ (278,296)	\$ (204,778)

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

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31 **2016** 2015

	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 2,124,129	\$ (466,636)	\$ 1,657,493	\$ 1,862,271
Deficiency of revenue over expenditures for the year	-	(278,296)	(278,296)	(204,778)
Net changes in investment in capital assets (Note 9)	(14,179)	14,179	-	-
Balance, end of year	\$ 2,109,950	\$ (730,753)	\$ 1,379,197	\$ 1,657,493

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

SOUTHEAST PERSONAL CARE HOME INC.

Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	\$ (278,296)	\$ (204,778)
Items not involving cash		
Amortization of capital assets	663,433	696,374
Amortization of deferred contributions	(663,433)	(696,374)
	<u>(278,296)</u>	<u>(204,778)</u>
Changes in non-cash working capital:		
Accounts receivable	(91,193)	1,600
Due to WRHA	984,724	1,010,998
Prepaid expenses	1,498	(4,700)
Retirement obligations receivable	(32,102)	(7,998)
Accounts payable and accrued liabilities	55,199	8,944
Resident deposits	1,166	637
Accrued retirement obligations	32,102	7,998
Accrued vacation entitlements	13,166	38,357
	<u>964,560</u>	<u>1,055,836</u>
	<u>686,264</u>	<u>851,058</u>
Cash Flows from Financing Activities		
Decrease in loan payable	(18,941)	(89,280)
Receipt of deferred contributions related to capital assets	49,576	232,383
	<u>30,635</u>	<u>143,103</u>
Cash Flows from Investing Activities		
Purchase of capital assets	(35,397)	(45,679)
Increase in investments	(653,965)	(931,586)
	<u>(689,362)</u>	<u>(977,265)</u>
Net increase in cash and cash equivalents	27,537	16,896
Cash and cash equivalents, beginning of year	574,455	557,559
Cash and cash equivalents, end of year	\$ 601,992	\$ 574,455

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

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

The Southeast Personal Care Home Inc. ("the Organization") was incorporated under the Manitoba Corporations Act in 2009. The Organization is principally involved in providing long-term care and related services to Aboriginal people.

The Organization has been established as a not-for-profit Organization, incorporated without share capital and as such is exempt from income taxes.

Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

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

Capital Assets

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

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Land improvements	10 years
Equipment	5 years
Computers	3 years

Employee Future Benefits

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

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization is funded primarily by the Province of Manitoba, through the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by WRHA with respect to the year ended March 31, 2016.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Organization's accounts. Any adjustments will be reflected in the year the final statement of approved costs is received from the WRHA.

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenditures in accordance with the WRHA funding guidelines. The Organization is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to 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 Organization. After the WRHA reviews the financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Residential charges are recognized as revenue in the period services are rendered. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

	2016	2015
Residential charges receivable	\$ 21,978	\$ 22,303
GST receivable	20,671	17,739
Winnipeg Regional Health Authority	283,289	223,313
Accrued interest receivable	18,726	16,361
Other receivables	50,933	24,688
Allowance for doubtful accounts	(10,356)	(10,356)
	\$ 385,241	\$ 294,048

3. Due to Winnipeg Regional Health Authority

Any operating surplus related to Out of Globe funding arrangement 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.

	2016	2015
2015/2016 funding adjustment	\$ (984,724)	\$ -
2014/2015 funding adjustment	(1,010,998)	(1,010,998)
2013/2014 funding adjustment	(1,104,268)	(1,104,268)
2012/2013 funding adjustment	(974,540)	(974,540)
2011/2012 funding adjustment	(95,643)	(95,643)
	\$ (4,170,173)	\$ (3,185,449)

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

4. Investments

Long-term investment certificates at the First Nations Bank with interest rate between 0.2% and 2.45% with maturity dates between September 18, 2017 and November 18, 2018.

	<u>2016</u>	<u>2015</u>
Investments	\$ 3,085,551	\$ 2,431,586
Less amounts reclassified to short-term	-	(1,531,586)
Long-term investment	<u>\$ 3,085,551</u>	<u>\$ 900,000</u>

5. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the organization are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the Group Pension Plan. Southeast's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- i. has 10 years service and has reached the age 55
- ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii. retires at or after age 65
- iv. terminates employment at any time due to permanent disability

The Organization undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2016. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 2.55% (2015 - 3.6%) and a rate of salary increase of 3.5% (2015 - 3.0%) plus age related merit/promotion scale with a provision for potential disability.

The Province has included in its ongoing annual funding to the Organization, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

	<u>2016</u>	<u>2015</u>
Employee future benefits recoverable from Winnipeg Regional Health Authority	<u>\$ 98,102</u>	<u>\$ 66,000</u>

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

5. Employee Future Benefits (continued)

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

	2016	2015
Balance, beginning of year	\$ 66,000	\$ 58,002
Net increase in pre-retirement entitlements	32,102	7,998
Balance, end of year	\$ 98,102	\$ 66,000

b) Pension Plan

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

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2014, indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$289,042 (2015 - \$273,388) and are included in the statement of operations.

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

6. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,181,716	\$ -	\$ 2,181,716	\$ -
Land improvements	38,113	(5,717)	38,113	(1,906)
Buildings	19,567,730	(2,194,915)	19,567,730	(1,705,722)
Equipment	853,605	(766,709)	830,395	(596,279)
Computers	134,649	(122,461)	122,461	(122,461)
	\$ 22,775,813	\$ (3,089,802)	\$ 22,740,415	\$ (2,426,368)
Cost less accumulated amortization		\$ 19,686,011		\$ 20,314,047

7. Accounts Payable

	2016	2015
Trade accounts payable	\$ 38,616	\$ 25,823
Salaries and employee benefits payable	355,755	310,854
Accrued Liabilities	23,843	26,338
	\$ 418,214	\$ 363,015

8. Deferred Contributions

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.

	2016	2015
Balance, beginning of year	\$ 18,189,918	\$ 18,653,909
Additional contributions received		
WRHA	49,576	232,383
Less amounts amortized to revenue	(663,433)	(696,374)
Balance, end of year	\$ 17,576,061	\$ 18,189,918

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 19,686,011	\$ 20,314,047
Amounts financed by Deferred contributions	<u>(17,576,061)</u>	<u>(18,189,918)</u>
	<u>\$ 2,109,950</u>	<u>\$ 2,124,129</u>

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

	2016	2015
Excess of revenues over expenses		
Deferred contributions recognized for amortization	\$ 663,433	\$ 696,374
Amortization of capital assets	<u>(663,433)</u>	<u>(696,374)</u>
	<u>\$ -</u>	<u>\$ -</u>
Net changes in investment in capital assets		
Purchase of capital assets	\$ 35,397	\$ 45,679
Amounts funded by: WRHA funding	<u>(49,576)</u>	<u>(232,383)</u>
	<u>\$ (14,179)</u>	<u>\$ (186,704)</u>

10. Commitments and Contingencies

- a) The nature of the Organization's activities is such that there is usually litigation pending or in prospect at any time. There are no potential claims at March 31, 2016.
- b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2016.

The Organization is a named insured under the policy with HIROC.

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

11. Financial Instrument Risk

The Organization is exposed to different types of risk in the normal course of operations. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organization's activities. The following analysis provides a measurement of those risks.

Credit Risk

Credit risk is the risk that the Organization will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments which potentially subject the Organization to credit risk consist principally of accounts receivable.

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

	<u>2016</u>	<u>2015</u>
Residential charges receivable	\$ 21,978	\$ 22,303
GST receivable	20,671	17,739
Winnipeg Regional Health Authority	283,289	223,313
Accrued interest receivable	18,726	16,361
Other receivables	50,933	24,688
Allowance for Doubtful Accounts	<u>(10,356)</u>	<u>(10,356)</u>
	<u>\$ 385,241</u>	<u>\$ 294,048</u>

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

Winnipeg Regional Health Authority and retirement obligations receivable: The Organization is not exposed to significant credit risk as these receivables are from the Province of Manitoba and WRHA.

Aboriginal Affairs and Northern Development Canada: The Organization is not exposed to significant credit risk as these receivables are from the federal government.

SOUTHEAST PERSONAL CARE HOME INC.

Notes to Financial Statements

For the year ended March 31, 2016

11. Financial Instrument Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to significant interest rate risk, as its cash in bank is held in short-term products.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirement, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or maybe be unable to settle or recover a financial asset. Liquidity risk arises from demand loans.

Financial Statements of
TABOR HOME INC.
March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tabor Home Inc.

We have audited the accompanying financial statements of Tabor Home Inc., which comprise the statement of financial position as at March 31, 2016 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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Tabor Home Inc. as at March 31, 2016, 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.



Chartered Accountants

May 25, 2016
Winnipeg, Manitoba

TABOR HOME INC.
Statement of Financial Position
March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and short term investments	\$ 681,579	\$ 1,710,835
Accounts receivable	12,428	79,257
Prepaid expenses	13,415	14,163
Due from Southern Health - Santé Sud (Note 4)	124,896	-
Vacation entitlement receivable (Note 5)	190,579	190,579
	1,022,897	1,994,834
PRE-RETIREMENT ENTITLEMENT (NOTE 5)	366,000	392,000
CAPITAL ASSETS (NOTE 6)	1,140,905	1,251,384
OTHER ASSETS (NOTE 7)	85,104	148,025
	\$ 2,614,906	\$ 3,786,243
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 190,775	\$ 230,595
Accrued vacation entitlement (Note 5)	276,941	273,279
Due to Southern Health - Santé Sud (Note 4)	-	16,153
Advanced payments received	-	159,346
Residents' trust fund	10,244	12,666
Current portion of mortgage payable (Note 8)	25,583	23,888
	503,543	715,927
PRE-RETIREMENT ENTITLEMENT (Note 5)	366,000	392,000
MORTGAGE PAYABLE (Note 8)	81,160	107,038
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 9)	415,627	316,891
DEFERRED CONTRIBUTIONS		
RELATED TO CAPITAL ASSETS (Note 9)	976,632	1,060,751
	2,342,962	2,592,607
NET ASSETS		
Invested in capital assets (Note 10)	142,634	207,732
Unrestricted	129,310	985,904
	271,944	1,193,636
	\$ 2,614,906	\$ 3,786,243

APPROVED BY THE BOARD

Original Document Signed
..... Director

Original Document Signed
..... Director

TABOR HOME INC.
Statement of Operations
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Southern Health - Santé Sud (Note 11)	\$ 3,890,407	\$ 3,803,687
Non-insured	966,925	943,390
Non personal care home income (expense)	-	8
Miscellaneous income (Note 7)	129,067	40,283
Amortization of deferred contributions - expenses of future periods	3,867	3,116
Amortization of deferred contributions - capital assets	174,093	167,732
	<u>5,164,359</u>	<u>4,958,216</u>
EXPENSES		
Long term care - institutional based (Schedule 1)	4,602,030	4,528,229
Long term care - adult day care (Schedule 2)	104,336	106,050
Amortization	174,093	167,732
Pre-retirement benefit	41,021	35,828
Pharmacy capitation	32,544	27,504
Asset impairment loss (Note 7)	82,037	-
	<u>5,036,061</u>	<u>4,865,343</u>
EXCESS OF REVENUE OVER EXPENSES		
BEFORE OTHER INCOME AND OTHER ITEMS	128,298	92,873
OTHER INCOME	10	242,813
ACTIVITIES RELATING TO THE CONSTRUCTION OF A NEW FACILITY (NOTE 16)		
Contribution received from Tabor Foundation	2,495,156	-
Other contributions received	150,000	-
Donation To Southern Health-Sante Sud	(3,695,156)	-
	<u>1,050,000</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES \$	<u>(921,692)</u>	<u>\$ 335,686</u>

TABOR HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2016

	2016		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 207,732	\$ 985,904	\$ 1,193,636
(Deficiency) excess of revenue over expenses	154,726	(1,076,418)	(921,692)
Interfund transfer	(219,824)	219,824	-
Balance, end of year	\$ 142,634	\$ 129,310	\$ 271,944

	2015		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 666,019	\$ 191,931	\$ 857,950
Excess of revenue over expenses	212,104	123,582	335,686
Interfund transfer	(670,391)	670,391	-
Balance, end of year	\$ 207,732	\$ 985,904	\$ 1,193,636

TABOR HOME INC.
Statement of Cash Flows
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$ (921,692)	\$ 335,686
Items not affecting cash:		
Amortization	174,093	167,732
Amortization of deferred contributions - expenses of future periods	(3,867)	(3,116)
Amortization of deferred contributions - capital assets	(174,093)	(167,732)
Other income	-	(242,201)
Asset impairment loss	82,037	-
	<u>(843,522)</u>	90,369
Changes in non-cash working capital accounts:		
Accounts receivable	66,829	(68,356)
Prepaid expenses	748	(945)
Accounts payable and accrued liabilities	(39,820)	35,779
Accrued vacation entitlement	3,662	15,017
Residents' trust fund	(2,422)	4,951
Advanced payments received	(159,346)	9,714
Due from/to Southern Health - Santé Sud	(141,049)	(56,819)
	<u>(1,114,920)</u>	29,710
FINANCING ACTIVITIES		
Deferred contributions received - expenses of future periods	102,603	110,183
Deferred contributions received - capital assets	89,974	36,144
Repayment of mortgage	(24,183)	(23,470)
	<u>168,394</u>	122,857
INVESTING ACTIVITIES		
Purchase of capital assets	(63,614)	(21,077)
Purchase of asset held for sale	(19,116)	(6,999)
Proceeds on the sale of asset held for sale	-	715,890
	<u>(82,730)</u>	687,814
(DECREASE) INCREASE IN CASH AND SHORT TERM INVESTMENTS	(1,029,256)	840,381
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	1,710,835	870,454
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	\$ 681,579	\$ 1,710,835

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

1. NATURE OF BUSINESS

Tabor Home Inc. (the "Facility") was incorporated under the Manitoba Corporations Act in 1952. The Facility is principally involved in providing long-term care and related services to residents of Morden and the surrounding area. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Facility has elected to continue to provide the services to Southern Health – Santé Sud ("SHSS") under a service purchase contract. The Facility is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operations of the personal care home division of Tabor Home Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Housing Units and Apartments Division).

The housing units and apartments have not been included in these financial statements. Financial statements of the housing units and apartments are available on request. Financial summaries of the non-consolidated entities are included in Note 13.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

The Facility follows the deferral method of accounting for contributions which include donations and government grants. The Facility is funded primarily by the Province of Manitoba, through SHSS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SHSS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the fiscal year are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2016.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

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

Endowment contributions are recognized as direct increases in externally restricted net assets.

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

b) SHSS Funding

Funding is provided by SHSS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Buildings	2.5%
Equipment	10%

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Pre-retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the “eighty” rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

4. DUE FROM (TO) SOUTHERN HEALTH – SANTÉ SUD

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ (16,153)	\$ (72,972)
RHA budget adjustment	(4,636)	(107,015)
Out of Globe adjustment	32,316	74,313
CUPE and HUB increases	28,081	(89,521)
New project expenses	85,288	-
	<u>\$ 124,896</u>	<u>\$ (16,153)</u>

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	<u>2016</u>	<u>2015</u>
Vacation entitlement receivable	\$ 190,579	\$ 190,579
Pre-retirement entitlement receivable	\$ 366,000	\$ 392,000

Funding for the vacation entitlement obligation earned by employees of the Facility as at March 31, 2004 in the amount of \$190,579 has been set up as a current receivable due from SHSS, with an equal and off-setting liability included in accrued vacation entitlement. Accrued vacation entitlement also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2016 in the amount of \$366,000 has been set up as a non-current receivable from SHSS. The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, SHSS has included in its ongoing annual funding to the Facility, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by SHSS when the Facility requires the funding to discharge the related pre-retirement liabilities. The significant actuarial assumptions adopted in measuring the Facility's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2.55% in 2015) and a rate of salary increase of 3.5% (3.5% in 2015) plus age related merit / promotion scale with actuarial derived provisions for disability.

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

6. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and land improvements	\$ 48,996	\$ -	\$ 48,996	\$ 48,996
Buildings	1,280,741	978,940	301,801	331,559
Equipment	1,854,100	1,063,992	790,108	870,829
	\$ 3,183,837	\$ 2,042,932	\$ 1,140,905	\$ 1,251,384

7. OTHER ASSETS

Other assets are comprised of the following:

	<u>2016</u>	<u>2015</u>
Land held for sale	\$ 65,988	\$ 148,025
Costs related the the new facility	19,116	-
	\$ 85,104	\$ 148,025

During the year the Facility sold roadway access rights relating to one of the parcels of land held for sale for \$80,000. These proceeds are included in miscellaneous income. The Facility continues to hold title to this parcel of land and has determined that the sale of the roadway access rights has impaired the carrying value of the land. Accordingly the Facility wrote-down the carrying value of the parcel to land to \$1 and recorded an \$82,037 asset impairment loss.

8. MORTGAGE PAYABLE

	<u>2016</u>	<u>2015</u>
CMHC loan	\$ 106,743	\$ 130,926
Less: current portion	(25,583)	(23,888)
	\$ 81,160	\$ 107,038

The CMHC loan bears interest at 6.875% and is repayable in monthly blended amounts of \$2,693 and matures December 1, 2019.

Principal repayments over the next four years are expected to be as follows:

2017	25,583
2018	27,398
2019	29,342
2020	24,420

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

9. DEFERRED CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Expenses of future periods		
Balance, beginning of year	\$ 316,891	\$ 209,824
Add: additional contributions received	102,603	110,183
Less: amounts amortized to revenue	(3,867)	(3,116)
	<u>\$ 415,627</u>	<u>\$ 316,891</u>
Related to capital assets		
Balance, beginning of year	\$ 1,060,751	\$ 1,192,339
Add: additional contributions received	89,974	36,144
Less: amounts amortized to revenue	(174,093)	(167,732)
	<u>\$ 976,632</u>	<u>\$ 1,060,751</u>

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

10. NET ASSETS – INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 1,140,905	\$ 1,251,384
Asset held for sale	85,104	148,025
Amounts financed by deferred contributions	(976,632)	(1,060,751)
Amounts financed by mortgage payable	(106,743)	(130,926)
	<u>\$ 142,634</u>	<u>\$ 207,732</u>

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

	<u>2016</u>	<u>2015</u>
Amortization of deferred contributions related to capital assets	\$ 174,093	\$ 167,732
Amortization of capital assets	(174,093)	(167,732)
Self funded mortgage payments	24,183	23,470
Amounts funded by deferred contributions	(89,974)	(36,144)
Amount donated by Town of Morden	-	242,201
Asset impairment loss	(82,037)	(715,890)
Capital asset purchases	82,730	28,076
	<u>\$ (65,098)</u>	<u>\$ (458,287)</u>

11. SOUTHERN HEALTH – SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	<u>2016</u>	<u>2015</u>
Revenue per final budget	\$ 3,824,300	\$ 3,657,443
Provincially funded debt	(15,067)	(15,067)
	<u>3,809,233</u>	<u>3,642,376</u>
Current year's estimated out of globe amounts	42,590	72,113
Retroactive salary approvals	38,584	89,198
Revenue for the year	<u>\$ 3,890,407</u>	<u>\$ 3,803,687</u>

Amounts recoverable or payable are based on SHSS funding policies on out of globe budget items for the fiscal year. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

12. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan's investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2014, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of \$194,548,000 (2013 - \$203,558,000) as well as a solvency deficiency of \$ 1,955,292,000 (2013 - \$1,097,114,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$249,040 (2015 - \$239,825) and are included in the statement of operations. The actuarial valuation for December 31, 2015 is not yet available.

13. HOUSING UNITS AND APARTMENTS DIVISIONAL RESULTS

During fiscal 2014, the housing and apartment units were sold for proceeds of \$410,000, resulting in a gain on disposal of \$325,898. The financial position and operating results, including the gain on disposal of the housing units and apartments division, are not recorded in these financial statements (Note 2). The following is a financial summary of Tabor Home Inc.'s housing and apartment divisional results:

TABOR HOME INC.
Notes to the Financial Statements
March 31, 2016

13. HOUSING UNITS AND APARTMENTS DIVISIONAL RESULTS (continued)

	<u>2016</u>	<u>2015</u>
<i>Summarized balance sheet</i>		
Assets		
Current	\$ 600,981	\$ 577,090
Restricted	-	-
	<u>600,981</u>	<u>577,090</u>
Liabilities		
Current	-	-
Net Assets	<u>600,981</u>	<u>577,090</u>
	<u>\$ 600,981</u>	<u>\$ 577,090</u>
<i>Summarized income statement</i>		
Investment income	\$ 23,891	\$ -

14. ECONOMIC DEPENDENCE

The Facility receives approximately 77% (2015 – 77%) of its total revenue from SHSS and is economically dependent on SHSS for its continued operations.

15. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

16. CONTRIBUTIONS TO NEW TABOR HOME

During the year SHSS commenced construction of a new building which will replace the current facility owned and occupied by Tabor Home Inc. SHSS is responsible to the costs of the construction and will retain ownership of the building upon completion. Tabor Home Inc. will enter into an arrangement with SHSS whereby Tabor Home Inc. will be permitted to use the new facility at no cost. As part of its contribution to the construction of the new facility, Tabor Home Inc. made a financial contribution towards the construction costs of \$3,695,156, of which \$2,495,156 was received from the Tabor Foundation and \$150,000 from other donors.

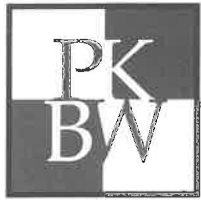
TABOR HOME INC.**Statement of Expenses - Personal Care Home****Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
Departmental expenses		
Activities program	\$ 129,721	\$ 120,303
Administration	329,661	348,350
Building maintenance	174,207	167,358
Building operation	158,161	162,004
Chaplain	17,908	19,055
Dietary	531,575	543,411
Housekeeping	231,364	187,830
In-service education	89,364	70,695
Laundry and linen	128,885	125,207
Mortgage interest	12,000	12,829
Nursing services	2,744,187	2,714,926
Social work	47,471	48,341
Volunteer services	7,526	7,919
	<u>\$ 4,602,030</u>	<u>\$ 4,528,228</u>

TABOR HOME INC.**Statement of Expenses - Adult Day Care Program****Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
Program expenses		
Employer benefits contribution	\$ 16,340	\$ 16,967
Salaries	75,982	74,894
Travel	12,014	14,652
	<u>\$ 104,336</u>	<u>\$ 106,513</u>

**THE CONVALESCENT HOME OF WINNIPEG
FINANCIAL STATEMENTS
MARCH 31, 2016**



GROUP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the accompanying financial statements of **THE CONVALESCENT HOME OF WINNIPEG**, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Home's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Home's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE CONVALESCENT HOME OF WINNIPEG** as at March 31, 2016 and results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

Winnipeg, Manitoba
June 30, 2016

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

March 31, 2016

	2016	2015
ASSETS		
CURRENT		
Short-term investments (note 3)	\$ 62,285	73,950
Accounts receivable (note 4)	63,584	55,664
Due from Winnipeg Regional Health Authority (note 10)	370,790	51,769
Vacation entitlement receivable (note 5)	171,526	171,526
Prepaid expenses	26,239	23,104
	<u>694,424</u>	<u>376,013</u>
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 11)	422,422	427,683
RESTRICTED CASH AND INVESTMENTS (note 6)	99,146	133,524
CAPITAL ASSETS (note 7)	<u>2,052,597</u>	<u>1,956,321</u>
	<u><u>3,268,589</u></u>	<u><u>2,893,541</u></u>
LIABILITIES		
CURRENT		
Bank indebtedness (note 8)	250,814	110,635
Accounts payable and accrued liabilities (note 9)	405,980	360,398
Resident trust payable	8,442	14,335
Accrued vacation payable (note 5)	<u>314,447</u>	<u>274,252</u>
	<u>979,683</u>	<u>759,620</u>
COMMITMENTS AND CONTINGENCIES (note 12)		
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 11)	366,000	357,000
DEFERRED CONTRIBUTIONS, EXPENSES OF FUTURE PERIODS	153,072	133,524
DEFERRED CONTRIBUTIONS, CAPITAL ASSETS (note 13)	<u>1,464,131</u>	<u>1,248,554</u>
	<u>2,962,886</u>	<u>2,498,698</u>
NET ASSETS		
NET ASSETS (page 4)	<u>305,703</u>	<u>394,843</u>
	<u><u>\$ 3,268,589</u></u>	<u><u>2,893,541</u></u>

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Director

Original Document Signed

Director

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF OPERATIONS

For the year ended March 31, 2016

	2016	2015
REVENUE		
Winnipeg Regional Health Authority	\$ 4,419,008	4,279,205
Resident charges	1,566,166	1,580,160
Offset income	14,246	22,863
Unrealized gain (loss) on investment	(11,140)	4,745
	<u>5,988,280</u>	<u>5,886,973</u>
EXPENSES		
Electricity	42,227	39,163
Health and education levy	74,776	73,375
Insurance	19,708	11,833
Interest	19,177	16,630
Medical remuneration	14,216	15,168
Medical supplies and equipment	94,108	109,896
Natural gas	31,972	32,723
Operational supplies and services	195,246	181,230
Other employee benefits	649,940	636,021
Other nursing expenses	11,361	30,477
Plant maintenance	159,999	130,864
Property taxes	17,465	18,469
Purchased services	869,308	855,688
Resident travel	8,815	3,180
Salaries	3,668,511	3,648,096
Water and waste	40,474	36,064
	<u>5,917,303</u>	<u>5,838,877</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE OTHER ITEMS	<u>70,977</u>	<u>48,096</u>
OTHER ITEMS		
Amortization of deferred contributions	59,379	60,034
Amortization of capital assets	(174,108)	(152,700)
Change in retirement obligation	(42,001)	(36,171)
	<u>(156,730)</u>	<u>(128,837)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (85,753)</u>	<u>(80,741)</u>

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CHANGES IN NET ASSETS

March 31, 2016

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2016	TOTAL 2015
NET ASSETS, beginning of year	\$ 707,767	(312,924)	394,843	512,584
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	(85,753)	(85,753)	(80,741)
PRE-RETIREMENT REMEASUREMENT	-	(3,387)	(3,387)	(37,000)
TRANSFER	(119,301)	119,301	-	-
NET ASSETS, end of year	\$ 588,466	(282,763)	305,703	394,843

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (85,753)	(80,741)
Adjustments for		
Amortization of capital assets	174,108	152,700
Net increase in deferred contributions - capital assets	215,577	(12,729)
Net increase (decrease) in deferred contributions - expenses of future periods	19,548	6,947
Changes in fair value of investments	15,885	4,823
	<u>339,365</u>	<u>71,000</u>
Changes in non-cash working capital balances		
Accounts receivable	(7,920)	38,356
Restricted cash and investments	34,378	(6,951)
Prepaid expenses	(3,142)	9,274
Pre-retirement entitlement receivable	5,261	(59,000)
Accounts payable and accrued liabilities	45,588	(33,125)
Resident trust payable	(5,893)	(9,077)
Accrued vacation payable	40,195	11,263
Accrued pre-retirement entitlement	9,000	59,000
	<u>456,832</u>	<u>80,740</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(270,383)	(180,522)
Net increase (decrease) in investments	(4,220)	(2,037)
	<u>(274,603)</u>	<u>(182,559)</u>
FINANCING ACTIVITIES		
Due to Winnipeg Regional Health Authority	(319,021)	(37,844)
Pre-retirement remeasurement	(3,387)	(37,000)
	<u>(322,408)</u>	<u>(74,844)</u>
NET INCREASE IN BANK OVERDRAFT	<u>(140,179)</u>	<u>(176,663)</u>
CASH (BANK OVERDRAFT) POSITION, beginning of year	<u>(110,635)</u>	<u>66,028</u>
CASH (BANK OVERDRAFT) POSITION, end of year	<u>\$ (250,814)</u>	<u>(110,635)</u>

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. ENTITY DEFINITION

The Convalescent Home of Winnipeg ("The Home") is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Board of Directors of The Home administers the Benefit Fund under a "Declaration of Trust" for all present and future Residents of The Home and to further the objects of The Home. These financial statements present the financial position and results of operations of The Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - The Benefit Fund ("The Benefit Fund"). The Benefit Fund is the recipient of gifts, devices or bequests of money and shall be administered for the benefit of all Residents with respect to financing purchases outside the normal scope of the regular operation of The Home as may be authorized by the Board of Directors.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Home's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Home's financial instruments consist of cash, accounts receivable, vacation entitlement receivable, short-term investments, pre-retirement entitlement receivable, restricted cash and investments, bank indebtedness, demand loan payable, accounts payable and accrued liabilities, Resident trust payable, accrued vacation payable, due to Winnipeg Regional Health Authority, callable debt, and accrued pre-retirement entitlement.

Transaction costs for the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

Credit Risk

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

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

	2016	2015
Accounts receivable	\$ 493,910	493,910
Vacation entitlement receivable	171,526	171,526
Pre-retirement entitlement receivable	422,422	427,683
	<u>\$ 1,087,858</u>	<u>1,093,119</u>

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 entitlement receivable and pre-retirement entitlement receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the WRHA.

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

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

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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 annual rates:

Buildings	- 2%
Roof replacement	- 6.67%
Computer equipment	- 33%
Computer software	- 33%
Furniture - sun room	- 20%
Furniture and equipment	- 20%
Equipment - generator	- 2%

Major Repairs and Equipment Replacement Reserve

The Home has established a reserve to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Restricted Cash and Investments

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

Revenue Recognition

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

Under the Health Insurance Act and regulations hereto, The Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2016.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

- a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement.

- b) Surpluses - The Home may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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

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

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

Contributed Services

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

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

3. SHORT-TERM INVESTMENTS

	2016	2015
CIBC Mutual funds	\$ 62,285	73,950

Short-term investments are recorded at fair value. Fair value is determined by the market value at the last trade date before year-end. The Home invests only in GIC's or mutual funds in order to minimize risk. Investments held as restricted cash are detailed in note 6.

4. ACCOUNTS RECEIVABLE

	2016	2015
Receivable from Residents	\$ 34,743	12,626
Accrued interest		584
Other	11,217	27,326
GST receivable	17,624	15,128
	<u>\$ 63,584</u>	<u>55,664</u>

5. ACCRUED VACATION ENTITLEMENTS

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

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

6. RESTRICTED CASH AND INVESTMENTS

	2016	2015
CIBC chequing account	\$ -	6,896
CIBC savings account	4	4
Basic equipment reserve GIC	77,248	61,996
Major repair reserve GIC	16,715	60,515
Insurance deductible reserve GIC	5,179	4,143
	<u>\$ 99,146</u>	<u>133,554</u>

7. CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 16,269	-	16,269	-
Building	2,955,684	1,192,985	2,717,612	1,116,396
Computer equipment	191,036	181,561	181,822	175,787
Computer software	55,313	55,313	55,313	55,313
Furniture - sun room	146,176	134,831	146,176	122,344
Furniture and equipment	1,229,249	976,440	1,206,152	897,183
	<u>4,593,727</u>	<u>2,541,130</u>	<u>4,323,344</u>	<u>2,367,023</u>
Cost less accumulated amortization	<u>\$ 2,052,597</u>		<u>1,956,321</u>	

Amortization of capital assets for the year ended March 31, 2016 is \$174,108 (2015 - \$152,700).

8. BANK INDEBTEDNESS

The Home has a credit facility agreement with CIBC to a maximum limit of \$350,000. The facility is secured by a general security agreement on all of The Home's assets. Interest on advances is paid monthly at bank prime plus 0.5%, with repayment due on demand. As at March 31, 2016 the Home was in a overdraft position (after deduction for outstanding cheques) of \$250,814.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable - trade	\$ 278,724	247,768
Accrued property taxes	4,366	4,366
Accrued audit fees	13,750	10,500
Accrued salaries and other	109,140	97,764
	<u>\$ 405,980</u>	<u>360,398</u>

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

10. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	2016	2015
Receivable from WRHA		
Pre-retirement leave	\$ 14,172	163,199
HEPP 1%	(8,120)	(8,120)
Constant care	840	29,663
2012/2013 wage accruals		19,268
MNU wage increase		27,394
Non-unionized salary increase - 2013/2014	24,540	24,540
Non-unionized salary increase - 2014/2015		60,924
Residential charges (non-global) - 2013/2014	20,354	
Residential charges (non-global) - 2014/2015	23,744	23,744
HEPP .8%	23,919	23,919
MGEU retroactive pay - 2014/2015	40,632	40,632
Health care spending account - 2015/2016	7,517	-
MNU/MGEU wage increase - 2015/2016	122,063	-
Basic equipment - 2015/2016	14,697	-
Mattresses - 2015/2016	7,927	-
Residential charges (non-global) - 2015/2016	92,227	-
Deficit funding - 2015/2016	90,000	-
Other	18,794	33,083
Total receivable from WRHA	493,306	438,246
Payable to WRHA		
Advances	122,516	217,000
	122,516	217,000
Residential charges payable		169,477
Total payable to WRHA	122,516	386,477
Net due from (to) WRHA	\$ 370,790	51,769

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

11.EMPLOYEE FUTURE BENEFITS

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of The Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

- a) has 10 years service and has reached the age of 55
- b) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- c) retires at or after age 65
- d) terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2015. The significant actuarial assumptions adopted in measuring The Home's accrued retirement entitlements include retirement, termination, and mortality rates, a discount rate of 2.90% (3.60% in 2014) and a rate of salary increase of 3.50% (3.0% in 2014) plus age related merit/promotion scale with a provision for disability.

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

Commencing in 2006/2007, The WRHA assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2011 indicates the Plan is in a deficit. Contributions to the Plan made during the year by The Home on behalf of its employees amounted to \$253,182 (2014 - \$235,670) and are included in the statement of operations.

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

12.COMMITMENTS AND CONTINGENCIES

- a) The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2016, no litigation is in process. With respect to potential claims at March 31, 2016, 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, 2016.

13.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.

	2016	2015
Balance, beginning of year	\$ 1,248,554	1,261,283
Contributions - Winnipeg Regional Health Authority	87,213	17,978
Fire system upgrade advances	226,767	-
Roof replacement loan advances	43,972	109,200
CMHC loan principal reductions	(19,931)	(20,964)
Emergency generator loan principal reductions	(38,765)	(42,289)
Window replacement loan principal reductions	(16,620)	(16,620)
Roof replacement loan principal reductions	(7,680)	-
Less amounts amortized to revenue	(59,379)	(60,034)
Balance, end of year	\$ 1,464,131	1,248,554

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

	2016	2015
Reserve for basic equipment		
Balance, beginning of year	\$ 74,180	59,473
Contributions - Winnipeg Regional Health Authority	14,700	14,707
Balance, end of year	88,880	74,180
Reserve for major repair		
Balance, beginning of year	55,134	63,902
Contributions - Winnipeg Regional Health Authority	3,840	3,840
Expenses during the year		(12,608)
Balance, end of year	58,974	55,134
Reserve for insurance deductible		
Balance, beginning of year	4,210	3,202
Contributions - Winnipeg Regional Health Authority	1,008	1,008
Balance, end of year	5,218	4,210
Total deferred contributions - expenses of future periods	\$ 153,072	133,524

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

	2016	2015
CIBC - emergency generator loan, payable in monthly instalments of \$3,524 plus interest at prime plus 0.50%, callable on demand	\$ 189,091	227,857
Canada Mortgage and Housing Corporation - 50 year mortgage payable in monthly instalments of \$839 including principal and interest at 5 7/8%, maturing July 1, 2017	12,858	32,789
CIBC - window replacement loan, payable in monthly instalments of \$1,385 plus interest at prime plus 0.50%, callable on demand	123,080	139,700
CIBC - roof replacement loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand	145,492	109,200
CIBC - fire system upgrade loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand	226,767	-
	\$ 697,288	509,546

These loans are secured by a security agreement granting a first security interest in all present and after acquired personal property, and by a present and future collateral mortgage.

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

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

14. ECONOMIC DEPENDENCE

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

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

Financial Statements of

**THE SALVATION ARMY
GOLDEN WEST CENTENNIAL
LODGE**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To The Board of Management of The Salvation Army Golden West Centennial Lodge

We have audited the accompanying financial statements of The Salvation Army Golden West Centennial Lodge, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 Salvation Army Golden West Centennial Lodge as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 2, 2016

Winnipeg, Canada

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 3)	\$ 149,159	\$ 146,720
Accounts receivable	19,967	86,304
Receivable from Winnipeg Regional Health Authority	261,913	243,310
Receivable from The Salvation Army	63,219	60,000
Prepaid expenses	5,658	9,283
Inventory	19,540	20,635
Employee benefits recoverable from Winnipeg Regional Health Authority (note 7[b])	271,682	271,682
	791,138	837,934
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 7[a])	640,530	645,530
Capital assets (note 4)	2,136,781	2,398,738
Deferred grants receivable (note 5)	277,820	315,924
	\$ 3,846,269	\$ 4,198,126

Liabilities, Deferred Contributions and Net Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 13)	\$ 235,503	\$ 538,006
Accrued vacation payable	431,230	415,949
Current portion of Loan payable to The Salvation Army (note 9[b])	67,944	35,000
Current portion of long-term debt (note 9[a])	36,841	34,433
	771,518	1,023,388
Accrued pre-retirement benefits (note 7[a])	680,000	685,000
Loan payable to The Salvation Army (note 9[b])	302,526	177,605
Long-term debt (note 9[a])	138,495	175,338
	1,892,539	2,061,331
Deferred contributions (note 8)	2,054,557	2,269,220
Net equity (deficiency):		
Unrestricted	(472,370)	(636,521)
Internally restricted (note 11)	340,292	464,345
Invested in capital assets (note 10)	31,251	39,751
	(100,827)	(132,425)
	\$ 3,846,269	\$ 4,198,126

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed _____ Director

Original Document Signed _____ Director

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	PCH services	Adult day care	Other services	Total unrestricted	Internally restricted	Capital	2016 Total	2015 Total
Revenue:								
Winnipeg Regional Health Authority	\$ 5,790,674	\$ 196,934	\$ —	\$ 5,987,608	\$ —	\$ —	\$ 5,987,608	\$ 5,660,763
Participant fees	—	24,068	—	24,068	—	—	24,068	21,381
Residential charges	2,535,129	—	—	2,535,129	—	—	2,535,129	2,465,550
Amortization of deferred contributions (note 8)	—	—	—	—	—	297,977	297,977	295,312
Dietary services	31,788	—	—	31,788	—	—	31,788	31,522
Grants from The Salvation Army DHQ (note 13)	60,000	—	130,000	190,000	34,151	—	224,151	260,000
Donations	—	—	—	—	29,354	—	29,354	37,016
Fundraising	—	—	—	—	4,409	—	4,409	3,673
Other income	45,082	—	72,700	117,782	—	—	117,782	106,704
	8,462,673	221,002	202,700	8,886,375	67,914	297,977	9,252,266	8,881,921
Expenses:								
Salaries	6,028,265	92,671	—	6,120,936	—	—	6,120,936	5,827,921
Employee benefits	1,157,493	19,506	—	1,176,999	—	—	1,176,999	1,123,261
Payroll levy	123,449	1,987	—	125,436	—	—	125,436	120,171
Administration (note 13)	118,784	—	133,371	252,155	—	—	252,155	230,384
Amortization	—	—	—	—	—	306,477	306,477	303,812
Contributed services	—	—	58,187	58,187	—	—	58,187	76,014
Interest on long-term debt (note 9)	24,889	—	—	24,889	—	—	24,889	24,456
Medical supplies	109,883	—	—	109,883	—	—	109,883	102,649
Operating expenses	516,230	113,132	—	629,362	—	—	629,362	594,433
Fundraising	—	—	—	—	4,281	—	4,281	2,157
Physical plant (note 5[b])	329,098	—	—	329,098	13,808	—	342,906	798,849
Pre-retirement leave costs (note 7[a])	69,157	—	—	69,157	—	—	69,157	26,614
	8,477,248	227,296	191,558	8,896,102	18,089	306,477	9,220,668	9,230,721
Excess (deficiency) of revenue over expenses								
	\$ (14,575)	\$ (6,294)	\$ 11,142	\$ (9,727)	\$ 49,825	\$ (8,500)	\$ 31,598	\$ (348,800)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted	Internally restricted	Invested in capital assets	2016 Total	2015 Total
Balance, beginning of year	\$ (636,521)	\$ 464,345	\$ 39,751	\$ (132,425)	\$ 216,375
Excess (deficiency) of revenue over expenses	(9,727)	49,825	(8,500)	31,598	(348,800)
Inter-fund transfer (note 11)	173,878	(173,878)	–	–	–
Balance, end of year	\$ (472,370)	\$ 340,292	\$ 31,251	\$ (100,827)	\$ (132,425)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 31,598	\$ (348,800)
Items not affecting cash:		
Amortization of capital assets	306,477	303,812
Amortization of deferred contributions	(297,977)	(295,312)
	40,098	(340,300)
Changes in non-cash working capital balances:		
Accounts receivable	66,337	(69,240)
Receivable from Winnipeg Regional Health Authority	(18,603)	(215,969)
Receivable from The Salvation Army	(3,219)	–
Prepaid expenses	3,625	22,620
Inventory	1,095	(3,352)
Future employee pre-retirement benefits recoverable	5,000	(112,000)
Accrued pre-retirement benefits	(5,000)	112,000
Accrued vacation payable	15,281	11,215
Accounts payable and accrued liabilities	(302,503)	173,572
	(197,889)	(421,454)
Financing activities:		
Grants received	38,104	37,817
Additional deferred contributions received, net	83,314	157,501
Repayments of long-term debt	(168,596)	(32,182)
Proceeds from long-term debt	292,026	212,605
	244,848	375,741
Investing activities:		
Capital asset purchases	(44,520)	(148,090)
Increase (decrease) in cash	2,439	(193,803)
Cash, beginning of year	146,720	340,523
Cash, end of year	\$ 149,159	\$ 146,720

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements

Year ended March 31, 2016

1. General

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”). In this respect, the Lodge is dependent upon funding from the WRHA and The Salvation Army (see note 13) to continue in operation.

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.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook 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.

(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 for special projects or capital improvement programs; and

Funds received from fundraising activities for specific programs within the Lodge. These funds can be utilized at the discretion of the Executive Director on the designated program.

(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 SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

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.

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
Buildings	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

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(d) Vacation pay:

The Lodge records the accrued vacation pay entitlement liability on 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.

(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.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

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).

(i) Allocation of fundraising/general administration expenses:

The Lodge classifies expenses in 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:

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

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Cash (continued):

	2016	2015
Cash	\$ 77,392	\$ 80,928
THQ general deposit account	39,580	33,965
THQ capital deposit account (CDA)	32,187	31,827
	\$ 149,159	\$ 146,720

Funds held in the general deposit account are available for withdrawal on demand and may be used for the general operating needs of the Ministry Unit.

Funds held in the capital deposit account represent funds that are restricted for capital purposes (i.e. acquisition, repair, replacement of long-lived assets); however, these funds can be withdrawn for operating purposes with agreement of THQ, provided the foreseeable capital needs of the Lodge have been met.

The Ministry Unit has cash held in trust totaling \$9,239 (2015 - \$13,039) on behalf of residents. These funds are not presented in these financial statements.

4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 55,159	\$ -	\$ 55,159	\$ 55,159
Buildings	1,184,276	930,633	253,643	277,329
Building expansion	5,744,613	4,495,874	1,248,739	1,439,537
Major equipment	1,125,247	676,499	448,748	481,119
Nurse call system	165,263	44,083	121,180	126,690
Roof expansion	220,032	220,032	-	3,500
Computer hardware and software	67,576	58,264	9,312	15,404
	\$ 8,562,166	\$ 6,425,385	\$ 2,136,781	\$ 2,398,738

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

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Deferred grants receivable:

(a) Province of Manitoba:

The Province of Manitoba had arranged for the Lodge to receive a grant of \$86,350 to be amortized at 6 7/8 percent interest annually for 50 years (maturing in 2020). The annual payment is \$6,060 including principal and interest, and the remaining amount receivable at March 31, 2016 is \$22,323 (2015 - \$26,707).

(b) Winnipeg Regional Health Authority:

During 2013/14 and 2014/15, the Lodge undertook projects to replace the windows and the HVAC units in the facility. For the year ended March 31, 2015, these costs were recognized in Physical Plant expense in the statement of operations in the amount of \$452,605.

The costs of the window project were partially funded through a \$200,000 grant from the Salvation Army, received in 2014, and through a deferred grant to be received from the WRHA over a 10 year period. The amount of the grant from the WRHA for the windows is \$336,987, with \$255,497 remaining to be received from the WRHA as at March 31, 2016 (2015 - 289,217). This amount has been recorded as a grant receivable and revenue, and is being paid by the WRHA over 10 years (maturing in 2023). The annual payment to be received is \$33,720 plus interest at prime. In 2015, THQ set up a loan with the Lodge for the amount of the WRHA contribution to the project. (see note 9[b]). In 2015, approximately \$79,000 in costs were incurred in relation to the window project, which were funded through an internal loan from THQ (see note 9[b]), maturing in 2019.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2016	2015
Accounts payable	\$ 106,010	\$ 197,033
Accrued salaries and benefits	119,128	325,593
Government remittances payable	9,375	14,195
Accrued interest payable	990	1,185
	<u>\$ 235,503</u>	<u>\$ 538,006</u>

7. Employee benefits:

(a) Pre-retirement benefits:

The Lodge has undertaken an actuarial valuation as of March 31, 2016 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Lodge's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.1 percent (2015 - 2.9 percent) and a rate of salary increase of 3.5 percent (2015 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 4.0 percent (2015 - 0 - 3.0 percent) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were \$69,157 (2015 - \$26,614).

The amount of funding which will be provided by the WRHA for future retirement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in the related liability for fiscal 2007, 2008 and 2009, which include an interest component. The future employee pre-retirement benefits recoverable from WRHA of \$640,530 at March 31, 2016 (2015 - \$645,530) 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.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

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:

	2016		2015	
	Purchased capital assets	Future capital purchases and major repairs	Total	Total
Balance, beginning of year	\$ 2,149,211	\$ 120,009	\$ 2,269,220	\$ 2,407,031
Additional contributions received:				
Mortgage/loan payments (note 9)	34,440	–	34,440	32,184
Capital assets and major repairs	–	48,874	48,874	130,793
	2,183,651	168,883	2,352,534	2,570,008
Transfers as a result of capital asset purchases	44,520	(44,520)	–	–
Major repairs				(5,476)
Amortization	(297,977)	–	(297,977)	(295,312)
Balance, end of year	\$ 1,930,194	\$ 124,363	\$ 2,054,557	\$ 2,269,220

9. Long-term debt:

(a) Canada Mortgage and Housing Corporation

	2016		2015	
Canada Mortgage and Housing Corporation, mortgage payable, interest at 6 7/8%, repayable \$3,966 monthly, including principal and interest, maturing 2020	\$	175,336	\$	209,771
Current portion		36,841		34,433
	\$	138,495	\$	175,338

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Long-term debt (continued):

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 expected in the next five years are as follows:

2017	\$	36,841
2018		39,417
2019		42,174
2020		45,123
2021		11,781
	\$	175,336

During the year, interest expense relating to the debt funded amounted to \$24,889 (2015 - \$24,456).

(b) The Salvation Army - THQ

	2016	2015
The Salvation Army - THQ, loan payable, interest at 3.14%, repayable \$3,105 monthly, including principal and interest, maturing 2019	\$ 112,163	\$ 212,605
Current portion	34,224	35,000
	\$ 77,939	\$ 177,605
The Salvation Army - THQ, loan payable, interest at 3.00%, repayable \$2,810 monthly and interest, maturing 2024 - Principal and interest payments are funded by the Province of Manitoba via the WRHA.	\$ 258,307	\$ -
Current portion	33,720	-
	\$ 224,587	\$ -
	\$ 302,526	\$ 177,605

The above loan agreements with THQ, relate to the projects described in note 5(b).

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2016	2015
Capital assets (note 4)	\$ 2,136,781	\$ 2,398,738
Amounts financed by:		
Deferred contributions - purchased capital assets (note 8)	(1,930,194)	(2,149,216)
Long-term debt (note 9)	(175,336)	(209,771)
Balance, end of year	\$ 31,251	\$ 39,751

11. Internally restricted funds:

The internally restricted fund balance comprises the following (note 2[a][ii]):

	2016	2015
Special projects	\$ 332,840	\$ 346,973
Capital improvements	–	70,000
Programs	7,452	47,372
	\$ 340,292	\$ 464,345

During the year, a transfer of \$69,727 from internally restricted funds to unrestricted funds was approved in order to fund the operating deficits. In addition, \$104,151 was approved to cover the window project in the year ended March 31, 2016.

12. Pension plan:

Eligible employees of the Lodge are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Pension plan (continued):

During the year, the Lodge contributed \$483,696 (2015 - \$432,369) on behalf of its employees. The most recent funding actuarial valuation of the plan as at December 31, 2013 reported that 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. On April 1, 2016, with the inclusion of contributions toward the Cost of Living Adjustment Plan, employer contribution rates increased to 8.9 percent (2015 - 8.9 percent) of pensionable earnings up to the YMPE and 10.5 percent (2015 - 10.3 percent) on earnings in excess of YMPE.

13. Related party transactions:

During the year, the Lodge had the following transactions with The Salvation Army:

	2016	2015
Revenue:		
Grant from DHQ - Red Shield Appeal	\$ 130,000	\$ 165,000
Grant from DHQ	60,000	60,000
Grant from DHQ - window project	34,151	35,000
Expense:		
Management support assessment paid to THQ	133,371	122,494

Included in accounts payable and accrued liabilities are balances due to THQ of \$26,002 (2015 - \$20,489) which represents the management services assessment for the month of March.

DHQ has approved funding to the Ministry Unit up to \$60,000 annually starting April 1, 2012 for a maximum of 12 years for the purpose of reducing the deficiency in net assets. Funding for the current year is included in receivable from The Salvation Army on the statement of financial position.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Related party transactions (continued):

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. Management of capital:

The Ministry Unit defines its capital as the amounts included in its fund balances. The Ministry Unit's objectives in managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of services and benefits to its clients and its stakeholders, while carrying out the mandate of The Salvation Army.

Management continually monitors the impact of changes in economic conditions on its funding commitments.

**THE SAUL AND CLARIBEL SIMKIN CENTRE FOUNDATION INC. AUDITED FINANCIAL
STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016 WERE NOT AVAILABLE AT
THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS
VOLUME IV**

THE SHARON HOME, INC.

Non-consolidated Financial Statements
For the year ended March 31, 2016



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Independent Auditor's Report

To the Board of Directors of THE SHARON HOME, INC.

We have audited the accompanying non-consolidated financial statements of THE SHARON HOME, INC., which comprise the non-consolidated statement of financial position as at March 31, 2016, and the non-consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of THE SHARON HOME, INC. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 29, 2016

THE SHARON HOME, INC.

Non-consolidated Statement of Financial Position

As at March 31 **2016** **2015**

Assets

Current Assets

Cash and bank (Note 17)	\$ 414,246	\$ 571,519
Accounts receivable (Note 2)	44,791	23,218
Due from The Saul and Claribel Simkin Centre Foundation Inc. (Note 15)	248,148	571,532
Due from Winnipeg Regional Health Authority (Note 3)	1,308,854	1,315,851
Prepaid expenses	119,717	152,791
Vacation entitlements receivable (Note 4)	603,753	603,753
	2,739,509	3,238,664
Loan receivable (Note 5)	70,989	70,989
Capital assets (Note 6)	33,780,503	34,772,366
Pre-retirement entitlements receivable (Note 7)	1,277,599	1,293,599
	\$ 37,868,600	\$ 39,375,618

Liabilities and Net Assets

Current Liabilities

Bank indebtedness (Note 8)	\$ 1,000,000	\$ 1,000,000
Accounts payable and accrued liabilities (Note 9)	741,417	1,021,597
Accrued vacation entitlements (Note 4)	730,438	708,361
Current portion of mortgage payable (Note 10)	1,102,500	1,102,500
Current portion of notes payable (Note 11)	921,670	921,670
	4,496,025	4,754,128
Mortgage payable (Note 10)	13,046,250	14,148,750
Notes payable (Note 11)	2,570,320	3,491,990
Deferred contributions (Note 12)	16,018,201	15,226,946
Accrued pre-retirement obligations (Note 7)	1,166,000	1,182,000
	37,296,796	38,803,814

Contingencies (Note 13)

Net Assets

Invested in capital assets	404,134	203,355
Unrestricted	167,670	368,449
	571,804	571,804
	\$ 37,868,600	\$ 39,375,618

Approved on behalf of the Board of Directors:

Original Document Signed Director

Original Document Signed Director

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

THE SHARON HOME, INC.

Non-consolidated Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Adult Day Program (per Schedule)	\$ -	\$ -
Capital funding Manitoba Health	982,969	1,091,999
Change in pre-retirement benefit	(16,000)	74,000
Contributions from The Saul and Claribel Simkin Centre Foundation Inc. (Note 15)	289,540	276,937
Other income	31,607	43,155
Residential charges	4,280,302	4,205,701
Winnipeg Regional Health Authority	10,590,045	10,342,109
	16,158,463	16,033,901
Expenses		
Administration	708,887	685,840
Housekeeping	637,603	606,679
Information technology	43,371	34,397
Interest on long-term debt	982,969	1,091,999
Interest and carrying charges on land for future improvement	81,113	79,343
Laundry and linen	459,006	429,968
Nutrition and food services	1,827,938	1,775,002
Other employee benefits	139,770	273,434
Plant maintenance	482,363	362,178
Plant operation	732,878	703,987
Resident care	9,405,632	9,449,808
Social work	75,644	75,730
Spiritual care	75,995	76,072
Staff development	10,994	15,396
Therapeutic recreation	375,668	365,084
Volunteer services	47,730	46,430
	16,087,561	16,071,347
Excess (deficiency) of revenue over expenses before other items	70,902	(37,446)
Other Items		
Amortization of deferred contributions related to capital assets (Note 12)	1,238,911	1,208,846
Amortization of capital assets	(1,309,813)	(1,267,844)
	(70,902)	(58,998)
Deficiency of revenue over expenses for the year	\$ -	\$ (96,444)

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, 2016

	Invested in Capital			
	Assets	Unrestricted	Total	
Balance, March 31, 2014	\$ 287,326	\$ 380,922	\$	668,248
Deficiency of revenue over expenses for the year	(58,998)	(37,446)		(96,444)
Interfund transfers (Note 14)	(24,973)	24,973		-
Balance, March 31, 2015	203,355	368,449		571,804
Excess (deficiency) of revenue over expenses for the year	(70,902)	70,902		-
Interfund transfers (Note 14)	271,681	(271,681)		-
Balance, March 31, 2016	\$ 404,134	\$ 167,670	\$	571,804

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	2016	2015
Cash Flows from Operating Activities		
Deficiency of revenue over expenses for the year	\$ -	\$ (96,444)
Items not affecting cash and bank		
Amortization of deferred contributions related to capital assets	(1,238,911)	(1,208,846)
Amortization of capital assets	1,309,813	1,267,844
	<u>70,902</u>	<u>(37,446)</u>
Changes in non-cash working capital		
Accounts receivable	(21,573)	8,656
Due from The Saul and Claribel Simkin Centre Foundation Inc.	323,384	(93,974)
Due from Winnipeg Regional Health Authority	6,997	73,701
Prepaid expenses	33,074	(75,117)
Pre-retirement entitlements receivable	16,000	(74,000)
Accounts payable and accrued liabilities	(280,180)	(92,810)
Accrued vacation entitlements	22,077	60,522
Accrued pre-retirement obligations	(16,000)	74,000
	<u>154,681</u>	<u>(156,468)</u>
Cash Flows from Financing Activities		
Repayment of mortgage payable	(1,102,500)	(1,102,500)
Repayment of notes payable	(921,670)	(921,670)
	<u>(2,024,170)</u>	<u>(2,024,170)</u>
Cash Flows from Investing Activities		
Acquisition of capital assets	(317,950)	(84,093)
Deferred contributions received related to capital assets	2,030,166	2,123,644
	<u>1,712,216</u>	<u>2,039,551</u>
Net decrease in cash and bank during the year	(157,273)	(141,087)
Cash and bank, beginning of year	<u>571,519</u>	<u>712,606</u>
Cash and bank, end of year	\$ 414,246	\$ 571,519

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

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of the Organization

The Sharon Home, Inc. ("Home") has as its mission to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism.

The Home was incorporated under the laws of Canada on March 23, 1914 and is a registered charity under the Canada Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

The Home is economically dependent on funding from the Winnipeg Regional Health Authority ("WRHA"). If this funding were discontinued, it would affect the Home's ability to continue operations.

b. Basis of Accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Contributions Receivable

Contributions receivable are recognized when the amounts to be received can be reasonably estimated and ultimate collection is reasonable assured.

d. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

e. Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Carrying charges on land held for future development including interest and property taxes are recorded as expenses as incurred.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 40 years
Equipment	3 to 10 years

f. Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004/2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

g. Revenue Recognition

The Home follows the deferral method of accounting for contributions.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These non-consolidated financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2016.

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.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

g. Revenue Recognition (continued)

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Home. After the WRHA reviews the non-consolidated financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Residential charges are recognized as revenue in the period services are rendered. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

h. Contributed Materials and Services

Contributed materials which are used in the normal course of the Home's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

i. Controlled Entities

Controlled not-for-profit organizations are not consolidated in the Home's non-consolidated financial statements (Note 15).

j. Use of Estimates

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

2. Accounts Receivable

	2016	2015
Receivable from residents	\$ 18,182	\$ 5,675
GST rebate receivable	10,294	6,983
Other	16,315	10,560
	\$ 44,791	\$ 23,218

3. Due from Winnipeg Regional Health Authority

	2016	2015
2003/2004 funding adjustment	\$ 6,479	\$ 6,479
2004/2005 funding adjustment	2,512	2,512
2005/2006 funding adjustment	5,406	5,406
2006/2007 funding adjustment	13,992	13,992
2007/2008 funding adjustment	18,896	18,896
2008/2009 funding adjustment	21,500	21,500
2009/2010 funding adjustment	217,852	419,101
2010/2011 funding adjustment	14,556	14,556
2011/2012 funding adjustment	4,605	4,605
2012/2013 funding adjustment	222,478	222,478
2013/2014 funding adjustment	168,507	223,818
2014/2015 funding adjustment	-	362,508
2015/2016 funding adjustment	612,071	-
	\$ 1,308,854	\$ 1,315,851

The Home is subject to periodic review by WRHA. Operating surpluses or deficiencies may be repayable or recoverable as determined by WRHA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews. The reviews of the 2003/2004 through 2014/2015 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due from the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

Included in the total funding adjustment from WRHA is \$201,254 (\$402,504 in 2015) relating to the portion of the outstanding debenture to the Province of Manitoba that remains for the Kanee Centre.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

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:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 603,753	\$ 603,753
Net changes in vacation entitlements receivable	-	-
Balance, end of year	<u>\$ 603,753</u>	<u>\$ 603,753</u>

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 708,361	\$ 647,839
Net increase in accrued vacation entitlements	<u>22,077</u>	<u>60,522</u>
Balance, end of year	<u>\$ 730,438</u>	<u>\$ 708,361</u>

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.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

6. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 786,418	\$ -	\$ 786,418	\$ -
Buildings	40,361,120	9,561,853	40,282,669	8,527,284
Equipment	3,863,768	2,984,108	3,624,269	2,708,864
Land held for future development	1,315,158	-	1,315,158	-
	\$ 46,326,464	\$ 12,545,961	\$ 46,008,514	\$ 11,236,148
Net book value		\$ 33,780,503		\$ 34,772,366

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

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2016. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.0% (2.9% in 2015) and a rate of salary increase of 3.5% (3.0% in 2015) 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 SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

7. Employee Future Benefits (continued)

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.

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 1,182,000	\$ 1,108,000
Net (decrease) increase in pre-retirement entitlements	<u>(16,000)</u>	<u>74,000</u>
Balance, end of year	<u>\$ 1,166,000</u>	<u>\$ 1,182,000</u>

Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under \$54,900 and 9.50% for salaries greater than \$54,900, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

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, 2014 indicated that the Plan is in deficit. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2013, both employer and employee contribution rates increased 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 Home on behalf of its employees amounted to \$754,366 (\$645,595 in 2015) and are included in the statement of operations.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

8. Bank Indebtedness

The Home has a credit facility agreement up to a maximum of \$1,000,000 which bears interest at the bank prime rate of 2.70% (2.85% in 2015) at March 31, 2016. 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.

9. Accounts Payable and Accrued Liabilities

	<u>2016</u>	<u>2015</u>
Salaries and employee benefits payable	\$ 362,334	\$ 576,866
Trade accounts payable and accrued liabilities	379,083	444,731
	<u>\$ 741,417</u>	<u>\$ 1,021,597</u>

Included in accounts payable and accrued liabilities is \$149,605 (\$144,055 in 2015) in government remittances payable.

10. Mortgage Payable

	<u>2016</u>	<u>2015</u>
Mortgage payable - Province of Manitoba - Interest at 5.20%, requiring monthly principal payments of \$91,875, secured by the related property at the Simkin Centre, maturing in January 2029.	\$ 14,148,750	\$ 15,251,250
Current portion of mortgage payable	<u>1,102,500</u>	<u>1,102,500</u>
	<u>\$ 13,046,250</u>	<u>\$ 14,148,750</u>

Minimum principal repayments required under the terms of the mortgage payable over the next five fiscal years are \$1,102,500 annually.

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

11. Notes Payable

	2016	2015
Province of Manitoba - Interest at 6.125%, requiring monthly principal payments of \$59,896 plus interest, maturing March 2017.	\$ 718,750	\$ 1,437,500
Province of Manitoba - Interest at 5.05%, requiring monthly principal payments of \$16,910 plus interest, maturing November 2029.	2,773,240	2,976,160
	3,491,990	4,413,660
Current portion of notes payable	921,670	921,670
	\$ 2,570,320	\$ 3,491,990

The notes payable are secured by the related property at the Simkin Centre.

Minimum principal repayments required under the terms of the notes payable for the year ending March 31, 2017 will be \$921,670, and for March 31, 2018 to 2021 will be \$202,920.

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, and funding major repairs and debt repayment. Changes in the deferred contribution balance reported are as follows:

	2016	2015
Balance, beginning of year	\$ 15,226,946	\$ 14,312,148
Contributions received	2,030,166	2,123,644
Less amounts amortized to revenue	(1,238,911)	(1,208,846)
Balance, end of year	\$ 16,018,201	\$ 15,226,946

The balances as at March 31, 2016 consist of the following:

	2016	2015
Deferred contributions related to capital assets	\$ 15,735,629	\$ 14,904,101
Unspent funding for future equipment acquisition	265,180	283,742
Unspent funding for future major repairs costs	17,392	39,103
Balance, end of year	\$ 16,018,201	\$ 15,226,946

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

13. Contingencies

With respect to possible claims at March 31, 2016, 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, 2016. The Home is a named insured under the WRHA policy with HIROC.

14. Net Assets Invested in Capital Assets

Net assets invested in capital assets are calculated as follows at year end:

	2016	2015
Capital assets	\$ 33,780,503	\$ 34,772,366
Less:		
Mortgage payable (Note 10)	14,148,750	15,251,250
Notes payable (Note 11)	3,491,990	4,413,660
Deferred contributions related to capital assets (Note 12)	15,735,629	14,904,101
	\$ 404,134	\$ 203,355

The interfund transfer affecting net assets invested in capital assets is determined based on the following transactions occurring during the year resulting in an increase (decrease) in net assets invested in capital assets:

	2016	2015
Principal repayment on mortgage payable	\$ 1,102,500	\$ 1,102,500
Principal repayment on notes payable	921,670	921,670
Acquisition of capital assets	317,950	84,093
Contributions received during the year	(2,070,439)	(2,133,236)
	\$ 271,681	\$ (24,973)

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

15. Controlled Not-for-Profit Organization and Related Party Transactions

The Sharon Home, Inc. controls The Saul and Claribel Simkin Centre Foundation Inc., formerly The Sharon Home Fund Inc. to March 15, 2016, (the "Foundation") by virtue of the fact that the majority of the members of the Board of Directors are common to each the Home and the Fund. The Foundation is incorporated under The Corporations Act in Manitoba and is designated as a public foundation under the Canada Income Tax Act.

The Foundation was established to support and foster the operations of The Sharon Home, Inc. The Foundation supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets, results of the operations and cash flows are not included in the financial statements of the Home. Separate financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at March 31, 2016 and March 31, 2015 and for the years then ended are as follows:

	<u>2016</u>	<u>2015</u>
<u>Statement of Financial Position</u>		
Total assets	<u>\$ 1,298,844</u>	<u>\$ 1,788,889</u>
 Total liabilities	 \$ 277,585	 \$ 589,252
Total fund balances	<u>1,021,259</u>	<u>1,199,637</u>
 Total liabilities and fund balances	 <u>\$ 1,298,844</u>	 <u>\$ 1,788,889</u>
	 <u>2016</u>	 <u>2015</u>
<u>Statement of Operations</u>		
Total revenue	\$ 334,264	\$ 386,059
Total expenses	<u>97,342</u>	<u>45,904</u>
 Excess of revenue over expenses before other item	 236,922	 340,155
Contributions to The Sharon Home, Inc.	<u>403,040</u>	<u>504,159</u>
 Deficiency of revenue over expenses	 <u>\$ (166,118)</u>	 <u>\$ (164,004)</u>

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

15. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

	2016	2015
<u>Statement of Cash Flows</u>		
Cash provided by operating activities	\$ (463,850)	\$ 415,648
Cash generated by (used in) investing and financing activities	<u>482,328</u>	<u>(520,382)</u>
Net increase (decrease) in cash and bank for the year	<u>\$ 18,478</u>	<u>\$ (104,734)</u>

As at March 31, 2016 the Home has an amount due from the Fund of \$248,148 (\$571,532 in 2015). The amount due is unsecured, interest-free, due on demand and bears no specific terms of repayment.

During the year, the Home charged the Foundation on a cost recovery basis \$43,100 (\$43,100 in 2015) for administration expenses.

During the year, the Foundation contributed the following to the Home:

	2016	2015
Contributions related to operations		
Communications professional fees	\$ -	\$ 63,544
High Holy Days program	7,555	7,194
Interest and carrying charges on land held for development	81,113	79,343
Keives Garden maintenance	130	220
Minor equipment and other	15,577	1,200
Music Therapy program	2,937	2,070
Office renovations	40,332	-
Spiritual Care program	71,894	68,400
Staff development	70	3,083
Storage	1,967	1,967
Therapeutic Recreation program	21,399	9,186
Volunteer Services program	46,566	40,730
	<u>289,540</u>	<u>276,937</u>
Contributions related to capital assets		
Capital Campaign	113,500	227,222
	<u>\$ 403,040</u>	<u>\$ 504,159</u>

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 SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

16. Resident Trust Funds

Included in the cash and accounts payable and accrued liabilities are funds held in trust for the Home's residents totaling \$30,656 (\$37,338 in 2015).

17. Restricted Cash

Cash in the amount of \$282,572 (\$322,845 in 2015) is restricted for capital asset purchases.

18. 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:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 44,791	\$ 23,218
Due from Winnipeg Regional Health Authority	1,308,854	1,315,851
Due from The Saul and Claribel Simkin Centre Foundation Inc.	248,148	571,532
Vacation entitlements receivable	603,753	603,753
Loan receivable	70,989	70,989
Pre-retirement entitlements receivable	1,277,599	1,293,599
	<u>\$ 3,554,134</u>	<u>\$ 3,878,942</u>

THE SHARON HOME, INC.

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2016

18. Financial Risk Management (continued)

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

Due from Winnipeg Regional Health Authority, vacation entitlements receivable and pre-retirement entitlements receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

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.

Liquidity Risk

Liquidity risk is the risk that the Home encounters difficulty in meeting its obligations associated with financial liabilities as they fall due. The Home maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

THE SHARON HOME, INC.
Schedule of Adult Day Program Operations

For the year ended March 31	2016	2015
Revenue		
Province of Manitoba	\$ 87,576	\$ 87,572
Participants' fees	14,449	13,757
	<u>102,025</u>	<u>101,329</u>
Expenses		
Salaries and benefits	51,715	52,010
Other	63,522	52,154
	<u>115,237</u>	<u>104,164</u>
Deficiency of revenue over expenses before other item	(13,212)	(2,835)
Other Item		
Deficiency recoverable from WRHA	<u>13,212</u>	<u>2,835</u>
Excess of revenue over expenses for the year	\$ -	\$ -

VILLA YOVILLE INC. - NURSING

États financiers

Pour l'exercice terminé le 31 mars 2016



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Winnipeg MB R3C 4L5 Canada

Rapport de l'auditeur indépendant

Aux membres et au conseil de VILLA YOUVILLE INC. - NURSING

Nous avons effectué l'audit des états financiers ci-joints de **VILLA YOUVILLE INC. - NURSING**, qui comprennent l'état de la situation financière au 31 mars 2016 et l'état de l'évolution des soldes de fonds, l'état des résultats, et l'état des flux de trésorerie pour l'exercice terminé à cette date ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux normes comptables pour les organismes sans but lucratif du Canada, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en oeuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de **VILLA YOUVILLE INC. - NURSING** au 31 mars 2016 ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux normes comptables pour les organismes sans but lucratif du Canada.

BDO Canada s.r.l.

Comptables agréés

Winnipeg (Manitoba)

Le 23 juin 2016

VILLA YOVILLE INC. - NURSING

État de la situation financière

Au 31 mars

2016

2015

	Fonds opérations	Fonds immobilisa- tions	Fonds de réserve	Total	Total
	\$	\$	\$	\$	\$
Actif					
Actif à court terme					
Encaisse (note 2)	313 907	-	-	313 907	102 855
Comptes à recevoir	36 233	-	-	36 233	21 690
Comptes à recevoir - SM/SS	145 349	-	-	145 349	145 083
Inventaire	39 141	-	-	39 141	38 622
Dépenses payées d'avance	13 173	-	-	13 173	13 376
Avantages sociaux future recouvrables (note 3)	227 348	-	-	227 348	227 348
Dû de Villa Youville Motels	2 176	-	-	2 176	10 099
	777 327	-	-	777 327	559 073
Avantages sociaux futurs recouvrables (note 3)	407 000	-	-	407 000	374 000
Immobilisations (note 4)	-	6 434 337	-	6 434 337	6 573 240
Interfonds	(75 529)	-	75 529	-	-
	1 108 798	6 434 337	75 529	7 618 664	7 506 313
Passif et solde de fonds					
Passif à court terme					
Comptes à payer et dépenses courues	333 991	-	-	333 991	258 365
Avantages sociaux à payer (note 3)	415 562	-	-	415 562	315 016
Revenus reportés - Soins de garde de jour	69 430	-	-	69 430	29 701
	818 983	-	-	818 983	603 082
Passif à long terme					
Avantages sociaux futurs à payer (note 3)	407 000	-	-	407 000	374 000
Apports reportés (note 5)	-	6 359 247	-	6 359 247	6 498 150
Afférents aux immobilisations	-	-	6 799	6 799	19 549
Fonds des réserves	-	-	-	-	4 339
Réserve générale	-	-	6 799	6 799	19 549
Réserve pour ameublement	-	-	-	-	4 339
Réserve pour réparations majeures	-	-	68 730	68 730	66 090
	407 000	6 359 247	75 529	6 841 776	6 962 128
	1 225 983	6 359 247	75 529	7 660 759	7 565 210
Engagements contractuels et éventualités (note 6)					
Solde de fonds					
Surplus cumulé	(117 185)	75 090	-	(42 095)	(58 897)
	1 108 798	6 434 337	75 529	7 618 664	7 506 313

Approuvé au nom du conseil d'administration :

Original Document Signed

président(e)

Original Document Signed

secrétaire-trésorière

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOVILLE INC. - NURSING

État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars			2016	2015
	Fonds opérations	Fonds immobilisa- tions	Total	Total
	\$	\$	\$	\$
Solde , au début de l'exercice	(133 987)	75 090	(58 897)	(120 342)
Excédent des revenus sur les dépenses pour l'exercice	16 802	-	16 802	61 445
Solde , à la fin de l'exercice	(117 185)	75 090	(42 095)	(58 897)

VILLA YOVILLE INC. - NURSING

État des résultats

Pour l'exercice terminé le 31 mars	2016	2015
	\$	\$
Revenus		
Services de soins prolongés		
Santé Sud (note 7)	4 329 462	4 317 276
Prestations de retraite	45 764	20 000
	4 375 226	4 337 276
 Loyer des résidents	 1 057 218	 959 289
 Autres		
Recouvrements - motels	100 771	102 277
- cuisine	62 942	57 792
- matériel et autres	63 653	78 478
Amortissement des apports reportés	276 864	267 993
Intérêts	1 476	2 505
Soins de garde de jour	30 287	77 657
	535 993	586 702
	5 968 437	5 883 267
 Dépenses		
Administration	516 390	490 872
Amortissement	276 864	267 993
Buanderie	174 570	172 901
Frais d'entretien d'immobilisations	214 036	244 824
Frais de ménage	316 883	347 365
Frais d'opération d'immobilisations	220 715	203 772
Médicaments	136 461	116 292
Paiement pré-retraite/Prestations de retraite	45 764	20 000
Services de supports aux résidents - activités	166 465	163 575
Ressources cliniques	103 955	110 958
Services alimentaires - nursing	635 930	610 506
- motels	35 771	32 568
- autres	37 628	39 335
Soins de garde de jour	30 540	77 001
Soins médicaux	3 039 663	2 923 860
	5 951 635	5 821 822
 Excédent des revenus sur les dépenses pour l'exercice	 16 802	 61 445

VILLA YOVILLE INC. - NURSING

État des flux de trésorerie

Pour l'exercice terminé le 31 mars	2016	2015
	\$	\$
Flux de trésorerie reliés aux opérations		
Excédent des revenus sur les dépenses pour l'exercice	16 802	61 445
Ajustements pour		
Amortissement des immobilisations	276 864	267 993
Amortissement des apports reportés	(276 864)	(267 993)
	16 802	61 445
Variations des éléments hors liquidités du fonds de roulement		
Comptes à recevoir	(14 545)	(591)
Comptes à recevoir - SM/SS	(266)	(33 358)
Dû de Villa Youville Motels	7 924	22 496
Inventaire	(519)	(166)
Dépenses payées d'avance	203	(968)
Avantages sociaux future recouvrables	(33 000)	(20 000)
Compte à payer - SM/SS	75 626	(33 791)
Avantages sociaux à payer	100 546	12 657
Avantages sociaux futurs à payer	33 000	20 000
	185 771	27 724
Flux de trésorerie reliés aux activités de financement		
Financement de Santé Sud pour immobilisations	2 640	2 640
Soins de garde de jour	39 729	(4 340)
Augmentation des apports reportés afférents aux immobilisations	137 960	-
	180 329	(1 700)
Flux de trésorerie reliés aux activités d'investissement		
Achat d'immobilisations	(137 960)	-
Dépenses des apports reportés - dépenses de périodes futures	(17 088)	(13 822)
	(155 048)	(13 822)
Augmentation nette de l'encaisse	211 052	12 202
Encaisse, au début de l'exercice	102 855	90 653
Encaisse, à la fin de l'exercice	313 907	102 855

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

1. Nature des activités et sommaire des principales méthodes comptables

a) Nature et objectif de l'organisation

Villa Youville Inc. (la « corporation ») est un organisme de bienfaisance enregistré et est exempt d'impôt selon l'article 149 de la loi d'impôt du Canada.

Villa Youville Inc. fut incorporée le 24 décembre 1963 par Lettre Patente sous « The Companies Act » de la Province du Manitoba.

b) Règles comptables

Les états financiers ont été préparés conformément aux normes comptables pour les organismes sans but lucratif du Canada.

c) Méthode comptables

Ces états financiers ne comprennent pas les résultats de la section des motels et des fonds généraux. Des états financiers séparés sont produits pour les motels et les fonds généraux.

d) Comptabilité par fonds

La corporation applique la méthode de la comptabilité par fonds affectés pour comptabiliser les apports.

Fonds d'opérations

Le fonds d'opérations rend compte des activités menées par la corporation en matière de prestations de services et d'administration. Ce fonds présente les ressources non affectées, les subventions de fonctionnement affectées et les actifs, les passifs, les revenus et les dépenses liées aux opérations de la corporation et toutes autres ressources affectées pour lequel un fonds séparé n'a pas été établi.

Fonds d'immobilisations

Le fonds d'immobilisations présente les actifs, les passifs, les revenus et les dépenses afférents aux immobilisations de la corporation.

Réserves pour remplacements

Le fonds de réserve est employé pour les projets de rénovation et l'achat de l'équipement et de l'ameublement. Les affectations annuelles aux fonds de réserve pour réparations majeures se chiffrent à 2 640 \$. La permission de Santé Manitoba est requise pour toute charge ou retrait de cette réserve (voir note 5).

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

1. Nature des activités et sommaire des principales méthodes comptables (suite)

e) Constatation des revenus

Sous la Loi sur l'assurance-maladie et ses règlements, la corporation reçoit des fonds principalement de la Province du Manitoba conformément au budget établi par Santé Manitoba. Les subventions d'exploitation sont constatées à titre de produits de l'exercice au cours duquel les charges connexes sont engagées. Toutes subventions accordées mais non reçues sont constatées à recevoir, et, celles afférentes à une période ultérieure sont reportées et constatées dans cette période ultérieure. Ces états financiers reflètent le financement approuvé par Santé Manitoba pour l'exercice terminé le 31 mars 2016 ainsi que les règlements anticipés par rapport au déficit d'exploitation net.

Les fonds seront ajustés lorsque la revue des comptes de la corporation sera complétée par Santé Manitoba. Tout ajustement sera reflété dans l'exercice au cours duquel Santé Manitoba reçoit le rapport final des coûts recommandés.

Les apports non affectés sont constatés à titre de produits lorsqu'ils sont reçus ou à recevoir si le montant à recevoir peut faire l'objet d'une estimation raisonnable et que sa réception est raisonnablement assurée.

Les apports affectés sont constatés à titre de produits de l'exercice au cours duquel les charges connexes sont engagées. Les apports affectés aux achats d'immobilisations sont reportés et amortis à titre de produits selon la méthode d'amortissement linéaire et du taux d'amortissement conformément à ces immobilisations.

Les revenus de placements affectés sont constatés à titre de produits dans l'exercice au cours duquel les charges connexes sont engagées. Les revenus de placements non affectés sont constatés à titre de produits lorsqu'ils sont gagnés.

f) Instruments financiers

Les instruments financiers sont comptabilisés à leur juste valeur au moment de leur acquisition ou de leur émission. Au cours des périodes ultérieures, les instruments de capitaux propres négociés sur un marché actif sont comptabilisés à leur juste valeur, tout gain ou toute perte non réalisé étant comptabilisé dans l'état des résultats. Tous les autres instruments financiers sont comptabilisés au coût ou au coût après amortissement diminué des pertes de valeur, le cas échéant. Les actifs financiers font l'objet d'un test de dépréciation lorsque les changements de situation suggèrent qu'ils pourraient s'être dépréciés. Les coûts de transaction attribuables à l'acquisition, à la sortie ou à l'émission des instruments financiers sont passés en charges dans le cas des éléments qui sont réévalués à la juste valeur à la date de chaque état de la situation financière et ils sont imputés aux instruments financiers dans le cas de ceux qui sont évalués au coût après amortissement.

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

1. Nature des activités et sommaire des principales méthodes comptables (suite)

g) Inventaire

L'inventaire est évalué au moindre du coût et de la valeur de réalisation nette. Le coût étant déterminé en se servant de la méthode de l'épuisement successif.

h) Immobilisations

Les immobilisations acquises sont comptabilisées au coût dans le fonds des immobilisations. Les apports reçus sous forme d'immobilisations sont comptabilisés à la juste valeur dans le fonds des immobilisations à la date de l'apport. Les immobilisations sont amorties selon la méthode de l'amortissement linéaire sur leur durée de vie utile estimative comme suit :

Bâtisses	40 ans
Rénovations	20 ans
Équipement d'entretien	20 ans
Équipement	10 ans
Ordinateurs	5 ans

i) Avantages sociaux futurs

L'estimation des avantages futurs antérieurs à la retraite a été effectuée selon la méthode actuarielle de la répartition des prestations au prorata des services.

j) Apports reçus sous forme de services

Plusieurs bénévoles consacrent un nombre notable d'heures par année à aider la corporation à assurer la prestation de ses services. En raison de la difficulté de déterminer la juste valeur de ces apports, ceux-ci ne sont pas constatés dans les états financiers.

k) Emploi des estimations

La préparation des états financiers, selon les normes comptables pour les organismes sans but lucratif du Canada, exige de la direction qu'elle établisse des estimations et formule des hypothèses à l'égard des montants d'actif et de passif portés à l'état de la situation financière et des éléments de l'actif et du passif éventuels à la date de l'état de la situation financière ainsi que des montants de revenus et de dépenses imputées au cours de l'exercice couvert par les états financiers. Les résultats réels pourraient différer de ces estimations.

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

2. Marge de Crédit

La corporation a une marge de crédit d'exploitation approuvée avec la Caisse Groupe Financier avec un maximum de 185 000 \$. La marge de crédit porte un taux d'intérêt de 3,30 % (3,25 % en 2015), et est garantie par une lettre d'autorisation de Santé Manitoba et d'un contrat de sureté général.

3. Avantages sociaux recouvrables

Les prestations de retraite sont constatées lorsqu'elles sont réalisées et sont fondées sur des hypothèses actuarielles tandis que les congés de vacances rémunérés sont constatés lorsqu'ils sont réalisés par l'employé.

À cause de la nature de ces bénéfices, les prestations de retraite recevables et payables sont classifiées comme étant à long terme tandis que les congés de vacances apparaissent comme recevables et payables à court terme.

Santé Manitoba, via Santé Sud, fournira du financement pour les prestations de retraite jusqu'au montant maximum des obligations encourues en date du 31 mars 2004. Ce montant a été enregistré comme un recevable dans l'état de la situation financière. La Province du Manitoba a garanti ce recevable non réglé à l'Office et lui sera payé lorsqu'il sera requis. Toute obligation excédent le montant du 31 mars 2004 est reflétée comme une charge de l'exercice courant dans l'état des résultats. Le montant à recevoir est enregistré sur une base non actualisée. Cette politique est encouragée et appliquée de la même manière que Santé Manitoba. La juste valeur du montant à recevoir sur une base actualisée serait significativement moins élevée que la valeur comptable et la différence pourrait être influencée de façon significative par le taux d'actualisation effectif utilisé.

4. Immobilisations

	2016		2015	
	Coût	Amortissement cumulé	Valeur comptable nette	Valeur comptable nette
	\$	\$	\$	\$
Terrain	75 090	-	75 090	75 090
Bâtisses	9 866 900	3 852 115	6 014 785	6 266 133
Équipement	421 171	279 514	141 657	22 706
Équipement d'entretien	308 841	106 036	202 805	209 311
Ordinateurs	13 684	13 684	-	-
	10 685 686	4 251 349	6 434 337	6 573 240

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

5. Apports reportés

Apports reportés afférents aux immobilisations

Les apports reportés présentés dans le fonds des immobilisations comprennent les fractions non amorties des apports reçus sous forme de contributions pour l'acquisition des immobilisations.

	2016	2015
	\$	\$
Solde, au début de l'exercice	6 498 150	6 720 860
Plus achat d'ameublement	137 961	45 283
Moins montants amortis dans les résultats	(276 864)	(267 993)
Solde, à la fin de l'exercice	6 359 247	6 498 150

Apports reportés - réserve pour ameublement

Les apports reportés rattachés aux montants reçus au cours de l'exercice sont destinés à couvrir l'achat d'ameublement.

	2016	2015
	\$	\$
Solde, au début de l'exercice	4 339	18 161
Allocation de réserve	32 337	-
Apport reportés afférents aux immobilisations	(36 676)	(13 822)
Solde, à la fin de l'exercice	-	4 339

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

5. Apports reportés (suite)

Apports reportés - réserve pour réparations majeures

Les apports reportés pour réparations majeures comprennent les fractions reçues de Santé Manitoba au cours de l'exercice destinées à couvrir les charges pour des réparations majeures ou remplacement d'équipement.

	2016	2015
	\$	\$
Solde, au début de l'exercice	66 090	63 450
Plus allocations de réserve	2 640	2 640
Autres allocations de réserve	-	-
Solde, à la fin de l'exercice	68 730	66 090

Apports reportés - réserve générale

Les apports reportés généraux comprennent des dons et prélèvements de fonds au cours de l'exercice destinées à couvrir les dépenses d'activités pour les résidents (capital ou autres) au delà des fonds provisionnés par Santé Sud.

	2016	2015
	\$	\$
Solde, au début de l'exercice	19 549	19 549
Allocations de réserve	91 712	-
Apports reportés afférents aux immobilisations	(101 285)	-
Montants amortis dans les résultats	(3 177)	-
Solde, à la fin de l'exercice	6 799	19 549

6. Engagements contractuels et éventualités

Au 1^{er} juillet 1987, un groupe d'organismes en soins de santé, (« souscripteurs »), ont formé le Healthcare Insurance Reciprocal of Canada (« HIROC »). HIROC est autorisé en tant que bourse d'assurance réciproque au sens de la Loi sur les assurances des provinces, qui permet des contrats réciproques de personnes d'assurance indemnité. HIROC facilite la fourniture d'assurance aux organismes en soins de santé dans les provinces de l'Ontario, du Manitoba, de la Saskatchewan et de Terre-Neuve. Les abonnés payent des primes annuelles, qui sont actuariellement déterminées, et sont sujets à une évaluation pour les pertes expérimentées par le groupe d'abonnés au-dessus de telles primes pendant les années où ils étaient un abonné. Au 31 mars 2016, la corporation n'a subi aucune évaluation de ce genre.

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

7. Revenus Santé Sud

Le revenu présenté dans les états financiers comprend un montant estimé qui dépend de la prévision budgétaire non finalisée à date pour l'exercice fiscal 31 mars 2016.

	2016	2015
	\$	\$
Revenu de Santé Sud conformément au budget	4 235 600	4 122 201
Plus		
Honoraires de capitation	30 254	30 254
Financement supplémentaire année bissextile	12 449	-
Financement de l'augmentation de 0.8% - HEP	-	25 470
Normalisation des salaires - MNU	32 790	73 355
Moins apports nets redistribués		
Ajustement de congé de maternité	7 385	(8 908)
Ajustement du financement de HSA	(4 260)	48
Ajustement du financement hors globe - Loyer des résidents	(11 518)	20 111
Ajustement du financement hors globe - impôts fonciers	(2 567)	93 588
Ajustement du financement hors globe - assurance	6 703	(6 684)
Ajustement du financement hors globe - électricité	1 140	-
Ajustement du financement hors globe - gaz	1 371	-
Ajustement du financement hors globe - eau	(90)	(497)
Ajustement du financement hors globe - médicaments	20 205	(31 662)
Revenue de Santé Sud	4 329 462	4 317 276

8. Avantages sociaux futurs

Avantages sociaux futurs à payer

Les avantages sociaux futurs à payer sont basés sur une évaluation actuarielle au 31 mars 2016.

En ce qui concerne le droit de pré-retraite des membres du Health Employees' Pension Plan, l'engagement contractuel de la corporation est de payer quatre jours de salaire pour chaque année de service avant la retraite de l'employé, si l'employé se conforme à une ou plusieurs des conditions suivantes :

- a complété dix ans de service et a atteint l'âge de 55 ans; ou
- répond à la règle de "quatre-vingt" qui est calculée en ajoutant le nombre d'années de service à l'âge de l'employé; ou
- a pris sa retraite à l'âge de 65 ans ou après; ou
- a terminé l'emploi en tout temps dû à une incapacité permanente.

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

8. Avantages sociaux futurs (suite)

L'hypothèse actuarielle importante utilisée pour mesurer les droits de retraite courus de la corporation regroupe la mortalité et les taux de retraits; un taux d'actualisation de 2,55 % (2,55 % en 2015) et un taux d'accroissement du salaire de 3,50 % (3,00 % en 2015); plus une grille de promotion/mérite relative à l'âge et sans provision pour un handicap.

Régime de retraite

La majorité des employés de la corporation participent au régime de retraite "Healthcare Employees' Pension Plan" (le «Régime»), successeur du régime Manitoba Health Organization Inc. Il s'agit d'un Régime de retraite interentreprises à prestations déterminées de type de fin de carrière dont bénéficient les salariés. Le Régime prévoit les versements de prestations basés selon le calcul qui rend les meilleurs résultats. Le calcul sera basé sur le nombre d'années de service et de la moyenne des salaires durant les cinq meilleures années des dix dernières années avant la retraite, le congédiement ou la mort.

Les actifs du Régime comprennent des placements de qualité. L'administration des risques de crédit et de marché est gérée par le Régime en suivant la politique établie pour les placements du Régime et en plaçant les actifs en fiducie.

Avec l'aide d'un actuaire, la charge de retraite est déterminée selon les circonstances les plus probables d'après la direction. Pour s'assurer que le régime honore ses engagements, l'actif de la caisse de retraite comprend un montant qui s'ajoute au versement de 8,90 % du salaire et de 10,50 % du salaire au-dessus de 54 900 \$ des participants. La contribution de l'employeur est de 8,90 % du salaire et de 10,50 % du salaire au-dessus de 54 900 \$ des participants.

L'évaluation actuarielle la plus récente, au 31 décembre 2014, indiquait que le régime était en déficit; cependant, on prévoit que les augmentations des taux de contribution récemment mises en application élimineront cette insuffisance dans l'horizon prévisionnel. Au cours de l'exercice, la corporation a versé au régime 286 620 \$ (275 593 \$ en 2015) pour le compte de ses employés.

9. Gestion des risques financiers

La corporation, dans le cours normal de ses activités, est exposée à différents risques, notamment le risque de crédit. L'objectif de la corporation en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble des activités de la corporation.

Risque de crédit

Le risque de crédit est le risque de perte couru par la corporation lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. La corporation est exposée principalement au risque de crédit au niveau des placements et des comptes à recevoir.

VILLA YOVILLE INC. - NURSING

Notes afférentes aux états financiers

Pour l'exercice terminé le 31 mars 2016

9. Gestion des risques financiers (suite)

L'exposition maximale de la corporation au risque de crédit, qui ne tient compte d'aucune garantie ni d'autres améliorations des termes de crédit, est la suivante :

	2016	2015
	\$	\$
Autres	36 233	21 690
Santé Manitoba/Santé Sud	145 349	145 083
Villa Youville Motels	2 176	10 099
	183 758	176 872

La corporation n'est pas exposée de façon significative au risque de crédit puisque les comptes à recevoir – autres viennent d'une grande base de clients et le paiement est typiquement entièrement acquitté lorsqu'il est dû. La corporation a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant des conditions de marché courantes, l'analyse des clients et des tendances historiques de paiement.

Risque de liquidité

Le risque de liquidité est le risque que la corporation ne soit pas en mesure de remplir ses obligations lorsqu'elles arrivent à échéance. La corporation maintient son fonds de roulement à un niveau convenable qui lui permet de remplir toutes ses obligations en temps opportun.

Risque de taux d'intérêt

La corporation, est exposée aux fluctuations des taux d'intérêts qui pourraient affecter les sorties et entrées de fonds liées à la marge de crédit à taux variable. La corporation ne se sert pas d'instruments financiers dérivés pour gérer le risque de taux d'intérêt.

10. Dépendance économique

Le volume d'activité financière entreprise par la corporation avec Santé Manitoba et Santé Sud est assez suffisant que la cessation de ces placements mettrait en danger la capacité de la corporation à continuer comme entreprise pérenne.

West Park Manor Personal Care Home Inc.
Financial Statements
March 31, 2016

Independent Auditors' Report

To the Board of Directors of West Park Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of West Park Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Park Manor Personal Care Home Inc. as at March 31, 2016 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

June 17, 2016

MNP LLP

Chartered Professional Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2016

	2016	2015
Assets		
Current		
Cash (Note 3)	549,859	762,538
Short term investments	1,763,201	1,753,452
Accounts receivable (Note 4)	67,245	47,412
Prepaid expenses and deposits	200,065	88,200
Receivable from Winnipeg Regional Health Authority	1,121,344	684,015
	3,701,714	3,335,617
Capital assets (Note 5)	2,317,319	1,995,134
Deferred charges - future employee benefits (Note 6)	748,664	754,664
	6,767,697	6,085,415
Liabilities		
Current		
Accounts payable and accruals	1,065,911	977,752
Trust funds payable	327,583	283,112
Current portion of long-term debt (Note 7)	714,000	682,000
	2,107,494	1,942,864
Long-term debt (Note 7)	504,862	564,541
Deferred contributions (Note 8)	1,479,321	1,065,960
Accrued future employee benefits (Note 6)	806,000	812,000
	4,897,677	4,385,365
Net Assets		
Unrestricted	372,989	321,797
Invested in capital assets	387,361	319,912
Internally restricted (Note 9)	1,109,670	1,058,341
	1,870,020	1,700,050
	6,767,697	6,085,415

Approved on behalf of the Board

Original Document Signed
Director

Original Document Signed
Director

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2016

	2016	2015
Revenue		
Winnipeg Regional Health Authority		
Operating	5,491,160	5,649,836
Bed grant	11,712	11,712
Interest on approved borrowing	54,384	58,957
Year-end adjustment (Note 13)	78,033	(97,544)
Medical salaries	20,556	20,400
Pre-retirement leave amortization	77,018	49,275
MNU related	179,940	163,687
Over-cost and other funding	207,795	116,585
Median rate adjustment per diem	91,309	58,595
Non median rate funding	262,476	262,320
CUPE related	359,921	100,983
Residential charges	3,225,879	3,241,460
3.6 HPRD and other revenue	734,010	591,853
Amortization of deferred capital contributions	189,997	159,563
	10,984,190	10,387,682
Expenses		
Amortization	160,188	133,262
Dietary services and supplies	385,331	395,809
Employee benefits	1,457,825	1,415,667
Employee benefits - preretirement leave	77,018	49,275
General administration	151,070	118,631
Health and safety	5,978	4,376
Housekeeping	49,194	41,960
Interest on long-term debt	60,076	69,705
Laundry	40,176	38,656
Medical salaries	20,751	20,938
Nursing services and supplies	202,720	197,627
Recreation and handicraft supplies	17,114	17,112
Repairs and maintenance	184,071	118,716
Salaries and wages	7,711,841	7,336,061
Utilities	285,509	273,401
	10,808,862	10,231,196
Excess of revenue over expenses before the following:	175,328	156,486
Other items		
Accrued future employee benefit income	(6,000)	92,000
Accrued future employee benefit expense	6,000	(92,000)
Excess of revenue over expenses	175,328	156,486

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, 2016

	<i>Internally restricted</i>	<i>Unrestricted</i>	<i>Invested in capital assets</i>	2016	2015
Net assets, beginning of year	1,058,341	321,797	319,912	1,700,050	1,514,178
Excess of revenue over expenses	-	145,519	29,809	175,328	156,486
Change in internally restricted net amounts (Note 9)	(5,358)	-	-	(5,358)	29,386
Purchase of capital assets	-	(482,373)	482,373	-	-
Funding proceeds on capital asset additions	-	444,733	(444,733)	-	-
Transfers (Note 10)	56,687	(56,687)	-	-	-
Net assets, end of year	1,109,670	372,989	387,361	1,870,020	1,700,050

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, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Cash received from Government and tenants	10,602,747	10,722,618
Cash paid to suppliers	(1,433,136)	(1,774,588)
Cash paid to employees	(9,299,320)	(8,854,009)
Interest paid	(60,076)	(69,705)
	(189,785)	24,316
Financing		
Advances of long-term debt	122,962	27,654
Repayment of long-term debt	(150,641)	(159,716)
Increase in internally restricted net assets	(18,439)	(35,674)
Decrease in internally restricted net assets	23,797	6,288
Advances of receivable from Winnipeg Regional Health Authority	696,679	(476,387)
Repayments of receivable from Winnipeg Regional Health Authority	(259,350)	654,992
Contributions to trust funds payable	88,057	44,245
Withdrawals from trust funds payable	(43,586)	(32,036)
	459,479	29,366
Investing		
Purchase of capital assets	(482,373)	(147,730)
Proceeds on sale of short-term investments	-	237,725
	(482,373)	89,995
Increase (decrease) in cash resources	(212,679)	143,677
Cash resources, beginning of year	762,538	618,861
Cash resources, end of year	549,859	762,538

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.

Notes to the Financial Statements

For the year ended March 31, 2016

1. Incorporation and nature of the organization

West Park Manor Personal Care Home, Inc. (the "Organization") is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting using the following significant accounting policies:

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as short-term assets in concurrence with the nature of the investment.

Capital assets

The Organization capitalizes all individual assets and assets grouped in a similar kind with a cost over \$2,000. Capital assets with a cost less than \$2,000 may be capitalized if the Organization estimates the asset will have a long-term benefit.

Purchased capital assets are recorded at cost. Amortization is recorded in the Capital Asset 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

Fund accounting

The Organization follows the deferral method of accounting for contributions and uses fund accounting, and maintains three funds: unrestricted fund, invested in capital asset 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 Healthy Authority for future expenditures as approved by Manitoba Health.

The Capital Asset 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 the Organization's internally restricted resources, including reserves for major repairs and benefit plan funding, that are restricted for use at the discretion of the Board of Directors.

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

Revenue recognition

The Organization uses 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 are recognized as revenue in the Unrestricted 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 Unrestricted 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.

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 year. Actual results could differ from these estimates.

Accounts receivable and receivable from WRHA are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization and deferred contributions are based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in 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.

West Park Manor Personal Care Home Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions.

Bank accounts earn interest at rates ranging from prime plus 1% to 1.75%

	2016	2015
Bank (bank indebtedness)	(32,239)	(114,327)
Internally restricted cash - equipment and repairs	17,479	17,479
Investment cash account	564,619	859,386
	549,859	762,538

Cash includes an operating line of credit authorized to a maximum of \$100,000 (2015 - \$100,000) bearing interest at bank prime of 2.70% plus 0.5% (2014 - bank prime of 2.85% plus 0.5%) per annum and is secured by a general security agreement. The Organization has drawn on \$nil (2015 - \$nil) of the line of credit at year end.

4. Accounts receivable

	2016	2015
Resident rents receivables	33,617	14,486
Government remittances receivable	33,628	32,926
	67,245	47,412

5. Capital assets

	Cost	Accumulated amortization	2016 Net book value
Land	132,920	-	132,920
Buildings	3,230,974	1,923,364	1,307,610
Computer equipment	89,865	69,849	20,016
Equipment	2,753,055	1,896,282	856,773
	6,206,814	3,889,495	2,317,319

	Cost	Accumulated amortization	2015 Net book value
Land	132,920	-	132,920
Buildings	3,191,738	1,843,570	1,348,168
Computer equipment	89,865	62,539	27,326
Equipment	2,309,918	1,823,198	486,720
	5,724,441	3,729,307	1,995,134

West Park Manor Personal Care Home Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

6. Deferred charges - future employee benefits

Retirement benefits

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to pre-retirement leave benefits and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31, 2004 fiscal years are included in the Organization's global funding and were not recorded as a receivable, as Manitoba Health and/or WRHA had directed all health care facilities to record the future employee benefits liability but not the corresponding receivable. Each year since the 2009 fiscal year, Manitoba Health and WRHA agreed to provide funding for 100% of the retirement liability accrued during the year. For the March 31, 2016 fiscal year the Organization incurred an decrease in employee future benefits of \$6,000 (2015 - an increase of \$92,000) with a reduction in the deferred charges and accrued future employee benefits payable for the same amount was recorded as a increase in expense and income as directed by Manitoba Health and the WRHA. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlement include a discount rate of 3.125% and a rate of salary increase of 3.50%.

The total amount of the liability at March 31, 2016 is \$806,000 (2015 - \$812,000) and the related receivable is \$748,664 (2015 - \$754,664).

Pension Plan

The Organization participates in the Health Employees Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of Section 3462 of Part II of the CPA Canada Handbook. Total contributions to the plan on behalf of employees during the year were \$550,585 (2015 - \$513,121).

West Park Manor Personal Care Home Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

7. Long-term debt

	2016	2015
First mortgage payable in monthly instalments of \$8,289 (2015 - \$8,289) including interest at 7.75% (2015 - 7.75%), secured by land and buildings having a net book value of \$404,013 (2015 - \$405,605), due August 1, 2023.	562,043	617,166
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2015 - bank prime of 2.85% minus 0.50%) , payable in monthly instalments of \$1,485 (2015 - \$1,485) plus interest, with a renewal date of December 20, 2016, secured with a general security agreement.	45,533	63,353
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2015 - bank prime of 2.85% minus 0.50%), payable in monthly instalments of \$1,301 (2015 - \$1,301) plus interest, with a renewal date of December 9, 2016, secured with a general security agreement.	68,874	84,487
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2015 - bank prime of 2.85% minus 0.50%), payable in monthly instalments of \$1,542 (2015 - \$1,542) plus interest, with a renewal date of October 15, 2016, secured with a general security agreement.	111,011	129,515
Term loan due on demand bearing interest at bank prime of 2.70% (2015 - 2.85%) plus 0.25%, payable in monthly instalments of \$3,668 (2015 - \$4,852) plus interest, with a renewal date of September 14, 2016 secured with a general security agreement. Principal payments of \$43,581 (2015 - \$58,224) were paid in the year.	308,439	352,020
Line of credit convertible to term loan due on demand upon completion of generator project, bearing interest at bank prime of 2.70% plus 0.25%, currently requiring interest only payments, secured with a general security agreement.	122,962	-
	1,218,862	1,246,541
Less: current portion	714,000	682,000
	504,862	564,541

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:

2017	147,000
2018	154,000
2019	148,000
2020	150,000
2021	139,000

West Park Manor Personal Care Home Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

8. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	<i>Capital fund</i>	<i>Insurance</i>	2016	2015
Balance, beginning of year	987,088	20,648	1,065,960	918,532
- Principal repayment	148,665	-	148,665	160,270
- Equipment replacement	444,733	-	444,733	136,761
- Major repairs	7,944	-	7,944	7,944
- Insurance deductible	-	2,016	2,016	2,016
Recognized as revenue during the year	(189,997)	-	(189,997)	(159,563)
Balance, end of year	1,398,433	22,664	1,479,321	1,065,960

9. Internally restricted net assets

	2016	2015
Non-operating income reserve		
Balance, beginning of year	662,157	632,771
Interest	18,439	34,675
Other	(12,295)	(1,360)
Payments/expenditures	(11,502)	(3,929)
Balance, end of year	656,799	662,157
Reserve for major repairs	28,233	28,233
Reserve for employee benefits	424,638	367,951
	1,109,670	1,058,341

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.

10. Transfers

During the year, the Board of Directors approved a transfer to the internally restricted fund to be used for future employee benefits.

11. Financial instruments

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

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable and receivable from Winnipeg Regional Health Authority (WRHA).

Market risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in mutual funds exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

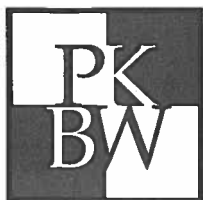
12. Economic dependence

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.

13. Year end adjustment

The year end adjustment in the revenues section of the Statement of Operations represents the difference in the funding budget and the actual funding for residential charges received from residents and the actual medical remuneration payments made to physicians. The amount has been set up as a receivable to WRHA.

WOMEN'S HEALTH CLINIC INC.
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
MARCH 31, 2016



G R O U P

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Women's Health Clinic Inc.:

We have audited the accompanying financial statements of Women's Health Clinic Inc., which comprise the statements of financial position as at March 31, 2016, and the statements of operations, changes in net assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Women's Health Clinic Inc. as at March 31, 2016, and the results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
June 7, 2016

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

**WOMEN'S HEALTH CLINIC INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash (Note 3)	\$ 215,094	289,566
Accounts receivable (Note 4)	75,723	22,163
Due from Winnipeg Regional Health Authority	1,288,776	1,128,384
Inventory	81,888	102,861
Prepaid expenses	<u>26,319</u>	<u>37,561</u>
	1,687,800	1,580,535
DEFERRED PROJECT COSTS	39,846	34,771
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	<u>594,569</u>	<u>647,042</u>
	<u>\$ 2,322,215</u>	<u>2,262,348</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 651,174	597,284
Government remittances payable	21,927	-
Deferred revenue (Note 7)	41,125	39,892
Deferred operating contributions (Note 8)	65,899	95,588
Demand loan (Note 9)	<u>217,382</u>	<u>269,499</u>
	997,507	1,002,263
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	196,315	207,783
PRE-RETIREMENT LEAVE (Notes 2(e) and 11)	<u>483,000</u>	<u>439,000</u>
	<u>1,676,822</u>	<u>1,649,046</u>
NET ASSETS		
Operating fund	121,434	168,495
Donation fund	343,087	275,047
Capital fund	<u>180,872</u>	<u>169,760</u>
	<u>645,393</u>	<u>613,302</u>
	<u>\$ 2,322,215</u>	<u>2,262,348</u>

APPROVED BY THE BOARD:

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

**WOMEN'S HEALTH CLINIC INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016**

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2016	TOTAL 2015
REVENUE					
Winnipeg Regional Health Authority					
Fixed payments	\$ 5,803,857	-	-	5,803,857	5,516,157
Amortization of deferred capital contributions (Note 10)	-	-	29,139	29,139	31,957
Donations	-	65,365	-	65,365	57,115
Fee for service	457,885	-	-	457,885	431,351
Interest	-	4,652	-	4,652	6,280
Miscellaneous	4,661	-	-	4,661	5,405
Operating contributions	-	-	-	-	156,373
Province of Manitoba (Note 12)	241,300	-	-	241,300	298,300
Rental	-	-	-	-	15,725
The Winnipeg Foundation	43,889	-	-	43,889	2,000
United Way of Winnipeg	230,252	-	-	230,252	232,455
	<u>6,781,844</u>	<u>70,017</u>	<u>29,139</u>	<u>6,881,000</u>	<u>6,753,118</u>
EXPENSES (Schedule)	<u>6,760,119</u>	<u>1,977</u>	<u>81,813</u>	<u>6,843,909</u>	<u>6,717,156</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE PRE- RETIREMENT LEAVE	21,725	68,040	(52,674)	37,091	35,962
PRE-RETIREMENT LEAVE (Note 11)					
Pre-retirement revenue	39,000	-	-	39,000	70,320
Pre-retirement expense	<u>(47,000)</u>	<u>-</u>	<u>-</u>	<u>(47,000)</u>	<u>(39,863)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 13,725</u>	<u>68,040</u>	<u>(52,674)</u>	<u>29,091</u>	<u>66,419</u>

**WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016**

	OPERATING <u>FUND</u>	DONATION <u>FUND</u>	CAPITAL <u>FUND</u>	TOTAL <u>2016</u>	TOTAL <u>2015</u>
NET ASSETS, BEGINNING OF YEAR	\$ 168,495	275,047	169,760	613,302	580,883
Excess (deficiency) of revenue over expenses	13,725	68,040	(52,674)	29,091	66,419
Demand loan principal repayment and demand loan interest	(59,523)	-	59,523	-	-
Additions to tangible capital assets	(21,934)	-	21,934	-	-
Additions to deferred capital contributions	17,671	-	(17,671)	-	-
Pre-retirement leave remeasurement	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>(34,000)</u>
NET ASSETS, END OF YEAR	<u>\$ 121,434</u>	<u>343,087</u>	<u>180,872</u>	<u>645,393</u>	<u>613,302</u>

**WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 29,091	66,419
Add back non-cash item(s):		
Amortization of tangible capital assets	74,407	107,977
Amortization of deferred capital contributions	<u>(29,139)</u>	<u>(31,957)</u>
	74,359	142,439
Change in non-cash working capital items:		
Accounts receivable	(53,560)	(7,424)
Due from Winnipeg Regional Health Authority	(160,392)	(118,711)
Inventory	20,973	(30,424)
Prepaid expenses	11,242	(9,728)
Deferred project costs	(5,075)	7,374
Accounts payable and accrued liabilities	53,890	(47,634)
Government remittances payable	21,927	(62,701)
Deferred revenue	1,233	(5,903)
Deferred operating contributions	<u>(29,689)</u>	<u>(124,873)</u>
	(65,092)	(257,585)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(21,934)</u>	<u>(13,483)</u>
FINANCING ACTIVITIES		
Demand loan repayment	(52,117)	(49,924)
Additions to deferred capital contributions	17,671	651
Pre-retirement leave	44,000	63,543
Pre-retirement leave remeasurement	<u>3,000</u>	<u>(34,000)</u>
	12,554	(19,730)
DECREASE IN CASH	(74,472)	(290,798)
CASH, BEGINNING OF YEAR	<u>289,566</u>	<u>580,364</u>
CASH, END OF YEAR	<u>\$ 215,094</u>	<u>289,566</u>

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

1. ACCOUNTING ENTITY

Women's Health Clinic Inc. 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 financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

(a) Fund Accounting

The **Operating Fund** accounts for the revenues and expenses related to program delivery and administrative activities.

The **Donation Fund** accounts for all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The **Capital Fund** accounts for the assets and liabilities, revenue and expenses related to the organization's capital assets.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

(c) Tangible Capital Assets

Purchased tangible capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution. Amortization is provided on the straight-line basis at the following rates:

Building and improvements	10 - 25 years
Computers, furniture and fixtures	5 - 10 years
Security system	10 years
Medical equipment	5 years

Leasehold improvements are amortized over the life of the lease.

Additions are amortized at one-half of the above rates in the year of purchase.

(d) Revenue Recognition

The organization follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when they are received or receivable, and when collectibility is reasonably assured.

Fee for service revenue is recognized as earned, which is at the time the service is provided.

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Pre-retirement Leave Benefits

The cost of the organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 2.90% (2015 - 2.90%), a rate of salary increase of 3.50% (2015 - 3.50%) plus an age-related merit/promotion scale with provision for disability.

(f) Accounting Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved and pre-retirement leave payable. Actual results may differ from estimates.

(g) Financial Instruments

Financial instruments held by the organization include cash, accounts receivable, accounts payable and accrued liabilities, and demand loan. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. CASH

The organization has a line of credit available in the amount of \$25,000 at the prime interest rate. As at March 31, 2016 the balance is \$Nil (2015 - \$Nil).

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Manitoba Health	\$ 64,881	9,870
GST	5,353	7,304
Other	<u>5,489</u>	<u>4,989</u>
	<u>\$ 75,723</u>	<u>22,163</u>

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

5. TANGIBLE CAPITAL ASSETS

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 130,000	-	130,000	-
Building and improvements	1,025,353	569,109	1,007,921	511,673
Computers, furniture and fixtures	157,583	153,532	153,081	148,934
Leasehold improvements	3,553	2,132	3,553	1,776
Security system	50,135	47,146	50,135	46,804
Medical equipment	<u>148,203</u>	<u>148,339</u>	<u>148,203</u>	<u>136,664</u>
	<u>1,514,827</u>	<u>920,258</u>	<u>1,492,893</u>	<u>845,851</u>
Net book value	<u>\$ 594,569</u>		<u>647,042</u>	

6. ACCOUNTS PAYABLE

	<u>2016</u>	<u>2015</u>
Accrued liabilities	\$ 29,108	27,699
Group pension payable	38,976	26,720
Reserve for salary replacement	15,174	24,000
Salaries and wages payable	113,969	34,750
Trade accounts payable	58,407	112,808
Vacation pay payable	386,677	364,135
Other	<u>8,863</u>	<u>7,172</u>
	<u>\$ 651,174</u>	<u>597,284</u>

7. DEFERRED REVENUE

	<u>Balance March 31, 2015</u>	<u>Revenue Received 2016</u>	<u>Revenue Recognized 2016</u>	<u>Balance March 31, 2016</u>
Insurance	\$ 11,102	792	-	11,894
Client emergency fund	8,344	168	24	8,488
Birthing Centre garden	8,372	1,750	514	9,608
PEDPRP	11,431	-	939	10,492
Reproductive rights	<u>643</u>	<u>-</u>	<u>-</u>	<u>643</u>
	<u>\$ 39,892</u>	<u>2,710</u>	<u>1,477</u>	<u>41,125</u>

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

8. DEFERRED OPERATING CONTRIBUTIONS

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized 2016	Balance March 31, 2016
Winnipeg Foundation	\$ 31,500	14,200	43,889	1,811
WRHA	<u>64,088</u>	<u>-</u>	<u>-</u>	<u>64,088</u>
	<u>\$ 95,588</u>	<u>14,200</u>	<u>43,889</u>	<u>65,899</u>

9. DEMAND LOAN

	2016	2015
Assiniboine Credit Union mortgage bearing interest at prime plus 0.25%, repayable in monthly installments of principal and interest of \$4,960, due on demand and secured the organization's land and building	<u>\$ 217,382</u>	<u>269,499</u>

10. DEFERRED CAPITAL CONTRIBUTIONS

	Balance March 31, 2015	Revenue Received 2016	Revenue Recognized 2016	Balance March 31, 2016
WRHA	\$ 65,261	17,671	16,773	66,159
Non-WRHA	<u>142,522</u>	<u>-</u>	<u>12,366</u>	<u>130,156</u>
	<u>\$ 207,783</u>	<u>17,671</u>	<u>29,139</u>	<u>196,315</u>

11. PRE-RETIREMENT LEAVE BENEFITS

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority (WRHA) to record the full obligation. The WRHA calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the WRHA has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement obligation that belongs to WRHA programs. The change in the pre-retirement leave benefits are recorded as an expense in the current year. During the year, the obligation increased by \$44,000 (2015 - \$63,543).

A portion of the pre-retirement benefits for the current year of \$39,000 (2015 - \$70,320) were funded the WRHA.

During the year, the organization incurred retirement leave expenditures of \$nil (2015 - \$10,000) of which \$nil (2015 - \$10,000) were funded by the WRHA.

The pre-retirement leave obligation is as follows:

	2016	2015
WRHA funded employees	\$ 422,000	383,000
Non-WRHA funded employees	<u>61,000</u>	<u>56,000</u>
	<u>\$ 483,000</u>	<u>439,000</u>

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

12. PROVINCE OF MANITOBA

The Province of Manitoba fund the following programs:

	<u>2016</u>	<u>2015</u>
Healthy Child Manitoba - Families Connecting, Healthy Baby Program	\$ 211,300	211,300
Manitoba Health - Eating Disorders Program	-	57,000
Body Positive Project	<u>30,000</u>	<u>30,000</u>
	<u>\$ 241,300</u>	<u>298,300</u>

13. ENDOWMENT FUND

In 2002, the organization established an Endowment Fund to held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of March 31, 2016 contributions to the Endowment Fund totaled \$197,165 (2015 - \$180,981), including those from third parties. The market value of the Endowment Fund at March 31, 2016 is \$255,432 (2015 - \$258,997).

14. COMMITMENT

The organization has entered into a lease agreement for office space at 346 Portage Avenue, Winnipeg, Manitoba expiring on July 31, 2021 with an aggregate minimum annual rental of approximately \$110,000, increasing to \$120,000 annually effective August 1, 2016, exclusive of certain incremental occupancy costs.

15. PENSION

The organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, \$344,113 (2015 - \$350,465) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

16. ECONOMIC DEPENDENCE

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

17. RISK MANAGEMENT

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its demand loan.

**WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

17. RISK MANAGEMENT (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The organization's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

(c) Credit Risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

WOMEN'S HEALTH CLINIC INC.
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31, 2016

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2016	TOTAL 2015
Accounting and computer	\$ 12,693	-	-	12,693	13,923
Amortization of tangible capital assets	-	-	74,407	74,407	107,977
Association membership fees	16,868	-	-	16,868	14,114
Bad debts	-	-	-	-	554
Community relations	23,980	-	-	23,980	26,761
Employee benefits	721,794	-	-	721,794	708,969
Equipment leases	76,569	-	-	76,569	71,935
Fundraising	-	1,977	-	1,977	1,333
Health reform materials	515	-	-	515	1,461
Insurance	7,213	-	-	7,213	6,972
Interest on mortgage	-	-	7,406	7,406	9,634
Lectures and honorariums	340	-	-	340	-
Medical supplies and processing fees	384,836	-	-	384,836	372,040
Occupancy costs	131,243	-	-	131,243	125,768
Office	97,598	-	-	97,598	106,153
Other supplies	72,128	-	-	72,128	67,753
Professional fees	35,662	-	-	35,662	29,740
Purchased services	554,003	-	-	554,003	580,968
Repairs and maintenance	94,946	-	-	94,946	66,173
Salaries	4,390,201	-	-	4,390,201	4,258,413
Staff development	5,071	-	-	5,071	3,802
Staff training	14,398	-	-	14,398	15,271
Telephone	43,667	-	-	43,667	43,947
Travel	21,334	-	-	21,334	24,318
Utilities	53,804	-	-	53,804	57,624
Volunteer services	1,256	-	-	1,256	1,553
	<u>\$ 6,760,119</u>	<u>1,977</u>	<u>81,813</u>	<u>6,843,909</u>	<u>6,717,156</u>

Regional Health Authorities of Manitoba Inc.
Financial Statements
March 31, 2016

Management's Responsibility

To the Board of Directors of Regional Health Authorities of Manitoba Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards for government not-for-profit organizations and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

June 21, 2016

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Monique Vielfaure MacKenzie
Executive Director

Independent Auditors' Report

To the Board of Directors of Regional Health Authorities of Manitoba Inc.:

We have audited the accompanying financial statements of Regional Health Authorities of Manitoba Inc. which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Regional Health Authorities of Manitoba Inc. as at March 31, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Winnipeg, Manitoba

June 21, 2016

MNP LLP

Chartered Professional Accountants

Regional Health Authorities of Manitoba Inc.
Statement of Financial Position
As at March 31, 2016

	2016	2015
Assets		
Current		
Cash	5,305,405	4,792,544
Restricted cash	420,385	400,947
Accounts receivable (Note 3)	64,376	74,079
Goods and Services Tax receivable	9,448	4,383
	5,799,614	5,271,953
Capital assets (Note 4)	11,900	19,643
	5,811,514	5,291,596
Liabilities		
Current		
Accounts payable and accruals (Note 5)	84,713	81,910
Deferred contributions related to operations (Note 6)	2,514,180	2,654,976
Employee future benefits (Note 7)	104,041	109,739
	2,702,934	2,846,625
Employee future benefits (Note 7)	152,000	157,000
	2,854,934	3,003,625
Contingency (Note 8)		
Net Assets		
Invested in capital assets (Note 9)	11,900	19,643
Unrestricted	2,524,295	1,867,381
Restricted	420,385	400,947
	2,956,580	2,287,971
	5,811,514	5,291,596

Approved on behalf of the Board

Original Document Signed
 Director

Original Document Signed
 Director

The accompanying notes are an integral part of these financial statements

Regional Health Authorities of Manitoba Inc.
Statement of Operations
For the year ended March 31, 2016

	2016 Budget	2016	2015
Revenue			
Program revenue and recoveries	4,002,462	4,345,343	4,043,235
Expenses			
Advertising	2,275	2,481	-
Amortization	-	7,743	8,014
Defibrillator fund	-	52,796	-
Dues and memberships	100,500	100,125	99,548
Equipment lease	4,260	4,043	2,874
Fire safety fund	-	88,000	-
Meeting expense	117,600	93,278	64,998
Office	61,500	38,254	218,417
Professional fees	1,683,227	1,657,931	1,554,566
Public relations	71,500	89,098	144,826
Purchased services	137,500	126,364	121,866
Rental	32,375	31,965	31,935
Repairs and maintenance	4,000	216	2,569
Salaries, wages and benefits	1,330,000	1,262,789	1,453,388
Telephone, fax and internet	10,500	17,393	9,418
Training and education	5,400	7,124	5,692
Travel	48,000	97,134	81,152
	3,608,637	3,676,734	3,799,263
Excess of revenues over expenses	393,825	668,609	243,972

The accompanying notes are an integral part of these financial statements

Regional Health Authorities of Manitoba Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2016

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	<i>Restricted</i>	2016	2015
Net assets, beginning of year	19,643	1,867,381	400,947	2,287,971	2,043,999
Excess (deficiency) of revenues over expenses	(7,743)	567,280	109,072	668,609	243,972
Transfer of restricted fund balances <i>(Note 10)</i>	-	89,634	(89,634)	-	-
Net assets, end of year	11,900	2,524,295	420,385	2,956,580	2,287,971

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

Regional Health Authorities of Manitoba Inc.

Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	668,609	243,972
Amortization	7,743	8,014
	676,352	251,986
Changes in working capital accounts		
Accounts receivable	9,703	(20,137)
Goods and Services Tax receivable	(5,065)	8,795
Accounts payable and accruals	2,803	(77,061)
Deferred contributions related to operations	(140,796)	-
Employee future benefits	(10,698)	39,340
Increase in cash resources	532,299	202,923
Cash resources, beginning of year	5,193,491	4,990,568
Cash resources, end of year	5,725,790	5,193,491
Cash resources are composed of:		
Cash	5,305,405	4,792,544
Restricted cash	420,385	400,947
	5,725,790	5,193,491

The accompanying notes are an integral part of these financial statements

Regional Health Authorities of Manitoba Inc.

Notes to the Financial Statements

For the year ended March 31, 2016

1. Nature of business

Regional Health Authorities of Manitoba Inc. ("RHAM Inc.") was established under the Corporations Act of Manitoba in October 1998 and commenced operations in April 1999 to pursue joint activities of mutual benefit to the Regional Health Authorities. It assists its members in improving the quality and delivery of Manitoba's health services by providing them with support services and legal ability to pursue joint initiatives. In April 2012, Diagnostic Services of Manitoba (DSM) became a member of RHAM Inc. RHAM Inc. provides a forum, through which the Regional Health Authorities participate as a member of HealthcareCAN (previously the Canadian Healthcare Association). RHAM Inc. promotes, implements and provides shared services for the efficient operation of all or some of the Regional Health Authorities, including services such as group purchasing, clinical privilege advice and recruitment support.

RHAM Inc. 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. In the opinion of management, these requirements have been met.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations and including the following significant accounting policies:

Revenue recognition

RHAM Inc. follows the deferral method of accounting for contributions.

RHAM Inc. is funded by the five Regional Health Authorities of Manitoba (Northern, Southern, Interlake-Eastern, Prairie Mountain Health and Winnipeg) and Diagnostic Services of Manitoba (DSM) in accordance with funding arrangements established with each. Funding is recorded as revenue in the period to which it relates. 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 in the year in which they are received. Contributions for certain programs are internally restricted by the board to be spent only on those program mandates. These 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.

Cash

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

Capital assets

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

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

	Rate
Equipment	12.5 %
Computer equipment	30 %
Automotive	16.6 %
Leasehold improvements	20-25 %

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

Long-lived assets

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

RHAM Inc. performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Severance and termination benefits

RHAM Inc. recognizes a liability and expense for contractual termination benefits based on fair value when it is probable that the specific event that results in the downsizing and termination of a group of employees will occur and the amount can be reasonably estimated.

Controlled entity

RHAM Inc. controls Medical Transportation Coordination Centre (MTCC) through a service purchase agreement with the Province of Manitoba. Summary financial information is included in Note 14 along with a description of MTCC and the nature of its operations.

Financial instruments

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

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

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

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. RHAM Inc. currently does not have an allowance for doubtful accounts. Amortization is based on the estimated useful lives of capital assets. Employee future benefits are based on estimates of future obligations to RHAM Inc.

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.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

3. Accounts receivable

	<i>2016</i>	<i>2015</i>
Manitoba Health	39,612	53,246
Other	24,764	20,833
	64,376	74,079

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>
Equipment	26,951	25,794	1,157
Computer equipment	43,635	43,135	500
Automotive	30,729	20,486	10,243
Leasehold improvements	15,054	15,054	-
	116,369	104,469	11,900

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2015 Net book value</i>
Equipment	26,951	25,335	1,616
Computer equipment	43,635	41,633	2,002
Automotive	30,729	15,365	15,364
Leasehold improvements	15,054	14,393	661
	116,369	96,726	19,643

5. Accounts payable and accruals

	<i>2016</i>	<i>2015</i>
Professional fees	10,500	10,500
Government remittances	27,210	25,595
Accrued wages payable	47,003	45,815
	84,713	81,910

Regional Health Authorities of Manitoba Inc.

Notes to the Financial Statements

For the year ended March 31, 2016

6. Deferred contributions related to operations

Deferred contributions consist of unspent contributions externally restricted for the defibrillator fund and fire safety fund. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2016	2015
Defibrillator Fund		
Balance, beginning of year	654,976	654,976
Less: Amounts recognized as revenue during the year	(52,796)	-
	602,180	654,976
Fire Safety Fund		
Balance, beginning of year	2,000,000	2,000,000
Less: Amounts recognized as revenue during the year	(88,000)	-
	1,912,000	2,000,000
	2,514,180	2,654,976

7. Employee future benefits

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, 2016.

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, 2016 is based on an extrapolation of that valuation.

Based upon agreements, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. RHAM Inc.'s contractual commitment is to pay based on the following:

- RHAM Inc.'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 actuarial valuation was based on a number of assumptions about future events as follows:

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

7. Employee future benefits *(Continued from previous page)*

	2016	2015
Discount rate – March 31	3.00%	2.55%
Rate of salary increase – April 1	3.50%	3.00%
Rate of salary increase – March 31	3.50%	3.50%
EARSL – March 31 (in years)	5.7	5.7

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 for government not-for-profit organizations, 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.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

7. Employee future benefits *(Continued from previous page)*

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, 2016:

Pre-retirement benefit obligation per valuation at March 31, 2015	105,000
	<u>105,000</u>
Current period service cost	14,000
Interest cost	3,000
Benefits paid	(13,000)
Actuarial loss	(1,000)
	<u>108,000</u>
Pre-retirement benefit obligation at March 31, 2016	<u>108,000</u>

Sick leave benefits obligation

RHAM Inc. accrues for the sick leave plan according to Canadian public sector accounting standards Section 3255.

At the beginning of fiscal year April 1, 2011, a valuation of RHAM Inc.'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.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

7. Employee future benefits *(Continued from previous page)*

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 per valuation at March 31, 2015	52,000
	<hr/> 52,000
Current period service cost	7,000
Interest cost	1,000
Benefits paid	(15,000)
Actuarial loss	(1,000)
	<hr/>
Sick leave benefit obligation at March 31, 2016	44,000
	<hr/>

Vacation benefits obligation

The accrued vacation benefits obligation 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, 2016 is \$104,041 (2015 - \$109,739).

8. Contingent liability

On July 1, 1987, a group of health care organization "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 assessments have been made to March 31, 2016.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

9. Invested in capital assets

Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	11,900	19,643
Amounts financed by:		
Deferred contributions	-	-
Ending balance invested in capital assets	11,900	19,643

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

	2016	2015
a) Excess (deficiency) of revenues over expenses		
Amortization of capital assets included in programs	(7,743)	(8,014)
b) Purchase of capital assets	-	-
Change in net assets	(7,743)	(8,014)

10. Transfer of restricted fund balances

On July 27, 2015, the Deputy Minister approved the consolidation of fund balances from four functional centres for a total restricted net surplus of \$89,634 to be used in the current and future years to fund or subsidize the costs of any health authority board governance education expenses as determined by the RHAM Board Governance and Education Committee.

On September 9, 2015, the RHAM Inc. Board of Directors approved the transfer of restricted funds from these four functional centres to the unrestricted fund to be used for the purposes as outlined by the Deputy Minister.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

11. Commitments

RHAM Inc. has entered into lease agreements with estimated minimum annual payments as follows:

2017	25,990
2018	25,990
2019	25,790
2020	20,460
2021	7,370
	<hr/>
	105,600

Additionally, on March 30, 2010, an agreement was signed between the Government of Manitoba, Manitoba Health and the Regional Health Authorities of Manitoba. The terms of the agreement provide for the allocation of \$925,134 to the Medical Transportation Coordination Centre (MTCC) annually as a reserve for capital maintenance.

MTCC is the dedicated centre for the dispatch of rural and northern Emergency Medical Services (EMS), and the coordinator of all inter-facility ambulance transfers across the province. The Centre was established in 2006 through a cooperative venture between Manitoba Health and RHAM Inc. A Service Purchase Agreement (SPA) between Manitoba Health and RHAM Inc. identifies the services to be provided by MTCC and the associated funding from Manitoba Health for the delivery of said services.

12. Pension plan

Substantially all of the employees of RHAM Inc. are members of the Healthcare Employees Pension Plan (HEPP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. The most recent actuarial valuation of HEPP at December 31, 2015 indicates the plan is 98.5% funded. The Plan has a going concern unfunded liability of \$91,185,000 as at December 31, 2015, based on total actuarial value of assets of \$6,157,201,000 and total liabilities of \$6,248,386,000. Minimum going concern special payments of 0.46% of projected aggregate covered payroll are required in order to amortize the going concern unfunded liability of \$91,185,000 over the periods required under the Pension Benefits Act, Manitoba. No assessments have been made to March 31, 2016.

13. Benefits plan

Substantially all of the employees of RHAM Inc. are members of the Healthcare Employees Benefits Plan - Manitoba Disability and Rehabilitation Plan (HEBP). The most recent actuarial valuation of HEBP at December 31, 2015 indicates the plan is 157.3% funded. The Plan has a net surplus position of \$81,692,000 as at December 31, 2015, based on total actuarial market value of net assets of \$224,313,000 and total actuarial liabilities of \$142,621,000. Minimum service costs under 2015 valuation assumptions of 2.53% of annual pay are required in order to amortize the net surplus position of \$81,692,000 over the periods. No assessments have been made to March 31, 2016.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

14. Medical Transportation Coordination Centre

Medical Transportation Coordination Centre was incorporated under the Canada Corporations Act as a not-for-profit organization, as described in Section 149 (1)(l) of the Income Tax Act, and therefore, is not subject to either federal or provincial income taxes. Medical Transportation Coordination Centre is principally involved in coordinating Emergency Medical Transportation throughout the Province of Manitoba.

Although both entities operate as separate organizations, they are operated by a common Board of Directors. The controlled entity's financial information as at year end for the year ended March 31, 2016 was as follows:

	2016	2015
Current Assets	6,844,122	6,462,572
Long Term Assets	2,675,952	1,783,343
Current Liabilities	(1,352,235)	(494,431)
Long Term Liabilities	(8,167,839)	(7,751,484)
Net Assets	-	-
Revenues	5,604,938	5,181,996
Expenses	(5,333,266)	(5,388,771)
Excess (deficiency) of revenues over expenses	271,672	(206,775)
Operating Transactions	1,841,674	664,721
Capital Transactions	(1,222,406)	-
Net change in cash	619,268	664,721

15. Segments

During the year, RHAM Inc. had six (2015 - six) reportable segments. These segments are differentiated by service lines, accountability and control relationships:

Regional Health Authorities Manitoba ("RHAM")

The Regional Health Authorities of Manitoba is a non-profit organization that assists its members in improving the quality and delivery of Manitoba's health services. Providing members with support services and the legal ability to pursue joint initiatives fulfills this role.

Regional Health Authorities of Manitoba Purchasing Program ("RHAPP")

The Regional Health Authorities of Manitoba Purchasing Program (RHAPP) performs and coordinates specified competitive bidding / contracting services on behalf of the rural Regional Health Authorities (RHAs) in the Province of Manitoba.

Office of Rural & Northern Health ("OR&NH")

The Office of Rural and Northern Health was established to provide rural and northern leadership with coordination and administration of programs related to education and the recruitment and retention of rural health care professionals. The OR&NH also administers the Manitoba Locum Tenens Program (MLTP) providing physician locum placements and support for the Regional Health Authorities.

Print Resources - Information Resources Program ("IRP")

Manitoba Health and the Regional Health Authorities of Manitoba (RHAM) along with representatives from the Regional Health Authorities across the province joined to create the Joint Management Committee on Information Resources. The purposes of this committee are to: review and evaluate current print health information resources; initiate and support the development of new information resources; and provide a tracking and distribution process through Materials Distribution Agency (MDA) for these materials. Funding is provided on a yearly basis by Manitoba Health and administered by RHAM.

Manitoba Health, Healthy Living and Seniors ("MH")

The Regional Health Authorities of Manitoba (RHAM) manages and coordinates specific contracts on behalf of Manitoba Health, Healthy Living and Seniors (MH) that benefit all of the Regional Health Authorities.

Clinical Privileges ("CP")

The Manitoba Privileges Advisory Committee (previously known as Clinical Privileges Advisory Panel) oversees a provincial credentialing process for physicians in Manitoba.

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

15. Segments (Continued from previous page)

	RHAM	RHAPP	OR&NH	IRP	MH	CP	2016
Revenues	295,147	1,187,301	2,170,310	124,700	567,885	-	4,345,343
Expenses							
Advertising	2,481	-	-	-	-	-	2,481
Amortization	7,743	-	-	-	-	-	7,743
Defibrillator fund	52,796	-	-	-	-	-	52,796
Dues and memberships	77,998	21,415	712	-	-	-	100,125
Equipment lease	557	2,160	1,326	-	-	-	4,043
Fire safety fund	88,000	-	-	-	-	-	88,000
Meeting expense	29,721	2,084	56,382	-	-	5,091	93,278
Office	2,953	719	12,206	22,376	-	-	38,254
Professional fees	120,757	3,352	1,518,196	-	323	15,303	1,657,931
Public relations	1,244	-	87,854	-	-	-	89,098
Purchased services	3,754	-	49,586	73,024	-	-	126,364
Rental	-	6,760	25,205	-	-	-	31,965
Repairs and maintenance	-	-	216	-	-	-	216
Salaries, wages and benefits	319,472	173,248	202,507	-	567,562	-	1,262,789
Telephone, fax and internet	1,955	1,006	14,432	-	-	-	17,393
Training and education	-	2,735	4,389	-	-	-	7,124
Travel	-	-	97,134	-	-	-	97,134
Total expenses	709,431	213,479	2,070,145	95,400	567,885	20,394	3,676,734
Excess (deficiency) of revenues over expenses	(414,284)	973,822	100,165	29,300	-	(20,394)	668,609

Regional Health Authorities of Manitoba Inc.
Notes to the Financial Statements
For the year ended March 31, 2016

15. Segments *(Continued from previous page)*

	RHAM	RHAPP	OR&NH	IRP	MH	CP	2015
Revenues	115,385	1,113,701	1,933,547	124,700	755,902	-	4,043,235
Expenses							
Amortization	8,014	-	-	-	-	-	8,014
Dues and memberships	77,998	21,000	550	-	-	-	99,548
Equipment lease	93	1,407	1,374	-	-	-	2,874
Meeting expense	18,472	1,632	41,209	-	-	3,685	64,998
Office	4,095	488	17,185	196,649	-	-	218,417
Professional fees	64,408	-	1,447,793	-	19,407	22,958	1,554,566
Public relations	1,104	-	143,722	-	-	-	144,826
Purchased services	2,584	-	45,439	73,843	-	-	121,866
Rental	-	7,375	24,560	-	-	-	31,935
Repairs and maintenance	-	-	2,569	-	-	-	2,569
Salaries, wages and benefits	329,048	171,056	216,789	-	736,495	-	1,453,388
Telephone, fax and internet	2,235	484	6,699	-	-	-	9,418
Training and education	-	-	5,692	-	-	-	5,692
Travel	-	-	81,152	-	-	-	81,152
Total expenses	508,051	203,442	2,034,733	270,492	755,902	26,643	3,799,263
Excess (deficiency) of revenues over expenses	(392,666)	910,259	(101,186)	(145,792)	-	(26,643)	243,972

16. Economic dependence

RHAM Inc. received approximately 31% (2015 - 38%) of its total revenue from Manitoba Health and is economically dependant 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.

17. Financial instruments

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

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

A credit concentration exists relating to accounts receivable. As at March 31, 2016, one funder accounted for 62% (2015 – 72%) of the accounts receivable. RHAM Inc. believes that there is no unusual exposure associated to the collection on this receivable.

Financial Statements of

**REHABILITATION CENTRE FOR CHILDREN,
INC.**

March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rehabilitation Centre for Children, Inc.

We have audited the accompanying financial statements of Rehabilitation Centre for Children, Inc., which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rehabilitation Centre for Children, Inc. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

May 19, 2016
Winnipeg, Manitoba

REHABILITATION CENTRE FOR CHILDREN, INC.**Statement of Operations****Year Ended March 31, 2016**

	2016	2015
REVENUE		
Patient services - Winnipeg Regional Health Authority	\$ 3,034,598	\$ 2,829,935
Sales of prosthetics/orthotics fees for service	1,005,612	931,647
Sales of prosthetics/orthotics - other revenue	234,375	196,251
Restricted funding		
Children's Rehabilitation Foundation Inc. (Note 10b)	755,375	698,529
Research revenue	27,510	23,371
MB FASD Centre	415,848	262,750
Stepping Out Saturdays	232,865	216,389
Sales of assistive devices	63,358	55,051
School therapy program	2,008,546	2,168,162
Provincial Outreach Therapy for Children program	635,000	590,000
Childrens' Therapy Initiative (Note 11)	298,145	172,192
Healthy Child program	72,600	47,600
Miscellaneous	191,537	190,899
	8,975,369	8,382,776
EXPENSES		
Salaries	2,769,933	2,456,900
Employee benefits and costs	590,816	593,413
Prosthetics and orthotics supplies	313,997	292,781
Purchased Services - Salaries and Benefits	172,237	129,227
Special devices supplies	178,911	185,887
Other supplies and expenses	208,425	202,343
Restricted expenditures		
Children's Rehabilitation Foundation Inc.	820,776	745,400
Research expense	37,497	23,611
School therapy salaries and other costs	1,922,169	2,147,921
Provincial Outreach Therapy for Children salaries and other costs	632,487	637,199
Childrens' Therapy Initiative and other costs (Note 11)	193,038	188,582
Repairs and maintenance	33,661	42,213
Utilities, insurance and taxes	73,914	75,104
Purchased services	89,133	85,094
Family support network	47,600	77,673
MB FASD Centre	438,391	258,463
Stepping Out Saturdays	228,893	233,197
	8,751,878	8,375,008
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)	223,491	7,768
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	43,752	38,828
Amortization of capital assets	(51,343)	(43,488)
Interest income	20,926	34,803
Funding adjustments relating to prior years	9,025	-
EXCESS OF REVENUE OVER EXPENSES	\$ 245,851	\$ 37,911

REHABILITATION CENTRE FOR CHILDREN, INC.**Statement of Financial Position****March 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash and short-term investments	\$ 815,313	\$ 928,049
Investments in GIC	1,226,291	1,857,312
Accounts receivable (Note 3)	1,186,199	987,670
Inventory	247,417	300,476
Prepaid expenses	9,803	10,779
Due from WRHA - accrued vacation pay (Note 2h)	155,997	155,997
	3,641,020	4,240,283
Restricted cash	74,638	32,106
Investments in GIC	649,682	-
Due from WRHA - pre-retirement and sick leave benefits (Note 2h)	413,215	399,053
Capital assets (Note 4)	125,110	157,674
	\$ 4,903,665	\$ 4,829,116
LIABILITIES		
CURRENT		
Accounts payable	\$ 469,655	\$ 567,050
Accrued vacation pay - WRHA	259,086	243,758
Accrued vacation pay - other funders	8,307	59,367
	737,048	870,175
Accrued pre-retirement leave benefits (Note 5)	781,136	789,751
Accrued sick leave benefits (Note 6)	135,417	165,925
Deferred contributions related to capital assets (Note 7)	156,678	151,572
Deferred contributions (Note 8)	65,289	69,447
	1,875,568	2,046,870
COMMITMENTS (NOTE 14)		
NET ASSETS (Note 11)		
Restricted POTC	50,483	47,970
Restricted Childrens' Therapy	132,914	27,807
Restricted School Therapy	283,257	196,880
Restricted Prosthetics and Orthotics	190,743	152,861
Restricted Stepping Out Saturdays	299,027	295,055
Equipment Reserve	848,395	837,800
Unrestricted	1,223,278	1,223,873
	3,028,097	2,782,246
	\$ 4,903,665	\$ 4,829,116

APPROVED BY THE BOARD

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..... DirectorOriginal Document Signed
..... Director

	2016						2015
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Equipment Reserve	Total
Balance, beginning of year	\$ 47,970	\$ 27,807	\$ 196,880	\$ 152,861	\$ 295,055	\$ 837,800	\$ 2,782,246
Excess of revenue over expenses (expenses over revenue)	2,513	105,107	86,377	48,439	3,972	10,595	37,911
Interfund transfers	-	-	-	(10,557)	-	-	-
Balance, end of year	\$ 50,483	\$ 132,914	\$ 283,257	\$ 190,743	\$ 299,027	\$ 848,395	\$ 3,028,097

REHABILITATION CENTRE FOR CHILDREN, INC.**Statement of Cash Flows****Year Ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 245,851	\$ 37,911
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	51,343	43,488
Amortization of deferred contributions		
- capital assets	(39,594)	(30,575)
Amortization of deferred contributions - EMR	(4,158)	(8,253)
Employee future benefits	(89,017)	(16,282)
	<u>164,425</u>	<u>26,289</u>
Net change in non-cash working capital balances		
Accounts receivable	(198,529)	122,825
Inventory	53,059	(10,946)
Prepaid expenses	976	(3,909)
Accounts payable	(97,395)	78,492
	<u>(77,464)</u>	<u>212,751</u>
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	44,700	14,700
Change in cash restricted for purchases of capital assets	(42,532)	(185)
	<u>2,168</u>	<u>14,515</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(18,779)	(14,544)
Investments in GIC, net	(18,661)	289,945
	<u>(37,440)</u>	<u>275,401</u>
NET (DECREASE) INCREASE IN CASH POSITION	(112,736)	502,667
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	928,049	425,382
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	\$ 815,313	\$ 928,049

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

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. 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.

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *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 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 \$314,221 (2015 - \$436,417).

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.

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Pre-retirement leave obligation (continued)

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.

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.

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) *Financial instruments (continued)*

Financial assets and financial liabilities are subsequently measured at either cost/amortized cost or fair value as described below.

Cash and short-term investments	Cost
Investments in GIC	Amortized cost
Accounts receivable	Amortized cost
Due from WRHA	Cost
Accounts payable	Cost
Accrued vacation pay	Cost
Accrued pre-retirement leave benefits	Amortized cost
Accrued sick leave benefits	Amortized cost

No financial instruments are recorded at fair value subsequent to their initial recognition.

j) *Use of estimates*

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates include allowance for doubtful accounts, inventory obsolescence, accrued pre-retirement leave benefits, accrued sick leave benefits and the useful life of capital assets. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Patient services	\$ 167,905	\$ 179,037
School divisions	133,429	193,341
Manitoba Health – Patient services	343,833	153,437
Winnipeg Regional Healthy Authority – Operations	181,072	197,857
Due from Children's Rehabilitation Foundation Inc. (Note 10b)	109,921	94,657
Specialized Services for Children and Youth (SSCY) Capital campaign	218,502	144,632
GST Rebate	31,483	9,391
Other	54	15,318
	<u>\$1,186,199</u>	<u>\$ 987,670</u>

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

4. CAPITAL ASSETS

	2016			2015
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building and building service equipment	\$ 211,177	\$ 211,177	\$ -	\$ 1,967
Equipment and furniture	7,941	6,353	1,588	3,176
Information systems	642,990	545,466	97,524	124,801
Leasehold improvements	377,171	367,755	9,416	27,730
Assets under construction	16,582	-	16,582	-
	\$ 1,255,861	\$ 1,130,751	\$ 125,110	\$ 157,674

5. ACCRUED PRE-RETIREMENT LEAVE BENEFITS

The WRHA undertook an actuarial valuation as at March 31, 2015 of the accrued pre-retirement leave benefits which include those of the Centre. The significant actuarial assumptions adopted in measuring the Centre's accrued pre-retirement leave benefits include mortality and withdrawal rates, a discount rate of 2.55%, a rate of salary increase of 3.5% plus age related merit/promotion scale and a factor ranging from 0 – 2.28% for disability. For the year ended March 31, 2016, the WRHA has moved to having an actuarial valuation completed every three years. As a result, in the current year a roll-forward of the previous valuation was prepared taking into account actual pre-retirement payments made in the year. Actual payments made during the year for the Centre's pre-retirement leave benefits were \$70,614 (2014 - \$65,555).

6. 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 6.83 years, a discount rate of 2.55% and a rate of salary increase of 3.5%.

7. 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:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 151,572	\$ 167,447
Plus: contributions received during the year	44,700	14,700
Less: current year amortization	(39,594)	(30,575)
	\$ 156,678	\$ 151,572

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

8. 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.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 69,447	\$ 77,700
Less: current year purchases/expenses	<u>(4,158)</u>	<u>(8,253)</u>
	<u>\$ 65,289</u>	<u>\$ 69,447</u>

9. 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 \$453,531 (2015 - \$431,249) and are included in the statement of operations.

10. 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 3 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 \$755,375 to the Centre in the form of cash and capital donations (2015 - \$698,529).

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

11. 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 \$nil (2015 - \$nil) to an Equipment Reserve to support the capital needs of rehabilitation engineering and \$nil (2015 - \$nil) of the funds in the Equipment Reserve were used to purchase allowable assets.

Based on the Service Purchase Agreement, the Centre is permitted to retain the greater of 50% of the surplus or 2% of the WRHA annual global operating budget. However, there are instances where the Centre requests that surplus amounts that would otherwise be repaid to the WRHA be retained for specific future purposes. This deferred funding is to be used towards financing the SSCY project manager and related administrative costs in the 2016 fiscal year.

Details relating to unrestricted net assets as of March 31, 2016 are as follows:

Cumulative net assets subject to audit by the WRHA	\$	492,481
Net assets invested in capital assets		(31,568)
Net assets - unrestricted		762,365
	\$	1,223,278

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, 2016.

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:

	<u>2016</u>	<u>2015</u>
Gross funding received by the Centre	\$ 865,000	\$ 776,475
Disbursement to the third party	(566,855)	(604,283)
Revenue earned by the Centre	298,145	172,192
Expenses incurred by the Centre	(193,038)	(188,582)
Program surplus (deficit) at the Centre	\$ 105,107	\$ (16,390)

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2016

12. 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:

	<u>2016</u>	<u>2015</u>
WRHA – donated funds	\$ 5,802	\$ 144,632
Campaign expenses	5,802	144,632

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.

13. 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.

14. COMMITMENTS

The Centre has several leases for a telephone system and photocopiers which expire in 2021. The annual minimum lease payments through 2021 are \$112,259.

15. COMPARATIVE FIGURES

Certain prior period comparatives have been reclassified to conform to the current period's presentation.

RESEARCH MANITOBA

Financial Statements

For the year ended March 31, 2016



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Independent Auditor's Report

To the Board of Directors of the RESEARCH MANITOBA

We have audited the accompanying financial statements of **RESEARCH MANITOBA**, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **RESEARCH MANITOBA** as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 23, 2016

RESEARCH MANITOBA Statement of Financial Position

March 31	2016	2015
Assets		
Current Assets		
Cash and bank	\$ 408,605	\$ 1,153,375
Short-term investment (Note 2)	3,326,817	5,884,211
Accounts receivable (Note 3)	291,959	37,349
Accrued interest receivable	20,020	29,996
Prepaid expenses	8,614	2,300
	<u>4,056,015</u>	<u>7,107,231</u>
Capital assets (Note 4)	27,008	33,760
	<u>\$ 4,083,023</u>	<u>\$ 7,140,991</u>

Liabilities and Fund Balance

Current Liabilities		
Accounts payable and accrued liabilities	\$ 434,213	\$ 1,632,640
Deferred revenue (Note 5)	1,855,246	3,265,250
Research grants payable	1,365,362	1,107,133
	<u>3,654,821</u>	<u>6,005,023</u>
Commitments (Note 7)		
Fund balance	<u>428,202</u>	<u>1,135,968</u>
	<u>\$ 4,083,023</u>	<u>\$ 7,140,991</u>

Approved on behalf of the Board:

Original Document Signed Director

Original Document Signed Director

RESEARCH MANITOBA

Statement of Operations and Fund Balance

For the year ended March 31	2016	2015
Revenue		
Province of Manitoba		
Jobs and the Economy	\$ 17,073,400	\$ 12,184,300
Health	-	-
Winnipeg Regional Health Authority	1,100,000	1,100,000
Other funding	29,501	63,600
Grants returned/rescinded	97,659	175,023
Investment income	84,113	136,109
	18,384,673	13,659,032
Add deferred revenue, beginning of year	3,265,250	5,558,570
Less deferred revenue, end the year	1,855,246	3,265,250
	19,794,677	15,952,352
Expenditures		
Administration (Page 12)	1,348,361	1,076,110
Health Research Personnel awards	1,297,577	1,416,250
Health Research grants	4,278,634	4,297,681
MS grants and awards	761,955	1,948,712
Applied Health Services	677,550	419,609
George and Fay Yee Centre for		
Healthcare Innovation Support Unit	1,000,000	1,000,000
Research and Infrastructure Grants	9,138,366	3,795,982
Health Research Initiative (HRI)	2,000,000	2,000,000
	20,502,443	15,954,344
Deficiency of revenue		
 over expenditures for the year	(707,766)	(1,992)
Fund balance, beginning of year	1,135,968	1,137,960
Fund balance, end of year	\$ 428,202	\$ 1,135,968

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

RESEARCH MANITOBA Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	\$ (707,766)	\$ (1,992)
Adjustments for		
Amortization of capital assets	6,752	5,965
	(701,014)	3,973
Changes in non-cash working capital balances		
Accounts receivable	(254,610)	(7,569)
Accrued interest receivable	9,976	11,239
Deposit	-	500
Prepaid expenses	(6,314)	(171)
Accounts payable and accrued liabilities	(1,198,427)	1,602,447
Deferred revenue	(1,410,004)	(2,293,320)
Research grants payable	258,229	(1,042,286)
	(3,302,164)	(1,725,187)
Cash Flows from Investing Activities		
Purchase of capital assets	-	(13,092)
Decrease in cash and cash equivalents during the year	(3,302,164)	(1,738,279)
Cash and cash equivalents, beginning of year	7,037,586	8,775,865
Cash and cash equivalents, end of year	\$ 3,735,422	\$ 7,037,586
Represented by		
Cash and bank	\$ 408,605	\$ 1,153,375
Short-term investment	3,326,817	5,884,211
	\$ 3,735,422	\$ 7,037,586

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

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

Research Manitoba was originally established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. It was continued under The Research Manitoba Act in 2014 to promote and support, and coordinate funding of, research in the health, natural and social sciences, engineering and the humanities in Manitoba. Research Manitoba is a registered charity and is exempt from tax under the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using the Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is reflected in income in the period in which the grant is received or becomes receivable and in accordance with the terms of the applicable funding agreements, where there are restrictions related to when the related expenditures are incurred as outlined below. Interest income is recognized as revenue when earned and is allocated to the General Fund.

The General Research Funds - General research grants are charged to expenditures in the year the funding is committed for, by the Board. Research grants returned to or rescinded by the organization are recorded as revenues when received or rescinded.

The Applied Health Services Research funds - Research Manitoba is partnering with Manitoba Health, the regional health authorities and the George and Fay Yee Centre for Healthcare Innovation (CHI) to support applied health services research which is relevant to the health system in Manitoba and to support collaborations between policy makers, service providers and researchers interested in working together to address health system challenges.

Funding through this initiative will provide grants-in-aid of research, designed to defray the normal direct costs of research including, among others, personnel costs, supplies and expendable materials, equipment, computer costs and publication costs. The maximum amount of funding awarded will be \$200,000 over a 2-year period.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2016

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and bank, a short-term investment in a cash savings account that can be redeemed at the organization's request, and a bank overdraft.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as 20% per year for 5 years. Any changes to this policy will be Board approved. The amortization for purchases prior to this fiscal year will continue to be calculated as follows:

Office and computer equipment	20% diminishing balance basis
Computer equipment for review committees	33.3% diminishing balance basis

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Cash has been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Due to the nature of the financial instruments held by Research Manitoba, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses are not required for these financial statements.

Grants and Awards

All grants and awards and their renewals are recorded as an expenditure in the year they are committed for.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2016

2. Short-term Investment

	2016	2015
Steinbach Credit Union, charity regular savings account, 1.70% (1.85% in 2015), no maturity date	\$ 3,326,817	\$ 5,884,211

The fair value of the short-term investment approximates the carrying value.

3. Accounts Receivable

	2016	2015
University of Manitoba	\$ 281,000	\$ -
Miscellaneous receivables	2,881	25,024
Goods and Services Tax receivable	8,078	12,325
	\$ 291,959	\$ 37,349

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 34,151	\$ 18,995	\$ 34,151	\$ 15,206
Computer equipment	49,007	37,155	49,007	34,192
	\$ 83,158	\$ 56,150	\$ 83,158	\$ 49,398
Cost less accumulated amortization		\$ 27,008		\$ 33,760

5. Deferred Revenue

Revenue of \$5,000,000, received from the Province of Manitoba, Department of Health at the end of March 2011, is intended to fund clinical research in Multiple Sclerosis patients. During 2015-16, \$761,955 of these funds were utilized (for a cumulative total of \$4,077,097) and outstanding future commitments are \$922,903. Funds were used to support a Clinical Trial to investigate CCSVI in MS, an International Clinical Trial in stemcell therapy, the Canadian Multiple Sclerosis Monitoring System and an Endowed Chair in MS.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2016

5. Deferred Revenue (continued)

Revenue received from the WRHA in the amount of \$2,000,000 is intended to support research that will have an impact on the health of individuals, the health of populations and communities, decisions about government health policy, health system organization and healthcare delivery. During the current year, \$677,550 of these funds was utilized (for a cumulative total of \$1,097,158) and the unexpended balance at March 31, 2016 is \$902,842. Future commitments of \$850,000 have been made to expend the balance of this deferred revenue.

Additional funds in the amount of \$29,501 from the Manitoba Mental Health Research Foundation were received and unexpended at year end.

6. Pension Benefits

Employees of Research Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Research Manitoba, through the Civil Service Superannuation Fund (CSSF). Effective April 1, 2012, pursuant to an agreement with the Province of Manitoba, Research Manitoba transferred to the Province the pension liability for its employees.

Commencing April 1, 2012, Research Manitoba was required to pay to the Province the employees' current pension contributions. The plan is funded by the organization's employees at rates of 6.6% to 8.5% of the employees' salary. The organization is required to match at rates of 5.6% to 7.5% of the employees' salary. The amount contributed by Research Manitoba for 2016 was \$53,348 (\$32,660 - 2015) and the employee share was \$57,100 (\$32,660 - 2015). Under this agreement, the organization has no further pension liability.

RESEARCH MANITOBA Notes to Financial Statements

For the year ended March 31, 2016

7. Commitments

Research Manitoba has committed grants and awards under the General Research funds, MS funds, S Patient Oriented Research funds and the Regional Partnership Fund as follows:

Year	General Research funds	MS funds	SPOR funds	Research and Infrastructure Grants	Total
2017	\$ 3,981,897	\$ 642,700	\$ 1,000,000	\$ 7,173,532	\$ 12,798,129
2018	\$ 2,507,720	\$ 125,000	\$ 1,000,000	\$ 4,902,000	\$ 8,534,720
2019	\$ 1,350,000	\$ 93,750	\$ -	\$ 3,200,000	\$ 4,643,750
2020	\$ 1,350,000	\$ 61,453	\$ -	\$ 3,000,000	\$ 4,411,453
Total	\$ 9,189,617	\$ 922,903	\$ 2,000,000	\$ 18,275,532	\$ 30,388,052

Commitments of future years of all the funds are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	\$ 428,202
Deferred revenue	1,855,246
Future Province of Manitoba grants	<u>28,104,604</u>
	<u>\$ 30,388,052</u>

8. Related Party Transactions

Research Manitoba is related to all Province of Manitoba departments and agencies. During the year, Research Manitoba had the following transactions with related organizations:

	<u>2016</u>	<u>2015</u>
Grant revenue	\$ 18,173,400	\$ 13,284,300

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

9. Economic Dependence

Research Manitoba relies almost entirely on grants from the Province of Manitoba.

RESEARCH MANITOBA

Notes to Financial Statements

For the year ended March 31, 2016

10. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's Chief Executive Officer. The Board of Directors receives quarterly reports from the organization's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible.

At March 31, 2016, a 1% move in interest rates, with all other variables held constant, could impact the interest revenue of the investments by \$33,300 (2015 - \$58,800). These changes would be recognized in the statement of operations.

Credit Risk

The organization is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the organization's receivables are from government entities which minimizes the risk of non-collection. The organization also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they fall due. The organization has a planning and budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

RESEARCH MANITOBA

Schedule of Administrative Expenses

For the year ended March 31	2016	2015
Accounting and audit	\$ 9,391	\$ 9,882
Amortization	6,752	5,965
Bank charges and interest	971	1,580
Communications and information technology	56,969	65,819
Conferences, meetings and travel	47,250	36,459
Consulting and professional fees	41,478	22,357
Council and committee expenses	16,257	5,974
Delivery	1,768	1,569
GST expense	-	2,639
Insurance	5,174	4,888
Marketing	76,407	60,596
Office space	73,383	57,555
Parking	1,696	1,106
Printing, stationery and office supplies	23,273	22,934
Repairs and maintenance	9,580	2,851
Reviewer's expenses	15,094	36,123
Salaries and benefits	951,869	728,040
Workshops and training	11,049	9,773
	<hr/>	
	\$ 1,348,361	\$ 1,076,110

Financial Statements of

SPORT MANITOBA INC.

Year ended March 31, 2016



KPMG LLP
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the accompanying financial statements of Sport Manitoba Inc., which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including the Schedule.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sport Manitoba Inc. as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 22, 2016

Winnipeg, Canada

Statement of Financial Position

2016 2015

Current assets:

	\$ 27,207,338	\$ 20,998,347
--	---------------	---------------

	2016	2015
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 5)	\$ 1,003,082	\$ -
Accounts payable and accrued liabilities	2,116,421	1,976,016
Current portion of loan payable (note 7)	372,271	360,382
	<u>3,491,774</u>	<u>2,336,398</u>
Loan payable (note 7)	13,911,629	14,215,312
Deferred contributions relating to (note 8):		
Expenses of future periods	254,962	662,193
Capital assets	8,215,305	2,759,214
	<u>8,470,267</u>	<u>3,421,407</u>
Net assets:		
Unrestricted	(1,176,528)	(1,221,828)
Internally restricted [note 2(e)]:		
Initiatives program	87,107	87,107
Coaching	26,875	26,875
Future major repairs and upgrades	375,000	300,000
Phase 2 building expenditures	590,000	390,000
Princess Royal Pan Am Scholarship endowment [note 2(f)]	104,452	100,007
Invested in capital assets (note 11)	1,326,762	1,343,059
	<u>1,333,868</u>	<u>1,025,230</u>
KidSport Canada trust assets (note 4)		
	<u>\$ 27,207,338</u>	<u>\$ 20,988,347</u>

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed _____ Director

Original Document Signed _____ Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	Operating Fund	Restricted Funds	Capital Asset Fund	2016 Total	2015 Total
Revenue:					
Province of Manitoba:					
Program support	\$ 11,105,927	\$ —	\$ —	\$ 11,105,927	\$ 11,105,927
Bingo allocation	234,800	—	—	234,800	461,120
Other grants	580,586	—	—	580,586	1,220,797
Sport Medicine Centre	568,382	—	—	568,382	478,489
Amortization of deferred contributions	—	—	—	—	48,775
Manitoba Games	105,000	—	—	105,000	78,693
Other income	661,418	4,445	—	665,863	566,324
Bilateral funding:					
Province of Manitoba	312,273	—	—	312,273	312,273
Federal Government	312,273	—	—	312,273	312,273
	13,880,659	4,445		13,885,104	14,584,671
Expenses:					
Grants					
Sport groups for sport development	7,849,996	—	—	7,849,996	8,521,048
Bilateral sport development programs	366,941	—	—	366,941	377,072
Sport Medicine Centre	647,583	—	—	647,583	539,745
Administration and services provided to sport groups:					
Occupancy	1,482,588	—	—	1,482,588	1,731,223
Operating	381,564	—	—	381,564	335,254
Administration	1,934,826	—	—	1,934,826	1,616,807
Member services	1,601,447	—	—	1,601,447	1,508,261
Cost recovered from sport groups	(1,003,610)	—	—	(1,003,610)	(1,006,867)
Amortization	—	—	515,331	515,331	513,696
	13,061,335	—	515,331	13,576,666	14,136,239
Excess (deficiency) of revenue over expenses	\$ 819,324	\$ 4,445	\$ (515,331)	\$ 308,438	\$ 448,432

See accompanying notes to financial statements.

SPORT. MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Internally restricted phase 2 building expenditures	Internally restricted future major repairs and upgrades	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2016 Total	2015 total
Net assets, beginning of year	\$ (1,221,828)	\$ 87,107	\$ 26,875	\$ 390,000	\$ 300,000	\$ 100,007	\$ 1,343,069	\$ 1,025,230	\$ 576,798
Excess (deficiency) of revenue over expenses	819,324	—	—	—	—	4,445	(515,331)	308,438	448,432
Capital assets acquired	(138,642)	—	—	—	—	—	138,642	—	—
Principal payments on loan payable	(360,302)	—	—	—	—	—	360,382	—	—
Internally imposed restriction [note 2(e)]	(275,000)	—	—	200,000	75,000	—	—	—	—
Net assets, end of year	\$ (1,176,528)	\$ 87,107	\$ 26,875	\$ 590,000	\$ 375,000	\$ 104,452	\$ 1,325,752	\$ 1,333,668	\$ 1,025,230

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 308,438	\$ 448,432
Items not involving cash:		
Amortization of capital assets	446,743	513,696
Amortization of deferred contributions related to capital assets	—	(48,775)
Amortization of deferred financing fee	68,588	—
Change in non-cash operating working capital	94,171	494,398
	917,940	1,407,751
Capital activities:		
Additions to capital assets	(5,169,656)	(803,857)
Increase in deferred contributions related to capital assets	5,456,091	1,087,536
	(713,565)	283,679
Financing activities:		
Principal repayments of loan payable	(360,382)	(251,118)
Bank indebtedness	1,003,082	—
	642,700	(251,116)
Increase in cash	847,075	1,440,312
Cash and cash equivalents, beginning of year	4,149,922	2,709,610
Cash and cash equivalents, end of year	\$ 4,996,997	\$ 4,149,922

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Notes to Financial Statements

Year ended March 31, 2016

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires on March 31, 2020.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

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

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as an increase in net assets when received.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Operating fund:

The purpose of the Operating Fund is to record the operations of the organization which includes operations of The Sport for Life Sport Medicine Centre.

The Sport for Life Sport Medicine Centre is a multidisciplinary clinic that offers patient care for sport medicine and orthopedic injuries including sport medicine, physiotherapy, athletic therapy, massage, chiropractic and nutrition.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(e) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures must be approved by the Board.

The Board of Directors has also internally restricted certain net assets to be used for coaching initiatives.

During the year, the Board of Directors internally restricted resources amounting to \$75,000 (2015 - \$75,000) to be used to fund future major repairs and upgrades required for 145 Pacific Avenue, as well as an additional \$200,000 (2015 - \$300,000) to be used to fund future capital expenditures and salaries relating to Phase 2 of the building. This amount was transferred from the unrestricted net assets. These internally restricted amounts are not available for other purposes without prior approval of the Board of Directors.

(f) Princess Royal Pan Am Scholarship endowment:

The organization received \$100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to \$3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(g) Capital fund:

The purpose of the Capital Fund is to record capital assets, related debt, and the net investment of the organization in such assets.

(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. Actual results could differ from those estimates.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(i) Financial instruments:

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

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

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

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the statement of operations.

The organization did not incur any re-measurement gains and losses during the year ended March 31, 2016 (2015 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

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

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(f) Allocation of general administration expenses:

The organization classifies expenses on the statement of operations by function. The organization allocates certain costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Allocated expenses consist of salaries and benefits which are allocated 65 percent to member services expenses and 35 percent to administration expenses on the basis of the average of individual job positions responsibilities.

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,200,000	\$ —	\$ 1,200,000	\$ 1,200,000
Building	22,535,289	2,313,867	20,221,432	14,512,158
Computers	335,089	265,619	69,470	34,197
Furniture and equipment	813,025	692,542	120,483	134,664
Print shop equipment	248,761	246,034	2,727	9,341
Leasehold improvements	40,577	40,577	—	839
	\$ 25,172,751	\$ 3,558,639	\$ 21,614,112	\$ 15,891,199

4. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding \$1,054,622 of assets in trust for KidSport Canada as at March 31, 2016 (2015 - \$805,304). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Bank indebtedness:

During the year, the organization obtained an operating line of credit to a maximum of \$2,650,000. The operating line of credit is due on demand and bears interest at prime plus 0.5 percent. The organization utilized \$1,003,082 as at March 31, 2016.

6. Sport For Life Centre:

In February 2009, the organization purchased land and building at 145 Pacific for \$3,700,000 which has become home to the new Sport for Life Centre. The Phase 1 renovations have been completed. Sport Manitoba moved in to the new building on March 4, 2010. Phase 2, which will include the activity space, is anticipated to be complete by the spring of 2017. As at March 31, 2016, the organization has a remaining commitment of approximately \$18.1 million related to the construction of Phase 2.

7. Loan payable:

	2016	2015
Loan payable to Province of Manitoba bearing interest at 3.25%, unsecured, repayable in monthly installments of \$78,337 including interest, maturing March 31, 2045	\$ 17,639,618	\$ 18,000,000
Deferred financing fee	(3,355,718)	(3,424,306)
	14,283,900	14,575,694
Current portion of loan payable	372,271	360,382
	\$ 13,911,629	\$ 14,215,312

Principal repayments over the next five years are as follows:

2017	\$ 372,271
2018	384,552
2019	397,237
2020	410,342
2021	423,878

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2016	2015
Balance, beginning of year	\$ 662,193	\$ 1,455,133
Contributions in the current year	187,876	693,750
Amounts amortized to revenue	(595,107)	(1,486,690)
Balance, end of year	\$ 254,962	\$ 662,193

Deferred contributions for expenses of future periods are comprised of the following:

	2016	2015
Future bids, MB Games sponsorship, coaching and programming and storage of equipment	\$ 254,962	\$ 655,057
Sport for Life Centre	—	7,136
	\$ 254,962	\$ 662,193

Deferred contributions related to capital assets represent unamortized and unspent amount of externally restricted contributions that have been received for the construction of the Sport for Life Centre.

	2016	2015
Balance, beginning of year	\$ 2,759,214	\$ 1,720,453
Contributions in the current year	5,456,091	1,087,536
Amounts amortized to revenue	—	(48,775)
Balance, end of year	\$ 8,215,305	\$ 2,759,214

Deferred contributions related to capital assets are comprised of the following:

	2016	2015
Sport for Life Centre Phase 1	\$ 9,050	\$ 9,050
Sport for Life Centre Phase 2	8,206,255	2,750,164
	\$ 8,215,305	\$ 2,759,214

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Deferred contributions (continued):

Sport for Life Centre Phase 2 capital contributions includes contributions received from the Province of \$4,546,091 during fiscal 2016. The organization signed a promissory note dated March 31, 2016 for a total capital contribution of \$6,000,000. The promissory note is payable to the Department of Finance of the Province of Manitoba and the payment of this liability is guaranteed and funded by Department of Tourism, Culture, Heritage, Sport and Consumer Protection of the Province of Manitoba. No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions.

At March 31, 2016, the balance of the promissory note is equal to the contribution of \$4,546,091 with payments on the promissory note scheduled to begin in fiscal 2017. The promissory note bears interest at 3.38 percent, maturing on June 30, 2046, and is repayable in monthly installments of \$26,536, which includes principal and interest.

9. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes and builders. The financial statements of the Hall of Fame have not been consolidated with those of the organization.

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of \$65,000. In addition, the organization provided the Hall of Fame \$1,500 (2015 - \$2,000) towards the construction and fit-out of the Manitoba Sports Hall of Fame and Museum.

The accounts receivable from the Hall of Fame in the amount of \$76,367 (2015 - \$76,367), is non-interest bearing, and has no fixed terms of repayment.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Manitoba Sports Hall of Fame and Museum Incorporated (continued):

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2016	2015
Assets	\$ 695,585	\$ 675,719
Liabilities and deferred contributions	\$ 585,814	\$ 653,349
Net assets	109,771	22,370
	\$ 695,585	\$ 675,719
Revenues	\$ 438,222	\$ 399,960
Expenses	350,821	397,173
Excess of revenues over expenses	\$ 87,401	\$ 2,787

10. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2016	2015
Assets	\$ 1,069,863	\$ 1,087,028
Deferred contributions	\$ 401,813	\$ 401,813
Unrestricted net assets	161,795	178,460
Pan Am Games Legacy fund	505,000	505,000
Restricted Bud Tinsley fund	1,255	1,755
	\$ 1,069,863	\$ 1,087,028

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Manitoba Foundation for Sports Inc. (continued):

	2016	2015
Revenue	\$ 19,621	\$ 53,279
Expenses	36,786	20,563
Excess (deficiency) of revenue over expenses	\$ (17,165)	\$ 32,716

During the year, the Foundation provided \$15,000 (2015 - \$17,000) of scholarship grants to Manitoba athletes.

11. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 21,614,112	\$ 15,891,199
Amounts financed by:		
Loan payable	(14,283,900)	(14,575,694)
Deferred contributions	(8,215,305)	(2,759,214)
Unspent cash proceeds	2,211,885	2,786,778
	\$ 1,325,792	\$ 1,343,069

12. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2016 was \$132,007 (2015 - \$124,995).

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Financial risks:

The organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterpart may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable, cash and marketable securities.

The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the organization at March 31, 2016 is the carrying value of these assets.

At March 31, 2016, an allowance for bad debt was set up for \$26,133 (2015 - \$27,975). All other accounts receivable for March 31, 2016 are current.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2016.

There have been no significant changes to the credit risk exposure from 2015.

(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 2017.

There have been no significant changes to the liquidity risk exposure from 2015.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

13. Financial risks (continued):

(c). Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows on a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest risk. The organization is not exposed to this risk as its loans payable have fixed interest rates.

There has been no change to the risk exposures from 2015.

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sports Groups

Year ended March 31, 2016, with comparative information for 2015:

	2016	2015
Occupancy expenses:		
Interest on loan payable	\$ 579,663	\$ 857,581
Member services	191,806	172,905
Utilities	163,310	162,578
Security and janitorial services	185,469	173,976
Salaries	85,488	78,798
Property repairs and maintenance	43,212	72,931
Insurance and taxes	232,435	210,724
Sport for Life Centre	1,205	1,732
	<u>\$ 1,482,588</u>	<u>\$ 1,731,223</u>
Operating expenses:		
Courier	\$ 11,963	\$ 11,756
Multi-sport games support	128,560	105,570
Postage	43,451	45,443
Repairs and maintenance	125,706	97,959
Service bureau fees	1,320	2,107
Stationery	31,335	25,494
Telephone	39,229	46,925
	<u>\$ 381,564</u>	<u>\$ 335,254</u>
Administration expenses:		
Advertising, marketing and media programs	\$ 254,866	\$ 131,554
Coaching development	88,722	94,514
Community and regional development programs	143,724	110,902
Delivery and freight	524	970
Hall of Fame administration	1,500	2,000
Insurance	10,467	14,829
KidSport programs	32,764	25,898
Long-term athlete development	12,024	13,786
Meetings	13,506	10,429
Membership dues and subscriptions	3,813	3,644
Office supplies and stationery	7,924	8,804
Photocopying	4,825	5,323
Postage	4,256	4,327
Printing	8,167	4,287
Professional development	14,223	2,930
Professional fees	40,516	22,363
Respect in Sport	74,322	102,221
Salaries and benefits	862,316	812,112
Service bureau fees	6,924	2,485
Telephone	25,186	23,165
Travel	(1,909)	18,264
Volunteer and staff recognition	7,872	5,168
Fit Kids Healthy Kids	318,284	198,832
	<u>\$ 1,934,826</u>	<u>\$ 1,616,807</u>

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups (continued)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Member services expenses:		
Salaries and benefits	\$ 1,601,447	\$ 1,508,261
Amortization:		
Amortization of leasehold improvements	\$ 841	\$ 842
Amortization of other capital assets	445,902	512,854
Amortization of deferred financing fee	68,588	-
	\$ 515,331	\$ 513,696



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Independent Auditor's Report

To the Members of TRAVEL MANITOBA

We have audited the accompanying financial statements of TRAVEL MANITOBA, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets, remeasurement gains, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TRAVEL MANITOBA as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants
Winnipeg, Manitoba
June 17, 2016

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Statement of Financial Position

As at March 31	2016	2015
Assets		
Current Assets		
Cash and short-term deposits (Note 2)	\$ 1,322,354	\$ 1,975,338
Due from the Province of Manitoba (Note 3)	1,400,000	-
Trade accounts receivable	214,580	290,793
Prepaid expenses	62,468	98,585
	2,999,402	2,364,716
Due from the Province of Manitoba (Note 3)	78,532	78,532
Capital assets (Note 4)	415,447	86,968
	\$ 3,493,381	\$ 2,530,216
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 849,911	\$ 1,409,89
Deferred revenue	1,335,105	279,070
	2,185,016	1,688,967
Retirement allowances and other benefits payable (Note 5)	554,737	531,142
	2,739,753	2,220,109
Contingencies and commitments (Note 7)		
Net Assets		
Unrestricted	320,042	135,954
Restricted for purchase of capital assets	-	75,000
Invested in capital assets	415,447	86,968
	735,489	297,922
Accumulated remeasurement gains	18,139	12,185
	753,628	310,107
	\$ 3,493,381	\$ 2,530,216

Approved on behalf of the Board of Directors:

Director Original Document Signed

Director Original Document Signed

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

Travel Manitoba

Statement of Operations

For the year ended March 31

2016

2015

Revenue

Province of Manitoba				
Operating	\$	7,471,000	\$	7,471,000
Partnership and leveraged marketing		1,073,515		1,142,664
Other initiatives - Federal and provincial funding		327,500		485,000
Other		3,009		17,473
		8,875,024		9,116,137

Expenses

Marketing and industry relations		6,558,894		7,144,738
Corporate services		991,442		900,045
Visitor services		839,497		1,011,761
Amortization		47,624		11,866
		8,437,457		9,068,410

Excess of revenue over expenses for the year

\$ 437,567 \$ 47,727

Travel Manitoba

Statement of Changes in Net Assets

For the year ended March 31, 2016

	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	2015 Total	2014 Total
Net assets, beginning of year	\$ 135,954	\$ 75,000	\$ 86,968	\$ 297,922	\$ 250,195
Excess (deficiency) of revenue over expenses for the year	521,683	-	(84,116)	437,567	47,727
Interfund Transfer					
Acquisition of capital assets (\$4,610 in 2015)	(337,595)	(75,000)	412,595	-	-
Net assets, end of year	\$ 320,042	\$ -	\$ 415,447	\$ 735,489	\$ 297,922

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

Statement of Remeasurement Gains

For the year ended March 31	2016	2015
Accumulated remeasurement gains, beginning of year	\$ 12,185	\$ 372
Unrealized gain attributable to foreign exchange	5,954	11,813
Accumulated remeasurement gains, end of year	\$ 18,139	\$ 12,185

Statement of Cash Flows

For the year ended March 31	2016	2015
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 437,567	\$ 47,727
Adjustment for non-cash items		
Amortization	47,624	11,866
Loss on disposal of capital assets	36,492	36,824
Unrealized remeasurement gain	5,954	11,813
	527,637	108,230
Changes in non-cash working capital		
Trade accounts receivable	76,213	(13,187)
Prepaid expenses	36,117	(54,398)
Due from the Province of Manitoba	(1,400,000)	16,115
Accounts payable and accrued liabilities	(559,986)	267,783
Deferred revenue	1,056,035	(54,538)
Retirement allowances and other benefits payable	23,595	46,994
	(240,389)	316,999
Cash Flows from Financing and Investing Activities	-	-
Cash Flows from Capital Activities		
Acquisition of capital assets	(412,595)	(4,610)
Net (decrease) increase in cash and short-term deposits	(652,984)	312,389
Cash and short-term deposits, beginning of year	1,975,338	1,662,949
Cash and short-term deposits, end of year	\$ 1,322,354	\$ 1,975,338

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

Travel Manitoba

Notes to Financial Statements

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to grow tourism revenues by harnessing the collective investment in tourism to create strong connections between visitors and Manitoba's unique experiences. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba because it derives a significant portion of its revenue from the Province of Manitoba.

b. Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

c. Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for government not-for-profit organizations.

d. Cash and Short-term Deposits

Cash and short-term deposits consist of cash and short-term deposits with a duration of less than ninety days from the date of acquisition.

e. Contributions Receivable

Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

g. Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over the estimated useful lives of the assets at the following rates:

Computer hardware	30%, declining balance
Computer software	30%, declining balance
Furniture and equipment	5%, declining balance
Leasehold improvements	5%, declining balance
VIC technology	5 years, straight line

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

h. Retirement Allowances and Post-Employment Benefits

The Organization provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized in income immediately.

Employees of the Organization are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Organization is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund.

In addition, an individual has entitlement to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

Sick leave benefits that accumulate but do not vest, are determined using present value techniques and reflect management's best estimate of future cost trends associated with such benefits and interest rates. Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

i. Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes revenue arising from non-monetary transactions in the period when services have been rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

j. Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

k. Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of 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. Cash and Short-term Deposits

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

A dedicated account has been established to safeguard the Organization's retirement allowance obligation and enhanced pension benefit costs. Interest earned will be retained in the account. The balance at March 31, 2016 is \$113,160 (\$103,835 at March 31, 2015).

The Organization has a credit facility to a maximum of \$500,000 with interest at prime plus 1% (effective rate of 3.70% as at March 31, 2016) which is secured by a general security agreement. As at March 31, 2016, the facility remains unused.

3. Due from the Province of Manitoba

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of \$368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the Organization as severance benefits are paid to employees on record as at April 1, 2005. The receivable from the Province of Manitoba at March 31, 2016 is \$78,532 (\$78,532 at March 31, 2015).

An additional grant related to the current year funding in the amount of \$1,400,000 were receivable from the Province of Manitoba at March 31, 2016 (\$Nil at March 31, 2015).

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 36,929	\$ 23,259	\$ 36,838	\$ 22,668
Computer software	33,115	31,209	31,791	30,439
Furniture and equipment	22,020	1,384	23,150	6,278
Leasehold improvements	43,100	13,002	70,724	16,150
VIC technology	387,930	38,793	-	-
	\$ 523,094	\$ 107,647	\$ 162,503	\$ 75,535
Cost less accumulated amortization		\$ 415,447		\$ 86,968

5. Retirement Allowances and Other Benefits Payable

Retirement Allowances

The Organization measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at March 31 of each year. The most recent actuarial valuation report for the retirement allowance was at April 1, 2016 and the most recent finalized and approved actuarial valuation report for the enhanced pension benefits was at December 31, 2014.

The significant actuarial assumptions adopted in measuring the Organization's retirement allowance obligation and costs are as follows:

	2016	2015
Benefit costs for the year ended March 31		
Discount rate	6.00%	6.00%
Rate of compensation increase	3.75%	3.75%
Employer contributions	\$ 191,608	\$ 198,996

5. Retirement Allowances and Other Benefits Payable (continued)

The significant actuarial assumptions adopted in measuring the Organization's enhanced pension benefit and costs are as follows:

	2016	2015
Benefit costs for the year ended March 31		
Discount rate	6.50%	6.50%
Rate of compensation increase	3.75%	3.75%
Employer contributions	\$ 13,053	\$ 12,992
Effect of change in assumptions	\$ -	\$ -
Experience loss/gain adjustment	\$ -	\$ -

Sick Leave

Sick leave benefits that accumulate but do not vest, are determined using present value techniques and are estimated to be a liability as at March 31, 2016 of \$34,000 (\$36,000 in 2015). The amount is not considered to be significant by management, and as such has not been recorded as a liability in the financial statements of the Organization.

6. Financial Instrument Risk

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

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Organization to credit risk consist principally of trade accounts receivable, due from the Province of Manitoba, and short-term deposits.

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

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts receivables (net of allowance of \$15,000)	\$ 86,385	\$ 7,894	\$ 120,301
Due from the Province of Manitoba	1,400,000	-	78,532
	\$ 1,486,385	\$ 7,894	\$ 198,833

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

Due from the Province of Manitoba – The Organization is not exposed to significant credit risk related to these balances as there are underlying agreements to support their collection.

6. Financial Instrument Risk (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization has a planning and budgeting process in place to help determine the funds required to support the Organization's normal operating requirements on an ongoing basis. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts payable	\$ 630,220	\$ 219,736	\$ (45)

7. Contingencies and Commitments

The Organization has entered into lease agreements for rental of facilities at various locations expiring in June 2035 with total annual payments of \$483,700. In addition, the Organization has entered into lease agreements for computer equipment and a van expiring in June 2020 and April 2017, respectively, for total annual payments of \$14,400 and \$3,200, respectively.

The Organization has access to a loan guarantee with the Province of Manitoba for \$1,500,000. The guarantee will enable Travel Manitoba to establish a line of credit up to this amount for the purpose of providing advances and profit guarantees as part of bid proposals and preparation efforts being undertaken in attracting various events to take place in Manitoba. As at March 31, 2016, this line of credit had not been drawn upon.

8. Non-monetary Transactions

During the current year, the Organization entered into contracts with exchanges of non-monetary services for other non-monetary services with little or no monetary consideration involved. These transactions are within normal business activities and were done in order to carry out the mandate of the Organization.

The aggregate amount of all non-monetary transactions in the current year total \$94,604 (\$124,365 in 2015).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.