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GOVERNMENT ORGANIZATIONS (CONTINUED):

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INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY

Consolidated Financial Statements

For the year ended March 31, 2017

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BDO Canada LLP
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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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 22, 2017

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

March 31		2017		2016
Assets				
Current Assets				
Cash and term deposits (Note 2)	$	**21,553,824**	$	6,973,046
Accounts receivable		**5,139,570**		3,431,638
Due from Manitoba Health, Seniors and Active Living (Note 3)		**6,313,133**		20,306,778
Inventories		**799,738**		839,228
Prepaid expense		**613,818**		670,059
Vacation entitlements receivable (Note 4)		**5,484,424**		5,484,424
		39,904,507		37,705,173
Retirement obligations receivable (Note 13)		**5,912,865**		5,912,865
Other assets		**211,724**		194,501
Capital assets (Note 5)		**223,259,853**		187,047,582
	$	**269,288,949**	$	230,860,121
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 6)	$	**-**	$	4,220,073
Accounts payable and accrued liabilities (Note 7)		**26,312,388**		26,579,423
Accrued vacation entitlements (Note 4)		**10,614,473**		9,912,022
Current portion of long-term debt (Note 8)		**190,215**		222,337
		37,117,076		40,933,855
Accrued retirement obligations (Note 13)		**14,289,394**		14,004,853
Sick leave liability (Note 13)		**2,694,091**		2,820,915
Long-term debt (Note 8)		**549,840**		741,154
Deferred contributions (Note 9)		**224,351,738**		181,329,293
		279,002,139		239,830,070
Commitments and contingencies (Note 5 and 12)				
Net Assets				
Investment in capital assets (Note 10)		**4,896,188**		8,849,771
Externally restricted (Note 15)		**205,196**		444,372
Internally restricted (Note 15)		**110,553**		90,795
Unrestricted - RHA		**(14,186,725)**		(17,900,543)
Unrestricted - Contract Facilities		**(738,402)**		(454,344)
		(9,713,190)		(8,969,949)
	$	**269,288,949**	$	230,860,121

Approved on behalf of the Board:

Original Document Signed ______________________ Director

Original Document Signed ______________________ Director

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	2017	2016
Revenue		
Province of Manitoba		
Health, Seniors and Active Living (Note 11)	**$226,445,436**	$220,572,013
Other	**2,264,944**	2,491,676
Government of Canada	**526,097**	558,565
Client non-insured	**11,622,690**	11,212,174
Interest	**76,198**	94,008
Offset and other income	**7,050,386**	6,152,755
Ancillary income	**467,393**	461,362
Amortization of deferred contributions	**5,800,604**	6,091,046
	254,253,748	247,633,599
Expenditures		
Acute care services	**66,228,854**	63,118,963
Amortization of capital assets	**6,022,808**	6,289,337
Chemotherapy	**934,580**	803,675
Community health	**19,823,176**	18,989,780
Diagnostic services	**14,288,568**	13,446,740
Dialysis	**4,137,342**	3,706,740
Emergency response and transport	**20,941,256**	18,274,952
Home based care	**33,724,591**	33,955,462
Interest on long-term debt	**12,371**	22,595
Medical remuneration	**14,376,624**	15,196,373
Mental health services	**9,080,544**	8,661,020
Northern patient transportation program	**184,146**	179,676
Nurse recruitment and retention	**137,621**	124,531
Personal care home services	**50,627,652**	50,297,001
Regional undistributed expenditures	**13,421,678**	13,429,335
Safety and renovations	**820,363**	1,137,419
	254,762,174	247,633,599
Excess (deficiency) of revenue over expenditures for the year	**$ (508,426)**	$ -
Allocated as follows:		
Regional services	**$ (230,170)**	$ -
Contracted services	**(278,256)**	-
	$ (508,426)	$ -

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

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

For the year ended March 31	Investment in Capital Assets (Note 10)	Externally Restricted (Note 15)	Internally Restricted (Note 15)	Unrestricted - RHA	Unrestricted - Contract Facilities	2017 Total	2016 Total
Balance, beginning of year	$ 8,849,771	$ 444,372	$ 90,795	$ (17,900,543)	$ (454,344)	$ (8,969,949)	(8,921,731)
Reallocation of interest earned on donation and externally restricted funds	-	1,528	13,869	(15,397)	-	-	-
Change in restricted net assets	-	(240,704)	5,889	-	-	(234,815)	(48,218)
Excess (deficiency) of revenue over expenditures for the year	(222,204)	-	-	(7,966)	(278,256)	(508,426)	-
Net changes in investment in capital assets	(3,731,379)	-	-	3,737,181	(5,802)	-	-
Balance, end of year	$ 4,896,188	$ 205,196	$ 110,553	$ (14,186,725)	$ (738,402)	$ (9,713,190)	$ (8,969,949)

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

INTERLAKE-EASTERN REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (508,426)	$ -
Adjustments for:		
Amortization of capital assets	6,022,808	6,289,337
Amortization of deferred contributions related to capital assets	(5,800,604)	(6,091,046)
Deferred contributions - expenses of future periods		
Receipts	22,985,299	10,309,774
Expenditures	(20,352,144)	(10,516,264)
	2,346,933	(8,199)
Changes in non-cash working capital		
Accounts receivable	(1,707,932)	(70,278)
Due from Manitoba Health, Seniors and Active Living	13,993,645	(13,983,861)
Inventories	39,490	(339)
Prepaid expense	56,241	63,932
Accounts payable and accrued liabilities	(267,035)	9,707,761
Accrued vacation entitlements	702,451	401,783
	15,163,793	(3,889,201)
Sick leave liability	(126,824)	(427,660)
Accrued retirement obligations	284,541	307,680
	15,321,510	(4,009,181)
Cash Flows from Capital Activities		
Purchase of capital assets	(42,235,079)	(77,389,784)
Cash Flows from Investing Activities		
Other assets	(17,223)	(1,701)
Cash Flows from Financing Activities		
Repayment of long-term debt	(223,436)	(219,084)
Receipt of deferred contributions related to capital assets	46,189,894	74,536,193
Payout of internally restricted net assets	5,889	3,339
Payout of externally restricted net assets	(240,704)	(51,557)
	45,731,643	74,268,891
Net increase (decrease) in cash and term deposits	18,800,851	(7,131,775)
Cash and term deposits, beginning of year	2,752,973	9,884,748
Cash and term deposits, end of year	$ 21,553,824	$ 2,752,973
Comprised of		
Cash and term deposits	$ 21,553,824	$ 6,973,046
Bank indebtedness	-	(4,220,073)
	$ 21,553,824	$ 2,752,973
Supplementary Information		
Interest paid during the year	$ 12,721	$ 19,418

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

1. Summary of Significant Accounting Policies

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

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

(b) Nature of the Organization

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

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

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

(c) Revenue Recognition

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

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health, Seniors and Active Living (MHSAL). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MHSAL with respect to the year ended March 31, 2017.

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.

1. Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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

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

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

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

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

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

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

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

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

(d) Inventories

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

1. Summary of Significant Accounting Policies (continued)

(e) Employee Future Benefits

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

(f) Compensated Absences

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

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

(g) Use of Estimates

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

(h) Contributed Services

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

(i) Capital Assets

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

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

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

1. Summary of Significant Accounting Policies (continued)

(j) Liability for Contaminated Sites

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

(k) Allocated Expenditures

A number of general support expenses are not allocated to the five main health sectors of Acute Care, Long-term Care, Home Care, Community and Mental Health and Emergency 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 have been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

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

2. Cash and Term Deposits

Included in cash and term deposits are holdback bank accounts in the amount of $8,528,800 ($6,192,041 in 2016) that are directly related to the construction projects.

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

	2017	2016
Deficit funding	**$ -**	$ 12,726,000
Retroactive salary and benefit increases	**5,750,315**	6,533,848
Inter-facility ambulance transfers	**1,111,988**	503,074
Other operations	**1,430,347**	841,194
Safety and security	**55,920**	321,466
Small IT projects	**132,600**	132,600
Out of Globe - 2015/16	**-**	(751,404)
Out of Globe - 2016/17	**(2,168,037)**	-
	$ 6,313,133	$ 20,306,778

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:

	2017	2016
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:

	2017	2016
Balance, beginning of year	**$ 9,912,022**	$ 9,510,239
Net increase in accrued vacation entitlements	**702,451**	401,783
Balance, end of year	**$ 10,614,473**	$ 9,912,022

5. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 513,702**	**$ -**	$ 513,702	$ -
Land improvements	**868,145**	**842,468**	868,145	830,021
Buildings	**133,302,766**	**72,600,892**	128,718,571	69,275,459
Leasehold improvements	**1,546,173**	**583,424**	1,172,375	373,864
Equipment	**42,113,075**	**32,059,451**	40,859,513	30,048,252
Building service equipment	**2,369,086**	**1,155,831**	2,369,086	1,013,463
Equipment - computers	**3,776,009**	**2,794,326**	3,271,492	2,487,812
Software licenses	**2,374,623**	**2,366,969**	2,374,623	2,351,683
Construction in progress	**148,799,635**	**-**	113,280,629	-
	$335,663,214	**$112,403,361**	$293,428,136	$106,380,554
Net book value		**$223,259,853**		$187,047,582

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 $134,933,527 ($101,937,546 in 2016). Total expected project cost is $163,642,112.

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 2017. Costs incurred to-date are $11,214,809 ($5,522,138 in 2016).Total expected project costs are $11,687,800.

c) Construction in Progress

Other projects with total costs incurred to-date of $2,651,299 ($5,820,945 in 2016) are in various stages of completion. Total expected costs for these projects are $4,975,315.

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $9,500,000 ($8,800,000 in 2016). 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, 2017, the line of credit was unutilized ($4,343,138 in 2016).

7. Accounts Payable and Accruals

	2017	2016
Accounts payable and accrued liabilities	**$ 11,969,103**	$ 15,199,368
Accrued salaries	**5,814,478**	5,188,014
Holdbacks on construction contracts	**8,528,807**	6,192,041
	$ 26,312,388	$ 26,579,423

8. Long-term Debt

	2017	2016
CMHC mortgage payable, bearing interest at 1.71%, due September 1, 2017 and requiring monthly principal and interest payments of $5,902, secured by a first charge on land and building (Stonewall).	**$ 35,226**	$ 104,811
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).	**236,335**	317,564
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).	**127,442**	165,802
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).	**341,052**	375,314
	740,055	963,491
Current portion of long-term debt	**190,215**	222,337
	$ 549,840	$ 741,154

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:

2018	$ 190,215
2019	157,194
2020	145,284
2021	45,858
2022	36,612
Thereafter	164,892
	$ 740,055

9. Deferred Contributions

Deferred contributions consist of:

	2017	2016
Expenses of future periods	**$ 6,728,128**	$ 4,094,973
Capital assets	**217,623,610**	177,234,320
	$224,351,738	$181,329,293

a) Expenses of Future Periods

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

Deferred contributions consist of:

	2017	2016
Funding provided by MHSAL	**$ 2,741,859**	$ 423,787
Funding provided by other sources	**3,986,269**	3,671,186
	$ 6,728,128	$ 4,094,973

	2017	2016
Balance, beginning of year	**$ 4,094,973**	$ 4,301,463
Additional amounts received during year	**22,862,391**	10,175,341
Funding for reserve for major repairs	**122,908**	134,433
Less expenditures	**(20,352,144)**	(10,516,264)
Balance, end of year	**$ 6,728,128**	$ 4,094,973

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.

	2017	2016
Balance, beginning of year	**$177,234,320**	$108,789,173
Additional contributions received, net	**46,189,894**	74,536,193
Less amounts amortized to revenue	**(5,800,604)**	(6,091,046)
Balance, end of year	**$217,623,610**	$177,234,320

10. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	**$223,259,853**	$187,047,582
Amounts financed by:		
Deferred contributions	**217,623,610**	177,234,320
Long-term debt	**740,055**	963,491
	$ 4,896,188	$ 8,849,771

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

	2017	2016
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 5,800,604**	$ 6,091,046
Amortization of capital assets	**(6,022,808)**	(6,289,337)
	$ (222,204)	$ (198,291)

	2017	2016
Net changes in investment in capital assets		
Purchase of capital assets	**$ 42,235,079**	$ 77,389,784
Amounts funded by:		
MHSAL funding	**(46,031,223)**	(74,425,758)
Donations	**(158,671)**	(110,435)
Repayment of long-term debt	**223,436**	219,084
	$ (3,731,379)	$ 3,072,675

11. Revenue from Manitoba Health, Seniors and Active Living

	2017	2016
Revenue from MHSAL's		
Revenue as per MHSAL's final funding document	**$ 201,009,085**	$ 191,542,678
Debt interest allocation	**(1,196,436)**	(677,684)
Funds for loans held by the Province of Manitoba	**(1,952,933)**	(1,180,673)
Reserve for major repairs funding	**(52,175)**	(52,175)
	197,807,541	189,632,146
Add (Deduct)		
Retroactive salary and benefit increases	**7,502,341**	5,925,367
Leap Year Funding	**-**	521,543
Quality Assurance Officer	**28,847**	-
Inter-facility ambulance transfers	**3,129,756**	3,091,950
Influenza and immunizations	**115,253**	130,272
Universal Newborn Hearing Screening	**42,646**	-
St. Laurent EMS Station	**109,957**	-
Southern Air Ambulance Program	**613,000**	613,000
DSM directed funding	**52,974**	17,467
One-time funding - deficit	**14,300,000**	12,726,000
One-time funding - volume increase	**-**	6,000,000
One-time funding - other	**12,008**	240,821
One-time funding - Selkirk Regional Health Centre	**2,749,057**	-
Out-of-globe items and adjustments	**(1,613,052)**	(465,844)
Drug Capitation Fees increase	**-**	71,443
Dialysis Expansion	**502,791**	-
Mobile Clinic funding	**-**	441,311
Bounce Back pilot project	**-**	100,000
Inter-Professional Team Demonstration Initiative	**44,854**	135,262
Clinical Psychology Intern	**-**	90,462
Hospital Home Team	**28,631**	62,400
Harm Reduction Activities	**45,571**	12,429
Healthy Together Now	**122,937**	88,565
My Health Team	**29,961**	-
Safety and renovations	**820,363**	1,137,419
	$ 226,445,436	$ 220,572,013

12. 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, 2017, 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, 2017.

   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, 2017 to March 31, 2018 the amount of the commitment is $1,157,845. The aggregate commitment to March 31, 2023 is $4,200,496.

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.

13. 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 3.10% (3.00% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) plus an age related merit/promotion scale with a provision for potential disability.

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

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

	2017	2016
Balance, beginning of year	**$ 14,004,853**	$ 13,697,173
Net increase in pre-retirement entitlements	**284,541**	307,680
Balance, end of year	**$ 14,289,394**	$ 14,004,853

13. Employee Future Benefits (continued)

b) Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with 7.9% of salary under $55,300 and 9.5% of salary over $55,300 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The most recent actuarial valuation of the plan as at December 31, 2015 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $10,126,520 ($9,678,526 in 2016) and are included in the statement of operations.

The Cost of Living Adjustment Funds ("COLA Funds") that were announced in 2010 have now been implemented. The COLA Funds contribution rate is 1.0% (1.0% in 2016) 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.

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% (3.00% in 2016) and a salary increase rate of 3.5% (3.5% in 2016). The accumulated liability is estimated to be $2,694,091 ($2,820,915 in 2016).

14. 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.

15. Net Assets - Internal Restrictions and External Restrictions

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

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

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

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

<u>Internal Restrictions</u>

The Board of Directors has internally restricted $13,869 ($9,309 in 2016) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $110,553 ($90,795 in 2016). These are Board restricted community based health promotion projects and recruitment initiatives. The Authority is in compliance with these restrictions.

<u>External Restrictions</u>

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.

16. Financial Risk Management

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

Credit Risk

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

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

Accounts Receivable

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Patients/residents	$ 71,251	$ 100,574	$ 40,503	$ 309,447	$ 521,775
Trade receivables	295,797	115,772	29,725	1,643,029	2,084,323
Miscellaneous	1,728,913	88,205	94,470	904,892	2,816,480
GST receivable	214,775	-	-	-	214,775
	2,310,736	304,551	164,698	2,857,368	5,637,353
Less allowance for doubtful accounts:					
Patients/residents	-	-	-	(241,224)	(241,224)
Trade receivables	-	-	-	(226,254)	(226,254)
Miscellaneous	-	-	-	(30,305)	(30,305)
Total	$ 2,310,736	$ 304,551	$ 164,698	$ 2,359,585	$ 5,139,570

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

16. Financial Risk Management (continued)

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

	1-30 Days	31-60 Days	61-90 Days	91+Days	Total
Retroactive salary	$ 3,302,080	$ -	$ -	$ 2,448,235	$ 5,750,315
Interfacility ambulance	316,841	249,785	256,207	289,155	1,111,988
Other operations	1,430,347	-	-	-	1,430,347
Out of Globe 16/17	(1,767,439)	-	-	(400,598)	(2,168,037)
Safety and security	26,211	22,488	7,221	-	55,920
Small IT Projects	-	-	-	132,600	132,600
	$ 3,308,040	$ 272,273	$ 263,428	$ 2,469,392	$ 6,313,133

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.

17. Subsequent Event

Effective April 1, 2017, the funding model related to Diagnostic Services of Manitoba (DSM) changed, whereby funding will flow directly from MHSAL to DSM rather than through the Authority. On April 1, global funding of $13,894,341 was transferred to DSM.

18. 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	$ 3,729,700	$ 2,544,373	$ 1,185,327	$ -
Facility administrative support	1,984,217	1,040,074	920,049	24,094
Support services management	851,985	546,065	305,920	-
Total	$ 6,565,902	$ 4,130,512	$ 2,411,296	$ 24,094

19. 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)	**2017**	2016
Corporate operations	**3.12 %**	3.19 %
Patient care related functions	**0.71**	0.71
Human resources and recruitment functions	**2.01**	1.99
	5.84 %	5.89 %

20. 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, 2017

MNP

Management's Responsibility

To the Board of Directors of Northern Regional Health Authority:

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

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

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

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

June 21, 2017

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, 2017, the statements of operations, deficiency in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Regional Health Authority as at March 31, 2017 and the results of its operations, changes in deficiency in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Winnipeg, Manitoba

MNP LLP

June 21, 2017

Chartered Professional Accountants

Northern Regional Health Authority
Statement of Financial Position
As at March 31, 2017

	2017	*2016*
Assets		
Current		
Accounts receivable *(Note 2)*	**4,787,696**	3,080,620
Due from Manitoba Health *(Note 3)*	**9,021,057**	18,830,910
Inventory	**1,156,092**	1,311,865
Prepaid expenses	**976,506**	1,243,682
Vacation entitlement receivable - Manitoba Health *(Note 4)*	**5,429,191**	5,429,191
	21,370,542	29,896,268
Capital assets *(Note 5)*	**105,223,665**	91,649,084
Due from Manitoba Health (pre-retirement) *(Note 4)*	**4,209,802**	4,209,802
	130,804,009	125,755,154

Continued on next page

Northern Regional Health Authority
Statement of Financial Position
As at March 31, 2017

	2017	*2016*
Liabilities		
Current		
Bank indebtedness *(Note 6)*	**3,392,231**	14,474,859
Line of credit *(Note 7)*	**24,656,099**	21,345,850
Accounts payable and accruals *(Note 8)*	**17,427,922**	13,287,994
Current portion of long-term debt *(Note 10)*	**471,610**	515,717
Accrued vacation entitlements	**10,279,119**	10,481,722
Deferred revenue *(Note 9)*	**1,326,279**	1,313,677
	57,553,260	61,419,819
Long-term debt *(Note 10)*	**3,254,541**	3,621,977
Sick leave benefit obligation *(Note 11)*	**1,865,770**	1,830,900
Due to DSM - pre-retirement obligation	**652,024**	653,693
Accrued pre-retirement obligation *(Note 12)*	**9,698,000**	9,607,000
Deferred contributions related to expenses of future periods *(Note 13)*	**383,537**	383,297
Deferred contributions related to capital assets *(Note 14)*	**66,567,219**	53,968,906
	139,974,351	131,485,592
Deficiency in Net Assets		
Investment in capital assets *(Note 15)*	**10,274,196**	12,196,634
Externally restricted	**10,182**	10,182
Unrestricted	**(19,454,720)**	(17,937,254)
	(9,170,342)	(5,730,438)
	130,804,009	125,755,154

Approved on behalf of the Board

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Northern Regional Health Authority
Statement of Operations
For the year ended March 31, 2017

	2017	*2016*
Revenue		
Manitoba Health *(Note 16)*	**217,593,103**	213,245,568
Amortization of deferred contributions related to capital assets *(Note 14)*	**6,846,967**	6,273,252
Non-insured income	**8,082,701**	7,017,117
Other revenue	**4,395,825**	4,898,871
Northern patient transportation program recoveries	**4,601,975**	3,803,603
Government of Canada	**474,772**	563,038
Ancillary revenue	**2,146,761**	1,967,244
Total revenue	**244,142,104**	237,768,693
Expenses		
Acute care	**107,093,884**	94,570,852
Amortization of capital assets	**6,846,967**	6,273,251
Ancillary operations	**2,360,620**	1,957,399
Community based health	**21,475,887**	20,685,918
Community based home care	**8,222,895**	8,476,073
Community based mental health	**4,980,157**	5,010,515
Aging in place/long-term care	**17,127,195**	15,885,486
Land ambulance	**7,035,051**	5,713,533
Northern patient transportation	**20,494,035**	18,997,481
Medical remunerations	**35,404,111**	38,751,737
Unallocated regional health authority costs	**16,541,206**	21,245,911
Total expenses	**247,582,008**	237,568,156
Excess (deficiency) of revenue over expenses	**(3,439,904)**	200,537

	Investment in capital assets	*Externally restricted*	*Unrestricted*	*2017*	*2016*
Net assets (deficiency in net assets), beginning of year	**12,196,634**	**10,182**	**(17,937,254)**	**(5,730,438)**	(5,930,975)
Excess (deficiency) of revenue over expenses	**-**	**-**	**(3,439,904)**	**(3,439,904)**	200,537
Net changes in investment in capital assets *(Note 15)*	**(1,922,438)**	**-**	**1,922,438**	**-**	-
Net assets (deficiency in net assets), end of year	**10,274,196**	**10,182**	**(19,454,720)**	**(9,170,342)**	(5,730,438)

Northern Regional Health Authority
Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(3,439,904)**	200,537
Amortization of capital assets	**6,846,967**	6,273,251
Amortization of deferred contributions related to capital assets	**(6,846,967)**	(6,273,251)
Deferred revenue recognized in income	**(2,682,085)**	(2,272,474)
	(6,121,989)	(2,071,937)
Changes in working capital accounts		
Accounts receivable	**(1,707,076)**	2,553,067
Inventory	**155,773**	(204,681)
Due from Manitoba Health	**9,809,853**	(4,876,210)
Prepaid expenses	**267,176**	(27,428)
Accounts payable and accruals	**4,139,928**	(347,979)
Accrued vacation entitlements	**(202,603)**	757,663
Deferred revenue	**2,694,687**	2,333,260
Deferred contributions related to expenses of future periods	**240**	-
	9,035,989	(1,884,245)
Financing		
Net change in long-term debt	**(411,543)**	(3,447,287)
Change in pre-retirement obligation	**91,000**	128,000
Change in DSM pre-retirement obligation	**(1,669)**	(24,683)
Receipt of deferred contributions related to capital assets	**19,445,280**	11,111,275
Change in sick leave benefit obligation	**34,870**	(32,689)
Change in line of credit	**3,310,249**	10,690,669
Change in bank indebtedness	**(11,082,628)**	4,846,406
	11,385,559	23,271,691
Capital activity		
Purchases of capital assets	**(20,421,548)**	(21,387,446)
Cash and cash equivalents, beginning and end of year	**-**	-

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.

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.

No amortization is provided for construction in progress.

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

Long-lived assets

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

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

Revenue recognition

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

Manitoba Health operating revenue
Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2017.

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

Multiemployer defined benefit plan

The majority of the employees of the Authority are members of the Healthcare Employees Pension Plan - HEPP (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the 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 $6,852,419 (2016 - $6,553,981) 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 ("EARSL") of the related employee group.

Sick leave benefit obligation

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

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

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

Measurement uncertainty (use of estimates)

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

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

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

Financial instruments

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

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

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

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess if 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 Organization classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. There were no transfers between levels for the years ended March 31, 2017 and 2016.

External restrictions

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

2. Accounts receivable

	2017	2016
Northern Patient Transportation Program receivables	**14,565,133**	14,357,163
GST rebates receivable	**370,217**	262,781
Patient and other receivables	**3,574,877**	3,222,564
Allowance for doubtful accounts - Northern Patient Transportation Program receivables	**(12,307,818)**	(12,307,818)
Allowance for doubtful accounts - patient and other receivables	**(1,414,713)**	(2,454,070)
	4,787,696	3,080,620

3. Due from Manitoba Health

	2017	2016
2015-2016 HEPP COLA	**49,696**	278,756
2015-2016 MNU Retention Bonus Shortfall	**70,769**	-
2016-2017 Saskatchewan Health	**3,567,950**	-
EMS Additional Funding (Primary Care Paramedics – Devolution)	**1,026,206**	-
2016-2017 NYCS Mobile unit Budget	**831,700**	-
2016-2017 Dialysis - Expansion Funding	**708,200**	-
2016-2017 Funding Approval for 2008/09 RN (EP) Positions	**265,281**	-
2016-2017 NRB - MAHCP (Oct 2016-Mar 2017 Accrual)	**640,212**	-
2016-2017 NIRRA Funding Based on FTE Count - OOS	**494,600**	-
2016-2017 Universal Newborn Hearing Screening	**190,385**	-
2016-2017 Office of the Medical Director Funding - Quality Assurance Officer	**42,329**	-
2016-2017 Hope North	**5,500**	-
DSM Union Contract Ratification	**913,613**	-
DSM Rural DI Ultrasound	**19,257**	-
DSM CT Callback	**16,266**	-
DSM Digital Mammography	**26,262**	-
DSM HEPP COLA	**6,047**	-
DSM Year-end Settlement	**146,784**	-
2011-2012 Extended Health Benefit	**-**	184,926
2014-2015 Medical Remuneration	**-**	3,502,475
2015-2016 Medical Remuneration	**-**	5,269,478
2015-2016 MAHCP Retention Bonuses	**-**	1,239,536
MAHCP Retention Bonus - DSM	**-**	608,459
2015-2016 Northern Youth Crisis Funding	**-**	657,667
2012-2013 Medical Education Coordinator	**-**	110,000
2014-2015 Medical Education Coordinator	**-**	55,000
2015-2016 Immunization Funding	**-**	91,133
Cancer Patient Journey	**-**	39,684
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
	9,021,057	18,830,910

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	2017 Net book value
Land	**228,528**	**-**	**228,528**
Land improvements	**532,649**	**369,853**	**162,796**
Buildings	**129,808,265**	**69,380,003**	**60,428,262**
Computers	**4,677,513**	**3,552,539**	**1,124,974**
Equipment	**33,538,589**	**24,876,359**	**8,662,230**
Construction in progress	**34,616,875**	**-**	**34,616,875**
	203,402,419	**98,178,754**	**105,223,665**

	Cost	Accumulated amortization	2016 Net book value
Land	228,528	-	228,528
Land improvements	532,649	368,818	163,831
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

Construction in progress commitment

a. Flin Flon ER Development Project
A contract was signed with Fresh Projects in April 2016 for the construction of the Flin Flon Emergency Room with an estimated completion date of 2018. Costs incurred to date for building and equipment are $9,182,752 ($1,185,240 to March 31, 2016). Total projected cost is $22,359,755.

b. Grand Rapids Nursing Station
A contract was signed with Con Pro Industries in January 2015 for the construction of the Grand Rapids Nursing Station with an estimated completion date of 2017. Costs incurred to date for building and equipment are $7,473,736 ($6,043,395 to March 31, 2016). Total projected cost is $8,212,249.

c. Youth Crisis Centre
A contract was signed with Penn-Co Construction in April 2015 for the construction of the Youth Crisis Centre with an estimated completion date of 2017. Costs incurred to date for building and equipment are $6,861,576 ($4,304,350 to March 31, 2016). Total projected cost is $7,776,917.

d. Construction in Progress
Other projects with total costs incurred to-date of $11,098,811 are in various stages of completion. Total projected costs for these projects are $31,331,738.

6. Bank indebtedness

The Authority has an authorized operating line of credit of $9,400,000 bearing interest at the bank's prime rate minus 1.00% (2016 - 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, 2017 the bank's prime rate was 2.70% (2016 - 2.70%). Bank indebtedness is comprised of the following:

	2017	*2016*
Petty cash on hand and balances with banks	**559,939**	512,898
Operating line of credit balance	**(3,952,170)**	(14,987,757)
	(3,392,231)	(14,474,859)

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 (2016 - prime minus 0.80%). As at March 31, 2017 the bank's prime rate was 2.70% (2016 - 2.70%).

8. Accounts payable and accruals

	2017	*2016*
Accounts payable	**8,056,244**	5,445,199
Pension liability	**990,021**	951,180
Salaries and benefits	**8,381,657**	6,891,615
	17,427,922	13,287,994

9. Deferred revenue

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

	2017	*2016*
Balance, beginning of year	**1,313,677**	1,252,891
Funding received during the year	**2,694,687**	2,217,360
Funding accrual	**-**	115,900
Amount recognized as revenue during the year	**(2,682,085)**	(2,272,474)
Balance, end of year	**1,326,279**	1,313,677

10. Long-term debt

	2017	2016
Manufacturer's Life Insurance Company loan, with monthly payments equal to the energy savings including interest at 6.30% per annum, expected to be paid out by September 2021	**836,835**	998,060
Term loans due to Royal Bank of Canada, with monthly payments between $835 and $10,250 including interest at the bank's prime rate less 0.80% per annum, due from June 2021 to June 2053, secured by certain equipment	**1,873,178**	2,042,743
Loan payable to Royal Bank of Canada with monthly payments of $10,016 including interest at 3.72% per annum, due May 2027, secured by certain buildings	**1,016,138**	1,096,891
	3,726,151	4,137,694
Less: current portion	**471,610**	515,717
	3,254,541	3,621,977

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

2018	471,610
2019	485,914
2020	501,061
2021	517,101
2022	393,729

Interest on long-term debt amounted to $407,211 (2016 – $573,528) and is included in unallocated regional health authority costs on the statement of operations.

11. Sick leave benefit obligation

The Authority's sick leave benefit obligation is based on an actuarial report prepared as of March 31, 2017. 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, 2017:

	2017	2016
Sick leave benefit obligation, beginning of year	**2,361,900**	2,555,589
Current period service cost	**221,307**	222,657
Interest cost	**68,000**	65,795
Benefits paid	**(336,437)**	(415,342)
Actuarial (gain)/loss and other	**(13,971)**	(66,799)
Sick leave benefit obligation, end of year	**2,300,799**	2,361,900
Unamortized net actuarial loss	**(435,029)**	(531,000)
Sick leave benefit obligation, end of year	**1,865,770**	1,830,900

12. Accrued pre-retirement obligation

The Authority's pre-retirement obligation is based on an actuarial report prepared as of March 31, 2017. The valuation includes employees who qualify as at March 31, 2017, 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, 2017:

	2017	*2016*
Pre-retirement benefit obligation, beginning of year	**8,812,000**	8,842,000
Current period service cost	**758,000**	771,000
Interest cost	**270,000**	227,000
Benefits paid	**(807,000)**	(771,000)
Actuarial (gain)/loss and other	**(50,238)**	(257,000)
Pre-retirement benefit obligation, end of year	**8,982,762**	8,812,000
Unamortized net actuarial gain	**715,238**	795,000
Pre-retirement accrued benefit liability, end of year	**9,698,000**	9,607,000

The actuarial valuation was based on a number of assumptions about future events including a discount rate of 3.10% (2016 - 3.00%), a rate of salary increases of 3.50% (2016 - 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.

13. 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.

14. 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:

	2017	*2016*
Balance, beginning of year	**53,968,906**	49,222,016
Amount received during the year	**19,445,280**	11,020,142
Less: Amounts recognized as revenue during the year	**(6,846,967)**	(6,273,252)
Balance, end of year	**66,567,219**	53,968,906

15. Net assets invested in capital assets

	2017	2016
Net assets invested in capital assets are calculated as follows:		
Capital assets	**105,223,665**	91,649,084
Deferred contributions	**(66,567,219)**	(53,968,906)
Long-term debt	**(3,726,151)**	(4,137,694)
Line of credit	**(24,656,099)**	(21,345,850)
	10,274,196	12,196,634

Change in net assets invested in capital assets is calculated as follows:		
Amortization of deferred contributions related to capital assets	**6,846,967**	6,273,251
Amortization of capital assets	**(6,846,967)**	(6,273,251)
	-	-

Net changes in investment in capital assets		
Purchase of capital assets	**20,421,548**	21,387,446
Long term debt - net	**411,543**	3,447,287
Advances on line of credit	**(3,310,249)**	(10,690,669)
Manitoba Health - Capital asset funding	**(19,445,280)**	(11,020,141)
	(1,922,438)	3,123,923

16. Revenue from Manitoba Health

	2017	2016
Revenue as per Manitoba Health's funding document	**231,500,899**	211,199,743
Deduct:		
Payments on prior year receivables	**(18,588,962)**	(149,650)
Revenue not recorded in the prior year	**-**	(8,986,513)
Capital equipment funding	**(1,199,493)**	(1,670,952)
Nelson House PCH funding - flow through	**(1,507,248)**	(853,599)
Ancillary program	**(352,348)**	(185,127)
Ambulance	**(210,937)**	(393,996)
Interest funding (actual)	**(510,978)**	(205,475)
Other	**(272,315)**	(240,039)
Provincial Nursing Station - Transitional	**(368,182)**	(170,814)
CIHI Fees	**40,172**	40,895
	(22,970,291)	(12,815,270)
Add: Accruals approved by Manitoba Health		
2016-2017 Saskatchewan Health	**3,567,950**	-
EMS Additional Funding (Primary Care Paramedics – Devolution)	**1,026,206**	-
2016-2017 NYCS Mobile unit Budget	**831,700**	-
2016-2017 Dialysis - Expansion Funding	**708,200**	-
2016-2017 Funding Approval for 2008/09 RN (EP) Positions	**265,282**	-
2016-2017 NRB - MAHCP (Oct 2016-Mar 2017 Accrual)	**640,212**	-
2016-2017 NIRRA Funding Based on FTE Count - OOS	**494,600**	-
2016-2017 Universal Newborn Hearing Screening	**190,385**	-
2016-2017 Office of the Medical Director Funding - Quality Assurance Officer	**42,329**	-
2016-2017 Hope North	**5,500**	-
MNU Retention Funding Shortfall	**70,769**	-
DSM Union Contract Ratification	**913,613**	-
DSM Rural DI Ultrasound	**19,257**	-
DSM CT Callback	**16,266**	-
2016-2017 Immunization Funding	**91,133**	-
DSM Year End Settlement	**146,784**	-
DSM Digital Mammography	**26,262**	-
DSM HEPP COLA	**6,047**	-
Medical remuneration	**-**	5,282,881
Mobile youth crisis program	**-**	657,667
MAHCP retention bonus	**-**	1,239,536
MAHCP retention bonus - DSM	**-**	608,459
DSM call back funding	**-**	101,121
2015-2016 Saskatchewan Health FFGH Agreement	**-**	4,301,746
2015-2016 HEPP COLA - DSM	**-**	49,696
2015-2016 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
	9,062,495	14,861,095
	217,593,103	213,245,568

17. 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 $33,117 (2016 - $171,891).

18. Commitments and contingencies

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

2018	327,510
2019	268,440
2020	139,520
	735,470

(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, 2017.

19. Financial instruments

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

Risk management policy

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

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.

19. 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.

20. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2014, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2017, the Authority has no known contaminated sites or no known future potential contaminated sites.

21. Trusts under administration

At March 31, 2017, the balance of Resident trust funds held in trust is $71,037 (2016 - $67,752). These funds are not included in the balances of the Authority's financial statements.

22. Economic dependence

The Authority received approximately 89% (2016 - 91%) 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.

23. Contingent liabilities

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

24. Subsequent event

Effective April 1, 2017, the funding model related to Diagnostic Services of Manitoba ("DSM") changed, whereby funding will flow directly to DSM rather than through the Authority. Global funding of $13,176,928 will be transferred to DSM. DSM continues to occupy space and utilize equipment through the Authority. Currently these direct costs are being included in the Authority's operating costs and are not being recovered though DSM or Manitoba Health, thus the Authority runs the risk of incurring additional costs relating from rising expenditures.

25. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Prairie Mountain Health
Consolidated Financial Statements
For the year ended March 31, 2017

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	Original Document Signed
Management	Management

Independent Auditors' Report

To the 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, 2017, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prairie Mountain Health as at March 31, 2017 and the results of its operations (including remeasurement gains and losses), changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Brandon, Manitoba

June 24, 2017

MNP LLP

Chartered Professional Accountants

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

	2017	2016
ASSETS		
Current		
Cash and cash equivalents	$ 62,949	$ 37,614
Short-term investments *(Note 7)*	2,450	1,765
Accounts receivable *(Note 4)*	5,530	5,723
Due from Manitoba Health *(Note 5)*	23,340	41,128
Current portion of loan receivable *(Note 6)*	32	31
Inventories held for use	5,031	4,713
Prepaid expenses	3,078	2,830
	102,410	93,804
Non-Current		
Due from Manitoba Health *(Note 5)*	23,141	23,503
Loan receivable *(Note 6)*	157	189
Investments *(Note 7)*	5,728	6,394
Capital assets *(Note 8)*	286,476	283,438
	315,502	313,524
	$ **417,912**	$ 407,328
LIABILITIES		
Current		
Demand loans *(Note 9)*	$ 207	$ 297
Accounts payable and accrued liabilities *(Note 10)*	40,330	34,030
Employee future benefits *(Note 11)*	34,047	32,435
Current portion of obligation under capital lease *(Note 13)*	511	583
Current portion of long-term debt *(Note 12)*	196	218
	75,291	67,563
Non-Current		
Employee future benefits *(Note 11)*	46,828	48,034
Obligation under capital lease *(Note 13)*	807	1,318
Long-term debt *(Note 12)*	735	931
	48,370	50,283
Deferred Contributions *(Note 14)*		
Expenses of future periods	14,713	13,688
Capital assets	274,675	270,853
	289,388	284,541
	$ **413,049**	$ 402,387
Commitments and contingencies *(Note 20)*		
NET ASSETS		
Invested in capital assets *(Note 16)*	7,058	8,047
Internally restricted *(Note 17)*	5,449	5,467
Externally restricted *(Note 17)*	63	112
Unrestricted	(7,707)	(8,685)
	4,863	4,941
	$ **417,912**	$ 407,328

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

	2017	2016
REVENUE		
Manitoba Health operating income *(Note 18)*	$ 546,341	$ 530,579
Authorized/residential charges	33,766	32,162
Amortization of deferred contributions - expenses of future periods *(Note 14)*	87	41
Amortization of deferred contributions - capital assets *(Note 14)*	16,908	16,905
Non-insured income	2,285	2,144
Ancillary revenue	3,313	3,196
Other income	15,376	13,598
Province of Manitoba	4,331	4,433
Investment income	743	694
	623,150	603,752
EXPENSES		
Acute care services	253,907	246,886
Personal care home services	141,018	138,031
Medical remuneration	43,029	41,872
Community based mental health services	24,696	23,115
Community based home care services	40,898	40,768
Community based health services	25,974	24,782
Emergency medical services	22,818	18,795
Regional undistributed costs	36,837	36,384
Amortization of capital assets	18,252	18,293
Future employee benefits	3,489	3,249
Therapy services	9,114	8,381
Ancillary expenses	2,998	2,653
	623,030	603,209
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	**$ 120**	$ 543

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

Prairie Mountain Health

Consolidated Statement of Changes in Net Assets

(in thousands of dollars)

For the year ended March 31

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	*2017*
Balance beginning of year	**$ 8,047**	**$ 5,467**	**$ 112**	**$ (8,685)**	**$ 4,941**
Excess (Shortfall) of revenue over expenses	**(1,231)**	**406**	**-**	**945**	**120**
Transfer (to) from deferred contributions	**(221)**	**(120)**	**-**	**252**	**(89)**
Investment in capital assets	**348**	**(326)**	**-**	**(20)**	**2**
Change in fair value of investments	**-**	**(11)**	**-**	**(125)**	**(136)**
Internally/Externally restricted assets	**(3)**	**33**	**1**	**-**	**31**
Elderly Persons Housing adjustments	**-**	**-**	**(50)**	**(31)**	**(81)**
Transfer (to) from Non-Devolved Org.	**118**	**-**	**-**	**(43)**	**75**
Balance end of year	**$ 7,058**	**$ 5,449**	**$ 63**	**$ (7,707)**	**$ 4,863**

	Invested in Capital Assets	*Internally Restricted*	*Externally Restricted*	*Unrestricted*	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)	189
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

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

For the year ended March 31

	2017	2016
OPERATING TRANSACTIONS		
Excess (Shortfall) of revenue over expenses	$ 120	$ 543
Adjustments to determine net cash provided by (used in) operating activities		
Gain/(loss) on disposal of capital assets	2	-
Amortization of capital assets	18,252	18,293
Amortization of deferred contributions	(16,995)	(16,946)
Change in deferred revenue	21,842	14,753
Changes in non-cash operating working capital items:		
Accounts receivable	193	1,875
Due from Manitoba Health	18,150	(5,230)
Loan receivable	31	30
Inventories held for use	(318)	240
Prepaid expenses	(248)	(1,510)
Accounts payable and accrued liabilities	6,300	(6,896)
Employee future benefits	406	(336)
Net assets	(198)	383
	47,537	5,199
CAPITAL TRANSACTIONS		
Proceeds on sale of capital assets	21	-
Cash used to acquire capital assets	(21,313)	(15,266)
	(21,292)	(15,266)
INVESTING TRANSACTIONS		
Portfolio investment transactions	**(19)**	14
FINANCING TRANSACTIONS		
Repayment of loans and advances	**(891)**	(407)
NET CHANGE IN CASH	**25,335**	(10,460)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**37,614**	48,074
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **62,949**	$ 37,614
Supplementary Information		
Interest received	$ 743	$ 694
Interest paid	137	167

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

	2017	2016
Accumulated remeasurement gains and (losses) at beginning of year	$ 341	$ 379
Unrealized gains (losses) attributable to:		
Portfolio investments	(173)	(38)
Accumulated remeasurement gains and (losses) at end of year	$ 168	$ 341

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

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, 2017 St. Paul's Personal Care Home is a devolved facility within Prairie Mountain Health.

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, 2017.

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.

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.

3. Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

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

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

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

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

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

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

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

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

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 uncollectability: age of the amount outstanding, knowledge gained surrounding change in economic circumstances of the third party, and the history of collectability based on the type of revenue stream.

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

3. Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

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

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

Market risk

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

Currency risk

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

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

Interest rate risk

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

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

Changes to risk

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

(f) Inventories held for use

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

3. Significant accounting policies *(continued)*

(g) Capital assets

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

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

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

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

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, 2017, 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.

(in thousands of dollars)

4. Accounts receivable

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

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

	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

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

(in thousands of dollars)

5. Due from Manitoba Health *(continued)*

	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

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.

	2017	2016
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	$ 189	$ 220
Less current portion	(32)	(31)
	$ 157	$ 189

Principal payments due in the next five years are as follows:	2018	$ 32
	2019	33
	2020	34
	2021	35
	2022	37

(in thousands of dollars)

7. Investments

	2017		2016	
	Cost	**Fair Value**	Cost	Fair Value
Various provincial, municipal and other bonds or debentures at interest rates from 0%-4.25%, maturing in 90 days or less	**$ 1,464**	**$ 1,460**	$ 952	$ 952
Various provincial, municipal and other bonds or debentures at interest rates at 1.9% to 4.8%, maturing in 91 days to one year	**988**	**970**	265	253
Guaranteed investment certificates at interest rates from 1.8%-2.4%, maturing within one year	**20**	**20**	561	560
	2,472	**2,450**	1,778	1,765
Various provincial, municipal and other bonds or debentures at interest rates from 1.25%-8.1%, with varying maturities up to December 15, 2025	**4,771**	**4,849**	4,077	4,278
Government of Canada bonds at interest rates from 1.95%-8%, maturing June 1, 2029	**641**	**753**	354	491
Guaranteed investment certificates at interest rates from 2%-2.9% with varying maturities up to March 23, 2021	**100**	**100**	1,583	1,599
Investment in Tiger Hills Villa	**26**	**26**	26	26
	5,538	**5,728**	6,040	6,394
	$ 8,010	**$ 8,178**	$ 7,818	$ 8,159

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%-8.1% paid semi-annually or quarterly.

8. Capital assets

		2017	
	Cost	Accumulated Amortization	Net Book Value
Land and parking lots	$ 4,595	$ -	$ 4,595
Land improvements	3,516	1,965	1,551
Buildings and leasehold improvements	385,264	163,780	221,484
Building service equipment/equipment	95,541	60,002	35,539
Assets under capital lease	3,793	1,863	1,930
Construction in progress	21,377	-	21,377
	$ 514,086	**$ 227,610**	**$ 286,476**

		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

(in thousands of dollars)

8. Capital assets *(continued)*

Construction in Progress Commitment

	Dauphin Emergency Expansion	Brandon Redevelopment	Dauphin MRI	St. Rose Primary Care Clinic
Contractor	Horizon Builders Ltd.	Horizon Builders Ltd.	Con-Pro Industries	Scott Howard Contracting
Date contract signed	December 2016	March 2016	March 2016	November 2015
Estimated completion date	March 2019	August 2018	June 2017	June 2017
Costs incurred to date for:				
Building	$ 2,209	$ 6,734	$ 3,558	$ 3,134
Service equipment	-	62	560	207
Total costs incurred to date	**2,209**	**6,796**	**4,118**	**3,341**
Current year costs	844	5,724	3,827	3,083
Prior year costs	1,365	1,072	291	258
Total expected costs	$ 15,300	$ 13,029	$ 3,726	$ 3,515

Other projects with total costs incurred to date of **$4,913** ($8,454 – 2016) are in various stages of completion. Total expected costs for these projects are $22,550.

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. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	$ 17,391	$ 14,619
Salary and payroll deductions payable	3,521	1,973
Pension payable	1,883	1,849
Accrued salaries	17,496	15,546
Accrued interest	39	43
	$ 40,330	$ 34,030

11. Employee future benefits

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

Vacation benefits obligation

The accrued benefit obligation for vacation benefits is valued using employee vacation bank balances at March 31 and salary rates. The total on the financial statements for vacation benefits at March 31, 2017 is **$34,047** ($32,435 – 2016) and is considered a short term obligation.

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

(in thousands of dollars)

11. Employee future benefits *(continued)*

	2017	2016
Pre-retirement benefits obligation	$ 39,535	$ 40,834
Sick leave benefits obligation	7,293	7,200
	$ 46,828	$ 48,034

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, 2017. 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, 2017 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

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:

	2017	2016
Discount rate - March 31	**3.1%**	3.0%
Rate of salary increase - April 1	**3.5%**	3.5%
EARSL - March 31 (in years)	**7.4**	7.4

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

(in thousands of dollars)

11. Employee future benefits *(continued)*

The pre-retirement valuation includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the years of service criteria. The following table presents information about accrued pre-retirement benefit obligations, the change in value and the balance of the obligation at March 31, 2017:

Change in Benefit Obligation – Pre-retirement

	2017	2016
Pre-retirement benefit obligation, beginning of year	$ 38,137	$ 39,970
Current period service cost	2,679	2,715
Interest cost	1,142	1,003
Benefits paid	(4,695)	(4,554)
Actuarial (gain)/loss	(194)	(997)
Pre-retirement benefit obligation, end of year	37,069	38,137
Unamortized net actuarial gain (loss)	2,466	2,697
Pre-retirement accrued benefit liability, end of year	$ 39,535	$ 40,834

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

Sick leave benefits obligation

For the year ending March 31, 2013, the Region adopted accrual accounting for the sick leave plan according to Canadian public sector accounting standards section 3255. Prior to that date the Region recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the statement of financial position. At the beginning of fiscal year April 1, 2011, a valuation of the Region's obligations for the accumulated sick leave bank was done for accounting purposes using the average usage of sick days used in excess of the annual sick days earned. Factors used in the calculation are as follows:

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

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

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

	2017	2016
Sick Leave benefit obligation, beginning of year	$ 10,586	$ 11,819
Current period service cost	789	800
Interest cost	316	296
Expected benefits paid	(1,684)	(2,033)
Actuarial (gain)/loss	(62)	(296)
Sick Leave benefit obligation, end of year	9,945	10,586
Unamortized net actuarial gain (loss)	(2,652)	(3,386)
Sick Leave benefit liability, end of year	$ 7,293	$ 7,200

(in thousands of dollars)

12. Long-term debt

	2017	2016
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.86% to 6%, due from April 1, 2017 to March 1, 2018, with monthly payments of principal and interest from $.986 to $3, secured by buildings	$ 14	$ 62
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	647	729
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.	270	358
	931	1,149
Less: current portion	(196)	(218)
	$ 735	$ 931

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

2018	$ 196
2019	195
2020	186
2021	117
2022	129
Thereafter	108

13. Obligation under capital lease

	2017	2016
Royal Bank of Canada monthly payments including interest of $6, bears interest at 2.6%, secured by the underlying equipment, expiring August 2022	$ 476	$ 547
Royal Bank of Canada monthly payments including interest of $27, bears interest at 3.41%, secured by the underlying equipment, expiring Feb 2018	713	1,013
Royal Bank of Canada monthly payments including interest of $8, bears interest at 3.54%, secured by the underlying equipment, expiring Feb 2018	87	179
Royal Bank of Canada monthly payments including interest of $10, bears interest at 3.67%, secured by the underlying equipment, expiring July 2017	42	162
	1,318	1,901
Less: current portion	(511)	(583)
	$ 807	$ 1,318

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

2018	$ 511
2019	395
2020	158
2021	78
2022	80
Thereafter	96

(in thousands of dollars)

14. Deferred contributions

a) *Expenses of future periods*

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

	2017	2016
Balance, beginning of year	$ 13,688	$ 12,586
Amount received during the year	8,697	11,997
Transferred to deferred contributions, capital assets	(2,236)	(5,070)
Less: amounts amortized to revenue	(87)	(41)
Less: amounts recognized as revenue – programs	(5,347)	(5,782)
Less: amounts recognized as revenue – ancillary	(2)	(2)
	$ 14,713	$ 13,688

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.

	2017	2016
Balance, beginning of year	$ 270,853	$ 274,148
Amount received during the year	2,990	2,278
Transferred from deferred contributions, future expenses	2,236	5,070
Capital asset purchases	18,381	9,122
Less: amounts amortized to revenue	(16,908)	(16,905)
Less: amounts recognized as revenue – programs	(409)	(10)
Less: amounts recognized as revenue - ancillary	(152)	(209)
Less: principal payments on long-term debt	(2,405)	(2,003)
Transfers (to) from Net Assets-Invested in Capital Assets	89	(638)
	$ 274,675	$ 270,853

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

	2017	2016
Lines of Credit at prime less 1.05% per annum established via borrowing resolutions supported by letter of comfort from Manitoba Health	$ 40,370	$ 24,116
1.64% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of $3, maturing January 2017, secured by buildings	-	34
8% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of $2, maturing April 2025, secured by buildings	160	174
1.31% mortgage repayable monthly to Canadian Mortgage and Housing Corporation with payments of principal and interest of $14, maturing 2021, secured by buildings	748	897
Mortgages payable to Canadian Mortgage and Housing Corporation at interest rates from 1.86% to 10.50%, due from April 1, 2017 to May 1, 2029, with monthly payments of principal and interest from $1 to $27, secured by buildings	4,423	5,049
	$ 45,701	$ 30,270

(in thousands of dollars)

15. Pension plan

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

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

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, 2015 the Plan's going concern ratio was 98.5%.

During the year, the Region contributed **$24,316** ($24,557 – 2016) to the Pension Plan using contribution rates set out in the Plan as follows:

	2017	2016
Employee contributions		
% of Basic Annual Earnings below YMPE*	**8.9%**	8.9%
% of Basic Annual Earnings above YMPE	**10.5%**	10.5%
Employer contributions		
% of Basic Annual Earnings below YMPE	**8.9%**	8.9%
% of Basic Annual Earnings above YMPE	**10.5%**	10.5%
*(*YMPE – Yearly Maximum Pensionable Earnings)*		

16. Invested in capital assets

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

	2017	2016
Capital Assets	$ 286,476	$ 283,438
Amounts financed by:		
Deferred contributions	(274,675)	(270,853)
Due from (to) operating account	(2,287)	(1,191)
Long term debt, bank advances and capital lease obligation	(2,456)	(3,347)
	$ 7,058	$ 8,047

17. Restricted assets

Internally restricted
The Board of Directors has restricted net assets related to non Manitoba Health activities of **$5,449** ($5,467 - 2016). 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.

(in thousands of dollars)

18. Manitoba Health revenue

	2017	2016
Allocation per Funding Document	$ 520,054	$ 499,499
Add one time funding:		
Additional global	12,800	8,000
2015-16 global deficit	(543)	3,404
Salary and benefit settlements	7,493	11,121
Interfacility transfers, lifeflight and EMS revenue rate reduction	3,390	3,362
COLA Plan increases	2,765	2,692
St. Paul's Home goodwill	-	576
Primary care/community programs improvement initiatives	645	369
Family physician stipends	324	297
Primary care nurses salaries and benefits	288	160
Provincial workplace injury reduction	192	121
Long service step	873	-
Emergency services billings	40	40
Diagnostic Services improvements	73	-
Various program improvement initiatives	181	214
Leap year funding	-	1,262
Personal Care Home per capita pharmacy fees	-	664
Emergency Medical Services paramedics	270	691
Total Funding Approved by Manitoba Health	$ 548,845	$ 532,472
Add/(Deduct):		
Fee for service income	5,076	4,798
Medical remuneration year end settlement	(301)	(2)
Amounts recorded in deferred contributions	(3,257)	(2,638)
Non-global reconciliation	(4,022)	(4,051)
Total revenue from Manitoba Health	$ 546,341	$ 530,579

19. Capital disclosures

The Region operates a number of elderly persons housing facilities which are subject to capital requirements as part of Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing.

Under the terms of agreements with Manitoba Housing and CMHC, replacement reserve accounts are to be credited with amounts as determined in consultation with Manitoba Housing. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by Manitoba Housing or CMHC from time to time. The funds in the account may only be used as approved. Withdrawals are credited to interest first and then principal.

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

20. Commitments and contingences

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

2018	$ 1,963
2019	1,766
2020	1,182
2021	279
2022	102

(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.

(in thousands of dollars)

20. Commitments and contingences *(continued)*

(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, 2017.

21. Liability for contaminated sites

Effective for fiscal years beginning on or after April 1, 2015, public sector accounting standards requires recognition of a liability for remediation of contaminated sites where contamination exceeds environment site standards and a reasonable estimate of the amount can be made. Reporting requirements are limited to the contamination of soil, water and sediment. As of March 31, 2017, the Region has no known contaminated sites or no known future potential contaminated sites.

22. Related party transactions

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

23. Trusts under administration

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

	2017	2016
Resident trust funds	$ 337	$ 309

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

24. Disclosure of allocated expenses

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

	Acute	Personal Care Homes	Community	Total 2017	Total 2016
Administration	$ 986	$ 895	$ -	$ **1,881**	$ 1,958
Food Services	3,782	13,045	94	**16,921**	16,572
Housekeeping	3,180	2,041	-	**5,221**	5,078
Laundry	1,789	1,456	-	**3,245**	3,203
Nursing	1,258	1,106	-	**2,364**	2,246
Plant Operations	5,367	1,439	-	**6,806**	6,916
Plant Maintenance	3,291	2,296	-	**5,587**	5,800
Balance, end of year	$ **19,653**	$ **22,278**	$ **94**	$ **42,025**	$ 41,773

25. Economic dependence

The Region received approximately 88% (87% - 2016) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

26. Subsequent Events

On December 8, 2016 the Regional Health Authorities of Manitoba (RHAM) Board of Directors and Membership voted in favour of a motion to dissolve RHAM and commence distributing assets and discharging liabilities. Subsequent to this motion, Manitoba Health appointed Prairie Mountain Health (PMH) as the governing authority over the operations of the Medical Transportation Coordination Centre (MTCC) to be effective April 1, 2017. On April 1, 2017 the assets and liabilities of MTCC will be consolidated into the books and records of PMH and all future reporting of operational results will be part of the consolidated financial statement of PMH.

On April 1, 2017, there was a transfer of global funding from Health Authorities to Diagnostic Services Manitoba (DSM). This is a change in the funding model only and the services provided by DSM to each Health Authority will continue under the terms and conditions of the current Service Level Agreements.

27. Comparative Figures

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

Non-consolidated Financial Statements of

Southern Health-Santé Sud

March 31, 2017

Deloitte LLP
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Canada

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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, 2017, 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, 2017, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

June 28, 2017
Winnipeg, Manitoba

Southern Health-Santé Sud
Non-consolidated Statement of Financial Position
March 31, 2017

		2017		2016
ASSETS				
CURRENT				
Cash and short term investments	$	**38,926,429**	$	33,423,438
Accounts receivable, net (Note 4)		**5,034,965**		8,646,141
Accounts receivable - Manitoba Health, Seniors & Active Living (Note 5)		**9,603,399**		11,780,120
Accounts receivable - Foundations		**254,126**		391,975
Accounts receivable - Diagnostic Services of Manitoba		**88,896**		-
Inventories		**1,375,513**		1,340,364
Prepaid expenses		**800,363**		830,881
Due from Manitoba Health, Seniors & Active Living - vacation entitlements		**8,839,967**		8,839,967
		64,923,658		65,252,886
NON-CURRENT				
Due from Manitoba Health, Seniors & Active Living - retirement entitlements		**11,463,152**		11,463,152
Capital assets (Note 6)		**199,821,774**		177,465,500
	$	**276,208,584**	$	254,181,538
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities (Note 8)	$	**17,852,857**	$	21,291,120
Accounts payable - Diagnostic Services of Manitoba		**-**		85,378
Accounts payable - affiliated organizations		**146,390**		487,849
Accrued vacation benefit entitlements		**19,126,892**		18,124,238
Current portion of long term debt (Note 9)		**1,850,901**		1,270,538
		38,977,040		41,259,123
NON-CURRENT				
Accrued retirement entitlements		**19,584,214**		19,350,000
Due to affiliated organizations - retirement entitlements		**2,997,275**		2,972,998
Due to Diagnostic Services of Manitoba - benefit entitlements		**1,549,916**		1,447,231
Accrued sick leave benefit entitlements		**7,104,281**		6,863,303
Long term debt (Note 9)		**50,529,464**		36,274,351
		81,765,150		66,907,883
DEFERRED CONTRIBUTIONS (Note 10)				
Expenses of future periods		**10,318,848**		9,942,311
Capital assets		**139,281,678**		132,334,283
		149,600,526		142,276,594
COMMITMENTS AND CONTINGENCIES (Note 13)				
NET ASSETS				
Invested in capital assets (Note 11)		**8,159,731**		7,586,328
Internally restricted (Note 12)		**967,062**		1,647,270
Unrestricted		**(3,260,925)**		(5,495,660)
		5,865,868		3,737,938
	$	**276,208,584**	$	254,181,538

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, 2017

	2017	2016
REVENUE		
Manitoba Health, Seniors & Active Living (Note 14)	**$ 351,684,978**	$ 338,612,670
Other Province of Manitoba	**1,258,276**	1,348,234
Government of Canada	**586,281**	625,446
Non-global patient and resident income	**13,339,192**	13,152,370
Other income	**12,655,514**	10,763,819
Amortization of deferred contributions - expenses of future periods (Note 10)	**6,602,858**	5,659,378
Amortization of deferred contributions - capital assets (Note 10)	**7,966,150**	7,680,582
Interest	**507,422**	493,206
Donations	**311,416**	333,345
Ancillary operations (Schedule 1a)	**2,634,778**	2,474,741
	397,546,865	381,143,791
EXPENSES		
Acute care services	**116,652,673**	113,589,450
Long term care services	**51,357,429**	50,544,658
Medical remuneration	**29,919,681**	29,385,245
Community based therapy services	**6,809,306**	6,083,701
Community based mental health services	**9,105,752**	8,796,435
Community based home care services	**42,966,963**	42,615,013
Community based health service	**20,903,160**	18,181,605
Emergency medical services	**18,727,401**	15,745,945
Diagnostic services	**19,615,188**	18,019,991
Regional health authority undistributed	**22,326,668**	22,048,638
Affiliated organizations	**43,461,446**	42,865,980
Interest on long term debt	**483,931**	306,814
Pre-retirement leave	**2,102,000**	2,087,897
Sick leave	**240,978**	323,950
Amortization of capital assets	**8,328,487**	7,969,823
Major repairs	**81,654**	79,363
Ancillary operations (Schedule 1a)	**2,265,049**	2,150,799
	395,347,766	380,795,307
EXCESS OF REVENUES OVER EXPENSES	**$ 2,199,099**	$ 348,484

Southern Health-Santé Sud
Non-consolidated Statement of Changes in Net Assets
March 31, 2017

	Invested in Capital Assets	Internally Restricted (Note 12)	Unrestricted	March 31, 2017 Total	March 31, 2016 Total
Balance, beginning of year	**$ 7,586,328**	**$ 1,647,270**	**$ (5,495,660)**	**$ 3,737,938**	$ 3,438,663
Excess (deficiency) of revenue over expenses	**(473,741)**	**-**	**2,672,840**	**2,199,099**	348,484
Repayment of non-Manitoba Health, Seniors & Active Living funded long term debt	**233,232**	-	**(233,232)**	-	-
Investment in capital assets	**813,912**	**(693,527)**	**(120,385)**	**-**	-
Changes to internally restricted funds	-	**13,319**	**(84,488)**	**(71,169)**	(49,209)
Balance, end of year	**$ 8,159,731**	**$ 967,062**	**$ (3,260,925)**	**$ 5,865,868**	$ 3,737,938

Southern Health-Santé Sud
Non-consolidated Statement of Cash Flows
For the year ended March 31, 2017

		2017		2016
OPERATING ACTIVITIES				
Excess of revenue over expenses		**2,199,099**		348,484
Items not affecting cash				
Amortization of capital assets		**8,475,761**		8,117,656
Amortization of deferred contributions related to expenses of future periods		**(6,805,952)**		(5,800,812)
Amortization of deferred contributions related to capital assets		**(8,002,018)**		(7,716,603)
		(4,133,110)		(5,051,275)
Changes in non-cash operating working capital items		**2,969,769**		1,819,029
Increase in sick leave and retirement entitlements		**602,155**		1,151,268
		(561,186)		(2,080,978)
FINANCING ACTIVITIES				
Principal payments on non-MHSAL funded long term debt		**(233,232)**		(222,414)
Deferred contributions received related to expenses of future periods		**8,632,166**		5,765,429
Deferred contributions received related to capital assets		**13,499,737**		11,750,097
		21,898,671		17,293,112
INVESTING ACTIVITIES				
Purchase of capital assets		**(15,763,325)**		(14,081,516)
Change in net assets		**(71,169)**		(49,209)
		(15,834,494)		(14,130,725)
INCREASE IN CASH AND SHORT TERM INVESTMENTS		**5,502,991**		1,081,409
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR		**33,423,438**		32,342,029
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$**	**38,926,429**	$	33,423,438
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:				
Cash		**38,779,513**		33,280,300
Short term investments		**146,916**		143,138
	$	**38,926,429**	$	33,423,438

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, 2017. The assets, liabilities and operations of the following devolved organizations have been included in these financial statements:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian public sector accounting standards for government non-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board (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, 2017.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Contributed services

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

c) Inventories

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

d) Capital assets

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

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

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

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

e) Vacation pay

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

f) Retirement entitlement obligations

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

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

The Region undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Region's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.1% (3.00% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) 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 3.1% (3.0% in 2016), a rate of salary increase of 3.5% (3.5% in 2016) and an EARSL of 7.62 (7.7 in 2016).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

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

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

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

4. ACCOUNTS RECEIVABLE, NET

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

	2017				
	0-30 Days	**31-60 Days**	**61-90 Days**	**91+ Days**	**Total**
Trade Receivables	**$ 1,150,672**	**$ 358,536**	**$ 126,836**	**$ 3,383,975**	**$ 5,020,019**
Resident Receivables	**8,879**	**7,431**	**8,793**	**65,587**	**90,691**
GST Receivable	**453,952**	**-**	**-**	**-**	**453,952**
Loan Receivable	**2,165,773**	**-**	**-**	**-**	**2,165,773**
Other Receivables	**65,322**	**-**		**-**	**65,322**
	3,844,598	**365,967**	**135,629**	**3,449,562**	**7,795,757**
Less allowance for doubtful					
Emergency medical services	**-**	**-**	**-**	**(1,843,409)**	**(1,843,409)**
Other	**-**	**-**	**-**	**(917,383)**	**(917,383)**
	-	**-**	**-**	**(2,760,792)**	**(2,760,792)**
	$ 3,844,598	**$ 365,967**	**$ 135,629**	**$ 688,770**	**$ 5,034,965**

	2016				
	0-30 Days	31-60 Days	61-90 Days	91+ Days	Total
Trade Receivables	$ 1,169,835	$ 376,862	$ 135,503	$ 3,043,859	$ 4,726,059
Resident Receivables	(40,179)	73,333	20,329	72,563	126,046
GST Receivable	709,936	-	-	-	709,936
Loan Receivable	5,253,475	-	-	-	5,253,475
Other Receivables	59,907	-	-	-	59,907
	7,152,974	450,195	155,832	3,116,422	10,875,423
Less allowance for doubtful					
Emergency medical services	-	-	-	(1,624,000)	(1,624,000)
Other	-	-	-	(605,282)	(605,282)
	-	-	-	(2,229,282)	(2,229,282)
	$ 7,152,974	$ 450,195	$ 155,832	$ 887,140	$ 8,646,141

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

Accounts Receivable/Payable - MHSAL includes the following:

	2017	2016
Current year's operating funding		
Medical year end payable	**$ (2,331,838)**	$ (2,871,297)
Targeted wait time volume funding	**2,370,000**	2,485,500
Inter Facility Transfers	**1,219,066**	599,242
Emergency Medical Services Fee Reduction recovery funding	**16,608**	-
Community Support contract funding	**-**	2,164,960
Professional Technical contract funding	**6,943,762**	307,297
Facility Support contract funding	**-**	6,536,345
DSM positions/activity	**-**	170,884
Immunization per dose	**-**	260,565
HEPP COLA	**95,883**	723,171
MyHealth Team funding	**-**	136,031
Boundary Trails Health Centre Renal Program expansion	**98,239**	-
Nurse Practitioners - Carman, St. Pierre/St. Malo, Gladstone, Winkler	**-**	140,087
Niverville Workers' Compensation Board expenses reimbursement	**22,117**	56,877
Notre Dame Health Centre new facility capital operating funding	**43,884**	-
Tabor Home new facility capital operating funding	**197,963**	-
Inter-Professional Team Demonstration Initiative	**24,542**	153,602
Palliative Care Program Specialist & Assistant	**53,781**	-
Long Service Step contract funding	**170,422**	-
Other programs	**22,952**	97,584
	8,947,381	10,960,848
Approved capital projects	**656,018**	819,272
	$ 9,603,399	$ 11,780,120

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.

6. CAPITAL ASSETS

	2017 Cost	2017 Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	**$ 1,634,819**	**$ -**	**$ 1,634,819**	$ 1,634,819
Land improvements	**2,105,160**	**875,379**	**1,229,781**	1,440,297
Buildings	**173,171,243**	**65,565,611**	**107,605,632**	111,007,327
Building renovations and upgrades	**17,781,546**	**4,589,058**	**13,192,488**	9,485,217
Leasehold improvements	**836,376**	**73,330**	**763,046**	639,143
Building service equipment	**10,148,984**	**2,482,019**	**7,666,965**	5,859,959
Major equipment	**68,013,639**	**57,954,561**	**10,059,078**	11,404,136
Computers, software and automobiles	**10,936,045**	**7,961,526**	**2,974,519**	1,627,931
Construction in progress	**54,695,446**	**-**	**54,695,446**	34,366,671
	$ 339,323,258	**$ 139,501,484**	**$ 199,821,774**	$ 177,465,500

Construction in Progress Commitments

a) Centre de santé Notre Dame Health Centre

A contract was signed with Con Pro Industries Canada Ltd. in 2015 for the construction of the Centre de santé Notre Dame Health Centre with a completion date of 2017. Costs incurred to date for building and equipment are $18,825,310 ($11,699,491 in 2016). Total expected project cost is $20,844,315.

b) Tabor Home Personal Care Home and Supportive Housing Unit

A contract was signed with Graham Construction and Engineering in 2015 for the construction of the Tabor Home Personal Care Home and Supportive Housing Unit with an estimated completion date of 2017. Costs incurred to date for building and equipment are $32,407,853 ($16,840,082 in 2016). Total expected project cost is $38,725,216.

c) Remaining Construction in Progress

Other projects with total costs incurred to date of $3,462,283 ($5,827,098 in 2016) are in various stages of completion. Total expected costs for these projects are $5,136,539.

7. AVAILABLE CREDIT FACILITY

MHSAL has authorized the Region to set up a credit facility with the Region's financial institutions to finance operating requirements in the amount of $16,100,000, with an interest rate of prime minus 1.00%. The balance drawn at March 31, 2017 was $nil (2016 $nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable and accrued liabilities	**$ 6,377,459**	$ 14,783,070
Salaries and benefits liability	**11,458,988**	6,489,838
Accrued interest	**16,410**	18,212
	$ 17,852,857	$ 21,291,120

9. LONG TERM DEBT

	2017	2016
Capital loans where debt repayment has not yet started bearing interest at 1.70%. Principal and interest will be fully funded by MHSAL once debt repayment begins.	**38,651,477**	21,380,008
Capital loans payable in monthly principal payments of $116,545 bearing interest at 1.70%. Principal and interest fully funded by MHSAL.	**10,973,928**	9,494,097
Capital loans paid in full in 2017-2018. Principal and interest fully funded by MHSAL.	**-**	3,383,351
CMHC mortgages payable in monthly blended installments of $35,255 bearing interest rates between .90% to 10.50% due dates from April 1, 2017 to July 1, 2028. Principal and interest fully funded by MHSAL.	**2,151,746**	2,450,987
CMHC mortgage payable in monthly blended installment of $13,768 bearing interest at 1.04% due June 1, 2020. Secured by land and building.	**527,766**	686,623
CMHC mortgage payable in monthly blended installment of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and building.	**2,408**	7,930
CMHC mortgage payable in monthly blended installment of $5,178 bearing interest at 1.53% due November 1, 2017. Secured by land and building.	**41,187**	102,195
CMHC mortgage payable in monthly blended installment of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and building.	**31,853**	39,698
	52,380,365	37,544,889
Less: current portion	**1,850,901**	1,270,538
	$ 50,529,464	$ 36,274,351

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

2018	1,850,901
2019	1,777,732
2020	1,781,293
2021	1,608,168
2022	1,545,670
2023 & thereafter	43,816,601
	$ 52,380,365

10. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

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

	2017	2016
Balance, beginning of year	**$ 9,942,311**	$ 11,732,185
Additional contributions received	**8,632,166**	5,765,429
Less amounts transferred to deferred contributions - capital assets	**(1,449,676)**	(1,754,490)
Less amounts amortized to revenue	**(6,602,858)**	(5,659,378)
Less amounts amortized to revenue - ancillary	**(203,094)**	(141,435)
	$ 10,318,849	$ 9,942,311

b) Capital assets

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

	2017	2016
Balance, beginning of year	**$ 132,334,283**	$ 126,546,299
Additional contributions received	**13,499,737**	11,750,097
Amounts transferred from deferred contributions - expenses of future periods	**1,449,676**	1,754,490
Less amounts amortized to revenue	**(7,966,150)**	(7,680,582)
Less amounts amortized to revenue - ancillary	**(35,868)**	(36,021)
	$ 139,281,678	$ 132,334,283

11. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 199,821,774**	$ 177,465,500
Amounts financed by:		
Deferred contributions	**(139,281,678)**	(132,334,283)
Long term debt	**(52,380,365)**	(37,544,889)
	$ 8,159,731	$ 7,586,328

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

	2017	2016
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	**$ 8,002,018**	$ 7,716,603
Amortization of capital assets	**(8,475,761)**	(8,117,656)
	(473,743)	(401,053)
Repayment of non-MHSAL funded long term debt	**233,232**	222,414
Investment in capital assets	**15,763,325**	14,081,513
Amounts funded by deferred contributions	**(14,949,413)**	(13,504,587)
	813,912	576,926
	$ 573,401	$ 398,287

12. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $967,062 (2016 - $1,647,270) in net assets to be used for the purchase of specified capital assets. Included in this total is $556,505 for a laundry facility for the new Notre Dame hospital and $306,473 to complete installation of a pharmacy drug dispensing system that was transferred out of Unrestricted Net Assets to Internally Restricted Net Assets in prior years.

13. COMMITMENTS AND CONTINGENCIES

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

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Region may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2017.

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

2018	1,227,000
2019	858,969
2020	798,220
2021	730,675
2022	542,395
2023 & thereafter	2,919,421
	$ 7,076,680

14. MANITOBA HEALTH, SENIORS & ACTIVE LIVING REVENUE

MHSAL revenue includes the following:

	2017	2016
Revenue as per final approved budget	**$ 339,623,383**	$ 323,315,279
Province of Manitoba loan principal	**(1,944,008)**	(1,447,193)
Amounts recorded as deferred contributions	**(94,782)**	(94,782)
	337,584,593	321,773,304
Current year's estimated out of globe amounts	**(31,597)**	(117,582)
One time operational funding - contract settlements	**7,131,594**	7,170,860
One time operational funding - wait list	**2,370,000**	2,485,500
One time operational funding - DSM Expenses	**240,324**	112,793
One time operational funding - Bethesda emergency room	**-**	1,624,653
One time operational funding - new Tabor Home capital operating	**197,963**	-
One time operational funding - Niverville Heritage Life PCH Inc.	**114,328**	691,416
One time operational funding - EMS Inter-facility transfer	**3,113,012**	2,905,959
One time operational funding - medical remuneration	**(2,331,838)**	(2,871,297)
One time operational funding - medical remuneration prior year	**-**	427,000
One time operational funding - new Notre Dame Hospital capital operating	**43,884**	-
One time operational funding - primary care/MyHealth teams/nurse practitioners	**526,357**	707,870
One time operational funding - Dialysis Expansion	**98,239**	-
One time operational funding - HEPP Cost of Living adjustment	**1,869,283**	1,772,190
One time operational funding - Universal Newborn Hearing Screening	**171,484**	-
One time operational funding - immunization	**211,953**	260,565
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 - EMS billing rate reduction offset	**16,608**	-
One time operational funding - Tertiary care regional centres	**180,000**	360,000
One time operational funding - other	**178,791**	87,496
	$ 351,684,978	$ 338,612,670

15. RELATED PARTY AND ECONOMIC DEPENDENCE

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

16. ACCOUNTING TREATMENT FOR FOUNDATIONS

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

17. PENSION PLAN

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

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

Effective April 1, 2014, contributions began to establish Cost of Living Adjustment funds ("COLA") for the pension plan. Active pension plan members and their employers each contribute 0.8% of pensionable earnings to the fund. Effective April 1, 2015, active pension plan members and their employers contribute 1.0% of pensionable earnings, with 90% of contributions going to the active members fund and 10% going to the retired members fund. COLA increases are done on an "ad hoc" basis and are not guaranteed. The 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, 2015, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $2,320,015,000 (2014 - $1,955,292,000). Actual contributions to the plan made during the year by the Region on behalf of its employees amounted to $14,657,000 (2016 - $11,665,000) for the pension plan and $1,799,000 (2016 - $1,428,000) for the COLA plan and are included in the statement of operations.

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

18. FINANCIAL INSTRUMENTS

The Region, through its financial assets and liabilities has exposure to various risks in the normal course of operations. The Region's objective in risk management is to optimize the risk return within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the organization's activities. The Region's risk management strategies are unchanged from the previous year. The following analysis provides a measurement of those risks at March 31, 2017.

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 $2,760,792 (2016 - $2,229,282) estimated by the management based on previous experience and its assessment of the current economic environment. The credit risk on cash is limited because the counterparties are primarily chartered banks with a high credit rating assigned by national credit-rating agencies.

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

Liquidity Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

19. AFFILIATED ORGANIZATIONS

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

These affiliated organizations include: Eden Mental Health Centre, Menno Home for the Aged Inc. (Personal Care Home Division), Prairie View Lodge Inc., Rest Haven Nursing Home (A division of Rest Haven Nursing Home of Steinbach Inc.), Rock Lake Health District, Salem Home Inc., Tabor Home Inc., 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.

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

Financial Position

	2017			2016		
	Total Assets	**Total Liabilities**	**Net Assets**	**Total Assets**	**Total Liabilities**	**Net Assets**
Eden Mental Health Centre	**$ 2,420,031**	**$ 2,865,820**	**$ (445,789)**	$ 2,385,362	$ 2,908,347	$ (522,985)
Menno Home for the Aged Inc. (PCH Division)	**3,621,765**	**3,480,368**	**141,397**	2,664,823	2,507,151	157,672
Niverville Heritage PCH Inc.	**13,819,620**	**14,306,602**	**(486,982)**	14,509,948	14,779,215	(269,267)
Prairie View Lodge Inc.	**1,217,808**	**1,095,482**	**122,326**	1,098,669	970,641	128,028
Rest Haven Nursing Home	**6,551,826**	**6,171,685**	**380,141**	5,830,892	5,455,486	375,406
Rock Lake Health District	**2,681,652**	**2,107,808**	**573,844**	2,598,925	2,107,450	491,475
Salem Home Inc.	**9,621,392**	**8,853,559**	**767,833**	9,634,983	9,092,687	542,296
Tabor Home Inc.	**3,467,718**	**2,985,351**	**482,367**	2,614,906	2,342,962	271,944
Villa Youville Inc. - Nursing	**7,308,766**	**7,311,108**	**(2,342)**	7,618,664	7,660,759	(42,095)
	$ 50,710,578	**$ 49,177,783**	**$ 1,532,795**	$ 48,957,172	$ 47,824,698	$ 1,132,474

Results of Operations and Cash Flows

	2017					
	Revenue	**Expenses**	**Surplus / Deficit**	**Cash Flow from Operations**	**Cash Flow from Financing Activities**	**Cash Flow from Investing Activities**
Eden Mental Health Centre	**$ 9,591,839**	**$ 9,514,643**	**$ 77,196**	**$ (6,482)**	**$ 46,722**	**$ (39,231)**
Menno Home for the Aged Inc. (PCH Division)	**3,678,331**	**3,694,606**	**(16,275)**	**48,653**	**1,134,427**	**968,711**
Niverville Heritage PCH Inc.	**7,507,783**	**7,725,498**	**(217,715)**	**427,730**	**(434,017)**	**(99,960)**
Prairie View Lodge Inc.	**1,603,931**	**1,618,633**	**(14,702)**	**(4,287)**	**167,929**	**(171,186)**
Rest Haven Nursing Home	**5,498,480**	**5,493,745**	**4,735**	**28,283**	**977,932**	**(969,765)**
Rock Lake Health District	**7,119,133**	**7,036,764**	**82,369**	**63,342**	**104,959**	**(99,958)**
Salem Home Inc.	**12,659,352**	**12,433,815**	**225,537**	**430,668**	**306,170**	**(342,681)**
Tabor Home Inc.	**5,381,049**	**5,170,626**	**210,423**	**527,223**	**612,788**	**(80,487)**
Villa Youville Inc. - Nursing	**5,997,820**	**5,958,067**	**39,753**	**113,266**	**(7,513)**	**(598)**
	$ 59,037,718	**$ 58,646,397**	**$ 391,321**	**$ 1,628,396**	**$ 2,909,397**	**$ (835,155)**

	2016					
	Revenue	**Expenses**	**Surplus / Deficit**	**Cash Flow from Operations**	**Cash Flow from Financing Activities**	**Cash Flow from Investing Activities**
Eden Mental Health Centre	$ 8,887,161	$ 8,869,832	$ 17,329	$ (99,573)	$ 96,083	$ (88,572)
Menno Home for the Aged Inc. (PCH Division)	4,104,011	4,082,857	21,154	10,145	770,717	(756,039)
Niverville Heritage PCH Inc.	7,596,919	7,736,496	(139,577)	541,554	(429,328)	(778,374)
Prairie View Lodge Inc.	1,562,071	1,598,409	(36,338)	(314,149)	514,161	(330,465)
Rest Haven Nursing Home	5,323,741	5,246,206	77,535	25,717	1,532,957	(1,671,114)
Rock Lake Health District	6,893,872	6,871,788	22,084	(191,584)	59,976	(54,969)
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)
Villa Youville Inc. - Nursing	5,968,437	5,951,635	16,802	185,771	180,329	(155,048)
	$ 57,916,784	$ 58,689,031	$ (772,247)	$ (1,363,801)	$ 3,850,335	$ (4,935,914)

20. SUBSEQUENT EVENT

Effective for the 2017-18 fiscal year, MHSAL approved a change in the global funding model to directly fund Diagnostic Services of Manitoba (DSM) instead of indirectly funding DSM through the Region. On April 1, 2017 global funding of $17,266,092 was transferred from the Region to DSM.

21. MANITOBA HOUSING INCOME RECONCILIATION

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

22. COMPARATIVE FIGURES

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

Southern Health-Santé Sud **Schedule 1a**
Statement of Operations - Ancillary Operations
For the year ended March 31, 2017

	Elderly Person's Housing	Handivan	Retail Pharmacy	Other	**2017**	2016
REVENUE						
Outside sources	$ 1,152,292	$ 63,694	$ 1,179,830	$ -	**$ 2,395,816**	$ 2,297,285
Amortization of deferred contributions - Capital	19,077	16,791	-	-	**35,868**	36,021
Amortization of deferred contributions - Future Periods	203,094	-	-	-	**203,094**	141,435
	1,374,463	80,485	1,179,830	-	**2,634,778**	2,474,741
EXPENSES						
Operating	1,039,425	38,561	1,025,019	1,623	**2,104,628**	1,976,449
Amortization of capital assets	112,486	34,788	-	-	**147,274**	147,833
Interest on long term debt	10,317	-	-	-	**10,317**	26,131
Major repairs	2,831	-	-	-	**2,831**	386
	1,165,059	73,349	1,025,019	1,623	**2,265,050**	2,150,799
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 209,404	$ 7,136	$ 154,811	$ (1,623)	**$ 369,728**	$ 323,942

Southern Health-Santé Sud **Schedule 1b**
Statement of Operations - Elderly Person's Housing
For the year ended March 31, 2017

	Regency House	Rotary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	2017	2016
REVENUE							
Rental Income	$ 383,625	$ 233,833	$ 60,997	$ 165,970	$ 190,733	$ 1,035,158	$ 1,007,289
MHRC Subsidy	65,130	2,691	1,573	18,912	12,500	100,806	76,214
Amortization of deferred contributions - Capital	7,791	-	37	584	10,665	19,077	19,230
Amortization of deferred contributions - Future Periods	30,382	105,262	9,369	21,423	36,658	203,094	141,435
Other	5,772	4,500	1,764	1,008	3,284	16,328	13,970
	492,700	346,286	73,740	207,897	253,840	1,374,463	1,258,138
EXPENSES							
Purchased Services	24,805	24,805	10,032	15,048	5,068	79,758	79,181
Interdepartmental Services	10,300	16,200	5,000	5,900	26,200	63,600	62,404
Salaries and Benefits	-	-	-	-	24,465	24,465	24,799
Mortgage Interest	6,223	2,751	288	1,055	-	10,317	26,131
Property Taxes	34,709	14,613	5,497	17,502	15,061	87,382	111,481
Insurance	5,100	3,000	1,000	4,100	5,000	18,200	18,100
Major repairs	2,831	-	-	-	-	2,831	387
Maintenance	44,490	48,577	5,667	10,855	28,816	138,405	127,759
Reserve for Major Repairs	65,781	180,262	25,669	44,623	72,658	388,993	258,758
Electricity	56,645	23,504	11,960	28,028	33,223	153,360	145,510
Natural Gas	-	8,841	-	-	3,796	12,637	15,833
Water and Sewer	14,171	23,208	128	4,663	6,796	48,966	49,819
Professional Fees - Audit	800	800	800	800	800	4,000	4,000
Telephone	5,404	1,838	-	-	822	8,064	9,978
Supplies	2,706	3,491	47	1,545	3,805	11,594	10,381
Amortization of capital assets - Land Improvements	1,558	-	-	-	611	2,169	2,169
Amortization of capital assets - Building	55,246	-	727	19,745	20,734	96,451	98,286
Amortization of capital assets - Equipment	5,030	-	-	-	8,835	13,865	12,590
	335,799	351,890	66,815	153,864	256,690	1,165,058	1,057,566
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 156,901	$ (5,604)	$ 6,925	$ 54,033	(2,850)	$ 209,405	$ 200,572
Manitoba Housing Income Reconciliation: (Note 21)							
Principal payments on mortgage	$ (158,857)	$ (7,845)	$ (5,522)	$ (61,008)	$ -	$ (233,232)	$ (222,414)
Depreciation land improvements	1,558	-	-	-	611	2,169	2,169
Depreciation buildings	55,246	-	727	19,745	20,734	96,452	98,286
Depreciation equipment	5,030	-	-	-	8,835	13,865	12,590
Amortization of deferred contributions	(38,173)	(105,262)	(9,406)	(22,007)	(47,323)	(222,171)	(160,665)
(Loss) / Income for Manitoba Housing Purposes	$ 21,705	$ (118,711)	$ (7,276)	$ (9,237)	$ (19,993)	$ (133,512)	$ (69,462)
ACCUMULATED (DEFICIT) / SURPLUS	$ (27,489)	$ 130,009	$ (80,046)	$ (20,279)	$ 28,826	$ 31,021	$ (178,383)
Reserve for Major Repairs Balance	$ 24,785	$ 19,529	$ 24,281	$ 52,057	$ 104,095	$ 224,747	$ 199,489

Consolidated Financial Statements of the

WINNIPEG REGIONAL HEALTH AUTHORITY

March 31, 2017

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017, 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, 2017, and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
June 27, 2017

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

	2017	2016
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 64,960**	$ 65,383
Accounts receivable (Note 4)	**154,002**	228,764
Inventory	**48,549**	46,509
Prepaid expenses	**18,199**	18,740
Investments (Note 7)	**12,791**	4,760
Employee benefits recoverable from Manitoba Health, Seniors and Active Living (Note 5)	**78,957**	78,957
	377,458	443,113
CAPITAL ASSETS (Notes 6 and 11)	**1,788,342**	1,764,454
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health, Seniors and Active Living (Note 17)	**82,499**	82,499
Investments (Note 7)	**21,122**	29,515
	$ 2,269,421	$ 2,319,581
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS (LIABILITIES)		
CURRENT		
Bank indebtedness (Note 11)	**$ 119,426**	$ 127,213
Accounts payable and accrued liabilities (Notes 8 and 10)	**231,060**	255,211
Deferred contributions, future expenses (Note 9)	**41,375**	56,955
Employee benefits payable (Note 5)	**128,593**	121,299
Current portion of long-term debt (Note 11)	**31,836**	33,976
	552,290	594,654
NON-CURRENT		
Long-term debt (Note 11)	**29,259**	31,542
Employee future benefits payable (Note 17)	**220,761**	225,533
Deferred contributions, capital (Note 12)	**1,492,856**	1,466,811
	1,742,876	1,723,886
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET (LIABILITIES) ASSETS	**(21,234)**	7,319
ACCUMULATED REMEASUREMENT LOSSES	**(4,511)**	(6,278)
	$ 2,269,421	$ 2,319,581

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

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

Original Document Signed
.... Derek Johannson
Treasurer

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

		2017		2016
REVENUE				
Manitoba Health, Seniors and Active Living operating income	$	**2,791,575**	$	2,722,389
Separately funded primary health programs		**5,751**		5,583
Patient and resident income		**43,055**		41,920
Recoveries from external sources		**50,053**		53,141
Investment income		**200**		2,374
Other income		**8,453**		6,807
Amortization of deferred contributions, capital		**102,256**		84,605
Recognition of deferred contributions, future expenses		**26,156**		18,917
		3,027,499		2,935,736
EXPENSES				
Direct operations		**2,539,815**		2,446,576
Interest		**956**		1,256
Amortization of capital assets		**108,720**		93,253
		2,649,491		2,541,085
FACILITY FUNDING				
Long term care facility funding		**310,698**		310,835
Community health agency funding		**51,513**		47,769
Adult day care facility funding		**3,013**		2,954
Long term care community therapy services		**1,258**		806
GRANT FUNDING				
Grants to facilities and agencies		**46,598**		41,745
		3,062,571		2,945,194
OPERATING DEFICIT		**(35,072)**		(9,458)
NON-INSURED SERVICES				
Non-insured services income		**67,181**		66,442
Non-insured services expenses		**60,671**		59,815
NON-INSURED SERVICES SURPLUS		**6,510**		6,627
DEFICIT FOR THE YEAR	$	**(28,562)**	$	(2,831)

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)

	2017				
	Unrestricted Net Assets	**Investment in Capital Assets**	**Internally Restricted Net Assets (Note 13)**	**Endowment Accounts**	**Total**
Balance, beginning of year	**$ (198,786)**	**$ 178,110**	**$ 25,832**	**$ 2,163**	**$ 7,319**
(Deficit) surplus for the year	**(20,459)**	**(14,397)**	**6,294**	**-**	**(28,562)**
Purchase of capital assets, net	**(17,704)**	**20,695**	**(2,991)**	**-**	**-**
Net asset restrictions	**(2,148)**	**-**	**2,148**	**-**	**-**
Endowments received	**-**	**-**	**-**	**9**	**9**
Balance, end of year	**$ (239,097)**	**$ 184,408**	**$ 31,283**	**$ 2,172**	**$ (21,234)**

	2016				
	Unrestricted Net Assets	Investment in Capital Assets	Internally Restricted Net Assets (Note 13)	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

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)

		2017		2016
Accumulated remeasurement losses at beginning of year	**$**	**(6,278)**	$	(3,962)
Unrealized gains (losses) attributable to:				
Derivative – interest rate swap (Note 10)		**1,531**		(608)
Investments		**227**		(712)
Realized losses (gains) reclassified to statement of operations				
Investments		**9**		(996)
Net remeasurement gain (loss) for the year		**1,767**		(2,316)
Accumulated remeasurement losses at end of year	**$**	**(4,511)**	$	(6,278)

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)

	2017	2016
OPERATING ACTIVITIES		
Deficit for the year	$ (28,562)	$ (2,831)
Items not affecting cash		
Amortization of capital assets	117,357	102,363
Amortization of deferred contributions, capital	(104,454)	(88,406)
Recognition of deferred contributions, future expenses	(26,426)	(19,386)
Net change in employee benefits	2,522	14,131
	(39,563)	5,871
Net change in non-cash operating working capital balances	50,888	(36,697)
Deferred contributions received - future expenses	14,646	21,156
	25,971	(9,670)
FINANCING ACTIVITIES		
Deferred contributions, capital received	126,699	154,915
(Payment) proceeds of line of credit	(7,787)	74,338
Long-term debt repayments	(4,423)	(10,818)
	114,489	218,435
CAPITAL ACTIVITIES		
Purchase of capital assets	(141,245)	(194,883)
	(141,245)	(194,883)
INVESTING ACTIVITIES		
Decrease in investments, net	362	35,577
	362	35,577
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(423)	49,459
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	65,383	15,924
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 64,960	$ 65,383

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

1. NATURE OF BUSINESS

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

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

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

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

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

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

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

2. FUTURE ACCOUNTING POLICY CHANGES

During the previous year, the Authority undertook a review of the following PSAB accounting standards which each take effect April 1, 2017: PS 2200 – Related Party Disclosures, PS 3210 – Assets, PS 3320 – Contingent Assets, PS 3380 – Contractual Rights, and PS 3420 – Inter-Entity Transactions. The Authority's preliminary assessment of the impact of these sections on disclosure in the Authority's financial statements is that no changes to current disclosure would be required. Assessment of the impact of these sections will be finalized by March 31, 2018.

3. 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 GNFPO”).

a) Controlled entities

The Authority consolidates organizations involved in the delivery of health care services that it controls through the ability to determine the strategic operating, capital, investing and financial policies. Controlled organizations not directly involved in the delivery of health care services are not consolidated (Note 16).

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

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

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

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

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

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

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

c) Cash and cash equivalents

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

d) Inventory

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

e) Capital assets

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

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

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

f) Employee future benefits

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

Multi-employer plans

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

Other defined benefit plans

The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected unit credit service prorated on the service actuarial cost method and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis. The period of amortization is equal to the expected average remaining service life ("EARSL") of active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the 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 GNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the 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, 2017.

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

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

i) Financial instruments

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

Fair value

The fair value category includes derivatives and investments.

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

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

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the consolidated statement of operations. If the loss in value subsequently reverses, the 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 and accrued liabilities and long-term debt. These financial instruments are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

(in thousands of dollars)

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.

4. ACCOUNTS RECEIVABLE

	2017	2016
Manitoba Health - operating, capital and fee for service	**$ 106,737**	$ 183,945
Accounts receivable from other Province of Manitoba departments	**2,613**	867
Facility advances and receivables	**7,292**	4,776
Patient related and other	**44,574**	44,239
Allowance for doubtful accounts	**(7,214)**	(5,063)
	$ 154,002	$ 228,764

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

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

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

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

(in thousands of dollars)

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

	Total	Current	31 - 60 days	61 - 90 days	>91 days
Patient related and other	$ 44,239	$ 28,813	$ 2,536	$ 2,995	$ 9,895
Accounts receivable from other Province of Manitoba departments	867	867	-	-	-
Facility advances and receivables	4,776	480	-	255	4,041
Gross receivables	49,882	30,160	2,536	1,685	13,936
Manitoba Health (See below)	183,945				
Allowance for doubtful accounts	(5,063)				(5,063)
Net receivables	228,764	30,160	2,536	1,685	8,873

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

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

As at March 31, 2017, 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.

5. 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:

	2017	2016
Balance, beginning of year	**$ 121,299**	$ 109,604
Increase in vacation/overtime/statutory holiday entitlements	**7,294**	11,695
Balance, end of year	**$ 128,593**	$ 121,299

(in thousands of dollars)

6. CAPITAL ASSETS

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

	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

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year amounted to $2,657 (2016 - $2,642).

7. INVESTMENTS

	Fair Value Hierarchy Level	**2017**	2016
Investments at fair value			
Money market investments	Level 2	**$ 1,897**	$ 341
Government bonds	Level 2	**4,128**	4,662
Corporate bonds	Level 2	**15,896**	16,887
Guaranteed Investment Certificates (“GICs”)	Level 2	**12,045**	12,435
		33,966	34,325
Less: amounts included with accrued interest		**(53)**	(50)
		33,913	34,275
Less: amounts maturing/redeemable within one year, included in current assets		**(12,791)**	(4,760)
		$ 21,122	$ 29,515

(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, 2017, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	$ -	$ 5,781	$ 5,113	2.93%
2 to 5 years	4,000	9,015	6,886	2.43%
5 to 10 years	100	321	-	2.45%
Over 10 years	27	773	-	2.92%
	$ 4,127	$ 15,890	$ 11,999	

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable and accrued liabilities	**$ 167,146**	$ 193,178
Accounts payable to Manitoba Health	**10,512**	7,089
Accrued salaries	**41,476**	39,042
Holdbacks on construction contracts	**11,926**	15,902
	$ 231,060	$ 255,211

(in thousands of dollars)

9. 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.

	2017	2016
Funding provided by Manitoba Health	**$ 3,385**	$ 10,422
Funding provided by other sources	**37,990**	46,533
	$ 41,375	$ 56,955

	2017	2016
Balance, beginning of year	**$ 56,955**	$ 55,192
Amount received during the year	**14,646**	21,156
Transferred to deferred contributions, capital	**(3,800)**	(7)
Less: amount recognized as revenue – programs	**(26,156)**	(18,917)
Less: amount recognized as revenue – non-insured services	**(270)**	(469)
Balance, end of year	**$ 41,375**	$ 56,955

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, 2017 is $323 (2016 - $1,262), maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated as $(2) (2016 - $(24)), resulting in a derivative liability of $2 (2016 - $24) included in accounts payable and accrued liabilities.

The notional amount of the Tecumseh swap at March 31, 2017 is $29,177 (2016 - $30,469) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at $(5,094) (2016 - $(6,602)), resulting in a derivative liability of $5,094 (2016 - $6,602) included in accounts payable and accrued liabilities.

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

(in thousands of dollars)

11. LONG-TERM DEBT

	2017	2016
1.720% banker's acceptance, maturing April 15, 2017 Health Science Centre Tecumseh Street Parkade (Note 10)	**$ 29,177**	$ 30,469
5.9% obligation under capital lease, maturing March 31, 2053 WRHA capital lease for Access St. James Monthly principal and interest payments $92	**16,046**	16,196
3.58% bank loan, maturing October 30, 2024 Monthly principal and interest payments $48 St. Boniface General Hospital Atrium	**12,367**	12,628
7.38% mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition and Food Services	**2,532**	4,166
1.405% banker's acceptance, maturing April 27, 2017 Health Sciences Centre Emily Street Parkade (Note 10)	**323**	1,262
Prime minus 0.65% term loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot	**584**	635
Prime non-revolving term credit facility, no fixed maturity Riverview Health Centre Boilers	**-**	62
5.75% mortgage payable, maturing March 31, 2018 Monthly principal and interest payments $3 Middlechurch	**66**	100
	61,095	65,518
Less: amounts due within one year, included in current liabilities	**(31,836)**	(33,976)
	$ 29,259	$ 31,542

The Health Sciences Centre Tecumseh Street Parkade loan has been collateralized by the Tecumseh Street Parkade, which at March 31, 2017 had a net book value of $32,785 (2016 - $34,280). The Health Sciences Centre Emily Street Parkade loan has been collateralized by the Emily Street Parkade, which at March 31, 2017 had a net book value of $3,749 (2016 - $4,119). 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

(in thousands of dollars)

Hospital Atrium. In accordance with the terms of the loan agreement, the St. Boniface General Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any associated building or land without the lender's consent.

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

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which, at March 31, 2017 amount to $132,000 (2016 - $124,000). As at March 31, 2017, $119,426 is being utilized (2016 - $127,213).

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

	Bank Loans	Capital Lease
2017/18	$ 31,673	$ 162
2018/19	1,181	201
2019/20	393	213
2020/21	405	226
2021/22	476	240
Thereafter	10,921	15,004
	$ 45,049	$ 16,046

12. 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.

	2017	2016
Balance, beginning of year	**$ 1,466,811**	$ 1,400,295
Amount received during the year	**126,699**	154,915
Transferred from deferred contributions, future expenses	**3,800**	7
Less: amount recognized as revenue – programs	**(102,256)**	(84,605)
Less: amount recognized as revenue – non-insured services	**(2,198)**	(3,801)
Balance, end of year	**$ 1,492,856**	$ 1,466,811

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 $152,432 (2016 - $267,766) as part of its deferred contributions, capital balance.

(in thousands of dollars)

13. 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:

	2017	2016
Laundry Capital Assets	**$ 2,306**	$ 3,194
Concordia Capital Assets	**664**	664
Deer Lodge Capital Assets	**281**	281
Grace Capital Assets	**3,351**	3,333
Victoria Capital Assets	**329**	329
Seven Oaks Ancillaries and Wellness Institute	**5,081**	4,834
Health Sciences Centre Internally Restricted	**6,560**	1,292
Riverview Internally Restricted	**4,119**	4,017
Middlechurch	**206**	206
Misericordia Ancillary Fund	**930**	874
St. Boniface Internally Restricted	**7,456**	6,808
Total	**$ 31,283**	$ 25,832

14. 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, 2017, the Authority had agreements to lease various premises occupied by the Authority, as well as commitments to lease various equipment. Lease payments for the next five years are as follows:

	Premises	Equipment
2017/18	$21,943	$4,772
2018/19	21,411	3,864
2019/20	20,821	3,152
2020/21	20,018	1,823
2021/22	20,690	632

c) As at March 31, 2017, the Authority had capital commitments of approximately $9,293 (2016 - $39,696) and equipment purchase commitments of approximately $10,166 (2016 - $19,857).

15. HEALTHCARE INSURANCE RECIPROCAL OF CANADA

On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2017.

16. 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 consolidated financial statements due to the nature of the agreements in existence, while the controlled Seven Oaks General Hospital Foundation Inc. and St. Boniface General Auxiliary Inc. have not been consolidated since they are not directly involved in the delivery of health care services. Note 16 (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 consolidated financial statements.

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

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

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

(in thousands of dollars)

A financial summary of these entities is as follows:

		2017		2016
Financial Position				
Total assets	**$**	**2,201**	$	2,017
Total liabilities		**133**		266
Total net assets	**$**	**2,068**	$	1,751
Results of Operations				
Total revenue	**$**	**1,416**	$	1,378
Total expenses		**1,098**		1,189
Surplus from operations	**$**	**318**	$	189
Cash Flows				
Used in operating activities	**$**	**426**	$	330
Provided by financing, capital and investing activities		**952**		1,032
Increase in cash	**$**	**1,362**	$	1,362

During the year, the controlled and not consolidated entities contributed $224 (2016 - $255) to various facilities within the Authority. The Authority incurred expenses of $nil (2016 - $nil) with the listed entities. As at March 31, 2017, various facilities within the Authority had aggregate amounts of $88 (2016 - $167) receivable from and $nil (2016 - $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 $7,984 (2016 - $4,318) to various facilities within the Authority. The Authority incurred expenses of $nil (2016 - $nil) with the above entities. As at March 31, 2017, various facilities within the Authority had aggregate amounts of $1,965 (2016 - $1,091) receivable from and $2 (2016 - $369) payable to the entities above.

c) Economic interest

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

(in thousands of dollars)

During the year, these entities contributed $3,041 (2016 - $2,405) to various facilities within the Authority. The Authority incurred expenses of $nil (2016 - $nil) with these entities. As at March 31, 2017, various facilities within the Authority had aggregate amounts of $23 (2016 - $93) receivable from and $nil (2016 - $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, 2017, the Authority had aggregate amounts of $nil (2016 - $nil) receivable from and $33,487 (2016 - $35,420) payable to proprietary and non-proprietary personal care homes and community health agencies.

17. 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, 2016. The March 31, 2017 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 as at March 31 is as follows:

	2017	2016
Accrued benefit obligation	**$ 181,777**	$ 182,055
Funded status – plan deficit	**$ (181,777)**	$ (182,055)
Unamortized net actuarial gain	**(8,798)**	(10,438)
Accrued benefit liability	**$ (190,575)**	$ (192,493)

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

	2017	2016
Accrued benefit liability – beginning of year	**$ (192,493)**	$ (187,203)
In-year (expense)	**(14,480)**	(14,919)
Benefits paid	**16,378**	9,629
Accrued benefit liability – end of year	**$ (190,575)**	$ (192,493)

(in thousands of dollars)

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

		2017		2016
Current service cost	$	**11,725**	$	11,859
Amortization of actuarial gain		**(2,308)**		(1,096)
Interest cost		**5,063**		4,156
	$	**14,480**	$	14,919

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

	2017	2016
Discount rate	**3.10 %**	3.00 %
Salary escalation	**3.50 %**	3.50 %
EARSL	**7.5 Yrs**	7.5 Yrs

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

	2017	2016
Discount rate	**3.00 %**	2.55 %
Salary escalation	**3.50 %**	3.50 %

The amount of funding that will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable of $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 $103,874 (2016 - $90,765) 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, 2015 disclosed total actuarial value of assets of $6,157,201 with total actuarial liabilities of $6,248,386, resulting in an unfunded liability of $91,185.

(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. During the year, the Authority expensed contributions of $862 (2016 - $835) to this plan.

Some employees are eligible for membership in the multi-employer City of Winnipeg Employees' Benefits Program, which includes the Civic Employees' Pension Plan. The Civic Employees' Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $2,040 (2016 - $1,816) for current year's contributions. The most recent valuation for financial reporting purposes completed by this plan as at December 31, 2015 disclosed total actuarial value of assets of $4,382,860 with total actuarial liabilities of $4,253,750, resulting in a surplus of $129,110.

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 $1,865 (2016 - $1,619) to this plan.

c) Sick leave liability

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

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

	2017	2016
Accrued benefit obligation	**$ 26,858**	$ 27,980
Funded status – plan deficit	**$ (26,858)**	$ (27,980)
Unamortized net actuarial gain	**(3,328)**	(5,060)
Accrued benefit liability	**$ (30,186)**	$ (33,040)

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

	2017	2016
Accrued benefit liability – beginning of year	**$ (33,040)**	$ (35,894)
In-year (expense)	**(1,533)**	(2,734)
Benefits paid	**4,387**	5,588
Accrued benefit liability – end of year	**$ (30,186)**	$ (33,040)

(in thousands of dollars)

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

	2017	2016
Current service cost	**$ 2,585**	$ 2,613
Amortization of actuarial gain	**(1,905)**	(664)
Interest cost	**853**	785
	$ 1,533	$ 2,734

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

	2017	2016
Discount rate	**3.10 %**	3.00 %
Salary escalation	**3.50 %**	3.50 %
EARSL	**7.5 Yrs**	7.5 Yrs

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

	2017	2016
Discount rate	**3.00 %**	2.55 %
Salary escalation	**3.50 %**	3.50 %

18. FINANCIAL INSTRUMENT RISK MANAGEMENT

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

Credit risk

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

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

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

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

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

Market risk

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

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

Interest rate risk

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

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

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

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

The fair value of the bond portfolio is also subject to changes in the interest rate. The bonds held as investments have interest rates ranging from 2.8% to 5.7%, and maturities from July 7, 2017 to March 5, 2037. A 1% change in the interest rates, with all other variables held constant, would result in an estimated impact of $545 (2016 - $810) on net assets and accumulated remeasurement gains or losses.

The interest payments on the variable rate long-term debt are subject to changes in the interest rate. A 1% change in the interest rate would result in an impact of $313 (2016 - $324) on interest expense on the consolidated statement of operations.

Offsetting the change on the variable rates of the Tecumseh and Emily Street Parkades is the interest rate swap. A 1% increase in interest rates, with all other variables held constant, would result in an estimated impact of $2,180 (2016 - $3,288) on net assets and accumulated remeasurement gains or losses.

Liquidity Risk

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

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

Foreign exchange and other price risk

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

19. SUBSEQUENT EVENT

Effective for the 2017/18 fiscal year, Manitoba Health, Seniors and Active Living approved a change in the global funding model to directly fund Diagnostic Services of Manitoba (“DSM”) instead of indirectly funding DSM through the Authority. On April 1, 2017, annual global funding of $76,888 was transferred from the Authority to DSM.

20. COMPARATIVE FIGURES

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

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, 2017
(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:

	2017						2016					
	Acute Care Facilities and Corporate Office		**Personal Care Homes and Community Health Agencies**		**Total**		Acute Care Facilities and Corporate Office		Personal Care Homes and Community Health Agencies		Total	
	$	**%**	**$**	**%**	**$**	**%**	$	%	$	%	$	%
							(Restated)		(Restated)		(Restated)	
Corporate	**$66,128**	**2.39%**	**$14,154**	**5.27%**	**$80,282**	**2.64%**	$62,296	2.27%	$13,502	5.13%	$75,798	2.52%
HR and Recruitment	**28,622**	**1.03%**	**2,250**	**0.84%**	**30,872**	**1.02%**	28,157	1.02%	2,271	0.87%	30,429	1.01%
Patient Care Related	**18,042**	**0.65%**	**1**	**0.00%**	**18,042**	**0.60%**	18,185	0.66%	1	0.00%	18,185	0.60%
	$112,792	**4.07%**	**$15,666**	**6.11%**	**$129,196**	**4.26%**	$108,638	3.95%	$15,774	6.00%	$124,075	4.13%

The 2017 figures presented are based on preliminary data available at time of publication. Restatements were made to the 2016 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 2.64% (2016 - 2.54%).

Financial Statements of

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

March 31, 2017

Deloitte.

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Canada
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Calvary Place Personal Care Home, which comprise the statement of financial position as at March 31, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 26, 2017
Winnipeg, Manitoba

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	$ 880,308	$ 730,920
Accounts receivable	238,886	435,596
GST recoverable	7,127	7,438
Supplies	25,914	23,595
Prepaid expenses	8,209	12,298
Due from Manitoba Health - vacation pay	228,184	228,184
	1,388,628	1,438,031
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	614,213	591,000
FIXED ASSETS (Note 3)	5,806,533	6,043,166
TRUST AND ACTIVITY FUND ASSETS	5,129	168,152
	$ 7,814,503	$ 8,240,349
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	$ 660,587	$ 790,792
Government remittances payable	59,761	23,194
Due to Winnipeg Regional Health Authority	115,212	76,846
	835,560	890,832
PRE-RETIREMENT ENTITLEMENTS	614,213	591,000
DEFERRED CONTRIBUTIONS (Note 5)	5,806,533	6,043,166
TRUST AND ACTIVITY FUND LIABILITIES	5,129	168,152
	7,261,435	7,693,150
CONTINGENCY (Note 6)		
NET ASSETS		
Unrestricted	553,068	547,199
	$ 7,814,503	$ 8,240,349

APPROVED BY THE BOARD

Original Document Signed
.... Director

Original Document Signed
.... Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statements of Operations and Changes in Net Assets
Year Ended March 31, 2017

	2017	2016
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 5,960,230**	$ 5,864,183
Residential charge	**1,957,315**	1,883,649
Amortization of deferred contributions - property	**263,811**	253,973
Other income	**20,376**	48,121
	8,201,732	8,049,926
EXPENSES		
Salaries	**5,138,141**	5,060,876
Employee benefits	**1,029,043**	981,342
Payroll tax	**108,984**	106,137
Incontinence supplies	**47,440**	44,459
Medical and surgical supplies	**67,166**	43,861
Operating - Schedule	**921,587**	908,618
Physical plant - Schedule	**304,554**	305,798
Amortization of fixed assets	**263,811**	253,973
Administration - Schedule	**98,136**	89,092
Nursing - Schedule	**217,001**	204,206
	8,195,863	7,998,362
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR BEFORE THE FOLLOWING:	**5,869**	51,564
Recognition of Activity Fund contributions	**176,809**	-
Gift to Heritage Benevolent Association Inc.	**(176,809)**	-
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**5,869**	51,564
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**547,199**	495,635
UNRESTRICTED NET ASSETS, END OF YEAR	**$ 553,068**	$ 547,199

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of income over expenses	**$ 5,869**	$ 51,564
Items not affecting cash		
Amortization of fixed assets	**263,811**	253,973
Amortization of deferred contributions - property	**(263,811)**	(253,973)
	5,869	51,564
Changes in non-cash operating working capital items		
Accounts receivable	**196,710**	(112,111)
GST recoverable	**311**	(864)
Supplies	**(2,319)**	(3,602)
Prepaid expenses	**4,089**	(1,949)
Due from Manitoba Health - pre-retirement entitlements	**(23,213)**	(30,000)
Accounts payable and accrued liabilities	**(130,205)**	125,433
Government remittances payable	**36,567**	12,609
Due to Winnipeg Regional Health Authority	**38,366**	10,512
Pre-retirement entitlements	**23,213**	30,000
	149,388	81,592
FINANCING ACTIVITY		
Deferred contributions received	**27,178**	259,218
INVESTING ACTIVITY		
Fixed asset purchases	**(27,178)**	(259,218)
NET INCREASE IN CASH POSITION	**149,388**	81,592
CASH POSITION, BEGINNING OF YEAR	**730,920**	649,328
CASH POSITION, END OF YEAR	**$ 880,308**	$ 730,920

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Fixed assets*

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

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

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

c) *Retirement entitlement obligation*

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

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

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

d) *Due from Manitoba Health – vacation pay*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

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

f) Financial instruments

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

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

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

3. FIXED ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 424,712**	**$ -**	**$ 424,712**	$ 424,712
Building	**8,849,815**	**3,711,115**	**5,138,700**	5,358,622
Computer equipment and software	**24,905**	**24,905**	**-**	-
RDF equipment	**300,947**	**300,947**	**-**	-
Nursing equipment	**275,638**	**178,810**	**96,828**	93,410
Furniture	**628,386**	**561,037**	**67,350**	74,025
Major equipment	**242,014**	**163,070**	**78,943**	92,397
	$10,746,417	**$ 4,939,884**	**$ 5,806,533**	$ 6,043,166

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade	**$ 143,056**	$ 137,500
Wages	**84,972**	206,121
Accrued vacation pay	**432,559**	447,171
	$ 660,587	$ 790,792

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.

	2017	2016
Balance, beginning of year	**$ 6,043,166**	$ 6,037,921
Contributions	**27,178**	259,218
Amortization	**(263,811)**	(253,973)
Balance, end of year	**$ 5,806,533**	$ 6,043,166

6. CONTINGENCY

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

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

7. PENSION PLAN

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

The Personal Care Home's liability under the pension plan is limited to the contributions required during the year under the respective agreements. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $435,677 (2016 - $418,489) 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.

9. RELATED PARTY TRANSACTION

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

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedules of Operating, Physical Plant, Administration and Nursing Expenses
Year Ended March 31, 2017

	2017	2016
OPERATING EXPENSES		
Food	**$ 791,999**	$ 777,663
Other supplies and expenses	**44,444**	48,792
Purchased services	**85,144**	82,163
	$ 921,587	$ 908,618
PHYSICAL PLANT EXPENSES		
Heat, light and power	**$ 103,019**	$ 104,527
Insurance and property taxes	**98,645**	95,146
Repairs and maintenance	**61,461**	62,481
Water	**41,429**	43,644
	$ 304,554	$ 305,798
ADMINISTRATION EXPENSES		
Membership fees	**$ 4,756**	$ 4,615
Postage and delivery	**2,633**	1,929
Printing, stationery and office supplies	**24,801**	27,172
Professional fees	**49,216**	40,445
Sundry	**2,181**	1,605
Telephone and fax	**12,509**	12,262
Travel and education	**2,040**	1,064
	$ 98,136	$ 89,092
NURSING EXPENSES		
Companion regular	**$ 4,039**	$ 6,274
One on one care	**183,920**	167,973
Oxygen	**1,387**	1,277
Travel - ambulance, stretcher, taxi	**27,655**	28,682
	$ 217,001	$ 204,206

Combined Financial Statements of

ACTIONMARGUERITE (SAINT-BONIFACE) INC.,

ACTIONMARGUERITE (SAINT-VITAL) INC. AND

ST. JOSEPH'S RESIDENCE INC.

Year ended March 31, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
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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 statement of financial position as at March 31, 2017, the combined statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and St. Joseph's Residence Inc. as at March 31, 2017, 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 16, 2017

Winnipeg, Canada

Exhibit 1

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

Combined Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 6,016,725	$ 3,898,834
Construction holdback held in trust	–	97,665
Accounts receivable (note 15)	1,018,549	586,742
Employee benefits recoverable from Winnipeg Regional health Authority (note 2)	1,458,347	1,458,347
Receivable from Winnipeg Regional Health Authority (note 3)	2,274,653	4,500,846
Current portion of long-term receivable from Winnipeg Regional Health Authority (note 5)	233,025	253,644
Inventory	151,587	134,480
Prepaid expenses	105,079	109,572
	11,257,965	11,040,130
Investments (note 4)	1,694,509	400,000
Long-term receivables from Winnipeg Regional Health Authority (note 5)	1,488,318	1,556,836
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 2)	4,199,209	4,069,682
Capital assets (note 6)	21,907,212	22,385,510
Leasehold estate (note 7)	45,805	49,139
Other assets	1,000	1,000
	$ 40,594,018	$ 39,502,297

	2017	2016

Liabilities, Deferred Contributions and Fund Balances

	2017	2016
Current liabilities:		
Bank indebtedness (note 8)	$ 265,877	$ 88,646
Accounts payable	861,332	721,829
Accrued liabilities	5,117,737	4,816,236
Advances from Winnipeg Regional Health Authority (note 9)	1,485,679	1,101,356
Bank loan (note 10)	–	19,013
Current portion of long-term debt (note 11)	403,939	424,558
	8,134,564	7,171,638
Employee future benefits (note 2)	4,580,427	4,450,900
Long-term debt (note 11)	3,308,598	3,712,537
	7,889,025	8,163,437
	16,023,589	15,335,075
Deferred contributions for (note 12):		
Expenses of future periods	26,701	26,554
Capital assets	17,566,308	17,990,628
	17,593,009	18,017,182
Fund balances:		
Capital Fund (note 13)	2,903,284	2,768,292
Operating Fund	(308,768)	(266,053)
Internally Restricted Fund (note 14)	4,382,904	3,647,801
	6,977,420	6,150,040
	$ 40,594,018	$ 39,502,297

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, 2017, with comparative information for 2016

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2017 Total	2016 Total
Revenue:						
Winnipeg Regional Health Authority	$ 36,722,466	$ –	$ –	$ –	$ 36,722,466	$ 35,386,514
Resident and service fees	10,481,557	–	–	–	10,481,557	9,923,282
	47,204,023	–	–	–	47,204,023	45,309,796
Amortization of deferred contributions (note 12)	–	–	–	1,347,986	1,347,986	1,346,370
Offset income:						
Cafeteria	144,203	–	–	–	144,203	137,381
Interest	3,169	–	98,960	–	102,129	97,738
Donations	62,735	–	112,550	–	175,285	157,680
Fundraisers	–	–	2,323	–	2,323	2,254
Parking	149,366	–	–	–	149,366	151,772
Grants	5,879	–	–	–	5,879	39,446
Recoveries:						
General	386,074				386,074	551,608
Other	662,078	–	–	–	662,078	–
Ancillary operations (note 12)	–	2,914	862	–	3,776	2,944
	1,413,504	2,914	214,695	–	1,631,113	1,140,823
	48,617,527	2,914	214,695	1,347,986	50,183,122	47,796,989
Expenses:						
Amortization	–	–	–	1,595,810	1,595,810	1,609,922
Salaries and wages	33,716,560	–	3,600	–	33,720,160	31,871,597
Employee benefits	7,576,888	–	–	–	7,576,888	7,233,031
Other supplies and expenses	896,148	–	6,769	–	902,917	867,781
Medical and surgical supplies	520,459	–	–	–	520,459	590,313
Drugs	25,065	–	–	–	25,065	16,513
Food costs	1,660,536	–	–	–	1,660,536	1,574,408
Utilities	850,626	–	–	–	850,626	818,533
Telephone and sundry	163,848	–	–	–	163,848	148,798
Travel	371,883	–	–	–	371,883	338,389
Professional and other fees	317,276	–	–	–	317,276	217,201
Advertising and public relations	24,056	–	–	–	24,056	26,437
Insurance	113,299	–	–	–	113,299	114,268
Equipment	417,878	–	–	–	417,878	389,672
Buildings and grounds	765,602	–	50,250	–	815,852	775,313
Interest	214,032	–	–	–	214,032	198,033
Ancillary operations	–	2,914	862	–	3,776	2,944
	47,634,156	2,914	61,481	1,595,810	49,294,361	46,793,153
Excess (deficiency) of revenue over expenses before the undernoted	983,371	–	153,214	(247,824)	888,761	1,003,836
Winnipeg Regional Health Authority prior year adjustments	(5,607)	–	(55,774)	–	(61,381)	16,597
Winnipeg Regional Health Authority employee future benefits receivable (note 2)	129,527	–	–	–	129,527	61,129
Employee future benefits (note 2)	(129,527)	–	–	–	(129,527)	(61,129)
Excess (deficiency) of revenue over expenses	$ 977,764	$ –	$ 97,440	$ (247,824)	$ 827,380	$ 1,020,433

See accompanying notes to combined financial statements.

Exhibit 3

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

Combined Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Operating Fund	Ancillary Operations Funds	Internally Restricted Fund	Capital Fund	2017 Total	2016 Total
Fund balance, beginning of year	$ (266,053)	$ –	$ 3,647,801	$ 2,768,292	$ 6,150,040	$ 5,129,607
Excess (deficiency) of revenue over expenses	977,764	–	97,440	(247,824)	827,380	1,020,433
Transfer to Capital Fund for additions to capital assets	(372,320)	–	(10,496)	382,816	–	–
Transfer of Personal Care Home Program surplus	(577,241)	–	577,241	–	–	–
Transfer of Adult Day Program surplus	(9,977)	–	9,977	–	–	–
Transfer of Supportive Housing Program surplus	(60,941)	–	60,941	–	–	–
Fund balances, end of year	$ (308,768)	$ –	$ 4,382,904	$ 2,903,284	$ 6,977,420	$ 6,150,040

See accompanying notes to combined financial statements.

Exhibit 4

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

Combined Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 827,380	$ 1,020,433
Adjustments for:		
Amortization of capital assets	1,595,810	1,609,922
Amortization of deferred contributions related to capital assets	(1,347,986)	(1,346,370)
Changes in the following:		
Construction holdback held in trust	97,665	(60,212)
Accounts receivable	(431,807)	(111,387)
Receivable from Winnipeg Regional Health Authority	2,226,193	(1,893,077)
Inventory	(17,107)	(10,651)
Prepaid expenses	4,493	1,889
Accounts payable	139,503	(205,182)
Accrued liabilities	301,501	378,795
Advances from Winnipeg Regional health Authority	384,323	330,000
Net decrease in deferred contributions related to future periods	147	487
	3,780,115	(285,353)
Investing activities:		
Investments	(1,294,509)	–
Long-term receivables from Winnipeg Regional Health Authority	(187,231)	(27,262)
Repayments of long-term receivables from Winnipeg Regional Health Authority	276,368	175,329
	(1,205,372)	148,067
Capital activities:		
Additions to capital assets	(1,114,178)	(3,302,058)
Financing activities:		
Bank indebtedness	177,231	(125,605)
Increase in deferred contributions related to capital assets	923,666	1,156,870
Repayments on bank loan	(19,013)	(20,880)
Repayments of long-term debt principal	(424,558)	(365,556)
	657,326	644,829
Increase (decrease) in cash and cash equivalents	2,117,891	(2,794,515)
Cash and cash equivalents, beginning of year	3,898,834	6,693,349
Cash and cash equivalents, end of year	$ 6,016,725	$ 3,898,834
Cash and cash equivalents is comprised of the following:		
Cash	$ 3,481,294	$ 2,820,403
Cash equivalents	2,535,431	1,078,431
Cash and cash equivalents, end of year	$ 6,016,725	$ 3,898,834

See accompanying notes to combined financial statements.

General:

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

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

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.

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.

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, 2017 and 2016 relates to St. Joseph.

(c) Revenue recognition:

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

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

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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

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

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

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

(d) Cash and cash equivalents:

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

(e) Operating deficits or surpluses:

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

1. Significant accounting policies (continued):

(f) Capital assets:

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

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

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

(g) Leasehold estate:

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

(h) Financial instruments:

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.

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 of the amount the Corporations expect to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(i) Inventory:

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

(j) Employee benefits:

The Corporations record a provision for employee benefits comprised of accrued vacation. A further provision for employee future pre-retirement benefits, being an actuarial estimate of the Corporations' obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. The cost of the Corporations' employee pre-retirement benefits is accrued as earned based on an actuarial estimation. 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.

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:

	2017	2016
Pre-retirement benefits	$ 3,707,834	$ 3,591,254
Accumulated non-vested sick leave benefits	872,593	859,646
	$ 4,580,427	$ 4,450,900

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 3.10 percent (2016 - 3.00 percent), a rate of salary increase of 3.50 percent (2016 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

2. Employee benefits (continued):

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

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	$ 3,591,254	$ 3,595,836
Current benefit cost	513,903	259,000
Interest	106,000	88,000
Benefits paid	(486,323)	(345,582)
Balance, end of year	3,724,834	3,597,254
Amortized actuarial loss	(17,000)	(6,000)
Pre-retirement benefits	$ 3,707,834	$ 3,591,254

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 increase recorded in fiscal 2017 was $116,580 (2016 – decrease of $4,582) and is recorded in the combined statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2017 aggregates $3,326,616 (2016 - $3,210,036) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2016 - 100 percent) of actual pre-retirement benefits paid during the year.

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 3.10 percent (2016 - 3.00 percent) and a rate of salary increase of 3.50 percent (2016 - 3.50 percent).

A recoverable from the WRHA of $872,593 (2016 - $859,646) for the accumulated non-vested sick leave benefits has been recorded in the combined statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase recorded in 2017 was $12,947 (2016 - $65,711) and is recorded in the combined statement 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, 2017 is $2,408,049 (2016 - $2,310,143).

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.

3. Receivable from Winnipeg Regional Health Authority:

	Saint-Boniface	Saint-Vital	St. Joseph	2017 Combined	2016 Combined
Receivable:					
Prior years'	$ 1,506,056	$ 247,976	$ 318,791	$ 2,072,823	$ 2,039,380
Resident charges	–	39,195	–	39,195	377,657
Salaries and benefits	520,412	168,026	108,124	796,562	2,314,849
Employee pre-retirement benefits	71,928	39,191	–	111,119	67,512
Other	69,930	107,069	19,096	196,095	381,252
	2,168,326	601,457	446,011	3,215,794	5,180,650
Payable:					
Prior years'	138,559	163,865	100,261	402,685	565,624
Resident charges-resident fees	413,610	–	53,730	467,340	88,581
Interest	3,383	9	560	3,952	11,028
Other	67,164	–	–	67,164	14,571
	622,716	163,874	154,551	941,141	679,804
	$ 1,545,610	$ 437,583	$ 291,460	$ 2,274,653	$ 4,500,846

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.

4. Investments:

At March 31, 2017, the Corporations have invested in a government investment certificate of $400,000 (2016 - $400,000) which is interest bearing at 2.10 percent (2016 - 2.10 percent) and matures November 30, 2018 (2016 - November 30, 2018).

Pursuant to an agreement with The Winnipeg Foundation, the Corporations receives investment income earned based on a flat percentage to a maximum of 5 percent of the average market value of the investments under administration for the previous 12 quarters. The market value of the investment with The Winnipeg Foundation at March 31, 2017 is $1,294,509 (2016 - nil).

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

	2017	2016
Flooring replacement (St. Joseph)	$ 14,721	$ 50,061
Sprinkler system upgrade (Saint-Boniface)	160,382	195,362
Nurse call system upgrade (Saint-Boniface)	75,635	91,655
Replacement of windows and bricks (Saint-Boniface)	296,408	348,692
Replacement of generator (Saint-Boniface)	419,799	477,915
Tub replacement and renovations (Saint-Vital)	263,529	297,848
Roof replacement (Saint-Boniface)	168,229	189,571
Roof replacement (Saint-Vital)	135,409	159,376
Roof replacement Phase 2 (Saint-Vital)	187,231	–
	1,721,343	1,810,480
Current portion	233,025	253,644
	$ 1,488,318	$ 1,556,836

The Corporations have nine 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:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	$ 193,965	$ –	$ 193,965	$ 193,965
Land improvements	687,803	539,748	148,055	43,826
Buildings	34,495,576	17,928,704	16,566,872	17,116,078
Building service equipment	3,462,925	1,716,075	1,746,850	1,750,298
Equipment	9,659,835	6,791,073	2,868,762	2,954,338
Software licences and fees	550,471	406,279	144,192	171,051
Work in progress	238,516	–	238,516	155,954
	$ 49,289,091	$ 27,381,879	$ 21,907,212	$ 22,385,510

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.

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, 2017, the Corporations had authorized lines of credit of $2,135,363 (2016 - $2,050,000) of which $265,877 (2016 - $88,646) was used to finance the following projects:

	2017		2016	
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Operating lines of credit	$ 1,850,000	$ –	$ 1,850,000	$ –
38 bed addition (Saint-Vital)	90,000	78,646	200,000	88,646
Roof replacement Phase 2 (Saint-Vital)	195,363	187,231	–	–
	$ 2,135,363	$ 265,877	$ 2,050,000	$ 88,646

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 Corporations have issued letters of guarantee aggregating $1,090,000 (2016 - $1,090,000) through its lender to provide guarantees to a supplier.

9. Advances from Winnipeg Regional Health Authority:

At March 31, 2017, to offset related funding commitments outstanding from prior year receivables, funding advances from the WRHA aggregated $1,485,679 (2016 - $1,101,356). These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

10. Bank loan:

The bank loan was held by Caisse Financial Group, was interest bearing at the Caisse Financial Group's prime lending rate minus 0.50 percent, and was repaid in full during the year ended March 31, 2017.

11. Long-term debt:

	2017	2016
Term loan on flooring replacement, payable in monthly principal payments of $2,945 plus interest at prime less 0.75%, due August 31, 2017	$ 14,721	$ 50,061
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	75,635	91,655
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	160,382	195,362
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	296,408	348,692
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	419,799	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	263,529	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	168,229	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	135,409	151,189
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%	1,320,145	1,384,691
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	858,280	964,648
	3,712,537	4,137,095
Current portion	403,939	424,558
	$ 3,308,598	$ 3,712,537

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:

2018	$ 403,939
2019	404,371
2020	420,897
2021	438,906
2022	439,558
Thereafter	1,604,866
	$ 3,712,537

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.

	2017	2016
Balance, beginning of year	$ 26,554	$ 26,067
Add amount received related to future periods	3,061	3,028
Less amount recognized as revenue in the year	(2,914)	(2,541)
Balance, end of year	$ 26,701	$ 26,554

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.

	2017	2016
Balance, beginning of year	$ 17,990,628	$ 18,180,128
Additional contributions received	923,666	1,156,870
Less amounts amortized to revenue	(1,347,986)	(1,346,370)
Balance, end of year	$ 17,566,308	$ 17,990,628

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

	2017	2016
Unamortized capital contributions used to purchase assets	$ 16,792,657	$ 17,209,359
Unspent contributions:		
Equipment reserve	527,687	527,689
Major repairs	228,383	215,126
Donations	14,552	14,465
Cash equivalents	3,029	23,989
	$ 17,566,308	$ 17,990,628

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, 2017, the outstanding principal balance on the note was $2,578,334 (2016 - $2,838,334). No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

13. Capital Fund:

	2017	2016
Capital assets	$ 21,907,212	$ 22,385,510
Leasehold estate	45,805	49,139
	21,953,017	22,434,649
Amount financed by:		
Deferred contributions	(16,792,657)	(17,209,359)
Mortgages	(2,178,430)	(2,349,339)
Bank loan	–	(19,013)
Line of credit	(78,646)	(88,646)
	$ 2,903,284	$ 2,768,292

14. Internally Restricted Fund:

	2017	2016
To be expended only with the approval of the Member of the Corporation	$ 3,926,890	$ 3,236,819
Other internal projects	456,014	410,982
	$ 4,382,904	$ 3,647,801

15. Related party transactions:

During the year ended March 31, 2017, Fondation Actionmarguerite Foundation Inc., provided donations of $103,565 (2016 - $102,583) to Saint-Boniface and Saint-Vital.

During the year ended March 31, 2017, Friends of St. Joseph's Inc., an entity with the same Member as St Joseph, made donations to St. Joseph's of $157,288 (2016 - $60,165). Of these donations, $110,000 (2016 - nil) have been recorded in deferred contributions related to capital assets. At March 31, 2017, St Joseph had a receivable from Friends of St. Joseph's Inc. of $34,288 (2016 - $28,381).

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

16. Employee pension plan:

During the year, the Corporations contributed $2,496,366 (2016 - $2,376,333) 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, 2015, 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, 2016 employer contribution rates remained at 8.9 percent (2016 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2016 - 10.5 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, 2017 is the carrying value of these assets.

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, 2017 and 2016. As at March 31, 2017 and 2016, there were no accounts receivable past due.

There have been no significant changes to the credit risk exposure from 2016.

(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 2016.

(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 2016.

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, 2017

	PCH Program St. Joseph	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2017 Total	2016 Total
Revenue:							
Winnipeg Regional Health Authority	$ 5,418,853	$ 8,210,081	$ 21,904,921	$ 432,467	$ 756,144	$ 36,722,466	$ 35,386,514
Resident and service fees	1,857,980	2,957,380	5,235,481	50,048	380,668	10,481,557	9,923,282
	7,276,833	11,167,461	27,140,402	482,515	1,136,812	47,204,023	45,309,796
Offset income:							
Cafeteria	7,110	43,752	93,341	–	–	144,203	137,381
Interest	–	1,123	2,046	–	–	3,169	3,501
Donations	47,198	7,194	8,343	–	–	62,735	69,680
Parking	18,985	41,531	86,411	–	2,439	149,366	151,772
Shared Services	–	242,430	911,920	–	–	1,154,350	1,015,055
Grants	–	5,379	500	–	–	5,879	4,196
Recoveries:							
General	23,826	56,932	251,207	–	–	331,965	539,712
Other	–	249,605	412,473	–	–	662,078	–
	97,119	647,946	1,766,241	–	2,439	2,513,745	1,921,297
	7,373,952	11,815,407	28,906,643	482,515	1,139,251	49,717,768	47,231,093
Expenses:							
Salaries and wages	5,217,398	8,325,959	20,287,253	243,831	742,360	34,816,801	32,886,652
Employee benefits	1,170,850	1,876,433	4,352,616	34,579	142,410	7,576,888	7,233,031
Other supplies and expenses	163,285	216,993	501,358	5,510	9,002	896,148	862,511
Medical and surgical supplies	102,268	110,720	307,471	–	–	520,459	590,313
Drugs	9,725	6,173	9,167	–	–	25,065	16,513
Food costs	284,287	379,405	788,284	36,692	171,868	1,660,536	1,574,408
Utilities	146,374	219,708	484,544	–	–	850,626	818,533
Telephone and sundry	35,086	34,853	83,504	1,910	8,495	163,848	148,798
Travel	48,395	89,262	83,208	150,305	713	371,883	338,389
Professional and other fees	22,122	84,517	209,407	–	1,230	317,276	217,201
Advertising and public relations	8,815	1,750	11,751	–	1,740	24,056	26,437
Insurance	23,041	34,643	55,615	–	–	113,299	114,268
Equipment	52,408	102,958	262,309	(289)	492	417,878	389,672
Buildings and grounds	117,069	246,211	402,322	–	–	765,602	775,313
Interest	626	10,006	203,400	–	–	214,032	198,033
	7,401,749	11,739,591	28,042,209	472,538	1,078,310	48,734,397	46,190,072
Excess (deficiency) of revenue over expenses before the undernoted	(27,797)	75,816	864,434	9,977	60,941	983,371	1,041,021
Prior year adjustments	(5,607)	–	–	–	–	(5,607)	16,597
Winnipeg Regional Health Authority employee future benefits receivable	101,164	(40,138)	68,501	–	–	129,527	61,129
Employee future benefits	(101,164)	40,138	(68,501)	–	–	(129,527)	(61,129)
Excess (deficiency) of revenue over expenses	(33,404)	75,816	864,434	9,977	60,941	977,764	1,057,618
Transfer to Capital Fund for additions to capital assets	(9,311)	(26,992)	(336,017)	–	–	(372,320)	(100,576)
Transfer to Internally Restricted Fund for prior year additions to capital assets	–	–	–	–	–	–	(531,755)
Program surplus (deficit)	$ (42,715)	$ 48,824	$ 528,417	$ 9,977	$ 60,941	$ 605,444	$ 425,287

Shared services: Saint-Boniface, Saint-Vital and St. Joseph's 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, 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** which comprise the statement of financial position as at March 31, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP
Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2017

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

March 31	2017	2016
Assets		
Current Assets		
Cash and bank	$ 627,582	$ 91,839
Restricted cash and cash equivalents (Note 2)	10,284	10,208
Accounts receivable (Note 3)	69,516	520,260
Due from related parties (Note 4)	51,509	63,779
Inventories	57,500	57,500
Prepaid expenses	19,175	21,064
Vacation entitlement receivable (Note 5)	497,632	497,632
	1,333,198	1,262,282
Retirement obligations asset (Note 13)	898,602	945,268
Capital assets (Note 6)	1,716,013	1,964,404
	$ 3,947,813	$ 4,171,954
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 527,386	$ 687,009
Accrued vacation entitlements (Note 5)	588,568	585,335
Due to related parties (Note 4)	36,967	31,071
Unspent funding (Note 8)	155,628	155,905
	1,308,549	1,459,320
Accrued retirement obligations (Note 13)	726,304	772,999
Deferred contributions (Note 9)	1,369,006	1,491,224
	3,403,859	3,723,543
Commitments and contingencies (Note 10)		
Net Assets		
Invested in capital assets	290,773	400,734
Unrestricted net assets	253,181	47,677
	543,954	448,411
	$ 3,947,813	$ 4,171,954

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	2017	2016
Revenue		
Winnipeg Regional Health Authority	**$ 7,791,833**	$ 7,653,103
Residential charges	**2,868,763**	2,786,020
Other income (Page 18)	**166,712**	155,560
	10,827,308	10,594,683
Expenses		
Drugs and medical supplies	**110,673**	146,613
Food	**419,213**	433,459
Health and education tax levy	**143,270**	145,295
Other supplies and expenses	**724,563**	777,636
Salaries and benefits	**8,890,909**	8,750,481
Utilities and taxes	**317,253**	307,304
	10,605,881	10,560,788
Excess of revenue over expenses before amortization	**221,427**	33,895
Amortization		
Deferred contributions (Note 9)	**299,224**	242,756
Capital assets (Note 6)	**(425,108)**	(276,651)
	(125,884)	(33,895)
Excess of revenue over expenses	**95,543**	-
Net assets, beginning of year	**448,411**	448,411
Net assets, end of year	**$ 543,954**	$ 448,411

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	2017	2016
Cash Provided by (used in):		
Cash Flows from Operating Activities		
Excess of revenue over expenses	$ 95,543	$ -
Adjustments for non-cash items		
Amortization of capital assets	425,108	276,651
Change in pre-retirement entitlement receivable	(46,695)	(46,000)
Change in accrued pre-retirement entitlement	46,695	46,000
Net decrease in deferred contributions	(122,218)	410,347
	398,433	686,998
Changes in non-cash working capital (Note 11)	314,132	75,322
Net cash provided by operating activities	712,565	762,320
Cash Flows from Investing Activities		
Purchase of capital assets	(176,746)	(653,908)
Net cash flows used in investing activities	(176,746)	(653,908)
Increase in cash and cash equivalents	535,819	108,412
Cash and cash equivalents, beginning of year	102,047	(6,365)
Cash and cash equivalents, end of year	$ 637,866	$ 102,047
Represented by:		
Cash and bank	$ 627,582	$ 91,839
Restricted cash and cash equivalents	10,284	10,208
	$ 637,866	$ 102,047

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

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, 2017 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, 2017.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree. The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

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

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Measurement uncertainty exists in the amortization of assets and deferred contributions over the estimated useful lives of the assets and WRHA receivables since year end reconciliations have not been conducted for several previous years.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Employee Future Benefits

The organization maintains a multi-employer pension for its personnel. The expense for this plan is equal to the organization's required contribution for the year.

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

Capital Assets

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

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

Land improvements	4-6.7%
Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent assets segregated for use for replacement reserves or debenture repayment reserves with a maturity of less than 3 months.

2. Restricted Cash and Cash Equivalents

	2017	2016
Restricted cash	**$ 10,284**	$ 10,208

3. Accounts Receivable

	2017	2016
Receivable from residents	**$ 46,974**	$ 32,941
Winnipeg Regional Health Authority	**-**	424,011
Other	**6,823**	31,070
GST rebate receivable	**15,719**	32,238
	$ 69,516	$ 520,260

4. Due from (to) Related Parties

	2017	2016
285 Pembina Inc.	**$ 4,613**	$ 5,920
ArlingtonHaus Inc.	**2,912**	3,390
Bethania Mennonite Memorial Foundation Inc.	**13,624**	34,825
BethaniaHaus Inc.	**2,274**	6,602
Autumn House	**82**	122
Pembina Place Mennonite Personal Care Home, Inc.	**27,947**	12,920
KingsfordHaus Inc.	**57**	-
	$ 51,509	$ 63,779
Bethania Housing & Projects Inc.	**$ (36,967)**	$ (30,465)
KingsfordHaus Inc.	**-**	(606)
	$ (36,967)	$ (31,071)

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:

	2017	2016
Salary costs paid on behalf of and recovered from related parties	**$ 648,910**	$ 638,675
Salary and IT expenses charged by related party	**308,123**	259,732
Maintenance fee recovery	**29,156**	25,679

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.

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:

	2017	2016
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:

	2017	2016
Balance, beginning of year	**$ 585,335**	$ 572,423
Net change in accrued vacation entitlements	**3,233**	12,912
Balance, end of year	**$ 588,568**	$ 585,335

6. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**340,263**	340,263	340,263
Building	**5,295,756**	**4,715,886**	5,295,756	4,427,416
Computer equipment	**337,093**	**337,093**	337,093	337,093
Furniture, fixtures and equipment	**5,188,363**	**4,067,947**	5,011,646	3,931,309
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 11,177,202	**$ 9,461,189**	$ 11,000,485	$ 9,036,081
Cost less accumulated amortization		**$ 1,716,013**		$ 1,964,404

Amortization of capital assets for the year ended March 31, 2017 is $425,108 (2016 - $276,651).

7. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts payable	$ 101,795	$ 116,308
Accrued liabilities	67,154	40,504
Salaries and employee benefits payable	146,939	336,566
Winnipeg Regional Health Authority	109,204	-
Government remittances payable	102,294	193,631
	$ 527,386	$ 687,009

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.

	2017	2016
Balance, beginning of year	$ 72,446	$ 58,807
Contributions - Winnipeg Regional Health Authority	-	655,519
Interest allocation	77	77
Transfer to deferred contributions - capital asset purchases	(16,289)	(641,957)
	56,234	72,446

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.

	2017	2016
Balance, beginning of year	63,923	49,485
Contributions - Winnipeg Regional Health Authority	14,423	14,423
Interest allocation	-	15
Balance, end of year	78,346	63,923

Insurance Reserve

	2017	2016
Balance, beginning of year	19,536	18,024
Contributions - Winnipeg Regional Health Authority	1,512	1,512
Balance, end of year	21,048	19,536
Total Unspent Funding	$ 155,628	$ 155,905

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:

	2017	2016
Balance, beginning of year	**$ 1,491,224**	$ 1,080,877
Funding for principal repayments on debenture	**97,560**	90,961
Winnipeg Regional Health Authority 2015/2014 adjustment	**-**	13,812
Transfer from replacement reserves	**-**	641,957
Long-term debt principal reductions	**(97,077)**	(93,627)
Capital assets acquisitions from WRHA	**176,523**	-
Amounts amortized to revenue	**(299,224)**	(242,756)
Balance, end of year	**$ 1,369,006**	$ 1,491,224

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

	2017	2016
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,361 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	**$ 129,179**	$ 154,592
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,361 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	**124,119**	149,364
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	**183,364**	229,784
	$ 436,662	$ 533,740

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.

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, 2017, 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, 2017. The Home is a named insured under the WRHA policy with HIROC.

11. Changes in Non-cash Working Capital

	2017	2016
Accounts receivable	**$ 450,744**	$ (104,188)
Prepaid expenses	**1,889**	(6,733)
Due from (to) related parties	**18,166**	138,262
Accounts payable and accrued liabilities	**(159,623)**	5,480
Accrued vacation payable	**3,233**	12,912
Unspent funding	**(277)**	29,589
	$ 314,132	$ 75,322

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, 2017 - 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, 2017.

13. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2017. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2016 - 3.35%) and a rate of salary increase of 3.50% (2016 - 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.

	2017	2016
Employee future benefits recoverable from		
Manitoba Health	**$ 652,360**	$ 652,360
Winnipeg Regional Health Authority	**246,242**	292,908
	$ 898,602	$ 945,268

13. Employee Future Benefits (continued)

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

	2017	2016
Balance, beginning of year	**$ 772,999**	$ 818,999
Net change in pre-retirement entitlements	**(46,695)**	(46,000)
Balance, end of year	**$ 726,304**	$ 772,999

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, 2015 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 $494,390 (2016 - $536,543) and are included in the statement of operations.

14. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) is recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of 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.

<u>Credit risk</u>

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.

17. Financial Risk Management (continued)

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

Vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

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

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Home is exposed to liquidity risk due to its working capital deficiency noted in previous years.

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

For the year ended March 31		2017		2016
Other Income				
BethaniaHaus meal recoveries	**$**	**13,979**	$	10,030
Dietary recoveries		**33,197**		34,533
Shared service recoveries		**35,336**		32,899
Other recoveries and miscellaneous		**84,200**		78,098
	$	**166,712**	$	155,560

Financial Statements of

CLINIQUE YOUVILLE CLINIC INC.

Year ended March 31, 2017

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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, 2017, 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, 2017, 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, 2017

Winnipeg, Canada

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 713,151	$ 319,779
Short-term investments	556,598	547,459
Accounts receivable	7,334	9,017
Receivable from Winnipeg Regional Health Authority (note 2)	76,918	275,738
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3[a])	125,848	125,848
Prepaid expenses	36,340	40,671
	1,516,189	1,318,512
Capital assets (note 4)	52,821	64,940
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority [notes 3(b) and 3(c)]	268,211	241,457
	$ 1,837,221	$ 1,624,909
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 3[a])	$ 496,639	$ 373,982
Future employee pre-retirement benefits payable (note 3[b])	266,635	251,617
Sick leave benefits payable (note 3[c])	39,717	27,981
	802,991	653,580
Deferred contributions for (note 5):		
Future expense	237,605	149,015
Capital assets	49,972	60,795
	287,577	209,810
Fund balances:		
Unrestricted:		
Operations	217,328	236,970
Internally restricted	526,476	520,404
Capital fund	2,849	4,145
	746,653	761,519
Commitments (note 8)		
	$ 1,837,221	$ 1,624,909

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Original Document Signed

Date JUNE 16, 2017

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Unrestricted					
	Operations	Ancillary Programs	Internally Restricted	Capital Fund	2017 Total	2016 Total
Revenue:						
Winnipeg Regional Health Authority	$ 2,885,537	$ –	$ –	$ –	$ 2,885,537	$ 3,006,700
Other	78,480	12,291	–	–	90,771	129,312
Insurance recoveries	8,084	–	–	–	8,084	6,264
Amortization of deferred contributions related to capital assets (note 5[b])	–	–	–	16,193	16,193	18,353
Interest and donations	–	–	6,072	–	6,072	29,878
Communication and Special Projects	–	4,500	–	–	4,500	1,428
Diabetes Cardiac Initiative	–	11,338	–	–	11,338	21,173
Student Volunteers	–	130	–	–	130	194
Healthy Baby Program	–	40,137	–	–	40,137	33,279
Intergenerational Community Outreach	–	488	–	–	488	4,575
Pathways	–	2,769	–	–	2,769	4,010
Nobody's Perfect Special Projects	–	5,757	–	–	5,757	21,591
Nobody's Perfect Program	–	84,771	–	–	84,771	78,967
Nutrition Programs	–	1,093	–	–	1,093	338
Seniors on the Move	–	133	–	–	133	3,317
Teen Clinic Volunteer Funding	–	6,913	–	–	6,913	7,090
Young Adult Type 1	–	2,754	–	–	2,754	6,813
	2,972,101	173,074	6,072	16,193	3,167,440	3,373,282
Expenses:						
Amortization of capital assets	–	–	–	17,489	17,489	20,225
Salaries and benefits	2,413,909	106,927	–	–	2,520,836	2,566,726
Building, equipment and maintenance	449,986	1,105	–	–	451,091	410,732
Printing, stationery and telephone	48,163	12,387	–	–	60,550	49,591
Supplies and services	66,185	38,573	–	–	104,758	153,974
Clinical supplies	13,500	14,082	–	–	27,582	14,832
	2,991,743	173,074	–	17,489	3,182,306	3,216,080
Excess (deficiency) of revenue over expenses	(19,642)	–	6,072	(1,296)	(14,866)	157,202
Fund balances, beginning of year	236,970	–	520,404	4,145	761,519	604,317
Fund balances, end of year	$ 217,328	$ –	$ 526,476	$ 2,849	$ 746,653	$ 761,519

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (14,866)	$ 157,202
Items not involving cash:		
Amortization of capital assets	17,489	20,225
Amortization of deferred contributions related to capital assets	(16,193)	(18,353)
Change in non-cash working capital balances:		
Accounts receivable	1,683	(2,326)
Receivable from Winnipeg Regional Health Authority	198,820	(126,187)
Prepaid expenses	4,331	(1,635)
Future employee pre-retirement and sick leave benefits recoverable from Winnipeg Regional Health Authority	(26,754)	(10,160)
Accounts payable and accrued liabilities	122,657	(33,299)
Future employee pre-retirement benefits payable	15,018	11,000
Sick leave benefits payable	11,736	(840)
Deferred contributions received related to future expense	261,664	146,289
Deferred contributions recognized as revenue in the year	(173,074)	(189,155)
	402,511	(47,239)
Capital activities:		
Purchase of capital assets	(5,370)	(11,006)
Deferred contributions received or receivable related to capital assets	5,370	11,006
	–	–
Investing activities:		
Increase in short-term investments	(9,139)	(10,206)
Increase (decrease) in cash	393,372	(57,445)
Cash, beginning of year	319,779	377,224
Cash, end of year	$ 713,151	$ 319,779

See accompanying notes to financial statements.

General:

The corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.
- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.
- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women's health services; as well as a community health information line.

1. **Significant accounting policies:**

   The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the PS 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

   (a) Revenue recognition:

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

   Operating grants are recorded as revenue in the period to which they relate.

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

1. Significant accounting policies (continued):

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

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

(b) Operating deficits or surpluses:

The corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The corporation's Service Purchase Agreement with the WRHA continues in effect until March 31, 2023 subject to certain provisions.

In accordance with the terms and conditions of the Service Purchase Agreement between the corporation and the WRHA, annual operating deficits are the responsibility of the corporation. The corporation may retain the greater of 50 percent of the annual operating surplus related to insured services and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

The corporation reports the Operations and Ancillary Programs separately in the Unrestricted Fund.

Revenue and expenses related to patient care program delivery are reported within the Operations Program.

The Ancillary Program includes revenue and expenses related to grant and donation funding used for purposes as designated by the donor, grantor, or other contributor. The use of the funds includes support for research, education, and clinical program activities. Surplus from the Ancillary Program is transferred to the Internally Restricted Fund once the programs are complete.

1. Significant accounting policies (continued):

The Internally Restricted Fund represents funds received through donations and interest income. All expenditures from this fund require the approval of the Board of Directors.

The Capital Fund reports the revenue and expenses related to capital asset equipment and construction projects. Funding for capital assets purchased with internally designated funds is recorded as an inter-fund transfer.

(d) Financial instruments:

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

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

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

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

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

The corporation did not incur any remeasurement gains and losses during the year ended March 31, 2017 (2016 - nil) and therefore a statement of remeasurement gains and losses is not required to be included in these financial statements.

1. **Significant accounting policies (continued):**

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

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

(e) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

(f) Future employee benefits:

The cost of the corporation's employee retirement benefits is accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The accumulated non-vested sick leave liability is calculated annually utilizing an internally developed valuation method which takes into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

1. Significant accounting policies (continued):

(g) Employee benefits:

The cost of the corporation's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. WRHA provides funding for a portion of vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

(h) Income taxes:

The corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(i) Use of estimates:

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

2. Receivable from Winnipeg Regional Health Authority:

The details of receivable from WRHA are as follows:

	2017	2016
Union increases	$ 43,851	$ 62,010
Pension contribution increases	17,650	8,935
Healthcare spending account	10,047	8,449
Basic equipment funding	5,370	11,006
Other	–	10,042
One-time deficit funding [a]	–	175,296
	$ 76,918	$ 275,738

[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 was accrued as accounts receivable at March 31, 2016 and was received during fiscal 2017.

3. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2017, accounts payable and accrued liabilities includes employee benefits payable of $162,122 (2016 - $186,713).

During fiscal 2008, the WRHA confirmed that it will fund a portion of these employee benefits, which is limited to the amount estimated at March 31, 2004. Accordingly, the corporation has recorded a recoverable in the amount of $125,848, representing amounts due from WRHA, and reflects the estimated liability for accumulated employee benefits at that date. Each year thereafter, the corporation is expected to fund the change in the liability from annual funding provided by the WRHA.

3. Employee benefit plans (continued):

(b) Future employee pre-retirement benefits:

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

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the corporation's pre-retirement benefit plan obligations include mortality and withdrawal rates, a discount rate of 3.1 percent (2016 - 3.0 percent) and a rate of salary increase of 3.5 percent (2016 - 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:

	2017	2016
Benefit plan obligations:		
Balance, beginning of year	$ 251,617	$ 240,617
Current service cost	13,018	9,000
Interest cost	2,000	2,000
Benefit plan obligations, end of year	$ 266,635	$ 251,617

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 2017 was $15,018 (2016 - $11,000) recorded as revenue in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2017 aggregates $228,494 (2016 - $213,476) 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 2017 was 100 percent (2016 - 100 percent) of actual pre-retirement benefits paid, if any.

(c) Accrued sick-leave entitlement:

The corporation provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the corporation's accumulated non-vested sick leave benefits include a discount rate of 3.1 percent (2016 - 3.0 percent) and a rate of salary increase of 3.0 percent (2016 - 3.0 percent).

A recoverable amount from the WRHA of $39,717 (2016 - $27,981) for the accumulated non-vested sick leave benefits has been recorded on the statement of financial position and has no specified terms of repayment. The recoverable amount has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase recorded in 2017 was $11,736 (2016 - $840 decrease) and is recorded in the statement of operations.

4. **Capital assets:**

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Furniture and fixtures	$ 206,625	$ 184,484	$ 22,141	$ 27,676
Computer equipment	346,242	317,095	29,147	35,119
Leasehold improvements	430,399	428,866	1,533	2,145
	$ 983,266	$ 930,445	$ 52,821	$ 64,940

5. **Deferred contributions:**

(a) Future expense:

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

	2017	2016
Balance, beginning of year	$ 149,015	$ 191,881
Add amount received related to future periods	261,664	146,289
Less amount recognized as revenue in the year	(173,074)	(189,155)
Balance, end of year	$ 237,605	$ 149,015

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.

	2017	2016
Balance, beginning of year	$ 60,795	$ 68,142
Additional contributions received or receivable	5,370	11,006
Less amounts amortized to revenue	(16,193)	(18,353)
Balance, end of year	$ 49,972	$ 60,795

6. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The most recent funding actuarial valuation of the plan as at December 31, 2015, 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.

During the year, the Corporation contributed $165,402 (2016 - $171,069) on behalf of its employees. Contribution rates for the Corporation remain unchanged on April 1, 2016 at 8.9 percent (2016 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2016 - 10.5 percent) on earnings in excess of the YMPE.

7. Related party transactions:

From Youville's inception in 1983 to March 31, 2017, the Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,499,026 to Clinique Youville Clinic Inc. The Grey Nuns did not make any contributions during the years ended March 31, 2017 and 2016.

8. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through August 2018 and January 2020, respectively, as per the following schedule:

Fiscal:		
2018	$	213,925
2019		160,667
2020		102,500

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, 2017 is the carrying value of these assets.

At March 31, 2017, all accounts receivable were current. There were no amounts past due.

There have been no significant changes to the credit risk exposure from 2016.

(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 2016.

Financial Statements of

DONWOOD MANOR PERSONAL CARE HOME INC.

March 31, 2017

Deloitte.

Deloitte LLP
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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Donwood Manor Personal Care Home Inc.

We have audited the accompanying financial statements of Donwood Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 1, 2017
Winnipeg, Manitoba

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Resident trust bank	$ 38,865	$ 29,628
Account receivable (Note 3)	40,194	75,951
Due from Winnipeg Regional Health Authority ("WRHA") (Note 8)	11,080	300,410
Prepaid expenses	24,955	26,672
Inventories	51,545	56,433
Due from related parties (Note 4)	197,633	15,153
Vacation entitlements receivable (Note 5)	273,524	273,191
	637,796	777,438
RETIREMENT OBLIGATION ASSETS (Note 14)	613,296	677,333
RESTRICTED DEPOSITS		
Expenses of future periods	72,209	68,495
CAPITAL ASSETS (Note 6)	4,866,607	5,163,399
	$ 6,189,908	$ 6,686,665
LIABILITIES		
CURRENT		
Bank indebtedness (Note 7)	$ 181,948	$ 227,929
Accounts payable and accruals	543,047	508,360
Resident trust account	23,535	24,974
Accrued vacation entitlements (Note 5)	408,324	445,481
Current portion of long-term debt (Note 9)	166,623	209,112
	1,323,477	1,415,856
LONG-TERM DEBT (Note 9)	117,759	160,424
DEFERRED CONTRIBUTIONS (Note 10)		
Expenses of future periods	41,919	20,318
Capital assets	4,455,134	4,686,429
ACCRUED RETIREMENT OBLIGATIONS (Note 14)	613,296	677,333
	6,551,585	6,960,360
COMMITMENTS AND CONTINGENCIES (Note 12)		
DEFICIENCY IN NET ASSETS		
Unrestricted net deficiency	(488,768)	(381,129)
Invested in capital assets (Note 11)	127,091	107,434
	(361,677)	(273,695)
	$ 6,189,908	$ 6,686,665

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, 2017

	2017		
	Invested in capital assets	Unrestricted Net Deficiency	Total
Balance, beginning of year	**$ 107,434**	**$ (381,129)**	**$ (273,695)**
Excess of expenditures over revenues for the year	**(861)**	**(87,121)**	**(87,982)**
Net changes in invested in capital assets	**20,518**	**(20,518)**	**-**
Balance, end of year	**$ 127,091**	**$ (488,768)**	**$ (361,677)**

	2016		
	Invested in capital assets	Unrestricted Net Deficiency	Total
Balance, beginning of year	$ 128,646	$ (449,574)	$ (320,928)
Excess of (expenditures over revenues) revenue over expenses 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)

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Operations
For the Year Ended March 31, 2017

	Budget (Unaudited)	2017	2016
REVENUE			
Winnipeg Regional Health Authority (Note 13)	$ 6,261,144	$ 6,400,501	$ 6,344,902
Residential charges	2,195,002	2,290,027	2,163,654
Amortization of deferred contributions related to capital assets	-	349,580	352,403
Recoveries	397,244	450,019	427,639
Contributed services - value in kind (Note 2 e))	-	54,462	64,563
Interest income	-	1,279	282
Other income	-	17,309	64,448
	8,853,390	9,563,177	9,417,891
EXPENSE			
Operating (schedule)	8,829,811	9,246,256	8,952,830
Amortization of capital assets	-	350,441	353,265
Contributed services (Note 2 e))	-	54,462	64,563
	8,829,811	9,651,159	9,370,658
EXCESS OF (EXPENDITURES OVER REVENUE) REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	23,579	(87,982)	47,233
OTHER ITEMS			
Change in accrued retirement obligations			
WRHA funding accrued	-	(64,037)	(6,000)
Liability for the year	-	64,037	6,000
	-	-	-
EXCESS OF (EXPENDITURES OVER REVENUE) REVENUE OVER EXPENDITURES	$ 23,579	$ (87,982)	$ 47,233

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Cash Flows
For the Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of (expenditures over revenue) revenue over expenditures	$ (87,982)	$ 47,233
Items not affecting cash:		
Amortization of capital assets	350,441	353,265
Amortization of deferred contributions - capital assets	(349,580)	(352,403)
	(87,121)	48,095
Changes in non-cash operating working capital items:		
Accounts receivable	35,757	(5,625)
Due from WRHA	289,330	33,458
Prepaid expenses	1,717	(12,527)
Inventories	4,888	(757)
Vacation entitlements receivable	(333)	-
Accounts payable and accrued liabilities	34,687	(48,283)
Vacation entitlements accrued	(42,489)	(119)
	236,436	14,242
FINANCING ACTIVITIES		
Change in bank indebtedness, net	(45,981)	(35,621)
Proceeds from deferred contributions	118,285	104,528
Repayment of long-term debt	(79,822)	(84,178)
Repayment of amounts due to related parties	-	(33,898)
Mortgage amortization of grant received in advance	-	(4,274)
Deferred contributions - expenses of future periods, net	21,601	3,624
	14,083	(49,819)
INVESTING ACTIVITIES		
(Advances) collection of amounts due from related parties, net	(182,480)	21,481
Acquisition of capital assets	(53,649)	-
Decrease in resident trust account, net	(1,439)	(1,922)
(Decrease) increase in resident trust bank, net	(9,237)	19,719
Increase in restricted deposits - expenses of future periods, net	(3,714)	(3,701)
	(250,519)	35,577
NET CHANGE IN CASH	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	$ -	$ -

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.

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, 2017.

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.

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.

3. ACCOUNTS RECEIVABLE

	2017	2016
Receivable from residents	$ 4,124	$ 16,057
Accounts receivable	9,670	9,709
GST rebate	26,400	50,185
	$ 40,194	$ 75,951

4. DUE FROM (TO) RELATED PARTIES

	2017	2016
Due from Donwood Manor EPH Inc.	$ 20,907	$ 6,284
Due from Donwood South Inc.	3,739	1,667
Due from Donwood Manor Foundation Inc.	34,826	2,632
Due from Valhalla Cove Inc.	2,224	1,438
Due from Donwood Management Inc.	127,235	-
Due from Winnipeg Condominium Corporation No. 297	8,702	3,132
	$ 197,633	$ 15,153

Amounts due from related parties are unsecured and non-interest bearing with no specific terms of repayment.

Administrative salaries allocations of $168,626 (2016 - $133,914) and information technology costs of $6,480 (2016 - $6,480) have been charged to other related Donwood companies. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

5. ACCRUED VACATION ENTITLEMENTS

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels.

6. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 15,000**	**$ -**	**$ 15,000**	$ 15,000
Buildings	**9,476,211**	**5,163,166**	**4,313,045**	4,525,231
Furniture and equipment	**2,347,782**	**1,809,220**	**538,562**	623,168
	$ 11,838,993	**$ 6,972,386**	**$ 4,866,607**	$ 5,163,399

7. BANK INDEBTEDNESS

As at March 31, 2017 the Home has accessed $104,341 of its approved line of credit of $500,000 with the Royal Bank of Canada with the remaining indebtedness balance being outstanding cheques in excess of outstanding deposits and other cash balances. The line of credit is secured by a general assignment of book debts and bears interest at prime.

8. DUE (TO) FROM WINNIPEG REGIONAL HEALTH AUTHORITY

	2017	2016
2013/2014 funding adjustment	**$ 11,335**	$ 11,335
2014/2015 funding adjustment	**69,753**	165,477
2015/2016 funding adjustment	**(201,931)**	123,598
2016/2017 funding adjustment	**131,923**	-
	$ 11,080	$ 300,410

9. LONG-TERM DEBT

	2017	2016
Generator loan	**$ 123,958**	$ 169,618
CMHC loan	**160,424**	199,918
	284,382	369,536
Less: current portion	**(166,623)**	(209,112)
	$ 117,759	$ 160,424

The generator loan bears interest at prime less 0.5% and is repayable in monthly payments of $3,805 plus interest. Matures January 1, 2018. This loan is renewed annually and has been classified as current.

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 four years are expected to be as follows:

2018	$	166,623
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.

	2017	2016
Balance, beginning of year	$ 20,318	$ 16,694
Add: amount received during the year	21,601	23,969
Less: expenditures for the year	-	(20,345)
	$ 41,919	$ 20,318

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.

	2017	2016
Balance, beginning of year	$ 4,686,429	$ 4,934,304
Add: WRHA contributions	118,285	104,528
Less: amounts amortized to revenue	(349,580)	(352,403)
	$ 4,445,134	$ 4,686,429

11. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	$ 4,866,607	$ 5,163,399
Less: amounts financed by deferred contributions	(4,455,134)	(4,686,429)
Less: amounts financed by long-term debt	(284,382)	(369,536)
	$ 127,091	$ 107,434

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

	2017	2016
Amortization of deferred contributions	$ 349,580	$ 352,403
Amortization of capital assets	(350,441)	(353,265)
Amounts funded by WRHA capital asset funding	20,518	-
Amounts repaid during the year	85,154	84,178
Mortgage repayments funded by WRHA	(85,154)	(84,178)
Funding received for capital assets previously purchased	-	(20,350)
	$ 19,657	$ (21,212)

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, 2017 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, 2017.

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

13. REVENUE FROM THE WINNIPEG REGIONAL HEALTH AUTHORITY

WRHA Revenue per final funding report	$ 6,363,696
Add:	
Constant care	99,550
PIECES training	5,059
Health care and pension benefits	51,753
Current change in pre-retirement liability	(63,704)
Pre-retirement actual payouts (100% funded by WRHA)	126,265
Support staff increases	13,592
Flu immunization	204
Miscellaneous	2,951
	235,670
Less:	
Principal repayment	(85,154)
Interest repayment	(13,550)
Reserve for major repairs	(3,624)
Reserve for insurance	(1,512)
Residential charges repayable	(95,025)
	(198,865)
Revenue from WRHA	$ 6,400,501

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, 2016. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.05% (2016 – 2.55%) and a rate of salary increase of 3.5% (2016 - 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.

	2017	2016
Employee future benefits are recoverable from:		
Manitoba Health	$ **372,737**	$ 372,737
WRHA	**240,559**	304,596
	$ **613,296**	$ 677,333

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 $514,745 (2016 - $503,356) and are included in the statement of operations.

15. FUNDING OF FUTURE EMPOYEE BENEFITS

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007-2012, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

15. FUNDING OF FUTURE EMPOYEE 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, 2017, the unfunded portion of future employee benefits amounts to $Nil (2016 - $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.

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:

	2017	2016
Account receivable	**$ 13,794**	$ 39,052
Due from related parties	**197,633**	15,153
Due from the WHRA	**11,080**	300,410
Vacation entitlements receivable	**273,524**	273,191
Retirement obligations receivable	**613,296**	677,333
	$ 1,109,327	$ 1,305,139

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

Due from related parties: The Home is not exposed to significant credit risk as these receivables is spread over several entities, all of which generate cash flows from active operations.

Due from the WRHA, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

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

Schedule of Supplementary Information

For the Year Ended March 31, 2017

	Budget (Unaudited)	2017	2016
OPERATING COSTS			
Salaries			
Nursing services	$ 4,396,580	$ 4,559,412	$ 4,371,895
Special services	173,690	200,604	179,006
General services	1,764,410	1,809,291	1,801,876
Employee Benefits			
Canada Pension Plan	267,495	272,582	259,917
Employment Insurance	136,660	149,951	147,470
Registered pension	509,035	514,745	503,356
Health and education levy	144,460	141,990	138,192
Workers Compensation Insurance	90,215	84,477	95,950
Dental plan insurance	36,042	38,425	37,325
Group Life Insurance	15,000	13,270	13,374
Group health care	49,750	49,502	49,994
Disability and rehabilitation	93,915	116,787	116,866
Employee Assistance Program	30,190	28,918	39,584
Pre-retirement leave	-	53,736	47,701
Medical Supplies			
Medical / surgical supplies	53,760	58,217	60,984
Incontinence supplies	58,500	61,715	65,616
Hygiene supplies	10,000	14,149	11,426
Drugs, pharmaceutical supplies	756	2,957	1,069
Other supplies and expenses	7,500	13,629	1,715
Resident transportation	15,900	21,235	20,672
Recreation therapy / volunteer	8,196	8,354	8,698
Food services supplies	375,008	405,948	381,075
Laundry and linen supplies	22,616	21,755	18,134
Housekeeping supplies	27,008	32,146	31,489
Physical plant			
Natural gas	65,000	46,297	60,392
Water and sewer	49,500	57,191	55,098
Electricity	95,680	112,308	103,279
Insurance - property	20,500	19,703	20,830
Property taxes	42,545	47,803	39,126
Security and fire	15,000	25,687	18,617
Maintenance	100,894	114,196	111,351
Insurance - liability	4,000	7,698	5,973
Membership fees	3,500	4,100	5,582
Professional fees	20,000	24,520	21,060
Advertising	5,000	5,532	6,343
Staff education and travel	14,500	15,140	7,141
Computer expenses	57,406	26,371	36,068
Bank charges and interest	7,000	9,065	8,447
Office and miscellanous expenses	42,600	56,850	50,139
	$ 8,829,811	$ 9,246,256	$ 8,952,830

Financial Statements of

EDEN MENTAL HEALTH CENTRE

March 31, 2017

Deloitte.

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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Eden Mental Health Centre

We have audited the accompanying financial statements of Eden Mental Health Centre, which comprise the statement of financial position as at March 31, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

July 5, 2017
Winnipeg, Manitoba

EDEN MENTAL HEALTH CENTRE
Statement of Financial Position
March 31, 2017

		2017		2016 (Note 14)
ASSETS				
CURRENT				
Cash	$	**101,439**	$	100,430
Accounts receivable		**83,795**		59,816
Inventory		**53,990**		41,992
Prepaid expenses		**19,298**		24,839
Due from Southern Health-Santé Sud (Note 5)		**58,331**		-
Vacation entitlement receivable (Note 3)		**268,606**		268,606
		585,459		495,683
CAPITAL ASSETS (NOTE 4)		**1,383,090**		1,442,514
DUE FROM SOUTHERN HEALTH-SANTÉ SUD PRE-RETIREMENT ENTITLEMENT (NOTE 3)		**443,304**		425,000
RESTRICTED ASSETS		**8,178**		22,165
	$	**2,420,031**	$	2,385,362
LIABILITIES				
CURRENT				
Bank indebtedness	$	**626,772**	$	446,025
Accounts payable and accrued liabilities		**456,467**		369,602
Due to Southern Health-Santé Sud (Note 5)		**-**		336,676
Accrued vacation entitlements (Note 3)		**408,766**		378,505
		1,492,005		1,530,808
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (NOTE 6)		**930,511**		952,539
PRE-RETIREMENT ENTITLEMENT (NOTE 3)		**443,304**		425,000
		2,865,820		2,908,347
CONTINGENCIES (NOTE 11)				
NET ASSETS				
Invested in Capital Assets (Note 7)		**452,579**		489,975
Internally Restricted		**522**		522
Unrestricted		**(898,890)**		(1,013,482)
		(445,789)		(522,985)
	$	**2,420,031**	$	2,385,362

APPROVED BY THE DIRECTORS

Original Document Signed . . . . Director   Original Document Signed . . . . Director

EDEN MENTAL HEALTH CENTRE
Statement of Operations
Year Ended March 31, 2017

	2017	2016
REVENUE		
Southern Health-Santé Sud (Note 8)	**$ 8,969,178**	$ 8,235,834
Interest income	**1,009**	3,512
Other income	**30,317**	35,504
Pharmacy income	**517,408**	536,514
Amortization of deferred contributions	**68,750**	70,321
Parking recovery	**5,177**	5,476
	9,591,839	8,887,161
EXPENSES		
Administration	**689,211**	631,757
Amortization	**112,642**	120,347
Dietary	**358,774**	364,303
Housekeeping	**169,476**	169,727
Medical records	**278,132**	267,512
Nursing department	**2,847,454**	2,689,575
Occupational therapy	**95,512**	105,406
Pharmacy - in patient	**233,663**	221,885
Pharmacy - out patient	**365,551**	408,678
Plant maintenance	**212,259**	298,559
Pre-retirement leave	**38,696**	-
Psychiatric clinic	**2,437,507**	2,023,421
Psychogeriatric	**199,493**	180,467
Social work	**1,476,273**	1,388,195
	9,514,643	8,869,832
EXCESS OF REVENUE OVER EXPENSES	**$ 77,196**	$ 17,329

EDEN MENTAL HEALTH CENTRE
Statement of Changes in Net Assets
Year Ended March 31, 2017

	2017			
	Invested in Capital Assets	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**$ 489,975**	**$ 522**	**$ (1,013,482)**	**$ (522,985)**
Excess (deficiency) of revenue over expenses	**(43,892)**	**-**	**121,088**	**77,196**
Investment in capital assets	**6,496**	**-**	**(6,496)**	**-**
Balance, end of year	**$ 452,579**	**$ 522**	**$ (898,890)**	**$ (445,789)**

	2016			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	$ 543,502	$ 392	$ (1,084,208)	$ (540,314)
Excess (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)

EDEN MENTAL HEALTH CENTRE
Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	**77,196**	17,329
Items not affecting cash:		
Amortization of deferred contributions	**(68,750)**	(70,321)
Amortization expense	**112,642**	120,347
	121,088	67,355
Changes in non-cash working capital balances:		
Accounts receivable	**(23,979)**	4,217
Inventory	**(11,998)**	10,418
Prepaid expenses	**5,541**	(7,267)
Change in bank indebtedness	**180,747**	446,025
Accounts payable and accrued liabilities	**86,865**	(144,209)
Advanced payments received	**-**	(341,666)
Due to Southern Regional Health Authority	**(395,007)**	(102,840)
Accrued vacation entitlements	**30,261**	(31,606)
	(6,482)	(99,573)
FINANCING ACTIVITY		
Deferred contributions received - capital assets	**46,722**	96,083
	46,722	96,083
INVESTING ACTIVITIES		
Purchase of capital assets	**(53,218)**	(96,083)
Proceeds from the sale of capital assets	**-**	3,500
Change in restricted assets	**13,987**	4,011
	(39,231)	(88,572)
INCREASE (DECREASE) IN CASH POSITION	**1,009**	(92,062)
CASH POSITION, BEGINNING OF YEAR	**100,430**	192,492
CASH POSITION, END OF YEAR	**101,439**	100,430

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, 2017.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance at a rate corresponding with the amortization rate for the related capital assets.

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

Pharmacy sales are recognized at the point of sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Inventory*

Carrying value is determined at the lower of cost and net realizable value with cost determined on a first-in, first-out basis. Net realizable value is the estimated selling price less the costs necessary to make the sale.

c) *Contributed services*

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

d) *Capital assets*

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

Capital assets are amortized on a declining balance basis following the year of acquisition using the following annual rates:

Buildings	5%
Computer equipment	20%
Equipment	10%
Leasehold improvements	10%
Land improvements	10%
Vehicles	30%

e) *Pre-Retirement entitlement obligation*

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the “eighty” rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) *Internally restricted net assets*

The Internally restricted net assets are internally restricted for the use of the volunteer program.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

h) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

i) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	2017	2016
Vacation entitlement receivable	**$ 268,606**	$ 268,606
Pre-retirement entitlement receivable	**443,304**	425,000

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 $408,766 (2016 – $378,505), also includes obligations relating to accrued vacation entitlements that have arisen since March 31, 2004.

Funding for the pre-retirement obligation at March 31, 2017 in the amount of $443,304 (2016 – $425,000) 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.

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 3.10% (3.00% in 2016) and a rate of salary increase of 3.50% (3.50% in 2016) plus age related merit / promotion scale with actuarial derived provisions for disability.

4. CAPITAL ASSETS

	2017			2016
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 2,031**	**$ -**	**$ 2,031**	$ 2,031
Buildings	**2,385,236**	**1,556,591**	**828,645**	869,935
Computer equipment	**281,671**	**199,901**	**81,770**	77,248
Equipment	**1,167,835**	**897,325**	**270,510**	276,473
Leasehold improvements	**407,541**	**222,472**	**185,069**	205,632
Land improvements	**47,587**	**37,511**	**10,076**	11,195
Vehicles	**5,871**	**881**	**4,990**	-
	$ 4,297,772	**$ 2,914,681**	**$ 1,383,090**	$ 1,442,514

5. DUE TO (FROM) SOUTHERN HEALTH–SANTÉ SUD

	2017	2016
Balance, beginning of year	**$ 336,676**	$ 439,516
SHSS budget funding adjustment	**(229,268)**	64,585
Staffing items	**(35,506)**	(66,991)
Miscellaneous funding adjustments	**(42,771)**	(224,393)
Out-of-globe adjustments	**(64,344)**	72,917
Other	**(23,118)**	51,042
	$ (58,331)	$ 336,676

6. DEFERRED CONTRIBUTIONS

	2017	2016
Related to capital assets		
Balance, beginning of year	**$ 952,539**	$ 926,777
Add: additional contributions received	**46,722**	96,083
Less: amounts amortized to revenue	**(68,750)**	(70,321)
	$ 930,511	$ 952,539

7. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 1,383,090**	$ 1,442,514
Less: amounts financed by deferred contributions	**(930,511)**	(952,539)
	$ 452,579	$ 489,975

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

	2017	2016
Amortization of deferred contributions related to capital assets	**$ 68,750**	$ 70,321
Less: amortization expense	**(112,642)**	(120,347)
	(43,892)	(50,026)
Purchase of capital assets	**53,218**	92,582
Amounts funded by deferred contributions	**(46,722)**	(96,083)
	6,496	(3,501)
	$ (37,396)	$ (53,527)

8. SOUTHERN HEALTH–SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

	2017	2016
Revenue per final budget	**$ 8,803,439**	$ 8,135,399
Current year end estimated – non-global amount	**64,344**	(96,776)
Other year end adjustments	**76,124**	225,670
One time funding	**12,490**	(28,459)
Staffing items	**12,781**	-
	$ 8,969,178	$ 8,235,834

Amounts recoverable or payable are based on RHA funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

9. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the “Plan”) which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Chartered Professional Accountants of Canada Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $2,320,015,000 (2014 - $1,955,292,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $329,826 (2016 - $371,435) and are included in the statement of operations.

10. BANK INDEBTEDNESS

The Facility has an available line of credit of $750,000 which is secured by a general security agreement. Interest is calculated at the bank’s prime rate, payable monthly and due on demand.

11. CONTINGENCIES

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

The Healthcare Insurance Reciprocal of Canada (“HIROC”) is an organization that pools the public liability insurance risks of all its members. The Facility may be subjected to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2017.

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.

14. COMPARATIVE FIGURES

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

Financial Statements of

FRED DOUGLAS PERSONAL CARE HOME,

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Year ended March 31, 2017

KPMG LLP
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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, 2017, 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, 2017, 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 21, 2017

Winnipeg, Canada

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash (note 2)	$ 488,143	$ 646,568
Accounts receivable (note 3)	399,881	693,990
Inventories and prepaid expenses	33,735	27,968
Employee benefits recoverable from Winnipeg Regional Health Authority (note 11[iii])	355,603	355,603
Short-term investments (note 4)	56,051	103,044
Receivable from related entities (note 5)	28,885	26,086
	1,362,298	1,853,259
Investments (note 4)	367,347	106,349
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 11[i])	1,078,618	1,035,165
Capital assets (note 6)	3,694,768	3,925,150
	$ 6,503,031	$ 6,919,923

	2017	2016

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	$ 1,082,712	$ 978,408
Bank financing (note 7)	114,422	179,417
	1,197,134	1,157,825
Employee future benefits (note 11[i])	1,051,636	1,008,183
Deferred contributions (note 8):		
Donations	14,936	8,703
Expenses of future periods	18,990	17,478
Capital assets	2,707,181	2,887,578
Equipment reserve	37,734	37,734
Reserve for major repairs	354,622	303,838
	3,133,463	3,255,331
Net assets:		
Unrestricted	247,633	640,429
Invested in capital assets (note 9)	873,165	858,155
	1,120,798	1,498,584
Commitment (note 12)		
	$ 6,503,031	$ 6,919,923

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 7,410,553	$ 7,297,178
Winnipeg Regional Health Authority - Adult Day Program	223,002	214,632
Resident charges	2,434,812	2,451,325
Participant charges - Adult Day Program	37,044	32,326
Donations and grants	11,543	51,564
Amortization of deferred contributions (note 8[c])	245,228	239,820
	10,362,182	10,286,845
Other income:		
Ancillary	2,055	1,480
Investment	4,902	3,321
Cafeteria	51,586	51,031
Other	26,643	39,697
	85,186	95,529
Total revenue	10,447,368	10,382,374
Expenses:		
Operating	9,899,622	9,730,566
Adult Day Program	264,279	252,947
Amortization of capital assets	261,253	255,846
	10,425,154	10,239,359
Excess of revenue over expenses before the undernoted	22,214	143,015
Employee future benefits adjustment (note 11)	(43,453)	24,162
Funding (reduction) for employee future benefits (note 11)	43,453	(24,162)
Excess of revenue over expenses	$ 22,214	$ 143,015

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, 2017, with comparative information for 2016

	Unrestricted	Invested in capital assets	2017 Total	2016 Total
Net assets, beginning of year	$ 640,429	$ 858,155	$ 1,498,584	$ 1,355,569
Excess (deficiency) of revenue over expenses	38,239	(16,025)	22,214	143,015
Transfer for bank financing payments	(64,995)	64,995	–	–
Transfer of funds related to prior years' capital asset additions	33,960	(33,960)	–	–
Transfer to Fred Douglas Society Inc. (note 10)	(400,000)	–	(400,000)	–
Net assets, end of year	$ 247,633	$ 873,165	$ 1,120,798	$ 1,498,584

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, 2017, with comparative information for 2016

	2017	2016
Operating activities:		
Excess of revenue over expenses	$ 22,214	$ 143,015
Items not involving cash:		
Amortization of capital assets	261,253	255,846
Amortization of deferred contributions related to capital assets	(245,228)	(239,820)
Change in non-cash operating working capital:		
Restricted cash	(55,866)	(47,152)
Accounts receivable	294,109	117,697
Inventories and prepaid expenses	(5,767)	13,144
Accounts payable and accrued liabilities	104,304	46,908
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	58,529	49,747
	433,548	339,385
Capital activities:		
Purchase of capital assets	(30,871)	(44,798)
Deferred contributions received for capital assets and equipment reserves	64,831	61,889
	33,960	17,091
Investing activities:		
Increase in investments	(214,005)	(3,228)
Change in receivable from related entities	(2,799)	13,818
Transfer of unrestricted net assets to Fred Douglas Society Inc.	(400,000)	–
	(616,804)	10,590
Financing activities:		
Repayment of bank financing	(64,995)	(73,298)
Increase (decrease) in cash	(214,291)	293,768
Cash, beginning of year	393,962	100,194
Cash, end of year (note 2)	$ 179,671	$ 393,962

See accompanying notes to financial statements.

General:

Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a 136-bed personal care home and 90-space adult day program in Winnipeg, Manitoba. Fred Douglas Society Inc. is an outreach ministry of the United Church of Canada.

1. Significant accounting policies:

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

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. (the Society) (unaudited) have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding. The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement (SPA). Operating grants are recorded as revenue in the period to which they relate. The Division's SPA with the WRHA expired March 31, 2015, however an extension to the agreement expiring June 30, 2018 has been agreed to between the Division and the WRHA.

In accordance with the terms and conditions of the SPA, the operating surplus the Division may retain is the greater of 50 percent of the operating surplus and 2 percent of the global budget as provided by WRHA, in any fiscal year. The remaining operating surplus of the Division in any fiscal year is repayable to the WRHA. Annual operating deficits are the responsibility of the Division.

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

1. Significant accounting policies (continued):

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

Investment income includes interest income and realized investment gains and losses.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Division determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 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 3.10 percent (2016 - 3.00 percent), a rate of salary increase of 3.50 percent (2016 - 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.

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:

	2017	2016
Cash - unrestricted	$ 179,671	$ 393,962
Restricted cash	308,472	252,606
	$ 488,143	$ 646,568

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 (2016 - $500,000). The operating credit line bears interest at prime rate plus 1 percent (2016 - 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, 2017, the Division has not utilized this facility (2016 - nil).

3. Accounts receivable:

	2017	2016
Accounts receivable	$ 28,445	$ 33,527
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	94,874	206,174
MGEU contract increases	122,488	455,282
MNU contract increases	3,066	1,041
Group health benefit funding	55,557	24,190
Resident charges	(76,629)	(165,622)
Capital funding	20,652	54,793
Pension increase funding	78,872	20,903
Other	72,556	63,702
	$ 399,881	$ 693,990

4. Investments:

	2017		2016	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Government investment certificates	1.94%	$ 423,398	2.43%	$ 148,128
Money market fund		–		61,265
		423,398		209,393
Current portion, shown as short-term investments		(56,051)		(103,044)
		$ 367,347		$ 106,349

The government investment certificates mature during fiscal years 2018 to 2022.

4. Investments (continued):

The allocation of investments between unrestricted and restricted is as follows:

	2017	2016
Unrestricted investments	$ 305,588	$ 94,246
Restricted investments	117,810	115,147
	$ 423,398	$ 209,393

5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2017	2016
Fred Douglas Heritage House Inc.	$ 8,994	$ 7,192
Fred Douglas Foundation, Inc.	1,497	2,252
Fred Douglas Apartments	11,492	8,242
Fred Douglas Courts	7,840	9,018
6032281 Manitoba Association Inc.	(158)	–
Fred Douglas Society Inc.	(780)	(618)
	$ 28,885	$ 26,086

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, 2017, all receivable balances from related entities have been received in full.

6. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,751,074	6,642,128	3,108,946	3,249,276
Furniture and equipment	2,611,775	2,043,090	568,685	658,737
	$ 12,379,986	$ 8,685,218	$ 3,694,768	$ 3,925,150

7. Bank financing:

	2017	2016
3.10% mortgage, Assiniboine Credit Union, payable $3,095 monthly including principal and interest, maturing January 25, 2018	$ 114,422	$ 147,487
3.10% demand term loan, Assiniboine Credit Union	–	31,930
	$ 114,422	$ 179,417

The Assiniboine Credit Union mortgage is secured as disclosed in note 2 for the demand revolving credit facility.

8. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2017	2016
Balance, beginning of year	$ 8,703	$ 11,252
Contributions received	13,875	6,094
Amounts recognized as revenue in the year	(7,642)	(8,643)
Balance, end of year	$ 14,936	$ 8,703

(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.

	2017	2016
Balance, beginning of year	$ 17,478	$ 15,966
Contributions received	1,512	1,512
Balance, end of year	$ 18,990	$ 17,478

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.

	2017	2016
Balance, beginning of year	$ 2,887,578	$ 3,061,001
Transfer from deferred contributions - equipment reserve	27,867	4,508
Contributions received	36,964	61,889
Amounts amortized to revenue in the year	(245,228)	(239,820)
Balance, end of year	$ 2,707,181	$ 2,887,578

(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.

	2017	2016
Balance, beginning of year	$ 37,734	$ 42,242
Contributions received	27,867	–
Transfer to deferred contributions - capital assets	(27,867)	(4,508)
Balance, end of year	$ 37,734	$ 37,734

8. Deferred contributions (continued):

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2017	2016
Balance, beginning of year	$ 303,838	$ 253,054
Contributions received	50,784	50,784
Balance, end of year	$ 354,622	$ 303,838

9. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	$ 3,694,768	$ 3,925,150
Deferred contributions - capital assets	(2,707,181)	(2,887,578)
Bank financing	(114,422)	(179,417)
	$ 873,165	$ 858,155

10. Related party transactions:

During the year, the Division received $3,402 (2016 - $2,926) in funding for improvements and resident services from Fred Douglas Foundation, Inc.

During the year, the Division contributed $400,000 (2016 – nil) of its unrestricted net assets to the Society.

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

11. Employee future benefits and employee benefits:

(i) Employee future benefits consists of:

	2017	2016
Pre-retirement benefits	$ 761,542	$ 755,056
Accumulated non-vested sick leave benefits	290,094	253,127
	$ 1,051,636	$ 1,008,183

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:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	$ 755,056	$ 762,005
Current benefit cost	57,000	58,000
Interest	22,000	19,000
Amortized actuarial gain/(loss)	(8,182)	(1,000)
Benefits paid	(64,332)	(82,949)
Liability for benefits	$ 761,542	$ 755,056

11. Employee future benefits and employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement obligation at March 31, 2005, and was recorded as a long-term receivable on the statement of financial position.

The receivable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The increase in fiscal 2017 was $6,485 (2016 - decrease of $6,949) and is recorded in the statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2017 aggregates $788,523 (2016 - $782,038) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2016 - 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 3.10 percent (2016 - 3.00 percent) and a rate of salary increase of 3.50 percent (2016 - 3.50 percent).

A recoverable from the WRHA of $290,095 (2016 - $253,127) for the accumulated non-vested sick leave benefits has been recorded in the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The increase recorded in 2017 was $36,968 (2016 - decrease of $17,213) 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.

11. Employee future benefits and employee benefits (continued):

The most recent actuarial valuation of the plan as at December 31, 2015, reported the plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis but is required to fund on a going concern basis. The going concern deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. Employer contribution rates are 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, 2017 is $537,038 (2016 - $524,049).

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 2018, 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.

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 2016.

14. Trusts under administration:

At March 31, 2017, the balance of funds held in trust on behalf of the residents who reside at the Division was $21,747 (2016 - $22,735).

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Nursing services:		
Medical supplies and services	$ 72,878	$ 62,693
Resident transportation	33,103	41,066
Incontinence supplies	71,830	65,519
Nursing administration	18,264	18,268
	196,075	187,546
Resident services:		
Activities	13,224	19,603
Other	3,958	5,422
	17,182	25,025
General administration:		
Advertising	1,510	182
Audit and professional fees	116,502	74,941
Bank charges and interest	811	883
Bonding and insurance	5,386	5,198
Data processing and communications	60,845	58,724
Delivery and courier	426	467
Equipment lease and maintenance	21,417	18,495
Meetings and miscellaneous	989	2,716
Licenses and membership fees	4,984	5,476
Postage	1,227	2,871
Printing, stationery and office supplies	11,957	12,901
Staff and resident events and appreciation	11,970	11,026
Travel	1,074	1,594
	239,098	195,474
Dietary:		
Food	344,432	342,428
Glassware and cutlery	1,986	358
Supplies	27,560	30,367
	373,978	373,153
Laundry:		
Supplies	4,987	4,623
Linen:		
Supplies and service	90,453	86,450
Housekeeping:		
Supplies	49,245	45,769
Carried forward	971,018	918,040

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Brought forward	$ 971,018	$ 918,040
Physical plant:		
Operations:		
Electricity	97,713	92,872
Natural gas	37,759	46,098
Insurance	44,345	50,197
Taxes	90,102	65,565
Water	86,863	75,103
Maintenance and repairs:		
Buildings and grounds	155,649	204,460
Equipment	22,733	20,635
Other	9,818	8,661
Bank loan interest	402	1,617
Interest on bank financing	4,058	4,940
	549,442	570,148
Salaries:		
Nursing	4,966,638	4,920,284
Administration	405,386	387,961
Resident services	252,043	293,855
Dietary	579,170	569,502
Support services	533,555	507,033
Employee benefits	1,630,056	1,544,582
Accrued vacation	12,314	19,161
	8,379,162	8,242,378
Total operating expenses	$ 9,899,622	$ 9,730,566

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND

INDEPENDENT AUDITORS' REPORT

COMBINED FINANCIAL STATEMENTS

MARCH 31, 2017

HOLY FAMILY HOME

NOTICE OF RELEASE

THE ACCOMPANYING FINANCIAL STATEMENTS OF THE HOLY FAMILY HOME FOR THE YEAR ENDED MARCH 31, 2017 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 26, 2017.

Original Document Signed
....
(Chairperson of the Holy Family Home Board)

Original Document Signed
....
(Chairperson of the Finance and Audit Committee)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Holy Family Home, Inc. and
The Advisory Council of
Sisters Servants of Mary Immaculate

We have audited the accompanying combined financial statements of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund, which comprise the combined statement of financial position as at March 31, 2017, and the combined statements of operations, combined changes in net assets, and combined cash flow for the year then ended, and a combined summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management using basis of accounting described in Note 2(a).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these combined financial statements in accordance with the basis of accounting as described in Note 2(a), and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, these combined financial statements present fairly, in all material respects, the financial position of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2017, and its combined results of operations and cash flow for the year then ended in accordance with the basis of accounting described in Note 2(a).

Basis of Accounting and Restriction on Distribution
Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the management of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to report to the Winnipeg Regional Health Authority (WRHA). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to comply with the requirements of its WRHA funding agreement, and should not be distributed to parties other than the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund and the WRHA.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 26, 2017

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2017 TOTAL	2016 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 1,713,292	1,757,619	3,470,911	1,457,581
Accounts receivable	241,661	-	241,661	94,219
Due from WRHA (Note 2(b))	1,828,448	-	1,828,448	2,752,913
Due from WRHA - Accrued vacation pay (Note 4)	719,492	-	719,492	719,492
Due from Holy Family Home, Inc.	-	164,656	164,656	1,022,891
Inventory	69,897	-	69,897	69,606
Prepaid expenses	12,928	-	12,928	12,545
	4,585,718	1,922,275	6,507,993	6,129,247
DUE FROM WRHA - PRE-RETIREMENT LEAVE (Note 4)	1,425,936	-	1,425,936	1,594,686
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	-	20,543,031	20,543,031	9,089,090
	$ 6,011,654	22,465,306	28,476,960	16,813,023

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2017 TOTAL	2016 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 2,824,881	615,010	3,439,891	1,781,599
GST payable	1,139	-	1,139	1,786
Accrued vacation pay (Note 4)	1,063,454	-	1,063,454	1,097,137
Demand loans (Note 11)	-	10,460,643	10,460,643	4,609,174
Current portion of long-term debt (Note 6)	-	204,490	204,490	217,373
Due to SSMI Plant Fund	164,656	-	164,656	1,022,891
Due (from) to SSMI Works (Note 10)	10,290	2,368,659	2,378,949	1,980,433
	4,064,420	13,648,802	17,713,222	10,710,393
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	1,696,250	-	1,696,250	1,865,000
LONG-TERM DEBT (Note 6)	-	1,905,231	1,905,231	2,083,952
DEFERRED CONTRIBUTIONS				
Deferred capital contributions (Notes 2(d) and 7)	-	1,052,308	1,052,308	1,110,726
Deferred contributions for major building repairs (Notes 2(d) and 8)	-	213,280	213,280	190,144
	-	1,265,588	1,265,588	1,300,870
NET ASSETS				
Internally restricted	16,707	-	16,707	16,707
Invested in tangible capital assets	-	6,330,764	6,330,764	1,076,390
Unrestricted				
Unfunded employee future benefits (Note 4(d))	(614,276)	-	(614,276)	(647,958)
Unrestricted	848,553	(685,079)	163,474	407,669
	250,984	5,645,685	5,896,669	852,808
	$ 6,011,654	22,465,306	28,476,960	16,813,023

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017	2016
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 12)	$ 14,703,064	14,775,483
Resident/ participant charges	5,082,301	5,056,370
	19,785,365	19,831,853
Offset income		
Dietary	77,247	89,947
Investment income (Note 9)	21,327	14,517
Amortization of deferred capital contributions (Note 7)	154,433	157,314
Recognition of deferred contributions for major building repairs (Note 8)	-	16,018
Debt servicing funding	244,144	233,112
Miscellaneous	147,249	177,818
	644,400	688,726
	20,429,765	20,520,579
EXPENSES		
Salaries and benefits		
Nursing	11,819,936	11,796,585
Special	1,184,131	1,188,311
General	3,650,289	3,612,607
	16,654,356	16,597,503
Nursing services	477,296	533,110
Special services	50,638	55,093
General administration	438,537	486,823
Dietary	893,900	860,995
Laundry and linen	222,327	238,070
Housekeeping	52,115	44,337
Physical plant	920,922	1,016,441
Debt structure and amortization (Notes 5 and 6)	561,442	580,550
	20,271,533	20,412,922
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	158,232	107,657
OTHER ITEMS		
Pre-retirement leave funded	173,019	146,361
Pre-retirement leave expense	(172,750)	(168,000)
Unfunded employee future benefits (Note 4)	33,682	(24,340)
	33,951	(45,979)
EXCESS OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	192,183	61,678
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 12)	269,160	269,160
Participant charges	38,046	36,655
Salaries and benefits	(133,865)	(141,060)
General administration	(102,681)	(103,889)
Dietary	(8,713)	(9,776)
	61,947	51,090
EXCESS OF REVENUE OVER EXPENSES	$ 254,130	112,768

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, 2017

2017

	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	(647,958)	632,690	(225,021)	(240,289)	16,707	1,076,390	852,808
Excess (deficiency) of revenue over expenses	33,682	216,132	11,834	261,648	-	(7,518)	254,130
Pre-retirement leave remeasurement	-	(269)	-	(269)	-	-	(269)
Transfer from SSMI (Note 10)	-	-	-	-	4,790,000	-	4,790,000
Transfer from SSMI Plant Fund Unrestricted Net Assets	-	-	(471,892)	(471,892)	-	471,892	-
Transfer (Note 14)	-	-	-	-	(4,790,000)	4,790,000	-
BALANCE, END OF YEAR	$ (614,276)	848,553	(685,079)	(450,802)	16,707	6,330,764	5,896,669

2016

	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUBTOTAL	INTERNALLY RESTRICTED	INVESTED IN TANGIBLE CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	$ (623,618)	464,753	(91,350)	(250,215)	16,707	949,589	716,081
Excess (deficiency) of revenue over expenses	(24,340)	146,298	9,551	131,509	-	(18,741)	112,768
Pre-retirement leave remeasurement	-	21,639	-	21,639	-	-	21,639
Transfer from SSMI (Note 10)	-	-	-	-	-	2,320	2,320
Transfer (Note 14)	-	-	(143,222)	(143,222)	-	143,222	-
BALANCE, END OF YEAR	$ (647,958)	632,690	(225,021)	(240,289)	16,707	1,076,390	852,808

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 254,130	112,768
Add non-cash item(s):		
Amortization of tangible capital assets	406,095	409,167
Amortization of deferred capital contributions	(154,433)	(157,314)
Recognition of deferred contributions for major building repairs	-	(16,018)
	505,792	348,603
Change in non-cash working capital:		
Accounts receivable	(147,442)	15,599
Due from WRHA	924,465	(633,949)
Due from WRHA - Accrued vacation pay and pre-retirement leave	168,750	85,000
Inventory	(291)	(142)
Prepaid expenses	(383)	(614)
Accounts payable and accrued liabilities	1,658,292	(85,486)
Source deductions payable	-	(147,586)
GST payable	(647)	(1,472)
Accrued vacation pay and pre-retirement leave	(202,433)	(60,660)
	2,906,103	(480,707)
INVESTING ACTIVITIES		
Purchase of tangible capital assets - equipment and building improvements	(11,860,036)	(1,163,995)
	(11,860,036)	(1,163,995)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(191,604)	(179,785)
Increase in demand loans	5,851,469	646,159
Additions of externally restricted fund balances - reserves	23,136	23,136
Deferred capital contributions	96,015	288,186
Pre-retirement leave remeasurement	(269)	21,639
Due to (from) related parties	398,516	(1,106,682)
Transfers from (to) related parties	4,790,000	2,320
	10,967,263	(305,027)
INCREASE (DECREASE) IN CASH	2,013,330	(1,949,729)
CASH, BEGINNING OF YEAR	1,457,581	3,407,310
CASH, END OF YEAR	$ 3,470,911	1,457,581

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

1. ACCOUNTING ENTITIES

Holy Family Home, Inc. (HFH) was incorporated by a Special Act of the Province of Manitoba on May 6, 1963. HFH is sponsored, owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFH within the motto of the Sisters "To Serve is to Love".

The Ukrainian Catholic Congregation of Sister Servants of Mary Immaculate (SSMI) is a Federally incorporated religious organization operating as a not-for-profit organization and as a registered charity under the Income Tax Act. The SSMI Plant Fund records the major tangible capital assets less the related debt and the equity belonging to SSMI in Winnipeg, Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

(a) Accounting Framework

These combined financial statements are in accordance with Canadian accounting standards for not-for-profit organizations except for the application of CPA Canada Handbook Section 4450, paragraph 14 which requires an organization to either consolidate in its financial statements all entities under its control or provide disclosure in the notes to the financial statements of the total assets, liabilities, net assets, revenues, expenses, and cash flows from operating, financing, and investing activities reported in the period along with disclosure of details of any restrictions, by major category, on the resources of the controlled organizations and disclosure of the significant differences in accounting policies from those followed by the reporting organizations. These combined financial statements only report on the assets, liabilities, net assets, revenues, expenses and cash flows of Holy Family Home, Inc. and SSMI Plant Fund and do not include the total assets, liabilities, net assets, revenues, expenses and cash flows of all entities controlled by Sisters Servants of Mary Immaculate.

(b) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from WRHA and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to WRHA. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Winnipeg Regional Health Authority Funding (Continued)

The WRHA performs a final review of HFH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFH's audited financial statements up to and including March 31, 2004. The WRHA is currently working on year end settlements up to March 31, 2014 which are expected to be completed in 2017/18.

(c) Tangible Capital Assets

Tangible capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 to 65 years. Building renovations are amortized over the remaining useful life of the related building.

Assets under development or construction are not amortized until available for use.

(d) Deferred Contributions

Deferred contributions received for the funding and acquisition of tangible capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related tangible capital asset.

Deferred contributions received for major building repairs represent unspent balances of amounts funded for future expenditures. These deferred contributions are utilized for expenditures approved by the WRHA.

(e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

(f) Revenue Recognition

HFH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Restricted contributions include lump sum payments received to fund tangible capital assets purchases which are recognized as deferred capital contributions. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured. Unrestricted contributions include debt servicing funding which is recognized as revenue in the period received.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

Financial instruments held by the organization include cash, accounts receivable, accrued interest receivable, investments, accounts payable and accrued liabilities, 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 2017	Total 2016
Home		
Holy Family Home, Inc.	$ 1,713,292	464,456
Plant Fund		
SSMI Plant fund	881,960	866,400
Major building repairs reserve fund	127,358	104,222
Equipment amortization fund	22,503	22,503
Construction accounts	725,798	-
	1,757,619	993,125
	$ 3,470,911	1,457,581

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, 2016	Vacation pay	$ 719,492	1,097,137	(377,645)
	Pre-retirement leave	1,594,686	1,865,000	(270,314)
		$ 2,314,178	2,962,137	(647,959)
March 31, 2017	Vacation pay	$ 719,492	1,063,454	(343,962)
	Pre-retirement leave	1,425,936	1,696,250	(270,314)
		$ 2,145,428	2,759,704	(614,276)

(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 $343,962 (2016 - $377,645).

(b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,425,936 (2016 - $1,594,686) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years 2006/2007 to 2016/2017. 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, 2017 of $1,696,250 (2016 - $1,865,000) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2017, HFH paid out retirement allowances to their employees in the amount of $231,361 (2016 - $219,024) in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2017 was $270,314 (2016 - $270,314).

(d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which includes Vacation Pay) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the Service Purchase Agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat. Secondly, in keeping with the terms of the Service Purchase Agreement, future employee benefits should be recognized, both as a liability and as a receivable.

(d) Unfunded Employee Future Benefits (continued)

The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable. HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements. In 2016/17, the unfunded employee future benefits decreased by $33,683 (increase in 2016 - $24,340).

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	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	1,482,893	1,616,588	1,449,756
Building - Phase II	3,957,077	2,879,634	3,957,077	2,840,721
Building - Phase V	1,621,247	1,304,047	1,621,247	1,233,558
Building - Phase VI	16,110,525	-	4,357,538	-
Building - Link	1,500,962	943,474	1,500,962	922,032
Building - Canopy	70,161	62,845	70,161	59,922
Building Improvements	1,721,756	487,555	1,709,931	415,217
Equipment	3,188,254	2,583,177	3,133,137	2,456,431
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	-
	$ 30,733,031	10,190,000	18,913,102	9,824,012
Net book value	$20,543,031		9,089,090	

Building – Phase VI is in the construction phase with an estimated total cost of $68,352,043. The balance included in tangible capital assets represents the accumulated costs incurred to date. Amortization will not commence until the construction of the building is complete.

Total amortization expensed in the statement of operations is $406,095 (2016- $409,167).

6. LONG-TERM DEBT

	2017	2016
Toronto Dominion Bank due April 1, 2018, prime plus 0.50%, repayable in monthly installments of $1,850 plus interest. Accrued interest $116 (2016 - $169).	$ 41,395	63,595
Toronto Dominion Bank due March 30, 2017, prime plus .50%, repayable in monthly installments of $1,830 plus interest. Accrued interest $181 (2016 - $237).	74,155	96,115
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 (2016 - $2,878).	317,336	385,766
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 (2016 - $15,452).	1,676,835	1,755,849
	2,109,721	2,301,325
Less: current portion	204,490	217,373
	$ 1,905,231	2,083,952

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2017	$ 204,490
	2018	215,534
	2019	211,662
	2020	206,966
	2021	128,701
	Thereafter	1,142,368
		$ 2,109,721

Total interest expensed in the statement of operations is $155,347 (2016 - $171,384).

7. DEFERRED CAPITAL CONTRIBUTIONS

	Funds for Future Capital Purchases	Tangible Capital Assets	2017 Total	2016 Total
BALANCE, BEGINNING OF YEAR	$ 25,415	1,085,311	1,110,726	948,096
Add: Deferred contributions - WRHA	-	96,015	96,015	285,866
Transfer for tangible capital assets purchased	-	-	-	31,758
Transfers - SSMI Building Fund	-	-	-	2,320
	25,415	1,181,326	1,206,741	1,268,040
Deduct: Amortization of deferred contributions	-	154,433	154,433	157,314
BALANCE, END OF YEAR	$ 25,415	1,026,893	1,052,308	1,110,726

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2017 Total	2016 Total
BALANCE, BEGINNING OF YEAR	$ 83,134	107,010	190,144	214,784
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
	91,270	122,010	213,280	237,920
Deduct: Recognition of deferred contributions	-	-	-	16,018
Deduct: Transfer to deferred capital contributions	-	-	-	31,758
BALANCE, END OF YEAR	$ 91,270	122,010	213,280	190,144

9. INVESTMENT INCOME

	2017	2016
Holy Family Home, Inc. investment income	$ 9,493	4,966
SSMI Plant Fund investment income	11,834	9,551
	$ 21,327	14,517

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 $4,790,000 from Sisters Servants of Mary Immaculate Building Expansion Fund to Sisters Servants of Mary Immaculate Plant Fund to fund the Phase VI construction project (bed addition).

11. DEMAND LOANS

The organization has established lines of credit totalling $533,138 from the Carpathia Credit Union for previously self-funded building improvements. The lines of credit are due on demand, bear interest at the Bank of Canada's overnight rate plus 1.35%, and are secured by credit agreements signed by the organization in the amount of $533,138 and letters of comfort from Manitoba Health in the amount of $533,138.

The organization also established an operating loan of $61,965,780 from The Toronto-Dominion Bank to finance the new building construction (Phase VI) at the Home. The operating loan bears interest at the prime rate - .9%, and is secured by an assignment of money under specified contract relating to borrowings for the construction costs as authorized under the Letter of Comfort from Manitoba Health and Healthy Living.

At March 31, the organization has utilized its credit facilities as follows:

	2017	2016
Toronto Dominion Bank operating loan bearing interest at prime - .9% for purpose of the Phase VI building construction project (bed additions)	$10,111,098	-
Carpathia Credit Union line of credit, bearing interest at 1.85%, for planning bed additions.	-	4,198,952
Carpathia Credit Union line of credit, bearing interest at 1.85%, for purpose of boiler replacement.	193,282	227,845
Carpathia Credit Union line of credit, bearing interest at 1.85%, for purpose of roof replacement.	156,263	182,377
	$10,460,643	4,609,174

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2017	2016
Total funds received during year	$16,553,304	15,253,078
Add:		
Residential charges top-up	47,093	-
Change in accounts receivable balance	(924,465)	633,949
	15,676,497	15,887,027
Deduct:		
Loan funding deferred	244,144	233,112
Pre-retirement leave funded	173,019	146,361
Change in pre-retirement leave	168,750	85,000
Capital funding deferred	95,224	285,866
Major reserves funding deferred	23,136	23,136
Residential charges claw back	-	68,909
	704,273	842,384
	$14,972,224	15,044,643

12. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING (Continued)

Funding broken down as follows:

Resident Services	$14,703,064	14,775,483
Adult Day Care	269,160	269,160
	$14,972,224	15,044,643

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, 2017, the organization has a cash balance of $3,470,911.

(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 a total of $5,261,892 was transferred from internally restricted SSMI Plant Fund net assets to SSMI Plant Fund net assets invested in capital assets. These transfers relate to self-funded purchases of tangible capital assets related to construction of Phase VI, building improvements, and equipment additions.

Hope Centre Health Care Incorporated
Financial Statements
March 31, 2017

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, 2017, 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 Hope Centre Health Care Incorporated as at March 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter
The financial statements for the year ended March 31, 2016 were audited by Holukoff Chiarella Chartered Professional Accountants of Winnipeg, Manitoba prior to its merger with MNP LLP. On May 26, 2016, Holukoff Chiarella Chartered Professional Accountants expressed an unmodified opinion on the financial statements for the year ended March 31, 2016.

Winnipeg, Manitoba

July 18, 2017

MNP LLP

Chartered Professional Accountants

Hope Centre Health Care Incorporated
Statement of Financial Position
As at March 31, 2017

	2017	2016
Assets		
Current		
Cash	**30,620**	19,459
Accounts receivable	**306,178**	272,838
Prepaid expenses	**4,782**	2,999
	341,580	295,296
Capital assets *(Note 3)*	**32,000**	33,250
	373,580	328,546
Liabilities		
Current		
Bank indebtedness *(Note 4)*	**63,750**	87,000
Accounts payable and accruals	**6,924**	10,064
Surplus payable - Winnipeg Regional Health Authority	**20,708**	18,058
	91,382	115,122
Net Assets		
Unrestricted net assets *(Note 5)*	**250,198**	180,174
Invested in capital assets	**32,000**	33,250
	282,198	213,424
	373,580	328,546

Approved on behalf of the Board

Original Document Signed

President

Original Document Signed

Executive Director.

The accompanying notes are an integral part of these financial statements

	2017	*2016*
Revenue		
Medical health - Winnipeg Regional Health Authority	**1,185,448**	1,132,199
Medical receipts - Province of Manitoba	**7,265**	5,922
Interest	**199**	204
	1,192,912	1,138,325
Expenses *(Note 6)*	**1,148,495**	1,150,945
Excess (deficiency) of revenue over expenses before revenue adjustments	**44,417**	(12,620)
Revenue adjustments		
Revenue adjustment for current year	**(20,708)**	-
Revenue adjustments for prior years	**45,065**	(6,103)
	24,357	(6,103)
Excess (deficiency) of revenue over expenses	**68,774**	(18,723)

Hope Centre Health Care Incorporated
Statement of Changes in Net Assets
For the year ended March 31, 2017

	Unrestricted Fund	*Investment in Capital Assets Fund*	***2017***	*2016*
Net assets, beginning of year	**180,174**	**33,250**	**213,424**	232,147
Excess (deficiency) of revenue over expenses	**68,774**	**-**	**68,774**	(18,723)
Amortization of capital assets	**1,250**	**(1,250)**	**-**	-
Net assets, end of year	**250,198**	**32,000**	**282,198**	213,424

Hope Centre Health Care Incorporated
Statement of Cash Flows
For the year ended March 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**68,774**	(18,723)
Amortization	**1,250**	3,750
Changes in working capital accounts		
Accounts receivable	**(33,340)**	62,886
Prepaid expenses and deposits	**(1,783)**	(59)
Accounts payable and accruals	**(3,140)**	(7,677)
Surplus payable to Winnipeg Regional Health Authority	**2,650**	(10,960)
Financing		
Advance from Winnipeg Regional Health Authority	**-**	(35,000)
Increase (decrease) in bank indebtedness	**(23,250)**	39,750
	(23,250)	4,750
Increase in cash	**11,161**	33,967
Cash, beginning of year	**19,459**	(14,508)
Cash, end of year	**30,620**	19,459

1. Incorporation and nature 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 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:

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, as follows.

Buildings	20 years
Equipment	3 1/2 years
Furniture and fixtures	5 years

Revenue recognition

The Organization accounts for its revenue under the deferral method, whereby restricted contributions are recognized in the year that the related expenditures are incurred.

the Province of Manitoba and the Winnipeg Regional Health Authority provide funding to the Organization based on their assessment of the Organization's annual operating budgets and on approved capital expenditures. Periodically, they review actual operating results and process adjustments to amounts previously provided. The Organization accounts for these adjustments as a credit or charge to operations in the year that they are determined.

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

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. With the exception those instruments measured at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations 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.

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 revenue and expenses during the reporting period. Accounts receivable is stated after evaluation as to collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

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

3. Capital assets

	Cost	***Accumulated amortization***	***2017 Net book value***
Land	**32,000**	**-**	**32,000**
Buildings	**73,213**	**73,213**	**-**
Equipment	**47,907**	**47,907**	**-**
Furniture and fixtures	**50,898**	**50,898**	**-**
	204,018	**172,018**	**32,000**

	Cost	*Accumulated amortization*	*2016 Net book value*
Land	32,000	-	32,000
Buildings	73,213	73,213	-
Equipment	47,907	46,657	1,250
Furniture and fixtures	50,898	50,898	-
	204,018	170,768	33,250

4. Bank indebtedness

The Organization has an operating line of credit facility with Royal Bank of Canada to a maximum of $65,000 (2016 - $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. The operating line of credit facility is secured by a general security agreement covering all assets.

5. Unrestricted net assets

A portion of unrestricted net assets includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and the conditions of the relevant agreements.

6. Expenses

	2017	*2016*
Administration		
Bank charges and interest	**5,663**	4,875
Computer maintenance	**490**	9,952
Insurance	**4,235**	4,347
Memberships	**-**	2,643
Professional fees	**8,773**	4,520
Salaries and benefits	**73,932**	73,733
	93,093	100,070
Primary Health Care		
Auto allowance	**4,412**	3,913
Communications	**8,079**	6,551
Postage	**1,523**	1,680
Professional fees	**1,379**	5,342
Program equipment	**10,678**	7,305
Program supplies	**30,078**	20,380
Public relations	**5,910**	7,658
Salaries - Benefits	**121,261**	129,972
Salaries - Health care	**506,451**	521,464
Salaries - Physician	**261,382**	247,410
	951,153	951,675
Occupancy		
Amortization	**1,250**	3,750
Cleaning - Janitorial	**22,368**	16,963
Cleaning - Supplies	**4,942**	3,905
Property maintenance	**12,716**	16,733
Property taxes	**-**	1,798
Rental - 240 Powers Street (Note 7)	**48,439**	44,248
Utilities	**14,534**	11,803
	104,249	99,200
	1,148,495	1,150,945

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:

2018	45,172
2019	3,768
	48,940

8. Economic dependence

The Organization is dependent on support from the Winnipeg Regional Health Authority and the Province of Manitoba to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

9. 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 risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Credit risk is mitigated as majority of receivables are due from the Province of Manitoba and the Winnipeg Regional Health Authority.

Klinic Incorporated
(Operating as Klinic Community Health)
Financial Statements
March 31, 2017

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, 2017, 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, 2017 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 31, 2017

Chartered Professional Accountants

Klinic Incorporated
Statement of Financial Position

March 31

	Capital Operating Fund	Wilson Asset Fund	House Fund	Donation Fund	**2017 Total**	2016 Total (Note 14)
Assets						
Current						
Cash (Note 3)	$ 303,192	$ -	$ -	$ 49,717	**$ 352,909**	$ 790,651
Cash in trust - external projects (Notes 3 and 4)	48,340	-	-	-	**48,340**	47,194
Receivables (Note 5)	1,389,226	-	-	-	**1,389,226**	1,214,631
Prepaid expenses	14,400	-	-	-	**14,400**	85,989
Assets held for sale (Note 8)	-	-	702,400	-	**702,400**	702,400
	1,755,158	-	702,400	49,717	**2,507,275**	2,840,865
Interfund balances (Note 6)	(225,066)	-	69,016	156,050	**-**	-
Pre-retirement leave receivable from Winnipeg Regional Health Authority	609,258	-	-	-	**609,258**	572,064
Capital assets (Note 7)	27,500	5,185,674	-	-	**5,213,174**	163,350
	$ 2,166,850	$ 5,185,674	$ 771,416	$ 205,767	**$ 8,329,707**	$ 3,576,279
Liabilities						
Current						
Payables and accruals	$ 1,387,709	$ -	$ -	$ -	**$ 1,387,709**	$ 1,297,336
Deferred revenue (Note 9)	164,171	-	577,630	-	**741,801**	230,692
Current portion of mortgage payable (Note 10)	-	255,063	-	-	**255,063**	-
Funds in trust - external projects (Note 4)	48,340	-	-	-	**48,340**	47,194
	1,600,220	255,063	577,630	-	**2,432,913**	1,575,222
Deferred revenue (Note 9)	-	98,271	-	-	**98,271**	648,440
Mortgage payable (Note 10)	-	4,381,714	-	-	**4,381,714**	-
Pre-retirement leave (Note 11)	1,154,337	-	-	-	**1,154,337**	1,103,000
	2,754,557	4,735,048	577,630	-	**8,067,235**	3,326,662
Fund balances						
Invested in capital assets	-	450,626	124,773	-	**575,399**	203,390
Unrestricted - retainable	(587,707)	-	69,013	205,767	**(312,927)**	46,227
	(587,707)	450,626	193,786	205,767	**262,472**	249,617
	$ 2,166,850	$ 5,185,674	$ 771,416	$ 205,767	**$ 8,329,707**	$ 3,576,279

Approved by the Board

Original Document Signed Director

Original Document Signed Director

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Operations
Year Ended March 31 — **2017** / 2016

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**Total 2017**	Total 2016 (Note 14)
Revenues						
Grants and other revenue (Page 16)	$10,180,332	$ -	$ -	$ -	**$10,180,332**	$ 9,920,901
Donations	-	-	-	16,385	**16,385**	10,170
Interest	-	-	-	2,537	**2,537**	4,187
Rent	-	107,000	-	-	**107,000**	-
Amortization of deferred revenues (Note 9)	-	7,339	-	-	**7,339**	76,904
	10,180,332	114,339	-	18,922	**10,313,593**	10,012,162
Expenses						
Expenditures (Page 16)	10,135,541	1,734	-	-	**10,137,275**	9,847,828
Amortization	27,398	83,713	-	-	**111,111**	123,220
Special projects	-	-	-	3,934	**3,934**	9,372
Mortgage interest	-	34,275	-	-	**34,275**	-
	10,162,939	119,722	-	3,934	**10,286,595**	9,980,420
Excess (deficiency) of revenues over expenses from operations	17,393	(5,383)	-	14,988	**26,998**	31,742
Pre-retirement leave (Note 11)	(14,143)	-	-	-	**(14,143)**	(18,758)
Excess (deficiency) of revenues over expenses before discontinued operations	3,250	(5,383)	-	14,988	12,855	12,984
Income from discontinued operations (Note 15)						
Grants and other revenue (Page 17)	899,420	-	-	-	899,420	839,118
Expenditures (Page 17)	(899,420)	-	-	-	(899,420)	(839,118)
	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	$ 3,250	$ (5,383)	$ -	$ 14,988	**$ 12,855**	$ 12,984

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2017 Total**	2016 Total
Fund balances, beginning of year	$ (478,565)	$ 78,617	$ 193,786	$ 455,779	**$ 249,617**	$ 236,633
Excess (deficiency) of revenues over expenses	3,250	(5,383)	-	14,988	**12,855**	12,984
Transfer to Capital Asset Fund for purchase of capital assets	(112,392)	377,392	-	(265,000)	**-**	-
Fund balances, end of year	$ (587,707)	$ 450,626	$ 193,786	$ 205,767	**$ 262,472**	$ 249,617

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**2017 Total**	2016 (Note 14) Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 8,191,757	$ -	$ -	$ -	**$ 8,191,757**	$ 8,095,842
Province of Manitoba	1,004,940	-	-	-	**1,004,940**	1,098,658
Government of Canada	10,500	-	-	-	**10,500**	49,824
University of Winnipeg	186,589	-	-	-	**186,589**	183,622
Workshops and honorariums	53,724	-	-	-	**53,724**	39,970
Donations	20,326	-	-	16,385	**36,711**	13,026
External projects	163,814	-	-	-	**163,814**	160,608
Interest	1,248	-	-	2,537	**3,785**	6,249
Other sources	603,625	-	-	-	**603,625**	496,666
Cash paid for:						
Human resources and benefits	(9,138,841)	-	-	-	**(9,138,841)**	(9,180,448)
Materials and services	(878,311)	-	-	(370)	**(878,681)**	(740,114)
External projects	(162,669)	-	-	-	**(162,669)**	(144,623)
Interest	(2,204)	-	-	-	**(2,204)**	(1,611)
	54,498	-	-	18,552	**73,050**	77,669
Cash flows from discontinued operations						
Net cash flow from Teen Talk (Note 15)	(56,476)	-	-	-	**(56,476)**	(44,612)
Cash flows from investing activities						
Purchase of capital assets	(38,330)	(5,122,606)	-	-	**(5,160,936)**	(63,183)
Cash flows from financing activities						
Rent	-	107,000	-	-	**107,000**	-
Materials and services	-	(1,734)	-	-	**(1,734)**	-
Proceeds on mortgage payable	-	4,700,000	-	-	**4,700,000**	-
Payments on mortgage payable	-	(97,500)	-	-	**(97,500)**	-
Net cash used in financing activities	-	4,707,766	-	-	**4,707,766**	-
Net (decrease) increase in cash	(40,308)	(414,840)	-	18,552	**(436,596)**	(30,126)
Cash, beginning of year	534,133	-	-	303,712	**837,845**	867,971
Interfund adjustments	(142,293)	414,840	-	(272,547)	**-**	-
Cash, end of year (Note 3)	$ 351,532	$ -	$ -	$ 49,717	**$ 401,249**	$ 837,845

See accompanying notes to the financial statements.

1. Purpose of the organization

Klinic Incorporated (the organization) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling, public education and training for the Province of Manitoba.

The organization is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets (including computer equipment), liabilities, revenues and expenses related to the organization's activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization’s capital assets (excluding computer equipment).

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization’s building at 545 Broadway, known as The Wilson House.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The organization follows the deferral method of accounting for contributions.

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

Restricted contributions related to the programs are recognized as revenue in the year in which the related expenses are incurred.

Workshops and fundraising revenue are recognized as revenue in the appropriate fund when the event is held.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased property and equipment are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated residual value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer equipment	3 years	straight-line
Computer equipment under capital lease	3 years	straight-line
Capital Asset Fund		
Building	20 years	straight-line
Furniture and equipment	10 - 20 years	straight-line
Website	10 years	straight-line
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 3.1% (2016 - 3.0%), a rate of salary increase of 3.5% (2016 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) External projects

External projects are sponsored by the organization and directed by third party organizations. The organization provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funds in trust - external projects.

2. Summary of significant accounting policies - continued

g) Allocation of expenses

The organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

h) Accounting estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

i) Financial instruments

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

	2017	2016
Operating Fund		
Cash and short-term investments	**$ 303,192**	$ 486,939
Cash in trust - external projects	**48,340**	47,194
	351,532	534,133
Donation Fund	**49,717**	303,712
	$ 401,249	$ 837,845

The organization has available an operating line of credit with an authorized limit of $25,000 (2016 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2017 (2016 - $NIL).

4. Cash in trust - external projects

Funds in trust for external projects is as follows:

	2017	2016
Manitoba Public Health Association	$ 13,761	$ 14,357
Communities 4 Families - Downtown Parent Coalition	19,344	15,893
West Central Community Guide	2	2
Manitoba Network for Suicide Prevention	3,433	3,433
Wellness Committee	2,605	3,562
Trauma Forum	8,217	8,217
Mothers Support Circle	-	435
Male Childhood Abuse Workshop	669	669
Take Back the Night	309	626
	$ 48,340	$ 47,194

5. Receivables

	2017	2016
Winnipeg Regional Health Authority	$ 1,013,139	$ 730,987
Other	376,087	483,644
	$ 1,389,226	$ 1,214,631

6. Interfund balances

The interfund balances are non interest bearing and have no fixed terms of repayment.

7. Capital assets

2017

	Cost	**Accumulated Amortization**	**Net Book Value**
Operating Fund			
Computer equipment	**$ 193,574**	**$ 166,074**	**$ 27,500**
Capital Asset Fund			
Land	**763,130**	**-**	**763,130**
Building	**6,780,005**	**2,460,623**	**4,319,382**
Furniture and equipment	**373,923**	**300,135**	**73,788**
Website	**35,284**	**5,910**	**29,374**
	7,952,342	**2,766,668**	**5,185,674**
	$ 8,145,916	**$ 2,932,742**	**$ 5,213,174**

2016

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 175,034	$ 161,111	$ 13,923
Capital Asset Fund			
Building	2,420,530	2,384,062	36,468
Furniture and equipment	373,923	293,602	80,321
Website	35,284	2,646	32,638
	2,829,737	2,680,310	149,427
	$ 3,004,771	$ 2,841,421	$ 163,350

8. Assets held for sale

			2017
	Cost	**Accumulated Amortization**	**Net Book Value**
Wilson House Fund			
Land	**$ 160,500**	**$ -**	**$ 160,500**
Building	**1,354,146**	**812,246**	**541,900**
	$ 1,514,646	**$ 812,246**	**$ 702,400**

			2016
	Cost	Accumulated Amortization	Net Book Value
Wilson House Fund			
Land	$ 160,500	$ -	$ 160,500
Building	1,354,146	812,246	541,900
	$ 1,514,646	$ 812,246	$ 702,400

In 2017, Klinic was approached by a party that was interested in purchasing Wilson House. An offer was received by Klinic on April 20, 2017 with a counter offer proposed shortly thereafter. As of the date of these financial statements, the counter offer has been accepted. As a result, no amortization has been recognized in these financial statements.

9. 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:

	2017	2016
Beginning balance	**$ 230,692**	$ 210,474
Less: amounts recognized as revenue during the year	**(90,565)**	(62,456)
Add: amounts received related to next year	**24,044**	82,674
	$ 164,171	$ 230,692

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

Beginning balance	**$ 70,810**	$ 63,088
Less: amounts recognized as revenue during the year:		
Province of Manitoba	**(2,709)**	(2,709)
Winnipeg Regional Health Authority	**(4,630)**	(2,027)
	(7,339)	(4,736)
Add: contributions	**34,800**	12,458
	$ 98,271	$ 70,810

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	**$ 577,630**	$ 649,798
Less: amounts recognized as revenue during the year	**-**	(72,168)
	$ 577,630	$ 577,630

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.

As Wilson House has been classified as held for sale (Note 8), amortization of deferred revenue has not been recognized in these financial statements.

10. Mortgage payable

	2017	2016
Assiniboine Credit Union - 870 Portage Avenue Monthly payments of $10,000, bearing interest at Prime plus 0.25%, secured by a promissory note, a registered multi-purpose first real property mortgage over 870 Portage Avenue, registered general assignment of rents and leases over 870 Portage Avenue and an insurance waiver	**$ 1,430,497**	$ -
Assiniboine Credit Union - 167 Sherbrook Street Monthly payments of $22,500, bearing interest at 3%, secured by a promissory note, a registered multi-purpose first mortgage over 167 Sherbrook, registered general assignment of rents and leases over 167 Sherbrook and an insurance waiver	**3,206,280**	-
	4,636,777	-
Less: current portion	**255,063**	-
	$ 4,381,714	$ -

All advances are further secured by a general security agreement providing first charge over all assets of the organization and an assignment of fire and theft insurance.

Approximate future minimum mortgage payments in the next five years are as follows:

2018	$ 255,063
2019	262,781
2020	270,732
2021	278,923
2022	287,363
	$ 1,354,862

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 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	**2017**	2016
Opening balance	**$ 1,103,000**	$ 1,032,000
Increase in obligation	**51,337**	71,000
Ending balance	**$ 1,154,337**	$ 1,103,000

Pre-retirement leave		
Current year retirement benefits paid	**$ (79,899)**	$ (20,968)
Current year recovery		
WRHA	**64,041**	20,968
Province of Manitoba - Family Services	**15,858**	-
Increase in obligation	**(51,337)**	(71,000)
Increase in receivable	**37,194**	52,242
	$ (14,143)	$ (18,758)

12. 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, $669,520 (2016 - $648,796) 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.

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.

14. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

15. Discontinued operations

Subsequent to year end, it was announced that the Teen Talk program would no longer operate under Klinic Incorporated. The operations will be transferred to Sexuality Education Resource Centre Manitoba Inc. in the 2017-18 fiscal year, with the funding transferred over on April 1, 2018.

Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Klinic Student Health Services	Rural Farm	Dream Catcher	GLBTT	Choices	2017 Total	2016 Total (Note 14)
Revenues								
Grants								
Winnipeg Regional Health Authority								
Fixed payments	$ 8,325,730	$ -	$ -	$ -	$ -	$ -	$ 8,325,730	$ 7,942,289
Other funding	32,103	-	37,657	-	4,060	10,350	84,170	38,812
Province of Manitoba								
Health, Healthy Living and Seniors	474,114	-	297,000	47,000	-	-	818,114	829,202
Children and Youth Opportunites	-	-	-	-	-	100,600	100,600	100,600
Addictions Foundation of Manitoba	87,500	-	-	-	-	-	87,500	87,500
Government of Canada								
Status of Women	29,316	-	-	-	-	-	29,316	70,652
Workers Compensation Board	55,000	-	-	-	-	-	55,000	55,000
Winnipeg Foundation	-	-	-	400	-	-	400	25,750
University of Winnipeg	-	153,677	-	-	-	-	153,677	170,360
Other	459,999	-	-	935	-	-	460,934	561,768
Workshops	58,799	-	-	-	-	-	58,799	34,118
Donations	4,644	-	200	-	-	-	4,844	2,788
Interest	1,248	-	-	-	-	-	1,248	2,062
Total revenues	9,528,453	153,677	334,857	48,335	4,060	110,950	10,180,332	9,920,901
Expenditures								
Salaries	6,171,157	118,919	273,898	63,561	-	92,491	6,720,026	6,541,448
Medical remuneration	1,103,745	-	-	-	-	-	1,103,745	1,068,985
Benefits and payroll tax (Note 12)	1,302,825	24,789	54,902	12,846	-	15,940	1,411,302	1,408,068
Food and dietary supplies	37,196	-	251	1,569	-	-	39,016	37,487
Housekeeping	17,934	-	-	-	-	-	17,934	18,202
Medical supplies	33,708	9,619	-	-	-	-	43,327	39,572
Office supplies	193,193	262	9,976	1,579	-	1,387	206,397	201,075
Other	184,218	88	13,109	6,565	400	1,132	205,512	229,781
Professional fees	103,085	-	-	-	-	-	103,085	44,101
Rent	866	-	15,715	-	-	-	16,581	16,792
Repairs and maintenance	136,539	-	655	-	-	-	137,194	115,041
Pharmacy and drugs	4,526	-	-	-	3,660	-	8,186	8,997
Reproductive health supplies	43,562	-	-	-	-	-	43,562	44,513
Utilities and property taxes	72,882	-	50	-	-	-	72,932	67,330
Volunteer services	6,742	-	-	-	-	-	6,742	6,436
Website	-	-	-	-	-	-	-	-
Total expenditures	9,412,178	153,677	368,556	86,120	4,060	110,950	10,135,541	9,847,828
Excess (deficiency) of revenues over expenditures from operations	$ 116,275	$ -	$ (33,699)	$ (37,785)	$ -	$ -	$ 44,791	$ 73,073

Klinic Incorporated
Schedule of Discontinued Operations - Teen Talk

March 31, 2017	2017	2016
Revenues		
Grants		
Winnipeg Regional Health Authority	**$ 237,289**	$ 156,003
Province of Manitoba		
Health, Healthy Living and Seniors	**236,607**	219,837
Children and Youth Opportunities	**288,323**	276,044
Education and Training	**15,000**	15,000
Government of Canada		
Canada Drug Strategy	**32,575**	87,679
Public Health Agency Canada	**49,855**	49,855
First Nations and Inuit Health	**25,000**	25,000
Other	**14,771**	9,700
Total revenues	**899,420**	839,118
Expenditures		
Salaries	**662,763**	628,992
Benefits and payroll tax (Note 12)	**138,394**	128,249
Food and dietary supplies	**186**	131
Office supplies	**16,158**	10,635
Other	**77,268**	68,394
Repairs and maintenance	-	1,204
Reproductive health supplies	**4,651**	1,513
Total expenditures	**899,420**	839,118
Excess of revenues over expenditures from discontinued operations	**$ -**	$ -

LHC PERSONAL CARE HOME INC.

Financial Statements

Year Ended March 31, 2017

CRAIG & ROSS
CHARTERED PROFESSIONAL ACCOUNTANTS

June 22, 2017

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, 2017 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, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Craig & Ross

Chartered Professional Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

LHC PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	$ 826,914	$ 395,124
Restricted cash - resident trust	13,075	13,037
Restricted cash - reserve fund	194,987	187,307
Accounts receivable - residents	4,621	15,686
Accounts receivable - other	8,077	8,158
Vacation entitlement receivable *(Note 4)*	138,650	138,650
Prepaid expenses	11,714	20,679
Due from Winnipeg Regional Health Authority *(Note 3)*	-	15,318
	1,198,038	793,959
PRE-RETIREMENT ENTITLEMENT RECEIVABLE *(Note 4)*	208,278	186,453
CAPITAL ASSETS *(Note 5)*	7,649,367	8,051,652
	$ 9,055,683	$ 9,032,064
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 86,148	$ 80,456
Accrued vacation, statutory and overtime	392,886	399,109
Due to Lions Manor *(Note 7)*	3,021	47,631
Resident trust payable	13,075	13,037
Due to Winnipeg Regional Health Authority *(Note 3)*	270,856	-
	765,986	540,233
ACCRUED PRE-RETIREMENT ENTITLEMENT *(Note 4)*	228,825	207,000
DEFERRED CONTRIBUTIONS *(Note 9)*	6,782,426	7,177,031
	7,777,237	7,924,264
NET ASSETS (Page 4)	1,278,446	1,107,800
	$ 9,055,683	$ 9,032,064

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, 2017

	2017	2016
REVENUE		
Winnipeg Regional Health Authority	$ 6,222,538	$ 5,885,641
Resident charges	2,341,072	2,265,704
Other	32,785	33,787
	8,596,395	8,185,132
EXPENDITURES		
Accrued vacation, statutory and overtime	(6,223)	15,941
Electricity	159,369	155,576
Health and education levy	114,035	113,219
Insurance	21,256	36,728
Medical remuneration	19,320	19,056
Medical supplies and equipment	140,570	134,995
Natural gas	39,115	39,767
Operational supplies and services	187,810	199,792
Other employee benefits	949,908	926,483
Other nursing expenses	6,657	7,217
Plant maintenance	165,661	85,991
Pre-retirement payout	11,272	28,425
Professional fees	19,061	21,815
Property taxes	87,421	85,283
Purchased meals *(Note 7)*	1,011,984	911,088
Resident travel	22,042	24,685
Salaries	5,321,878	5,191,981
Water and waste	59,386	50,465
Workers Compensation premiums	73,402	70,428
	8,403,924	8,118,935
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS	192,471	66,197
OTHER ITEMS		
Amortization of deferred contributions	441,656	413,016
Amortization of capital assets	(441,656)	(414,367)
Change in pre-retirement obligation	(21,825)	(1,000)
	(21,825)	(2,351)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$ 170,646	$ 63,846

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2017

	2017	2016
NET ASSETS - BEGINNING OF YEAR	$ 1,107,800	$ 1,043,954
Excess of revenue over expenditures for the year (page 3)	170,646	63,846
NET ASSETS - END OF YEAR	$ 1,278,446	$ 1,107,800

LHC PERSONAL CARE HOME INC.

Statement of Cash Flow

Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over other items	$ 170,646	$ 63,846
Items not affecting cash:		
Amortization of capital assets	441,656	414,367
Change in deferred contributions	(394,605)	(367,724)
	217,697	110,489
Changes in non-cash working capital:		
Accounts receivable	11,146	(15,408)
Prepaid expenses	8,965	(4,458)
Pre-retirement entitlement receivable	(21,825)	(1,000)
Accounts payable and accrued liabilities	5,692	26,233
Resident trust payable	38	(7,261)
Accrued vacation, statutory and overtime	(6,223)	15,941
Accrued pre-retirement entitlement	21,825	1,000
	19,618	15,047
Cash flow from operating activities	237,315	125,536
INVESTING ACTIVITY		
Purchase of capital assets	(39,371)	(45,517)
FINANCING ACTIVITIES		
Due (to) from a related party	(44,610)	59,395
Due to Winnipeg Regional Health Authority	286,174	(129,029)
Cash flow from (used by) financing activities	241,564	(69,634)
INCREASE IN CASH FLOW	439,508	10,385
Cash - beginning of year	595,468	585,083
CASH - END OF YEAR	$ 1,034,976	$ 595,468
CASH CONSISTS OF:		
Cash	$ 826,914	$ 395,124
Restricted cash - resident trust	13,075	13,037
Restricted cash - reserve fund	194,987	187,307
	$ 1,034,976	$ 595,468

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, prepaid expenses, 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)

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.

Capita 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, 2017.

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)

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

	2017	2016
Bridge funding	$ (300,000)	$ (300,000)
COLA increases	59,104	15,182
CUPE salary increases	-	389,800
Dialysis transporting funding	1,281	2,561
Education reimbursement	550	660
Flooring project	65,176	-
Flu immunization costs	-	372
Health spending account	41,137	18,176
Leap year residential charges	-	18,970
Maternity leave top-up	1,128	-
Medical Director fee increase	264	-
Non-union D&R funding increase	27,000	18,000
Pre-retirement payout	39,779	39,779
Quadrant Payroll Software	28,869	-
Residential charges	(237,948)	(195,403)
Security guard - extra services	-	3,092
Tub project	2,804	4,129
	$ (270,856)	$ 15,318

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

	2017		2016	
	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**	**5,236,335**	12,324,767	4,928,142
Computer hardware and software	**155,134**	**155,134**	126,266	80,826
Furniture, fixtures and equipment	**1,649,430**	**1,277,777**	1,638,926	1,218,621
	$ 14,335,902	**$ 6,686,535**	$ 14,296,530	$ 6,244,878
Net book value	**$ 7,649,367**		$ 8,051,652	

6. BANK INDEBTEDNESS

The Organization has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the Organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand.

7. RELATED 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:

	2017	2016
Dietary meal costs	$ 1,011,984	$ 911,088

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.

	2017	2016
At the end of the year, the amount due (from) to Lions Manor:	$ 3,021	$ 47,631

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, 2017, no litigation is in process. With respect to potential claims at March 31, 2017, 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.

	2017	2016
Balance - beginning of year	$ 6,989,724	$ 7,357,223
Transfers from equipment funding	39,371	45,517
Less amounts amortized to revenue	(441,656)	(413,016)
Balance - end of year	6,587,439	6,989,724

(continues)

9. DEFERRED CONTRIBUTIONS *(continued)*

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.

	2017	2016
Balance - beginning of year	**97,487**	89,807
Contributions - Winnipeg Regional Health Authority	**7,680**	7,680
Balance - end of year	**105,167**	97,487

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.

	2017	2016
Balance - beginning of year	**89,820**	97,725
Contributions - Winnipeg Regional Health Authority	**39,371**	37,612
Purchases	**(39,371)**	(45,517)
Balance - end of year	**89,820**	89,820
Total deferred contributions balance	**$ 6,782,426**	$ 7,177,031

10. PENSION PLAN

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent available audited financial statements of the Plan as at December 31, 2015 indicates the Plan is in a deficit position. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to $412,845 (2016 - $410,578) 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, 2017

CRAIG & ROSS

CHARTERED PROFESSIONAL ACCOUNTANTS

May 25, 2017

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, 2017, 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 impacts 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Craig & Ross

Chartered Professional Accountants

LUTHER HOME CORPORATION

Statement of Financial Position

March 31, 2017

		2017		2016
ASSETS				
CURRENT				
Cash and marketable securities *(Note 4)*	$	946,337	$	589,669
Accounts receivable		100,468		519,143
Prepaid expenses		19,199		18,637
Inventory		27,546		26,712
		1,093,550		1,154,161
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 5)*		580,407		577,272
CAPITAL ASSETS *(Note 6)*		5,384,342		5,690,386
	$	7,058,299	$	7,421,819
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued expenses	$	919,014	$	909,910
Current portion of long-term debt *(Note 7)*		131,206		120,219
		1,050,220		1,030,129
Term loans due on demand *(Note 7)*		379,378		535,092
		1,429,598		1,565,221
ACCRUED BENEFIT ENTITLEMENT		559,135		556,000
LONG-TERM DEBT *(Note 7)*		1,640,974		1,772,594
SUBSIDY SURPLUS RESERVE		81,039		80,484
REPLACEMENT RESERVE *(Note 8)*		212,487		157,535
DEFERRED CONTRIBUTIONS				
Capital assets		1,157,189		1,229,656
		5,080,422		5,361,490
NET ASSETS				
Unrestricted		1,562,015		1,623,445
Internally restricted - Sterkell		134,635		168,067
Internally restricted - Christ Lutheran Church		257,879		256,115
Internally restricted - Memorial Fund *(Note 9)*		23,348		12,702
		1,977,877		2,060,329
	$	7,058,299	$	7,421,819

APPROVED ON BEHALF OF THE BOARD

Original Document Signed
Director

Original Document Signed
Director

LUTHER HOME CORPORATION

Statement of Operations

Year Ended March 31, 2017

		2017		2016
REVENUE				
Long-term care *(Schedule 1)*	$	**6,301,623**	$	6,314,567
1080 Powers *(Schedule 2)*		**540,837**		531,306
1084 Powers *(Schedule 3)*		**354,363**		344,393
364 Leila *(Schedule 4)*		**8,100**		536,544
Adult Day Program *(Schedule 5)*		**144,672**		144,914
Home Care Program *(Schedule 6)*		**332,688**		332,688
Management Services *(Schedule 7)*		**4,208**		5,724
Memorial Fund *(Schedule 8)*		**44,733**		34,974
Donation Fund - Sterkell		**1,157**		24,420
Donation Fund - Christ Lutheran Church		**1,764**		2,436
		7,734,145		8,271,966
EXPENSES				
Long-term care *(Schedule 1)*		**6,317,689**		6,308,783
1080 Powers *(Schedule 2)*		**505,837**		496,306
1084 Powers *(Schedule 3)*		**257,249**		248,576
364 Leila *(Schedule 4)*		**40,212**		528,710
Adult Day Program *(Schedule 5)*		**145,209**		142,447
Home Care Program *(Schedule 6)*		**332,417**		342,045
Management Services *(Schedule 7)*		**12,524**		14,088
Memorial Fund *(Schedule 8)*		**34,087**		34,568
Donation Fund - Sterkell		**34,589**		8,192
		7,679,813		8,123,715
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION		**54,332**		148,251
ALLOCATION TO REPLACEMENT RESERVE		**135,776**		112,976
ALLOCATION TO INSURANCE DEDUCTIBLE RESERVE		**1,008**		1,008
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$**	**(82,452)**	$	34,267

LUTHER HOME CORPORATION

Statement of Cash Flow

Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	$ (82,452)	$ 34,267
Adjustments for:		
Allocation to replacement reserve	135,776	112,976
Amortization of capital assets	320,027	301,273
Amortization of deferred contributions related to capital assets	(89,258)	(92,314)
	284,093	356,202
Adjustments for changes in non-cash working capital:		
Accounts receivable	418,675	(174,304)
Inventories	(834)	(3,836)
Prepaid expenses	(562)	(1,828)
Accounts payable and accrued expenses and Manitoba Housing	9,104	52,047
Accrued benefit entitlement	3,135	39,000
Cash flow from operating activities	713,611	267,281
INVESTING ACTIVITIES		
Purchase of capital assets	(13,981)	(415,036)
Due from Winnipeg Regional Health Authority	(3,135)	(39,000)
Cash flow used by investing activities	(17,116)	(454,036)
FINANCING ACTIVITIES		
Change in deferred contributions	(63,480)	136,380
Proceeds from term loans	-	180,450
Repayment of term loans	(155,714)	(149,199)
Repayment of long-term debt	(120,633)	(109,819)
Cash flow from (used by) financing activities	(339,827)	57,812
INCREASE (DECREASE) IN CASH FLOW	356,668	(128,943)
CASH - BEGINNING OF YEAR	589,669	718,612
CASH - END OF YEAR	$ 946,337	$ 589,669

LUTHER HOME CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2017

	Sterkell	Christ Lutheran Church	Memorial Fund	Unrestricted	2017	2016
NET ASSETS - BEGINNING OF YEAR	$ 168,067	$ 256,115	$ 12,702	$ 1,623,445	$ 2,060,329	$ 2,587,874
PRIOR PERIOD ADJUSTMENT *(Note 14)*	-	-	-	-	-	(561,812)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	168,067	256,115	12,702	1,623,445	2,060,329	2,026,062
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(33,432)	1,764	10,646	(61,430)	(82,452)	34,267
NET ASSETS - END OF YEAR	$ 134,635	$ 257,879	$ 23,348	$ 1,562,015	$ 1,977,877	$ 2,060,329

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 was a group home for mentally challenged individuals which ceased operation on April 18, 2016.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations (ASNPO), except as disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), except as explained below, in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation (MHRC).

The specific accounting policies that differ from the Canadian accounting standards for not-for-profit organizations (ASNPO) include the following:

(a) Amortization for the building, furniture and equipment at 1080 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from MHRC. No amortization is charged on other capital assets. Donated capital assets are not amortized.

(b) Capital assets purchased from the Replacement Reserve are charged against the Replacement Reserve account, rather than being capitalized on the statement of financial position and amortized over these estimated useful lives; and

(c) A reserve for future capital replacement is appropriated annually from operations.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue recognized for donated assets is deferred when the donated asset is received and recognized in each period to the extent of the amortization expense on the related asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization, except as required under the operating agreement with MHRC for 1080 Powers Street, is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, 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.

	Rate
Buildings – 1081 Andrews Street	20 and 50 years
Automotive – 1081 Andrews Street	8 years
Real time locating system – computer	4 years
Computer and system software – 1081 Andrews Street	4 years
Furniture, equipment and improvements – 1081 Andrews Street	10 and 20 years
Real time locating system	10 years
Buildings – 364 Leila	40 years
Furniture and fixtures – 364 Leila	10 years

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets *(continued)*

The Corporation performs impairment testing on capital assets whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

For 1080 Powers Street, amortization is provided on the building, furniture and equipment purchased from loans by MHRC at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Corporation is registered as a 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 Canada Mortgage and Housing Corporation (CMHC), a replacement reserve liability has been established. The replacement reserve is funded from the Corporation's operations through an annual allocation to the reserve. The amount to be allocated is the amount set out in the corresponding budget or another amount approved by the Corporation.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized at the same rate as related assets are amortized.

Inventory

Inventory held for consumption in the production process of goods to be distributed are recognized at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Accrued benefit entitlement

1081 Andrews Street has a contractual commitment to pay out to employees four days per year of service upon retirement if they comply with the following conditions:

(a) have ten years of service and have reached the age of 55; or
(b) qualify for the "80" rule which is calculated by adding the number of years of service to the age of the employee; or
(c) retire at or after the age of 65; or
(d) terminate employment at any time due to permanent disability.

(continues)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accrued benefit entitlement *(continued)*

The Corporation has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the WRHA up to a pre-determined percentage.

Internally restricted net assets

The Corporation has restricted donations in the Memorial Fund and two Donation Funds. These funds may be designated for specific projects to enhance the care of residents of the Corporation.

Financial instruments

Financial instruments consist of cash and marketable securities, accounts receivable, accounts payable and accrued expenses, subsidy due to MHRC, term loans due on demand and long-term debt.

All financial instruments are initially recorded at fair value, and are subsequently reported at amortized cost.

Transaction costs on all financial instruments are expensed as incurred.

It is management's opinion that the Corporation is not exposed to any significant 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 0.69% at year end. Restricted cash and marketable securities are amounts allocated to reserve and trust accounts that are subject to restrictions.

	2017	2016
Cash and marketable securities, restricted	**$ 293,525**	$ 238,019
Cash and marketable securities, unrestricted	**652,812**	351,650
	$ 946,337	$ 589,669

5. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

	2017	2016
Vacation entitlement	$ 133,100	$ 133,100
Pre-retirement entitlement	447,307	444,172
	$ 580,407	$ 577,272

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, 2017, the WRHA fully funded the change in the pre-retirement entitlement.

6. CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land – 1081 Andrews St.	$ 51,952	$ -	$ 51,952	$ -
Buildings – 1081 Andrews St.	3,169,008	1,551,918	3,169,008	1,450,270
Automotive – 1081 Andrews St.	74,399	71,099	74,399	71,099
Real time locating system – computer	16,461	12,897	16,461	11,116
Computer and system software – 1081 Andrews St.	221,710	192,687	221,710	182,491
Furniture, equipment and improvements – 1081 Andrews St.	2,966,113	2,299,894	2,952,132	2,194,315
Real time locating system	167,863	167,863	167,863	159,469
Buildings – 364 Leila Ave	229,430	112,855	229,430	107,479
Furniture and fixtures – 364 Leila Ave.	24,404	24,404	24,404	24,239
Land, building and equipment – 1080 Powers St.	3,074,992	807,166	3,074,992	720,280
Land, building and equipment – 1084 Powers St.	1,925,129	1,296,334	1,925,129	1,296,336
	$ 11,921,461	$ 6,537,119	$ 11,907,480	$ 6,217,094
Net book value	$ 5,384,342		$ 5,690,386	

LUTHER HOME CORPORATION

Notes to Financial Statements

Year Ended March 31, 2017

7. LONG-TERM DEBT

	2017	2016
Mortgage loan with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387, including interest and secured by the land and building at 1080 Powers Street, due July 1, 2027.	**$ 1,663,188**	$ 1,750,074
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.	**108,992**	142,738
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
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.	**72,834**	96,534
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.	**160,430**	193,550
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, for renovations at 1084 Powers Street, due September 1, 2017.	**19,758**	59,410
Term demand loan with Bank of Montreal, bearing interest at prime plus .75%, for roof replacement at 1080 Powers Street, due January 1, 2021.	**126,356**	159,346
	2,151,558	2,427,905
Less: Term loans due on demand	**379,378**	535,092
Less: Current portion of long-term debt	**131,206**	120,219
	$ 1,640,974	$ 1,772,594

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

2018	$131,000
2019	$143,000
2020	$149,000
2021	$126,000
2022	$139,000

8. REPLACEMENT RESERVE

1081 Andrews Street

Under the terms of the agreement with WRHA, the replacement reserve account was credited in the amount of $4,776 (2016 - $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 (2016 - $35,000) annually until it accumulates $525,000 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by MHRC from time to time. The funds in the account may only be used as approved by MHRC. Withdrawals are credited to interest first and then principal.

9. INTERNALLY RESTRICTED FUNDS

During the 2013 fiscal year, the Board of Directors approved using the Memorial Fund to fund the deficiency of revenue of expenses of the operations of the Chaplaincy Services (Schedule 8) in the amount of $17,538. For the current year, a surplus on the operations of the Chaplaincy Services in the amount of $10,646 was transferred to the Memorial Fund.

During 2014/2015, a donation was received from the Christ Lutheran Church, with specific conditions on the use of the donated funds.

10. PROVINCIAL HOME CARE

1084 Powers Street received $332,688 (2016 - $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 $8,100 (2016 - $536,544) from Family Services during the current year for residential services.

During the year, the residential support program ceased operations.

12 ECONOMIC DEPENDENCE

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of the total revenue, 70% (2016 – 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 $373,510 (2016 $404,584). This amount was determined by contributing 8.9% of eligible salaries up to $55,300 and 10.5% of the portion of salaries in excess of $55,300 and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2014, indicates the Plan is fully funded.

14. PRIOR PERIOD ADJUSTMENT

During the current year, management discovered that certain contributions for capital projects received in prior years were taken into income in the year received rather than being deferred and amortized over the life of the related capital assets, the effects of which have understated deferred contributions and overstated unrestricted net assets. Management has made a prior period adjustment of $561,812 to correct opening deferred contributions and unrestricted net assets.

LUTHER HOME CORPORATION

Schedule 1

Statement of Operations
Long-Term Care

Year Ended March 31, 2017

	2017	2016
REVENUE FROM RESIDENT SERVICES		
Winnipeg Regional Health Authority	$ 4,498,535	$ 4,503,465
Amortization of deferred contributions	89,258	92,314
Residential charges	1,365,259	1,355,930
	5,953,052	5,951,709
OFFSET REVENUES		
Dietetics	134,721	131,093
Parking	12,445	13,029
Project maintenance	154,200	182,273
Other	47,205	36,463
	348,571	362,858
	6,301,623	6,314,567
EXPENSES		
Administration	84,502	83,049
Amortization of capital assets	227,600	217,285
Benefit bank value change - vacation	(4,445)	30,635
Food	260,987	245,896
Interest on long-term debt	17,844	23,304
Maintenance and repairs	61,940	42,435
Medical supplies	97,437	91,562
Other supplies and expenses	145,202	143,443
Pre-retirement leave	54,831	42,333
Purchased services	23,298	25,606
Salaries, benefits and payroll levy	5,207,766	5,233,437
Utilities	140,727	129,798
	6,317,689	6,308,783
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ALLOCATION	(16,066)	5,784
ALLOCATION TO REPLACEMENT RESERVE	4,776	4,776
ALLOCATION TO INSURANCE DEDUCTIBLE RESERVE	1,008	1,008
DEFICIENCY OF REVENUE OVER EXPENSES	$ (21,850)	$ -

LUTHER HOME CORPORATION

Schedule 2

Statement of Operations
1080 Powers St.

Year Ended March 31, 2017

	2017	2016
REVENUES		
Manitoba Housing Renewal Corporation - subsidy	$ **284,079**	$ 280,816
Manitoba Housing Renewal Corporation - other	**5,014**	2,170
Rental revenue	**226,652**	225,162
Cablevision	**16,740**	17,082
Other	**8,352**	6,076
	540,837	531,306
EXPENSES		
Administration	**32,310**	31,764
Amortization of capital assets	**86,886**	78,280
Bed bug treatment / prevention	**4,794**	-
Cablevision	**16,505**	14,889
Electricity	**48,730**	48,071
Insurance	**6,246**	5,910
Interest on long-term debt	**169,761**	178,367
Interest on long-term debt - roof replacement	**4,963**	3,918
Repairs and maintenance	**81,219**	78,419
Natural gas	**8,317**	12,258
Property taxes	**27,431**	24,169
Water	**18,675**	20,261
	505,837	496,306
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	**35,000**	35,000
ALLOCATION TO REPLACEMENT RESERVE	**35,000**	35,000
EXCESS OF REVENUE OVER EXPENSES	$ **-**	$ -

LUTHER HOME CORPORATION

Schedule 3

Statement of Operations
1084 Powers St.

Year Ended March 31, 2017

	2017	2016
REVENUES		
Rental revenue	$ 340,881	$ 334,539
Other	13,482	9,854
	354,363	344,393
EXPENSES		
Administration	39,000	39,000
Cablevision	20,554	21,654
Electricity	27,468	25,371
Insurance	9,365	9,031
Interest on long-term debt	1,418	2,837
Janitorial services	18,575	18,289
Maintenance and repairs	72,613	63,216
Natural gas	13,669	16,345
Other supplies and expenses	1,568	1 462
Professional fees	3,510	2 965
Property taxes	34,528	32,291
Water	14,981	16,115
	257,249	248,576
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	97,114	95,817
ALLOCATION TO REPLACEMENT RESERVE	96,000	63,200
EXCESS OF REVENUE OVER EXPENSES	$ 1,114	$ 32,617

LUTHER HOME CORPORATION

Schedule 4

Statement of Operations
364 Leila Ave.

Year Ended March 31, 2017

	2017	2016
REVENUES		
Province of Manitoba - residential support program	$ 6,196	$ 438,893
Province of Manitoba - residential support program - Extra staffing	1,904	85,949
Province of Manitoba - residential support program - Benefits	-	11,702
	8,100	536,544
EXPENSES		
Administration	-	19,200
Amortization of capital assets	5,541	5,708
Electricity	1,721	4,165
Food supplies	-	27,977
Insurance	912	783
Janitorial services	9	3,782
Maintenance and repairs	3,378	13,354
Natural gas	669	1,037
Other supplies and expenses	-	1,424
Professional fees	3,826	2,965
Property taxes	5,299	4,462
Salaries, benefits and payroll levy	17,690	436,804
Telephone	840	3,909
Water	327	3,140
	40,212	528,710
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE ALLOCATION TO REPLACEMENT RESERVE	(32,112)	7,834
ALLOCATION TO REPLACEMENT RESERVE	-	10,000
DEFICIENCY OF REVENUE OVER EXPENSES	$ (32,112)	$ (2,166)

LUTHER HOME CORPORATION

Schedule 5

Statement of Operations
Adult Day Program

Year Ended March 31, 2017

	2017	2016
REVENUES		
Winnipeg Regional Health Authority	$ **126,504**	$ 126,738
Participant charges	**18,168**	18,176
	144,672	144,914
EXPENSES		
Other supplies and expenses	**16,683**	15,978
Salaries, benefits and payroll levy	**64,415**	62,855
Travel	**64,111**	63,614
	145,209	142,447
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ **(537)**	$ 2,467

LUTHER HOME CORPORATION

Schedule 6

Statement of Operations
Home Care Program

Year Ended March 31, 2017

	2016	2015
REVENUES		
Winnipeg Regional Health Authority	$ **332,688**	$ 332,688
EXPENSES		
Other expenses	**14,400**	14,400
Salaries, benefits and payroll levy	**318,017**	327,645
	332,417	342,045
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ **271**	$ (9,357)

LUTHER HOME CORPORATION

Schedule 7

Statement of Operations
Management Services

Year Ended March 31, 2017

	2017	2016
REVENUE		
Other	$ **4,208**	$ 5,724
EXPENSES		
Board expenses	**1,895**	1,593
Education	**1,050**	690
Legal fees	**-**	355
Miscellaneous	**547**	81
Scholarship	**500**	500
Staff appreciation	**6,848**	8,451
Tenant and staff gifts	**1,684**	2,419
	12,524	14,088
DEFICIENCY OF REVENUE OVER EXPENSES	$ **(8,316)**	$ (8,364)

LUTHER HOME CORPORATION

Schedule 8

Statement of Operations
Memorial Fund

Year Ended March 31, 2017

	2017	2016
REVENUES		
General contributions	$ 44,733	$ 34,974
EXPENSES		
Miscellaneous	45	259
Spiritual care	34,042	34,309
	34,087	34,568
EXCESS OF REVENUE OVER EXPENSES	$ 10,646	$ 406

LUTHER HOME CORPORATION

Schedule 9

Supplementary Information

Year Ended March 31, 2017

	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
REPLACEMENT RESERVE					
RESERVE FOR CAPITAL ASSETS					
Opening balance	$ 969	$ 117,607	$ 11,396	$ 8,975	$ 138,947
Current allocation	-	35,000	96,000	-	131,000
Interest earned	8	810	78	-	896
Current expenditures	-	(38,728)	(41,195)	-	(79,923)
Ending balance	977	114,689	66,279	8,975	190,920
RESERVE FOR MAJOR REPAIRS					
Opening balance	7,500	-	-	-	7,500
Current allocation	4,776	-	-	-	4,776
Interest earned	52	-	-	-	52
Current expenditures	(2,857)	-	-	-	(2,857)
Ending balance	9,471	-	-	-	9,471
RESERVE FOR INSURANCE DEDUCTIBLE					
Opening balance	11,088	-	-	-	11,088
Current allocation	1,008	-	-	-	1,008
Ending balance	12,096	-	-	-	12,096
TOTAL	$ 22,544	$ 114,689	$ 66,279	$ 8,975	$ 212,487
CAPITAL ASSETS AND ACCUMULATED DEPRECIATION					
CAPITAL ASSETS					
Opening balance	$ 6,653,523	$ 3,074,992	$ 1,925,129	$ 253,835	$ 11,907,479
Additions	13,983	-	-	-	13,983
Ending balance	6,667,506	3,074,992	1,925,129	253,835	11,921,462
ACCUMULATED DEPRECIATION					
Opening balance	4,068,758	720,281	1,296,335	131,719	6,217,093
Current year depreciation	227,600	86,886	-	5,541	320,027
Ending balance	4,296,358	807,167	1,296,335	137,260	6,537,120
NET BOOK VALUE	$ 2,371,148	$ 2,267,825	$ 628,794	$ 116,575	$ 5,384,342
SUBSIDY SURPLUS					
Opening balance	$ -	$ -	$ 80,484	$ -	$ 80,484
Interest earned	-	-	554	-	554
Ending balance	$ -	$ -	$ 81,038	$ -	$ 81,038
LONG-TERM DEBT					
Opening balance	$ 459,076	$ 1,909,419	$ 59,410	$ -	$ 2,427,905
Principal payment	(116,820)	(119,874)	(39,653)	-	(276,347)
Ending balance	342,256	1,789,545	19,757	-	2,151,558
Less: Current portion and term loans due on demand	(269,371)	(221,456)	(19,757)	-	(510,584)
	$ 72,885	$ 1,568,089	$ -	$ -	$ 1,640,974

Combined Statement of Revenues and Expenditures

Year Ended March 31, 2017

	2017												2016
	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Adult Day Program	Home Care Program	Management Services	Total (Operations)	Memorial Fund (Restricted)	Donation Sterkell (Restricted)	Donation Christ Lutheran (Restricted)	Total	Total
REVENUE													
Regional Health Authority	4,498,535	-	-	-	126,504	332,688	-	4,957,727	-	-	-	4,957,727	4,962,891
Manitoba Housing	-	289,093	-	-	-	-	-	289,093	-	-	-	289,093	282,986
Residential support	-	-	-	8,100	-	-	-	8,100	-	-	-	8,100	536,544
Rental	1,365,259	226,652	340,881	-	18,168	-	-	1,950,960	-	-	-	1,950,960	1,933,807
Amortization	89,258	-	-	-	-	-	-	89,258	-	-	-	89,258	92,314
Other	348,571	25,092	13,482	-	-	-	4,208	391,353	44,733	1,157	1,764	439,007	463,424
	6,301,623	540,837	354,363	8,100	144,672	332,688	4,208	7,686,491	44,733	1,157	1,764	7,734,145	8,271,966
EXPENDITURES													
Amortization	227,600	86,886	-	5,641	-	-	-	320,027	-	-	-	320,027	301,273
Benefit bank change	(4,445)		-	-	-	-	-	(4,445)	-	-	-	(4,445)	30,635
Interest on long-term debt	17,844	174,724	1,418	-	-	-	-	193,986	-	-	-	193,986	208,426
Other	650,068	134,828	133,735	3,387	80,794	14,400	12,524	1,029,736	45	34,589	-	1,064,370	1,039,057
Purchased services	23,298	-	3,510	3,826	-	-	-	30,634	-	-	-	30,634	31,536
Pre-retirement leave	54,831	-	-	-	-	-	-	54,831	-	-	-	54,831	42,333
Utilities	140,727	109,399	100,011	9,768	-	-	-	359,905	-	-	-	359,905	357,116
Salaries, benefits, levy	5,207,766	-	18,575	17,690	64,415	318,017	-	5,626,463	34,042	-	-	5,660,505	6,113,339
	6,317,689	505,837	257,249	40,212	145,209	332,417	12,524	7,611,137	34,087	34,589	-	7,679,813	8,123,715
EXCESS (DEFICIENCY)	(16,066)	35,000	97,114	(32,112)	(537)	271	(8,316)	75,354	10,646	(33,432)	1,764	54,332	148,251
ALLOCATION TO													
INSURANCE DEDUCTIBLE	1,008	-	-	-	-	-	-	1,008	-	-	-	1,008	1,008
REPLACEMENT RESERVE	4,776	35,000	96,000	-	-	-	-	135,776	-	-	-	135,776	112,976
EXCESS (DEFICIENCY)	(21,850)	-	1,114	(32,112)	(537)	271	(8,316)	(61,430)	10,646	(33,432)	1,764	(82,452)	34,267

MFL OCCUPATIONAL HEALTH

AND SAFETY CENTRE INC.

FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBIILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Not For Profit Reporting Standards, for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements reflect fairly, in all material respects, the financial position of MFL Occupational Health and Safety Centre as at March 31, 2017 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 14, 2017
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 2016/2017 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 14, 2017
Winnipeg, Manitoba

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

	Operating Fund	Special Projects Fund	**Total 2017**	Total 2016
	$	$	**$**	$
CURRENT ASSETS:				
Cash Note 3	155,498	-	**155,498**	91,598
Short term investments Note 4	304,446	175,000	**479,446**	458,746
Accounts Rec Note 5	58,902	-	**58,902**	74,606
FIXED ASSETS: Note 6	6,091	-	**6,091**	-
TOTAL ASSETS	524,937	175,000	**699,937**	624,950
CURRENT LIABILITIES:				
Accounts payable & accrued liabilities Note 8	164,059	-	**164,059**	148,780
Repayable to WRHA Note 9	39,640	-	**39,640**	37,870
Deferred revenue Note 10	44,191	-	**44,191**	29,953
	247,890	-	**247,890**	216,603
CONTINGENT LIABILITIES: (note 11)				
NET ASSETS:				
Invested in Fixed Assets	6,091	-	**6,091**	-
Internally restricted	-	175,000	**175,000**	175,000
Unrestricted	270,956	-	**270,956**	233,347
	277,047	175,000	**452,047**	408,347
TOTAL LIABILITIES & NET ASSETS	524,937	175,000	**699,937**	624,950

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, 2017

	Operating Fund $	Special Projects Fund $	**Total 2017 $**	Total 2016 $
REVENUES:				
WRHA: Medical Clinic	857,995	-	**857,995**	863,421
WRHA: recoveries	(45,380)	-	**(45,380)**	-
Interest & other	26,449	-	**26,449**	18,627
WCB - R.W.I.P	39,540	-	**39,540**	46,000
Fundraising	4,943	-	**4,943**	18,132
I.R.C.C.	109,195	-	**109,195**	112,498
Deferred revenue in	-	-	**-**	16,406
Deferred revenue out	-	-	**-**	(17,753)
Total Revenues	992,742	-	**992,742**	1,057,331
EXPENDITURES:	949,041	-	**949,041**	1,018,134
EXCESS OF REVENUE OVER EXPENDITURES	43,701	-	**43,701**	39,197

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2017

	Operating Fund $	Special Projects Fund $	**Total 2017 $**	Total 2016 $
EXPENDITURES BREAKDOWN - OPERATING:				
Amortization on equip	3,095	-	**3,095**	-
Audit & accounting	10,387	-	**10,387**	12,116
Accreditation Fees	107	-	**107**	103
Computer software and services	5,936	-	**5,936**	6,547
Bank charges	425	-	**425**	436
Delivery	100	-	**100**	121
Employee benefits	101,343	-	**101,343**	105,828
Equipment rental & minor purchases	11,075	-	**11,075**	22,086
Fundraising	-	-	**-**	-
Insurance	5,509	-	**5,509**	4,595
Memberships	1,000	-	**1,000**	500
Legal	145	-	**145**	145
License fees	-	-	**-**	1,187
Meeting Expense	974	-	**974**	1,587
Miscellaneous	6,556	-	**6,556**	4,460
Newsletter	-	-	**-**	6,803
Printing/Stationery & Office Supplies	21,626	-	**21,626**	20,841
Postage	1,400	-	**1,400**	1,366
Pre-retirement	5,895	-	**5,895**	5,221
Publications	2,563	-	**2,563**	3,530
Public relations	3,179	-	**3,179**	2,263
Purchased services	18,508	-	**18,508**	22,357
Rent	70,509	-	**70,509**	70,509
Staff education & recruitment	2,004	-	**2,004**	5,882
Staff parking	6,959	-	**6,959**	5,662
Staff travel & exp.	4,960	-	**4,960**	6,046
Telephone	8,098	-	**8,098**	7,915
Work place services	-	-	**-**	1,145
Wages & salaries	656,688	-	**656,688**	698,883
Total Operating Expenditures	949,041	-	**949,041**	1,018,134

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS

AS AT MARCH 31, 2017

	Operating Fund	Special Projects Fund	Invested in Fixed Assets	**Total 2017**	Total 2016
	$	$	$	**$**	$
Fund balance, beginning of year	233,346	175,000	-	**408,346**	369,150
Surplus (deficiency) for the year	46,796	-	(3,095)	**43,701**	39,197
Purchase of fixed assets	(9,186)	-	9,186	**-**	-
Interfund transfers	-	-	-	**-**	-
Closing fund balance	270,956	175,000	6,091	**452,047**	408,347

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2017

	2017 $	2016 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	43,701	39,197
Add: amortization	3,095	-
	46,796	39,197
Change in working capital:		
Accounts receivable	15,704	4,309
Short term investments	(20,700)	(11,503)
Accounts payable & accrued liabilities	15,277	3,499
Repayable to WRHA	1,770	(41,025)
Deferred revenue	14,238	(7,224)
	26,289	(51,944)
Cash from (used for) operations	73,085	(12,747)
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	(9,185)	-
Cash from (used for) investing & financing	(9,185)	-
Increase (decrease) in cash for the year	63,900	(12,747)
Cash, beginning of year	91,598	104,345
Cash, end of year (note 3)	155,498	91,598

"See Auditor's Report and Accompanying Notes"

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.

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

	2017	2016
	$	$
Operating	**155,399**	91,503
Shares	**99**	95
	155,498	91,598

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

4. SHORT TERM INVESTMENTS

	2017	2016
	$	$
Daily interest account	479,446	458,746

5. ACCOUNTS RECEIVABLE

	2017	2016
Trade receivables	56,236	70,997
Receiver General (GST)	2,666	3,609
	58,902	74,606

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2017	Net Book Value 2016
	$	$	$	$
Audio visual equipment	11,738	(11,738)	-	-
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,052	(29,052)	-	-
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(34,112)	-	-
Security system	574	(574)	-	-
Phone system	16,886	(10,795)	6,091	-
Total	257,032	(250,941)	6,091	-

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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
	$	$
Trade payables	33,142	27,173
Accrued liabilities	104,912	100,655
Trust liabilities	26,005	20,952
	164,059	148,780

9. REPAYABLE TO WRHA

Revenue in excess of expenditures:

2013/2014	-	23,941
2014/2015	-	13,056
2015/2016	-	873
2016/2017	39,640	-
	39,640	37,870

10. DEFERRED REVENUE

W.C.B.: RWIP	-	16,406
Other	-	1,347
Winnipeg Foundation	25,000	-
WRHA - Phone system	6,191	-
WRHA: Insurance reserve	13,000	12,200
	44,191	29,953

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

11. CONTINGENT LIABILITY

Subsequent to the annual audit, Winnipeg Regional Health Authority, the Centre's primary funder, performs its own financial reviews to determine additional amounts owed to the Centre or recoveries due back. As these amounts are not known at the time of the audit, Winnipeg Regional Health Authority revenues to the Centre are listed on these statements on a confirmed payment basis from Winnipeg Regional Health Authority with prior year adjustments listed in the year of notification.

12. PUBLIC SECTOR DISCLOSURE ACT

In accordance with the Public Sector Disclosure Act the following compensation in excess of $50,000 during the year was paid to M.F.L. employees:

	Wages	Benefits	Other	Total
	$	$	$	$
Executive Director	72,985	10,421	-	83,406
Health Educator	58,437	6,949	-	65,386
Librarian	52,715	6,594	-	59,309
Occupational Health Specialist	56,475	6,605	-	63,080
Occupational Health Nurse	83,693	9,649	-	93,342
Cross Cultural	71,425	5,863	-	77,288
Finance/Office Admin	74,268	8,699	-	82,967

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.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2017

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	RWIP	**IRCC**	**Total Fund 2016**	**Total Fund 2015**
	$	$	$	**$**	$	$
REVENUES:						
WRHA: Medical Clinic	857,995	-	-	-	**857,995**	863,421
: recoveries	(45,380)	-	-	-	**(45,380)**	-
Interest & other	-	26,449	-	-	**26,449**	18,627
W.C.B. - R.W.I.P.	-	-	39,540	-	**39,540**	46,000
Fundraising	-	4,943	-	-	**4,943**	18,132
I.R.C.C.	-	-	-	109,195	**109,195**	112,498
Deferred revenue in	-	-	-	-	**-**	16,406
Deferred revenue out	-	-	-	-	**-**	(17,753)
Total Revenues	812,615	31,392	39,540	109,195	**992,742**	1,057,331
EXPENDITURES - OPERATING:						
Total Operating Expenditures	798,016	2,291	**39,540**	109,194	**949,041**	1,018,134
Surplus/(deficit)	14,599	29,101	-	1	**43,701**	39,197

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONTINUED

FOR THE YEAR MARCH 31, 2017

OPERATING FUND EXPENDITURE BREAKDOWN

	W.R.H.A. PAGE 15	Donations & Other Programs	RWIP	IRCC	Total Fund 2017	Total Fund 2016
	$	$	$	$	$	$
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization	3,095	-	-	-	**3,095**	-
Accreditation fees	107	-	-	-	**107**	103
Auditing/accounting	10,387	-	-	-	**10,387**	12,116
Bank charges	425	-	-	-	**425**	436
Computer software & service	5,936	-	-	-	**5,936**	6,547
Delivery	100	-	-	-	**100**	121
Employee benefits	86,377	-	-	14,966	**101,343**	105,828
Equipment rental & minor purchases	11,075	-	-	-	**11,075**	22,086
Fundraising	-	-	-	-	**-**	-
Memberships	1,000	-	-	-	**1,000**	500
Insurance	5,509	-	-	-	**5,509**	4,595
Legal	145	-	-	-	**145**	145
License fees	-	-	-	-	**-**	1,187
Meeting Expense	974	-	-	-	**974**	1,587
Miscellaneous	5,813	-	175	568	**6,556**	4,460
Newsletter	-	-	-	-	**-**	6,803
Office supplies/Printing/ Stationary	12,554	1,200	-	7,872	**21,626**	20,841
Postage	1,400	-	-	-	**1,400**	1,366
Pre-retirement	5,895	-	-	-	**5,895**	5,221
Publications	2,563	-	-	-	**2,563**	3,530
Public relations	3,179	-	-	-	**3,179**	2,263
Purchased services	5,265	-	-	13,243	**18,508**	22,357
Rent	70,509	-	-	-	**70,509**	70,509
Staff education & recruitment	1,819	185	-	-	**2,004**	5,882
Staff parking	6,959	-	-	-	**6,959**	5,662
Staff travel	1,596	906	1,338	1,120	**4,960**	6,046
Telephone	8,098	-	-	-	**8,098**	7,915
Workplaces services	-	-	-	-	**-**	1,145
Wages & salaries	547,236	-	38,027	71,425	**656,688**	698,883
Total Operating Expenditures	798,016	2,291	**39,540**	109,194	**949,041**	1,018,134

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

WRHA FUNDED OPERATING PROGRAMS

	ACTUAL 2017 $	ACTUAL 2016 $
REVENUES:		
WRHA: Medical Clinic	**857,995**	863,421
Deferred revenue out	**(45,380)**	-
Total Revenues	**812,615**	863,421
EXPENDITURES - OPERATING:		
Accreditation Fees	**107**	103
Amortization of equipment	**3,095**	-
Audit & accounting	**10,387**	12,116
Bank charges & interest	**425**	436
Computer software & services	**5,936**	6,547
Delivery	**100**	121
Employee benefits	**86,377**	91,280
Equipment rental & minor purchases	**11,075**	22,086
Memberships	**1,000**	500
Insurance	**5,509**	4,595
Legal	**145**	145
Licence fees	**-**	1,187
Meeting expenses	**974**	1,587
Miscellaneous	**5,813**	2,651
Pre-retirement expenses	**5,895**	5,221
Printing/stationery/office	**12,554**	7,380
Postage	**1,400**	1,366
Public relations	**3,179**	2,263
Publications	**2,563**	3,530
Purchased services	**5,265**	3,853
Rent	**70,509**	70,509
Staff education & recruitment	**1,819**	2,446
Staff parking	**6,959**	5,662
Staff travel & expenses	**1,596**	1,907
Telephone	**8,098**	7,915
Workplace services	**-**	1,145
Wages & salaries	**547,236**	589,910
Total Operating Expenditures	**798,016**	846,461
EXCESS OF REVENUE OVER EXPENSES	**14,599**	16,960

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

RWIP - FIRST LANGUAGE HEALTH & SAFETY TRAINING FOR NEWCOMERS

	Total 2017 $	Total 2016 $
REVENUES:		
RWIP - WCB	21,787	46,000
Deferred revenue in	17,753	16,406
Deferred revenue out	-	(17,753)
	39,540	44,653
EXPENDITURES:		
Wages & benefits	35,596	33,595
Refreshments	175	1,326
Stipends	2,431	7,980
Travel	1,338	1,752
	39,540	44,653
Excess of revenue over expenses	-	-

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

IMMIGRATION REFUGEE & CITIZENSHIP CANADA (IRCC)

	Total 2017 $	Total 2016 $
REVENUES:		
IRCC	**109,195**	112,498
EXPENDITURES:		
Wages & Salaries	**71,425**	67,397
Employee Benefits	**14,966**	14,548
Focus group	**568**	482
Meeting space/refreshments	**7,872**	11,171
Conference & workshops	**13,243**	18,863
Travel	**1,120**	961
Total Operating Expenditures	**109,194**	113,422
Excess of Revenue Over Expenditures	**1**	(924)

"See Auditor's Report and Accompanying Notes"

Main Street Project, Inc.
Financial Statements
March 31, 2017

booke
& partners

500 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

Independent Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the accompanying financial statements of Main Street Project, Inc., which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Booke & Partners

Winnipeg, Canada
June 8, 2017

Chartered Professional Accountants

Main Street Project, Inc.
Statement of Financial Position
March 31

	2017	2016
Assets		
Current		
Cash and term deposits	$ 385,869	$ 730,570
Receivables, net of allowance (Note 4)	352,810	511,374
Prepaids	7,310	16,754
Funds held in trust (Note 3)	8,353	8,353
	754,342	1,267,051
Property and equipment (Note 5)	630,895	667,832
Restricted funds (Note 9)	452,879	496,113
	$ 1,838,116	$ 2,430,996

	2017	2016
Liabilities		
Current		
Payables and accruals	$ 549,331	$ 954,997
Funds held in trust (Note 3)	8,353	8,353
Deferred contributions (Note 7)	151,527	9,928
Current portion of long-term debt (Note 8)	28,239	26,298
	737,450	999,576
Deferred contributions for property and equipment (Note 6)	99,703	99,893
Long-term debt (Note 8)	546,929	575,821
	1,384,082	1,675,290
Fund Balances		
Operating	46,223	294,324
Restricted (Note 9)	452,879	496,113
Capital	(45,068)	(34,731)
	454,034	755,706
	$ 1,838,116	$ 2,430,996

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 Operations
Year Ended March 31

	Operating Fund	Restricted Funds (Note 9)	Capital Fund	**2017 Total**	2016 Total
Revenues					
Grants	$4,821,511	$ 1,008	$ 27,238	**$4,849,757**	$4,650,532
Per diem payments	978,303	9,800	-	**988,103**	1,049,822
Miscellaneous and other	-	-	-	**-**	802
Development - donations	81,193	-	-	**81,193**	66,158
Van Patrol - donations	31,807	-	-	**31,807**	-
Loan forgiveness and MHRC subsidy (Note 8)	8,100	-	68,150	**76,250**	76,250
	5,920,914	10,808	95,388	**6,027,110**	5,843,564
Expenses					
Crisis and Detoxification Centre (Page 14)	1,723,638	-	28,909	**1,752,547**	1,616,505
I.P.D.A. (Page 15)	846,212	-	14,402	**860,614**	794,504
Mainstay - Residential Component (Page 16 and Note 8)	162,935	-	71,179	**234,114**	224,265
Mainstay - Client Services (Page 17)	690,400	-	12,488	**702,888**	660,296
Van Patrol (Page 18)	31,807	-	-	**31,807**	-
Shelter (Page 19)	414,033	-	9,009	**423,042**	469,337
Project Break Away (Page 20)	329,734	-	5,953	**335,687**	245,728
Outreach Mentor (Page 21)	140,477	-	1,707	**142,184**	73,003
The Bell Hotel (Page 22)	908,906	-	2,041	**910,947**	800,996
River Point Program (Page 23)	944,202	-	925	**945,127**	915,333
Development	18,207	-	-	**18,207**	39,644
	6,210,551	-	146,613	**6,357,164**	5,839,611
(Deficiency) excess of revenues over expenses before other items	(289,637)	10,808	(51,225)	**(330,054)**	3,953
Other items					
Winnipeg Regional Health Authority	-	-	-	**-**	54,409
Interest income	-	6,001	-	**6,001**	8,228
Unrealized gain (loss) on investments	-	22,060	-	**22,060**	(1,410)
Miscellaneous and other (Note 11)	321	-	-	**321**	(9,062)
	321	28,061	-	**28,382**	52,165
(Deficiency) excess of revenues over expenses	$ (289,316)	$ 38,869	$ (51,225)	**$ (301,672)**	$ 56,118

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Changes in Fund Balances

Year Ended March 31

	Operating Fund	Restricted Funds (Note 9)	Capital Fund	**2017 Total**	2016 Total
Fund balances, beginning of year	$ 294,324	$ 496,113	$ (34,731)	**$ 755,706**	$ 699,588
(Deficiency) excess of revenues over expenses	(289,316)	38,869	(51,225)	**(301,672)**	56,118
Property and equipment additions (Note 9)	(67,938)	-	67,938	**-**	-
Interfund transfers (Note 9)	109,153	(82,103)	(27,050)	**-**	-
Fund balances, end of year	$ 46,223	$ 452,879	$ (45,068)	**$ 454,034**	$ 755,706

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Cash Flows

Year Ended March 31	2017	2016
Cash derived from (applied to)		
Operating		
(Deficiency) excess of revenues over expenses	$ (301,672)	$ 56,118
Amortization of property and equipment	104,873	109,035
Amortization of deferred contributions for property and equipment	(27,238)	(26,387)
Unrealized (gain) loss on investments	(22,060)	1,410
	(246,097)	140,176
Change in non-cash operating working capital		
Receivables	158,564	(243,938)
Prepaids	9,444	5,332
Payables and accruals	(405,666)	141,478
Deferred contributions	141,599	(1,562)
	(342,156)	41,486
Financing		
Reduction of long-term debt	(26,951)	(25,037)
Investing		
Purchase of property and equipment	(67,938)	(60,968)
Decrease in restricted funds	65,294	14,019
Grants received towards purchase of property and equipment	27,050	31,174
	24,406	(15,775)
Net (decrease) increase in cash	(344,701)	674
Cash		
Beginning of year	730,570	729,896
End of year	$ 385,869	$ 730,570

See accompanying notes to the financial statements.

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.

2. Significant accounting policies (continued)

d) Contributed goods and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor cost of these contributed goods and services are recognized in these financial statements.

e) Property and equipment

Purchased property and equipment are recorded in the Capital Fund at cost. Contributed property and equipment are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha Street building, as required by Manitoba Housing and Renewal Corporation, as follows:

Building - 71 Martha Street		annual mortgage principal reduction
Buildings - 75 and 77 Martha Street	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

Contributions towards the purchase of property and equipment are deferred and amortized over the same basis as the underlying asset.

f) Financial instruments

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, 2017 was $3,818 (2016 - $3,818).

Funds held in trust of $4,535 (2016 - $4,535) relate the the organization's social club.

4. Receivables

	2017	2016
Winnipeg Regional Health Authority	**$ 10,000**	$ 170,034
City of Winnipeg Police Services	**101,220**	109,920
Province of Manitoba	**192,951**	156,940
Manitoba Housing and Renewal Corporation	**-**	30,692
Funds recoverable	**10,000**	10,000
City of Winnipeg	**24,000**	24,000
Goods and Services Tax recoverable	**8,149**	7,951
Winnipeg Foundation	**-**	10,833
Downtown BIZ	**8,750**	-
Other	**7,740**	1,004
	362,810	521,374
Less: allowance for doubtful accounts	**(10,000)**	(10,000)
	$ 352,810	$ 511,374

5. Property and equipment

	Cost	Accumulated Amortization	**2017 Net Book Value**	2016 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha Street	554,295	310,567	**243,728**	269,980
Buildings - 75 and 77 Martha Street	421,563	251,429	**170,134**	180,673
Furniture and equipment	715,129	547,895	**167,234**	159,066
Vehicles	39,859	37,470	**2,389**	10,703
	$ 1,778,256	$ 1,147,361	**$ 630,895**	$ 667,832

Amortization expense of $104,873 (2016 - $109,035) 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 $99,703 (2016 - $99,893) 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.

7. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2017	2016
Deferred contributions, beginning of year	$ **9,928**	$ 9,928
Add: amount received in current year	**453,662**	-
Less: amount recognized as revenue in the current year	**(312,063)**	-
Deferred contributions, end of year	$ **151,527**	$ 9,928

8. Long-term debt

	2017	2016
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.	$ **572,018**	$ 598,269
Manitoba Housing, economic stimulus forgivable loan, maturing November 1, 2021.	**3,150**	3,850
	575,168	602,119
Less: current portion	**(28,239)**	(26,298)
	$ **546,929**	$ 575,821

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 2017, a subsidy of $7,400 (2016 - $7,400) has been recognized as revenue of the Operating Fund and $68,150 (2016 - $68,150) has been recognized as revenue of the Capital Fund.

Mortgage interest of $41,740 (2016 - $43,665) is included in expenses of the Capital Fund for Mainstay - Residential Component.

In a prior year, under the terms of the Financial Assistance Agreement, MHRC provided economic stimulus funding to Main Street Project, Inc. in the amount of $7,000 as a forgivable loan. The loan is to be amortized over 10 years from the date of the final advance. In the event the organization discontinues providing affordable housing prior to the maturity date, the unearned portion of the loan will become immediately due and payable.

8. Long-term debt (continued)

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2018	$ 28,239
2019	30,324
2020	32,562
2021	34,966
2022	37,547

9. Restricted funds

Externally Restricted Funds

	Insurance Reserve	Replacement Reserve	**2017 Total**	2016 Total
Balance, beginning of year	$ 15,138	$ 113,441	**$ 128,579**	$ 117,018
Excess of revenues over expenses	1,008	12,844	**13,852**	11,561
Balance, end of year	$ 16,146	$ 126,285	**$ 142,431**	$ 128,579

Internally Restricted Funds

	Staff Development Fund	Donations Reserve	Legal Reserve	Capital Asset Reserve	**2017 Total**	2016 Total
Balance, beginning of year	$ 21,184	$ 249,027	$ 50,000	$ 47,323	**$ 367,534**	$ 394,524
Excess of revenues over expenses	1,186	23,831	-	-	**25,017**	3,687
Transfer to Operating Fund	(22,370)	(9,733)	(50,000)	-	**(82,103)**	(30,677)
Balance, end of year	$ -	$ 263,125	$ -	$ 47,323	**$ 310,448**	$ 367,534
Externally and internally restricted funds balance, end of year					**$ 452,879**	$ 496,113

Restricted funds consist of cash, investments, and amounts due to/from the Operating Fund.

During the year, the board approved a transfer from the Operating Fund to the Capital Fund to fund the purchases of capital assets net of grants received of $40,888.

During the year, the board approved the transfer of the Legal Reserve Fund and the Staff Development Fund to the Operating Fund.

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 organization is committed to monthly lease payments of $5,780 for office space at 661 Main Street expiring May 31, 2021. Additionally, the organization is committed to monthly lease payments related to certain vehicles and equipment. The lease repayments for the next 5 years are as follows:

2018	$ 8,973
2019	8,973
2020	8,973
2021	8,973
2022	4,455

11. Miscellaneous and other

		2017		2016
Engineering assessment fees	$	-	$	(8,699)
Gain on disposal of asset		-		185
Miscellaneous		**321**		1,610
Branding expense		-		(2,158)
	$	**321**	$	(9,062)

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, $222,693 (2016 - $209,267) was expensed for the purpose of the Plan.

13. Economic dependence

The volume of financial activity undertaken by Main Street Project, Inc. with its main funding bodies is of sufficient magnitude that discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

14. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation. The changes do not affect prior year earnings.

Main Street Project, Inc.
Schedule of Crisis and Detoxification Centre Program

Year Ended March 31	2017	2016 (Note 14)
Revenues		
Grant		
Winnipeg Regional Health Authority	$ 1,673,748	$ 1,659,547
Deferred contributions recognized (Note 7)	49,890	-
	1,723,638	1,659,547
Expenses		
Advertising	2,827	2,405
Board	2,535	967
Cleaning and staff supplies	23,005	34,382
Client and medical supplies	7,312	8,987
Food	97,485	132,357
Insurance	4,293	3,604
Minor furniture and equipment	584	10,518
Office	9,120	11,763
Professional fees	31,769	25,835
Program	98	271
Property taxes	3,683	3,303
Rent	11,602	6,899
Repairs, maintenance and replacements	21,241	20,519
Staff training	2,539	2,074
Telephone and internet	13,767	10,631
Travel	1,582	1,505
Utilities	33,770	18,857
Wages and benefits	1,456,426	1,291,357
	1,723,638	1,586,234
Excess of revenues over expenses	$ -	$ 73,313

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	**2017**	2016 (Note 14)
Revenues		
Per diems		
City of Winnipeg Police Services	**$ 664,500**	$ 680,700
Expenses		
Advertising	**1,182**	1,116
Bad debt	**-**	130
Board	**1,119**	488
Cleaning and staff supplies	**17,901**	15,302
Client and medical supplies	**3,741**	4,398
Food	**17,196**	9,301
Insurance	**1,369**	950
Minor furniture and equipment	**3,937**	4,449
Office	**7,062**	6,359
Professional fees	**22,090**	10,642
Programs	**-**	3,102
Property taxes	**3,683**	3,303
Rent	**6,720**	5,934
Repairs, maintenance and replacements	**8,643**	9,799
Staff training	**1,493**	1,248
Telephone and internet	**3,885**	4,645
Travel	**3,460**	4,698
Utilities	**17,745**	18,787
Wages and benefits	**724,986**	674,846
	846,212	779,497
Deficiency of revenues over expenses	**$ (181,712)**	$ (98,797)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Mainstay (Residential Component) Program

Year Ended March 31	2017	2016 (Note 14)
Revenues		
Grants		
Winnipeg Regional Health Authority	$ **27,147**	$ 25,665
Manitoba Housing and Renewal Corporation	**-**	30,692
Deferred contributions recognized (Note 7)	**33,524**	-
Per diems		
Province of Manitoba	**77,204**	94,801
Other	**17,660**	10,175
Manitoba Housing and Renewal Corporation		
Property taxes subsidy	**7,400**	7,400
Miscellaneous	**-**	65
	162,935	168,798
Expenses		
Board	**295**	80
Cleaning and staff supplies	**6,325**	13,687
Insurance	**1,312**	1,137
Office	**291**	966
Professional fees	**4,341**	2,500
Property taxes	**7,400**	7,400
Rent	**545**	55
Repairs, maintenance and replacements	**21,495**	19,874
Staff training	**223**	34
Telephone and internet	**708**	666
Utilities	**46,066**	45,927
Wages and benefits	**73,934**	60,613
	162,935	152,939
Excess of revenues over expenses	**$ -**	$ 15,859

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Mainstay (Client Services) Program

Year Ended March 31	2017	2016 (Note 14)
Revenues		
Grants		
City of Winnipeg	$ **96,000**	$ 96,000
Winnipeg Regional Health Authority	**278,896**	282,032
Deferred contributions recognized (Note 7)	**86,066**	-
Per diems		
Province of Manitoba	**211,542**	254,465
Other	**17,196**	9,681
Manitoba Housing and Renewal Corporation loan forgiveness (Note 8)	**700**	700
Miscellaneous	**-**	127
	690,400	643,005
Expenses		
Advertising	**1,219**	779
Board	**997**	389
Cleaning and staff supplies	**6,492**	1,615
Client and medical supplies	**4,336**	4,422
Food	**87,994**	79,535
Insurance	**1,039**	819
Minor furniture and equipment	**515**	1,040
Office	**4,068**	4,270
Professional fees	**11,452**	7,016
Program	**421**	72
Rent	**6,336**	6,282
Repairs, maintenance and replacements	**3,012**	3,395
Staff training	**516**	37
Telephone and internet	**6,560**	6,138
Travel	**1,499**	1,407
Utilities	**617**	565
Wages and benefits	**553,327**	528,398
	690,400	646,179
Deficiency of revenues over expenses	$ **-**	$ (3,174)

Main Street Project, Inc.
Schedule of Van Patrol Program

Year Ended March 31	2017	2016
Revenues		
Donations	$ 31,807	$ -
Expenses		
Food	156	-
Insurance	469	-
Office	227	-
Professional fees	611	-
Rent	1,132	-
Repairs, maintenance and replacements	709	-
Travel	909	-
Wages and benefits	27,594	-
	31,807	-
Excess of revenues over expenses	$ -	$ -

Main Street Project, Inc.
Schedule of Shelter Program
Year Ended March 31

	2017	2016 (Note 14)
Revenues		
Grants		
Manitoba Housing and Renewal Corporation	$ 356,800	$ 356,800
Winnipeg Foundation	-	28,374
Deferred contributions recognized (Note 7)	57,233	-
Miscellaneous	-	610
	414,033	385,784
Expenses		
Advertising	618	742
Bad debt	5,149	7,054
Board	559	206
Cleaning and staff supplies	9,936	9,181
Client and medical supplies	13,354	2,988
Food	22,623	-
Insurance	687	474
Minor furniture and equipment	5,149	7,054
Office	2,222	7,708
Professional fees	3,549	9,888
Program	-	189
Property tax	3,683	3,303
Rent	4,400	5,585
Repairs, maintenance and replacements	12,032	14,036
Staff training	1,180	376
Telephone and internet	4,478	5,022
Travel	1,245	507
Utilities	12,616	18,787
Wages and benefits	315,702	374,025
	414,033	460,071
Deficiency of revenues over expenses	$ -	$ (74,287)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Project Break Away Program

Year Ended March 31	2017	2016 (Note 14)
Revenues		
Grants		
United Way	$ 78,854	$ 148,940
Manitoba Housing and Renewal Corporation	176,000	176,000
	254,854	324,940
Expenses		
Advertising	1,550	252
Board	474	210
Cleaning and staff supplies	245	-
Food	7	-
Insurance	3,564	3,914
Minor furniture and equipment	-	214
Office	2,240	2,395
Professional fees	5,336	3,573
Program	920	5
Property tax	860	771
Rent	8,363	11,808
Repairs, maintenance and replacements	1,840	1,968
Staff training	457	581
Telephone and internet	4,601	4,264
Travel	3,485	1,668
Utilities	5,858	3,546
Wages and benefits	289,934	203,916
	329,734	239,085
(Deficiency) excess of revenues over expenses	$ (74,880)	$ 85,855

Main Street Project, Inc.
Schedule of Outreach Mentor Program
Year Ended March 31

	2017	2016 (Note 14)
Revenues		
Grants		
Manitoba Housing and Renewal Corporation	**$ 102,000**	$ 102,000
Downtown BIZ	**35,000**	-
Deferred contributions recognized (Note 7)	**3,477**	-
	140,477	102,000
Expenses		
Advertising	**339**	55
Board	**165**	54
Cleaning and staff supplies	**123**	-
Insurance	**1,003**	825
Minor furniture and equipment	**-**	118
Office	**1,180**	869
Programs	**607**	2
Professional fees	**2,337**	1,637
Property tax	**368**	330
Rent	**730**	5,201
Repairs, maintenance and replacements	**1,259**	325
Staff training	**218**	236
Telephone and internet	**2,572**	2,036
Travel	**1,006**	458
Utilities	**2,993**	1,843
Wages and benefits	**125,577**	57,171
	140,477	71,160
Excess of revenues over expenses	**$ -**	$ 30,840

Main Street Project, Inc.
Schedule of The Bell Hotel
Year Ended March 31

	2017	2016 (Note 14)
Revenues		
Grants		
Winnipeg Regional Health Authority	**$ 772,674**	$ 798,087
Expenses		
Advertising	**1,469**	394
Board	**1,288**	492
Cleaning and staff supplies	**3,268**	3,413
Client and medical supplies	**712**	71
Food	**5,751**	5,537
Insurance	**2,175**	1,546
Minor furniture and equipment	**562**	775
Office	**2,293**	6,089
Professional fees	**19,806**	13,152
Program	**453**	31
Rent	**7,861**	7,264
Repairs, maintenance and replacements	**1,139**	1,150
Staff training	**2,223**	973
Telephone and internet	**10,343**	9,877
Travel	**1,873**	611
Utilities	**626**	565
Wages and benefits	**847,064**	746,147
	908,906	798,087
Deficiency of revenues over expenses	**$ (136,232)**	$ -

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of River Point Program

Year Ended March 31	2017	2016 (Note 14)
Revenues		
Grants		
Province of Manitoba	**$ 919,000**	$ 919,000
Deferred contributions recognized (Note 7)	**25,202**	-
	944,202	919,000
Expenses		
Advertising	**1,573**	1,149
Board	**1,419**	566
Cleaning and staff supplies	**6,276**	7,594
Client and medical supplies	**3,426**	4,125
Food	**121,043**	96,548
Insurance	**2,372**	1,857
Minor furniture and equipment	**1,337**	396
Office	**5,187**	8,792
Professional fees	**16,457**	15,936
Programs	**82**	1,048
Rent	**7,002**	5,539
Repairs, maintenance and replacements	**2,417**	2,259
Staff training	**484**	1,399
Telephone and internet	**9,742**	10,082
Travel	**1,007**	699
Utilities	**858**	565
Wages and benefits	**763,520**	755,461
	944,202	914,015
Excess of revenues over expenses	**$ -**	$ 4,985

MEADOWOOD MANOR AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017 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, 2017

Deloitte.

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Independent Auditor's Report

To the Board Members of
Menno Home for the Aged Inc. (Personal Care Home Division)

We have audited the accompanying financial statements of Menno Home for the Aged Inc. (Personal Care Home Division), which comprise the statement of financial position as at March 31, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 22, 2017
Winnipeg, Manitoba

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	**$ 376,487**	$ 162,118
Accounts receivable (Note 4)	**17,241**	10,259
Prepaid expenses	**8,954**	3,871
Inventories	**25,388**	25,122
Due from Southern Health-Santé Sud (Note 5)	**35,870**	133,546
Vacation entitlements receivable (Note 6)	**108,516**	108,516
	572,456	443,432
PRE-RETIREMENT OBLIGATION ASSETS (Note 13)	**240,134**	221,000
CAPITAL ASSETS (Note 7)	**2,809,175**	2,000,391
	$ 3,621,765	$ 2,664,823
LIABILITIES		
CURRENT		
Accounts payable and accruals	**$ 221,555**	$ 221,401
Accrued vacation entitlements (Note 6)	**216,199**	199,471
	437,754	420,872
PRE-RETIREMENT OBLIGATIONS (Note 13)	**240,134**	221,000
DEFERRED CONTRIBUTIONS (Note 9)		
Expenses of future periods	**154,489**	30,328
Capital assets	**2,647,991**	1,834,951
	3,480,368	2,507,151
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Unrestricted net assets	**(19,788)**	(7,767)
Invested in capital assets (Note 10)	**161,185**	165,439
	141,397	157,672
	$ 3,621,765	$ 2,664,823

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, 2017

	2017		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	**$ 165,439**	**$ (7,767)**	**$ 157,672**
(Deficiency) excess of revenue over expenditures	**(4,254)**	**(12,021)**	**(16,275)**
Balance, end of year	**$ 161,185**	**$ (19,788)**	**$ 141,397**

	2016		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	$ 169,693	$ (33,175)	$ 136,518
(Deficiency) excess of revenue over expenditures	(4,254)	25,408	21,154
Balance, end of year	$ 165,439	$ (7,767)	$ 157,672

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Operations
For the Year Ended March 31, 2017

	2017	2016
REVENUE		
Southern Health-Santé Sud (Note 12)	**$ 2,687,080**	$ 2,685,738
Residential charges	**595,107**	587,966
Amortization of deferrred contributions related to capital assets	**155,673**	117,234
Meal recoveries	**4,711**	6,137
Other recoveries	**235,377**	206,527
Donation revenue	**-**	500,000
Interest income	**383**	409
	3,678,331	4,104,011
EXPENSE		
Administration	**429,646**	408,819
Amortization of capital assets	**159,927**	121,488
Dietary	**484,683**	502,067
Drugs	**77,453**	89,444
Housekeeping	**106,624**	98,574
Laundry and linens	**109,982**	104,859
Nursing	**1,954,822**	1,961,741
Patient support services	**92,544**	65,413
Physical plant	**128,030**	102,429
Pre-retirement obligations	**26,000**	26,329
Utilities, taxes and insurance	**124,895**	101,694
	3,694,606	3,582,857
DONATION TO THE MENNO HOMES FOUNDATION	**-**	500,000
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	**$ (16,275)**	$ 21,154

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Cash Flows
For the Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	$ (16,275)	$ 21,154
Items not affecting cash:		
Amortization of capital assets	159,927	121,488
Amortization of deferred contributions - expenses of future periods	(41,553)	(1,641)
Amortization of deferred contributions - capital assets	(155,673)	(117,234)
	(53,574)	23,767
Changes in non-cash operating working capital items:		
Accounts receivable	(6,982)	5,913
Due from Southern Health-Santé Sud	97,676	(61,204)
Prepaid expenses	(5,083)	(944)
Inventories	(266)	(2,573)
Accounts payable and accrued liabilities	154	32,486
Vacation entitlements accrued	16,728	12,700
	48,653	10,145
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	968,713	756,038
Deferred contributions received - expenses of future periods	165,714	14,679
	1,134,427	770,717
INVESTING ACTIVITY		
Acquisition of capital assets	(968,711)	(756,039)
NET INCREASE IN CASH	214,369	24,823
CASH, BEGINNING OF YEAR	162,118	137,295
CASH, END OF YEAR	$ 376,487	$ 162,118

1. NATURE OF BUSINESS

Menno Home for the Aged - Personal Care Home Division (the "Home") is a division of Menno Home for the Aged Inc.

Menno Home for the Aged was incorporated by Letters of Patent under the Corporations Act of the Province of Manitoba on January 25, 1960 and Articles of Amendment certified on November 17, 1982 and operates in Grunthal, Manitoba under the name Menno Home for the Aged. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The objective of the Home is to operate as a personal care home for the elderly and infirm in the Grunthal, Manitoba area.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operation of the personal care home division of Menno Home for the Aged Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Greendale Estates Division).

Consolidated financial statements for the corporation have not been prepared. Separate financial statements are presented for each division to facilitate reporting to the funders and other users of each division.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Capital assets*

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

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

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Furniture and equipment	5 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Revenue recognition*

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

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Southern Health-Santé Sud (“SH-SS”) by the Province of Manitoba in accordance with budget arrangements established by SH-SS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with SH-SS with respect to the year ended March 31, 2017.

With respect to actual operating results, certain adjustments to funding will be made by SH-SS after completion of their review of the Home's accounts. Any adjustments will be reflected in operations in the year the final statement of recommended costs is received from SH-SS.

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

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

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

c) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value. The Home subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

d) *Inventories*

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Contributed services

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

f) Employee future benefits

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

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation entitlements and accrued retirement obligations. Actual results could differ from these estimates.

4. ACCOUNTS RECEIVABLE

	2017	2016
Receivable from residents	**$ 6,211**	$ 1,850
Goods and Services Tax	**11,030**	4,574
Other receivable	**-**	3,835
	$ 17,241	$ 10,259

5. DUE FROM SOUTHERN HEALTH–SANTÉ SUD

	2017	2016
2016/17 funding adjustments	**$ 35,870**	$ 133,546
	$ 35,870	$ 133,546

6. ACCRUED VACATION ENTITLEMENTS

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

7. CAPITAL ASSETS

	2017 Cost	2017 Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	**$ 97,366**	**$ -**	**$ 97,366**	$ 97,366
Land improvements	**14,043**	**3,160**	**10,883**	11,586
Buildings	**1,249,814**	**961,668**	**288,146**	319,391
Building improvements	**2,710,114**	**385,767**	**2,324,347**	1,492,958
Furniture and equipment	**286,127**	**197,694**	**88,433**	79,090
	$ 4,357,464	**$ 1,548,289**	**$ 2,809,175**	$ 2,000,391

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.

	2017	2016
Balance, beginning of year	**$ 30,328**	$ 17,291
Add: amount received during the year	**165,714**	14,678
Less: expenditures for the year	**(41,553)**	(1,642)
	$ 154,489	$ 30,328

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.

	2017	2016
Balance, beginning of year	**$ 1,834,951**	$ 1,196,147
Add: SH-SS contributions	**954,851**	756,038
Add: donations	**13,862**	-
Less: amounts amortized to revenue	**(155,673)**	(117,234)
	$ 2,647,991	$ 1,834,951

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2017	2016
Land	**$ 97,366**	$ 97,366
Other capital assets	**2,711,810**	1,903,024
Amounts financed by deferred contributions	**(2,647,991)**	(1,834,951)
	$ 161,185	$ 165,439

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

	2017	2016
Amortization of deferred contributions	**$ 155,673**	$ 117,234
Amortization of capital assets	**(159,927)**	(121,488)
Purchase of capital assets	**968,711**	756,038
Amounts funded by SH-SH	**(954,851)**	(756,038)
Funded by donations	**(13,862)**	-
	$ (4,254)	$ (4,254)

11. COMMITMENTS AND CONTINGENCIES

a) The Nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2017 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, 2017.

The Home is a named insured under the SH-SS policy with HIROC.

12. REVENUE FROM SOUTHERN HEALTH–SANTÉ SUD

	2,017	2,016
Revenue per final funding report	**$ 2,607,056**	$ 2,563,200
Add:		
Capitation fees	**22,944**	18,336
Pre-retirement leave	**26,000**	26,329
Long service step increases	**4,958**	-
15/16 HEB COLA funding	**-**	20,222
15/16 Leap Year funding	**-**	7,720
Out of globe adjustment - other	**26,122**	49,931
	80,024	122,538
Revenue for the year	**$ 2,687,080**	$ 2,685,738

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, 2017. The significant actuarial assumptions adopted in measuring the Nursing Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.10% (2016 – 3.00%) and a rate of salary increase of 3.50% (2016 - 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.

	2017	2016
Employee future benefits recovered from		
Manitoba Health	**$ 63,303**	$ 63,303
SH-SS	**176,831**	157,697
	$ 240,134	$ 221,000

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, 2015 indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $2,320,015,000 (2015 - $1,955,292,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $178,004 (2016 - $180,563) 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.

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:

	2017	2016
Accounts receivable	**$ 17,241**	$ 10,259
Vacation entitlements receivable	**108,516**	108,516
Due from SH-SS	**35,870**	133,546
Retirement obligations receivable	**240,134**	221,000
	$ 401,761	$ 473,321

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.

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, 2017

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of 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, 2017, 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, 2017 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 25, 2017

MOUNT CARMEL CLINIC
Statement of Financial Position

As at March 31	2017	2016
Assets		
Current Assets		
Cash and bank	$ 1,777,284	$ 1,724,646
Accounts receivable (Note 2)	411,655	451,806
Due from WRHA (Note 3)	308,548	249,900
Inventories	80,049	75,392
Prepaid expenses	10,065	13,081
Vacation entitlements receivable	381,653	381,653
	2,969,254	2,896,478
Due from Mount Carmel Clinic Foundation	74,312	108,607
Retirement obligation receivable (Note 14)	478,630	493,372
Capital assets (Note 5)	6,126,532	5,521,995
Total assets	$ 9,648,728	$ 9,020,452
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 870,075	$ 587,079
Due to WRHA (Note 7)	60,415	72,686
Accrued vacation entitlements (Note 4)	511,266	439,036
Deferred revenue (Note 8)	410,346	507,117
	1,852,102	1,605,918
Accrued retirement obligations (Note 14)	771,945	789,000
Deferred Contributions (Note 9)		
Expenses of future periods	214,865	178,690
Capital assets	4,347,580	4,087,613
	4,562,445	4,266,303
Total liabilities	7,186,492	6,661,221
Commitments and contingencies (Note 13)		
Total net assets (Page 5)	2,462,236	2,359,231
	$ 9,648,728	$ 9,020,452

Approved on behalf of the Board of Directors:

Original Document Signed ______________________ Director

Original Document Signed ______________________ Director

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

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2017	2016
Revenue		
Amortization of deferred contributions	**$ 180,807**	$ 132,485
Dental fees	**65,132**	69,494
Donations	**18,982**	13,826
Investment income	**15,643**	28,990
Medical program	**27,750**	34,706
Other grants	**1,053,716**	879,139
Parent fees	**82,924**	44,685
Pharmacy sales	**1,343,958**	1,120,311
Province of Manitoba	**1,058,341**	655,774
United Way of Winnipeg	**260,200**	169,269
Winnipeg Regional Health Authority (Note 12)	**8,430,758**	8,350,037
	12,538,211	11,498,716
Expenses		
Amortization of capital assets	**327,253**	244,630
Bank charges and interest	**14,909**	18,455
Charitable drug program	**21,845**	24,465
Drugs	**776,086**	571,969
Maintenance and repairs	**125,271**	104,000
Office supplies and expenses	**175,815**	171,804
Other occupancy costs	**89,030**	81,234
Program supplies and other expenses	**987,475**	795,315
Salaries and benefits	**9,673,643**	9,090,137
Travel, meetings and conferences	**93,147**	88,786
Utilities	**167,787**	170,367
	12,452,261	11,361,162
Excess of revenue over expenses for the year before other item	**85,950**	137,554
Other Item		
Change in accrued retirement obligations Decrease (increase) in liability	**17,055**	(72,000)
Excess of revenue over expenses for the year	**$ 103,005**	$ 65,554

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, 2017

	Unrestricted		Externally Restricted	Internally Restricted			
	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Invested In Capital Assets (Note 11)	2017 Total	2016 Total
Net assets, beginning of year	$ 811,120	$ (122,963)	$ 153,850	$ 82,842	$ 1,434,382	$ 2,359,231	$ 2,293,677
Excess (deficiency) of revenue over expenses for the year	101,257	127,380	20,742	72	(146,446)	103,005	65,554
Interfund Transfers							
Acquisition of capital assets	(408,102)	-	-	(82,914)	491,016	-	-
Other	14,285	-	(14,285)	-	-	-	-
Net assets, end of year	$ 518,560	$ 4,417	$ 160,307	$ -	$ 1,778,952	$ 2,462,236	$ 2,359,231

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

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	**$ 103,005**	$ 65,554
Items not affecting cash		
Amortization of capital assets	**327,253**	244,630
Amortization of deferred contributions related to capital assets	**(180,807)**	(132,485)
	249,451	177,699
Changes in non-cash working capital		
Accounts receivable	**40,151**	(255,596)
Due from WRHA	**(58,648)**	210,300
Inventories	**(4,657)**	(2,009)
Prepaid expenses	**3,016**	(149)
Retirement obligation receivable	**14,742**	23,885
Accounts payable and accrued liabilities	**282,996**	(149,552)
Due to WRHA	**(12,271)**	(73,618)
Accrued vacation entitlements	**72,230**	(41,809)
Deferred revenue	**(96,771)**	152,051
Accrued retirement obligations	**(17,055)**	72,000
Deferred contributions related to expenses of future periods	**36,175**	(44,356)
	259,908	(108,853)
	509,359	68,846
Cash Flows from Financing Activities		
Contributions related to capital asset acquisitions	**440,774**	15,468
Cash Flows from Investing Activities		
Acquisition of capital assets	**(931,790)**	(370,027)
Net decrease (increase) in amount due from Mount Carmel Clinic Foundation	**34,295**	(87,652)
	(897,495)	(457,679)
Net increase (decrease) in cash and bank for the year	**52,638**	(373,365)
Cash and bank, beginning of year	**1,724,646**	2,098,011
Cash and bank, end of year	**$ 1,777,284**	$ 1,724,646

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

1. Nature of the Organization and Summary of Significant Accounting Policies

a) Nature of the Organization

Mount Carmel Clinic ("Clinic") is an inter-disciplinary community health centre committed to providing comprehensive health care to the community. The Clinic is incorporated under The Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

b) Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

c) Fund Accounting

The 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, 2017.

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.

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

	2017	2016
Receivable for Clinic services	**$ 99,947**	$ 301,186
Day care deficit funding	**123,052**	61,453
Other receivables	**188,656**	89,167
	$ 411,655	$ 451,806

3. Due from WRHA

	2017	2016
2014/2015 funding adjustment	**$ -**	$ 3,056
2015/2016 funding adjustment	**53,021**	246,844
2016/2017 funding adjustment	**255,527**	-
	$ 308,548	$ 249,900

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:

	2017	2016
Balance, beginning of year	**$ 439,036**	$ 480,845
Net increase (decrease) in accrued vacation entitlements	**72,230**	(41,809)
Balance, end of year	**$ 511,266**	$ 439,036

5. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Landscaping	**$ 222,702**	**$ -**	$ 222,702	$ -
Buildings	**8,828,525**	**3,400,396**	6,445,882	3,179,681
Furniture, fixtures and equipment	**762,833**	**533,088**	748,191	473,225
Computer equipment	**338,804**	**207,106**	209,716	160,431
Construction-in-progress	**114,258**	**-**	1,708,841	-
	$ 10,267,122	**$ 4,140,590**	$ 9,335,332	$ 3,813,337
Net book value		**$ 6,126,532**		$ 5,521,995

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include $18,358 ($18,824 in 2016) in government remittances payable.

7. Due to WRHA

Amounts due to WRHA are for medical remuneration.

8. Deferred Revenue

	2017	2016
Operating Fund		
Day Care grant	**$ 9,636**	$ 4,276
Day Care subsidy advance	**15,510**	14,985
FACT Coalition	**37,176**	38,761
Other	**150,086**	93,107
Parenting Student Program	**38,028**	63,341
Primary Health	**-**	28,594
Sage House	**53,756**	75,298
	304,192	318,362
Donation Fund		
Child Day Care Centre	**39,489**	10,575
Mount Carmel Clinic Foundation	**1,860**	103,884
Other	**30,034**	28,817
Sage House	**34,771**	45,479
	106,154	188,755
	$ 410,346	$ 507,117

For the year ended March 31, 2017

9. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2017	2016
Balance, beginning of year	$ 178,690	$ 223,046
Add amounts received during year	118,800	51,025
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year	(89,675)	(100,181)
Transfer from Day Care	7,050	4,800
Balance, end of year	$ 214,865	$ 178,690

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.

	2017	2016
Balance, beginning of year	$ 4,087,613	$ 2,656,305
Add amounts received during year	440,774	1,563,793
Less amounts recognized as revenue during the year	(180,807)	(132,485)
Balance, end of year	$ 4,347,580	$ 4,087,613

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, 2017. The balance in the line of credit at year end was $NIL ($NIL in 2016). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

11. Net Assets Invested in Capital Assets

Net assets invested in capital assets is calculated as follows:

	2017	2016
Capital assets, net book value	**$ 6,126,532**	$ 5,521,995
Less amounts financed by deferred contributions	**4,347,580**	4,087,613
	$ 1,778,952	$ 1,434,382

The deficiency of revenue over expenses for the year for the Invested in Capital Assets Fund is calculated as follows:

	2017	2016
Revenue		
Amortization of deferred contributions related to capital assets	**$ 180,807**	$ 132,485
Expenses		
Amortization of capital assets	**327,253**	244,630
Deficiency of revenue over expenses for the year	**$ (146,446)**	$ (112,145)

12. Revenue from the WRHA

	2017	2016
Revenue as per WRHA final funding document (March 31, 2017 EFT)	**$ 8,419,136**	$ 8,262,387
Add (Deduct)		
ACT funding	**17,459**	(25,875)
Group health	**-**	34,831
Healthy Together tobacco reduction grant	**(1,000)**	-
Maternity leave top-up	**5,580**	-
Medical remuneration	**78,398**	(4,519)
Mothering Project	**39,549**	(5,000)
Other	**(17,334)**	(40,000)
Payments related to prior year activities	**(200,498)**	-
Pre-retirement leave	**-**	2,655
Salary costs	**171,550**	276,124
	93,704	238,216
Deduct		
Deferred funds		
Staffing positions	**(74,074)**	(138,703)
Strategic planning	**-**	(3,855)
	(74,074)	(142,558)
Total funding approved by WRHA	**8,438,766**	8,358,045
Deduct		
Reserve for major repairs	**(7,000)**	(7,000)
Deferred funds - Insurance deductible	**(1,008)**	(1,008)
	(8,008)	(8,008)
Revenue from WRHA	**$ 8,430,758**	$ 8,350,037

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, 2017. The Clinic is a named insured under the WRHA policy with HIROC.

The Clinic leases equipment under the provisions of operating leases which expire in the year ending March 31, 2022. Total annual lease payments total approximately $8,000 per year to the end of the lease term.

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

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2017. 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 2016) and a rate of salary increase of 3.0% (3.0% in 2016) plus age related merit/promotion scale with no provision for disability.

14. 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 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:

	2017	2016
Balance, beginning of year	**$ 789,000**	$ 717,000
Net (decrease) increase in pre-retirement entitlements	**(17,055)**	72,000
Balance, end of year	**$ 771,945**	$ 789,000

Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 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.

14. Employee Future Benefits (continued)

Pension Plan (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015 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 $526,526 ($524,008 in 2016) 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. The risks have not changed from the prior year.

Credit Risk

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

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

	2017	2016
Accounts receivable	**$ 411,655**	$ 451,806
Due from WRHA	**308,548**	249,900
Vacation entitlements receivable	**381,653**	381,653
Retirement obligations receivable	**478,630**	493,372
	$ 1,580,486	$ 1,576,731

16. Financial Risk Management (continued)

Credit Risk (continued)

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, 2017

booke
& partners

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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, 2017, 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, 2017, 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 29, 2017

Chartered Professional Accountants

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31

	Operating Fund	Capital Fund	Ed Mousseau Fund	**2017 Total**	2016 Total
Revenues					
Winnipeg Regional Health Authority	$4,044,299	$ -	$ -	**$4,044,299**	$3,931,885
AIDS Community Action Program	241,341	-	-	**241,341**	210,113
Grants	46,023	-	-	**46,023**	37,522
Interest income	22,266	-	1,112	**23,378**	24,119
Donations	19,542	-	-	**19,542**	20,508
Amortization of deferred contributions	-	12,516	-	**12,516**	14,771
	4,373,471	12,516	1,112	**4,387,099**	4,238,918
Expenses					
Operating Fund (Page 12)	4,271,395	-	-	**4,271,395**	4,120,226
Amortization	-	59,285	-	**59,285**	51,895
	4,271,395	59,285	-	**4,330,680**	4,172,121
Excess (deficiency) of revenues over expenses before under noted items	102,076	(46,769)	1,112	**56,419**	66,797
Pre-retirement leave (Note 11)					
Recovery	39,021	-	-	**39,021**	7,032
Expense	(39,021)	-	-	**(39,021)**	(7,032)
Excess (deficiency) of revenues over expenses	$ 102,076	$ (46,769)	$ 1,112	**$ 56,419**	$ 66,797

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances

Year Ended March 31

	Operating Fund	Invested in Capital Assets	Ed Mousseau Fund	**2017 Total**	2016 Total
Fund balance, beginning of year	$ 947,182	$ 95,455	$ 17,774	**$ 1,060,411**	$ 993,614
Excess (deficiency) of revenues over expenses	102,076	(46,769)	1,112	**56,419**	66,797
Transfer to Capital Fund for purchase of capital assets	(59,112)	59,112	-	**-**	-
Fund balance, end of year	$ 990,146	$ 107,798	$ 18,886	**$ 1,116,830**	$ 1,060,411

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Financial Position

Year Ended March 31	2017	2016
Assets		
Current		
Cash and short-term investments (Note 3)	**$1,677,309**	$1,573,399
Receivables (Note 4)	**126,980**	157,484
Due from Winnipeg Regional Health Authority	**154,842**	308,376
Prepaids	**30,477**	8,914
	1,989,608	2,048,173
Due from Winnipeg Regional Health Authority (Note 11)	**445,947**	257,290
Long-term investments	**149,148**	148,037
Capital assets (Note 5)	**138,630**	146,052
	$2,723,333	$2,599,552

Liabilities		
Current		
Payables and accruals	**$ 531,594**	$ 494,866
Funds held in trust (Note 3)	**2,360**	2,360
Deferred contributions		
General operations (Notes 3 and 6)	**577,435**	566,055
Current portion of obligations under capital lease (Note 7)	**7,249**	7,249
	1,118,638	1,070,530
Deferred contributions		
Related to capital assets (Note 8)	**16,333**	28,850
Restricted contributions (Note 10)	**130,262**	130,262
Pre-retirement leave (Note 11)	**334,021**	295,000
Obligations under capital lease (Note 7)	**7,249**	14,499
	1,606,503	1,539,141
Fund Balances		
Operating Fund	**990,146**	947,182
Capital Fund	**107,798**	95,455
Ed Mousseau Fund	**18,886**	17,774
	1,116,830	1,060,411
	$2,723,333	$2,599,552

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	2017	2016
Cash derived from (applied to):		
Operating		
Excess of revenues over expenses	**$ 56,419**	$ 66,797
Amortization of capital assets	**59,285**	51,895
Amortization of deferred contributions	**(12,516)**	(14,771)
	103,188	103,921
Change in non-cash operating assets and liabilities (Note 9)	**60,947**	14,179
	164,135	118,100
Investing		
Interest income reinvested	**(1,112)**	(1,246)
Purchase of capital assets	**(51,864)**	(49,133)
	(52,976)	(50,379)
Financing		
Repayment of capital lease	**(7,249)**	(7,249)
Funding received to purchase capital assets	**-**	10,040
	(7,249)	2,791
Net increase in cash	**103,910**	70,512
Cash and short-term investments, beginning of year	**1,573,399**	1,502,887
Cash and short-term investments, end of year	**$ 1,677,309**	$ 1,573,399

See accompanying notes to the financial statements.

1. Nature of operations

Nine Circles Community Health Centre Inc. (the Organization) is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	4-5 years	straight-line
Computer equipment	4-5 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	4-10 years	straight-line

Amortization expense is reported in the Capital Fund.

2. Significant accounting policies (cont.)

d) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.0% (2016 - 3.0%), a rate of salary increase of 3.5% (2016 - 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.

3. Cash and short-term investments

Cash and short-term investments consist of:

	2017	2016
Cash	**$ 814,008**	$ 725,778
Cash held in trust	**2,360**	2,360
Assiniboine Credit Union GIC, bearing interest at 1.75%, maturing and renewed annually on March 23rd	**860,941**	-
Assiniboine Credit Union GIC, bearing interest at 1.85%, redeemed during the year	**-**	845,261
	$1,677,309	$1,573,399

The cash balance is earmarked as follows:

	2017	2016
Operating cash	**$1,099,874**	$1,007,344
Externally restricted cash	**577,435**	566,055
	$1,677,309	$1,573,399

4. Receivables

	2017	2016
GST receivable	**$ 34,076**	$ 32,451
Other receivables	**92,904**	125,033
	$ 126,980	$ 157,484

5. Capital assets

	Cost	**Accumulated Amortization**	**2017 Net Book Value**	2016 Net Book Value
Equipment	**$ 137,390**	**$ 117,297**	**$ 20,093**	$ 33,648
Computer equipment	**170,982**	**134,246**	**36,736**	13,516
Computer software	**50,049**	**47,113**	**2,936**	6,056
Leaseholds	**211,361**	**174,666**	**36,695**	50,662
Equipment under capital lease	**107,635**	**65,465**	**42,170**	42,170
	$ 677,417	**$ 538,787**	**$ 138,630**	$ 146,052

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:

	2017	2016
Beginning balance	**$ 566,055**	$ 532,223
Grant revenue recognized during the year	**(391,103)**	(352,520)
Contributions received during the year	**402,483**	386,352
Ending balance	**$ 577,435**	$ 566,055

7. Obligations under capital lease

	2017	2016
Obligations under capital lease	**$ 14,498**	$ 21,748
Less: amount representing interest at 0%	**-**	-
	14,498	21,748
Less: current portion of obligations	**7,249**	7,249
	$ 7,249	$ 14,499

The leases are secured by the underlying assets.

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $16,333 (2016 - $28,850) 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

	2017	2016
Receivables	**$ 30,504**	$ (10,709)
Due from Winnipeg Regional Health Authority	**(35,123)**	(81,127)
Prepaids	**(21,563)**	(2,835)
Payables and accruals	**36,728**	67,986
Deferred contributions - general operations	**11,380**	33,832
Pre-retirement leave	**39,021**	7,032
	$ 60,947	$ 14,179

10. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS.

11. Pre-retirement leave

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority (WRHA) to record the full obligation. The WRHA calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the WRHA has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to WRHA programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year, the obligation increased by $39,021 (2016 - $7,032).

Pre-retirement benefits for the current year of $39,021 (2016 - $7,032) were funded by WRHA.

12. Pension

The Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $203,007 (2016 - $194,335) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

13. Office space

In the current year, WRHA paid rent on behalf of the Organization in the amount of $363,579 (2016 - $341,937). 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.

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects

Year Ended March 31	**2017**	2016
Salaries	**$2,448,902**	$2,348,514
Physician salaries and benefits	**900,604**	901,313
Employee benefits (Note 12)	**437,705**	413,159
Health and education tax	**65,598**	69,249
Electronic medical records	**34,279**	35,596
Medical supplies	**34,804**	32,435
Purchased and professional services	**58,203**	68,194
Maintenance	**111,915**	105,102
Travel and course fees	**21,156**	20,897
General expenses	**286,175**	252,640
	4,399,341	4,247,099
Less: recoveries	**(127,946)**	(126,873)
	$4,271,395	$4,120,226

Niverville Heritage PCH Inc.

Financial Statements

March 31, 2017

MNP

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, 2017, 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, 2017 and the results of its operations, changes in net assets (deficit) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

May 31, 2017

MNP LLP
Chartered Professional Accountants

Niverville Heritage PCH Inc.
Statement of Financial Position
As at March 31, 2017

	2017	2016
Assets		
Current		
Cash *(Note 3)*	**789,668**	868,935
Restricted cash	**167,900**	194,880
Accounts receivable *(Note 4)*	**68,541**	181,370
Prepaid expenses and deposits	**2,559**	5,364
	1,028,668	1,250,549
Advances to related parties *(Note 5)*	**1,300,653**	1,286,359
Capital assets *(Note 6)*	**11,490,299**	11,973,040
	13,819,620	14,509,948
Liabilities		
Current		
Accounts payable and accruals *(Note 7)*	**660,592**	627,340
Advances from related party *(Note 8)*	**316,508**	444,248
Current portion of long-term debt *(Note 9)*	**314,000**	305,000
	1,291,100	1,376,588
Long-term debt *(Note 9)*	**11,510,996**	11,826,273
Deferred contributions related to capital assets *(Note 10)*	**1,504,506**	1,576,354
	14,306,602	14,779,215
Net Assets (Deficit)		
Unrestricted	**(654,882)**	(464,147)
Internally restricted for future capital assets	**167,900**	194,880
	(486,982)	(269,267)
	13,819,620	14,509,948

Approved on behalf of the Board

Original Document Signed
Director

Original Document Signed
Director

Niverville Heritage PCH Inc.
Statement of Operations
For the year ended March 31, 2017

	2017	2016
Revenues		
Southern Health - Sante Sud Inc.	**5,972,927**	6,089,807
Amortization of deferred contributions related to capital assets	**71,848**	136,415
Rental income	**1,313,273**	1,289,662
Other revenue	**149,735**	81,035
	7,507,783	7,596,919
Expenses		
Advertising and promotion	**17,584**	11,910
Bank charges and interest	**1,209**	8,478
Food services	**713,374**	665,287
Insurance	**49,188**	42,554
Interest on long-term debt	**334,723**	352,424
Medical supplies and equipment	**117,315**	129,750
Office supplies and services	**49,344**	36,767
Professional and management fees	**111,383**	161,215
Property taxes	**89,666**	71,857
Repairs and maintenance	**163,066**	146,796
Resident expenses	**269,988**	267,070
Salaries and benefits	**5,039,174**	5,105,493
Telephone and internet	**27,078**	25,279
Utilities	**173,999**	156,395
	7,157,091	7,181,275
Excess of revenue over expenses before other items	**350,692**	415,644
Other items		
Amortization	**(568,407)**	(555,221)
Deficiency of revenues over expenses	**(217,715)**	(139,577)

The accompanying notes are an integral part of these financial statements

Niverville Heritage PCH Inc.
Statement of Changes in Net Assets (Deficit)
For the year ended March 31, 2017

	Unrestricted	*Internally restricted for future capital assets*	***2017***	*2016*
Net assets (deficit), beginning of year	**(464,147)**	**194,880**	**(269,267)**	(129,690)
Excess (deficiency) of revenues over expenses	**(217,715)**	-	**(217,715)**	(139,577)
Purchases of capital assets	**26,980**	**(26,980)**	**-**	-
Net assets (deficit), end of year	**(654,882)**	**167,900**	**(486,982)**	(269,267)

Niverville Heritage PCH Inc.
Statement of Cash Flows
For the year ended March 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenues over expenses	**(217,715)**	(139,577)
Amortization of capital assets	**568,407**	555,221
Amortization of deferred contributions related to capital assets	**(71,848)**	(136,415)
	278,844	279,229
Changes in working capital accounts		
Accounts receivable	**112,829**	366,123
Prepaid expenses and deposits	**2,805**	(4,550)
Accounts payable and accruals	**33,252**	(99,248)
	427,730	541,554
Financing		
Repayment of advances from related party	**(127,740)**	(121,752)
Repayment of long-term debt	**(306,277)**	(307,576)
	(434,017)	(429,328)
Investing		
Advances to related parties	**(14,294)**	(819,402)
Purchase of capital assets	**(85,666)**	(18,731)
Tax credit for capital assets	-	59,759
	(99,960)	(778,374)
Decrease in cash resources	**(106,247)**	(666,148)
Cash resources, beginning of year	**1,063,815**	1,729,963
Cash resources, end of year	**957,568**	1,063,815
Cash resources are composed of:		
Cash	**789,668**	868,935
Restricted cash	**167,900**	194,880
	957,568	1,063,815

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, 2017.

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 over 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 (2016 - $150,000) bearing interest at prime plus 1%. The prime rate is 3.45% (2016 - 3.45%). As at March 31, 2017 the line of credit is at nil.

4. Accounts receivable

	2017	*2016*
Government remittances receivable	**50,809**	51,320
Receivable from Southern Health - Sante Sud Inc.	**11,271**	128,917
Other receivables	**6,461**	1,133
	68,541	181,370

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.

	2017	2016
5906386 Manitoba Ltd.	**285,541**	270,746
St Adolphe Personal Care Home Inc.	**214,500**	215,001
Heritage Life Retirement Living Inc.	**800,612**	800,612
	1,300,653	1,286,359

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**	**2017 Net book value**
Land leasehold	**400,000**	**-**	**400,000**
Building	**12,221,053**	**1,422,683**	**10,798,370**
Furniture and equipment	**824,617**	**532,688**	**291,929**
	13,445,670	**1,955,371**	**11,490,299**

	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

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

	2017	2016
Trade payables and accruals	**147,693**	152,276
Government remittances	**82,951**	34,385
Salaries payable	**168,537**	193,355
Vacation payable	**261,411**	247,324
	660,592	627,340

8. Advances from related party

	2017	2016
Niverville Heritage Holdings Inc.	**316,508**	444,248

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

	2017	2016
Mortgage payable bearing interest at prime plus 0.10% (2.74%) at March 31, 2017, repayable in monthly payments of $55,000, including interest, with an amortization period ending January 2047, secured by a demand promissory note in the amount of $12,800,000 and a first charge on property.	**11,824,996**	12,131,273
Less: current portion	**314,000**	305,000
	11,510,996	11,826,273

Future estimated principal payments in the next five years are estimated as follows:

2018	314,000
2019	324,000
2020	334,000
2021	343,000
2022	353,000

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:

	2017	2016
Balance, beginning of year	**1,576,354**	1,712,769
Less: amounts recognized as revenue during the year	**(71,848)**	(136,415)
Balance, end of year	**1,504,506**	1,576,354

11. Related party transactions

The following expenses were paid to Niverville Heritage Holdings Inc., a related party as described in Note 8.

	2017	*2016*
Food services	**690,781**	646,550
Professional and management fees	**149,680**	110,491
Repairs and maintenance	**71,825**	64,903
Telephone and internet	**22,304**	20,123
Utilities	**137,447**	124,912
	1,072,037	966,979

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, 2017, two organizations accounted for 80% (2016 - 80%) of revenues from operations and two organizations accounted for 91% (2016 - 99%) 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, 2017

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, 2017 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, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lazer Grant LLP

Winnipeg, MB
June 6, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Financial Position

March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and cash equivalents	$ 2,618,810	$ 2,455,529
Accounts receivable *(Note 4)*	389,360	342,915
Vacation entitlement receivable	46,693	46,693
Prepaid expenses	4,047	2,999
	3,058,910	2,848,136
CAPITAL ASSETS *(Note 5)*	531,622	577,815
INTERNALLY RESTRICTED CASH	100,000	100,000
	$ 3,690,532	$ 3,525,951
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 6)*	$ 568,595	$ 383,909
Vacation entitlement payable	403,634	370,500
Deferred revenue *(Note 7)*	642,913	571,803
	1,615,142	1,326,212
DEFERRED CAPITAL CONTRIBUTIONS *(Note 8)*	502,538	572,322
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 9)*	405,883	354,000
	2,523,563	2,252,534
NET ASSETS	1,166,969	1,273,417
	$ 3,690,532	$ 3,525,951

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, 2017

	Health Centre (Schedule 1)	Early Learning and Child Care Centre (Schedule 2)	**Total 2017**	Total 2016
REVENUES	$ 8,167,406	$ 822,698	**$ 8,990,104**	$ 8,056,220
EXPENSES				
Accounting and computer fees	48,132	-	**48,132**	30,720
Administrative	307,985	18,791	**326,776**	240,381
Amortization	184,214	-	**184,214**	167,446
Fundraising	12,023	-	**12,023**	39,127
Networking and EMR charges	40,398	-	**40,398**	40,641
Medical supplies	83,016	-	**83,016**	72,549
Pre-retirement	45,554	6,329	**51,883**	41,074
Professional fees	514,175	-	**514,175**	604,594
Program	351,143	26,870	**378,013**	311,133
Rent and utilities	221,014	24,794	**245,808**	228,099
Repairs and maintenance	134,784	2,573	**137,357**	82,175
Salaries and benefits *(Notes 9, 10)*	5,932,354	755,804	**6,688,158**	6,050,288
Service contracts	48,214	-	**48,214**	29,261
Staff training	60,449	-	**60,449**	40,450
Staff travel	47,758	-	**47,758**	37,578
	8,031,213	835,161	8,866,374	8,015,517
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 136,192	$ (12,463)	**123,730**	$ 40,703

NORWEST CO-OP COMMUNITY CENTRE, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2017

	Membership	Invested in Capital Assets	Internally Restricted	Restricted Healthy Child MB Programs	Restricted Community Programs	Family Counselling Programs Restricted Central support	Family Counselling Programs Restricted Counselling services	Family Counselling Programs Restricted Women's Place	Restricted Community Food Centre	Surplus subject to WRHA audit	Unrestricted	Total 2017	Total 2016
HEALTH CENTRE													
NET ASSETS - BEGINNING OF THE YEAR	$ 4,106	$ (609)	$ 100,000	$ 44,089	$ 3,373	$ 84,377	$ 82,901	$ 3,061	-	$ 638,547	$ 272,797	**$ 1,232,642**	$ 1,183,926
Membership	780	-	-	-	-	-	-	-	-	-	-	**780**	830
Co-operative tax credit	-	-	-	-	-	-	-	-	-	-	750	**750**	750
Excess surplus paid to WRHA for 2014/15 and 2015/16	-	-	-	-	-	-	-	-	-	(231,708)	-	**(231,708)**	(42,686)
Surplus transferred towards unrestricted surplus	-	-	-	-	-	-	-	-	-	(406,839)	406,839	-	-
Purchased Capital	-	28,349	-	-	-	-	-	-	-	-	(28,349)	-	-
Surplus transferred towards AON Celebrations/Facilitated Solutions	-	-	-	-	14,255	-	-	-	-	-	(14,255)	-	-
Surplus transferred towards Food Centre equipment	-	-	-	-	-	-	-	-	6,303	-	(6,303)	-	-
Excess (deficiency) of revenues over expenses	-	(4,758)	-	35,733	(14,254)	(14,085)	50,348	41,420	(6,303)	7,038	41,053	**136,192**	89,822
NET ASSETS- END OF THE YEAR	4,886	22,982	100,000	79,822	3,374	70,292	133,249	44,481	-	7,038	672,532	**1,138,657**	1,232,642
EARLY LEARNING AND CHILD CARE CENTRE													
NET ASSETS - BEGINNING OF THE YEAR	200	6,103	-	-	-	-	-	-	-	-	34,472	**40,775**	89,894
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	-	(12,463)	**(12,463)**	(49,119)
NET ASSETS- END OF THE YEAR	200	6,103	-	-	-	-	-	-	-	-	22,009	**28,312**	40,775
TOTAL NET ASSETS	$ 5,086	$ 29,084	$ 100,000	$ 79,822	$ 3,374	$ 70,292	$ 133,249	$ 44,481	-	$ 7,038	$ 694,541	**1,166,969**	$ 1,273,417

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Cash Flow

Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 123,730	$ 40,703
Items not affecting cash:		
Amortization	184,214	167,446
Amortization of deferred contributions	(179,456)	(166,313)
	128,488	41,836
Changes in non-cash working capital:		
Accounts receivable	(46,445)	244,869
Accounts payable and accrued liabilities	184,686	(125,037)
Deferred revenue	71,110	417,601
Prepaid expenses	(1,048)	(59)
Vacation entitlement payable	33,134	46,594
Pre-retirement benefits	51,883	41,000
	293,320	624,968
Cash flow from operating activities	421,808	666,804
INVESTING ACTIVITY		
Purchase of capital assets	(138,021)	(37,943)
FINANCING ACTIVITIES		
Cooperative tax credit	750	750
Membership fees	780	830
Contributions for purchase of capital assets	109,672	31,840
Repayment of surplus to WRHA	(231,708)	(42,686)
Cash flow used by financing activities	(120,506)	(9,266)
INCREASE IN CASH	163,281	619,595
Cash and cash equivalents - beginning of year	2,455,529	1,835,934
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,618,810	$ 2,455,529
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	$ 1,223,275	$ 1,087,311
Guaranteed investment certificates	1,395,535	1,368,218
	$ 2,618,810	$ 2,455,529

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)

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
Motor vehicles	30%	declining balance method

The co-operative regularly reviews its capital assets to eliminate obsolete items.

One-half the normal rate of amortization is recorded in the year of acquisition.

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.

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, 2017.

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

	2017	2016
Health Centre		
Goods and services tax	**$ 47,123**	$ 20,665
Winnipeg Regional Health Authority	**241,184**	200,050
Grants	**71,633**	84,915
Other	**2,421**	4,884
Co-operative tax credit	**750**	750
	363,111	311,264
Early Learning Child Care Centre		
Day care fees	**$ 13,258**	$ 13,467
Day care government subsidy	**7,791**	8,034
Inclusion Support Staffing grant	**5,200**	10,150
	26,249	31,651
Grand total	**$ 389,360**	$ 342,915

5. CAPITAL ASSETS

	2017		2016	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Computer equipment	**$ 58,193**	**$ 58,193**	$ 58,193	$ 56,185
Furniture and fixtures	**281,457**	**177,852**	268,678	138,685
Leasehold improvements	**772,656**	**377,836**	686,469	240,655
Motor vehicles	**39,055**	**5,858**	-	-
	$ 1,151,361	**$ 619,739**	$ 1,013,340	$ 435,525
Net book value	**$ 531,622**		$ 577,815	

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Health Centre		
Winnipeg Regional Health Authority	$ 66,809	$ 10,403
Trade payables	267,918	163,369
Accrued audit fees	13,500	12,500
Salaries	176,512	160,911
Other	20,980	15,366
	545,719	362,549
Early Learning Child Care Centre		
Subsidy advances	8,680	8,680
Pension advance	4,283	4,283
Other	9,913	8,397
	22,876	21,360
Grand total	$ 568,595	$ 383,909

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:

	2017	2016
Beginning balance	$ 571,803	$ 154,202
Less: amounts recognized as revenue in the year	(571,803)	(154,202)
Add: amounts received related to the following year	642,913	571,803
	$ 642,913	$ 571,803

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:

	2017	2016
Beginning balance	**$ 572,322**	$ 706,794
Contributions	**109,672**	31,841
Amounts recognized as revenue	**(179,456)**	(166,313)
	$ 502,538	$ 572,322

9. PRE-RETIREMENT LEAVE BENEFIT OBLIGATION

Based on the continuance of funding bodies' policies to reimburse facilities for pre-retirement leave, the co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rata basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For fiscal year 2017, the Winnipeg Regional Health Authority agreed to provide pre-retirement funding at 100% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to $23,687 (2016 - $21,803)

As at March 31, 2017, the benefit obligation earned by employees was actuarially determined to be $405,883 (2016 - $354,000). 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 $450,576 (2016 - $393,375). 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:

2018	$ 499,408
2019	453,055
2020	432,180
2021	415,538
2022	415,538

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.

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 three through five 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, 2017

	Primary Health Care Program	Foot care Program	Norwest Clinic at Blue Bird	Healthy Child Manitoba Programs *(Schedule 3)*	Commmunity Development Programs *(Schedule 4)*	Family Counselling Programs *(Schedule 5)*	Community Food Centre	Mobile Diabetic Screening	Youth Access Project	Capital assets	TOTAL 2017	TOTAL 2016
REVENUE												
Citizenship and Immigration Canada	-	-	-	-	$ 158,391	-	-	-	-	-	**$ 158,391**	$ 125,301
Community Food Centre of Canada	-	-	-	-	-	-	232,012	-	-	-	**232,012**	335,913
Fundraising	-	-	-	-	-	-	49,898	-	-	-	**49,898**	-
H.W. Siebens Charitable Foundation	-	-	-	-	-	-	-	-	-	-	**-**	142,448
Human Resources Development of Canada	-	-	-	-	7,190	-	-	-	-	-	**7,190**	4,553
Interest income	32,651	-	-	-	-	-	-	-	-	-	**32,651**	28,026
Investor's Group	-	-	-	-	7,448	-	-	-	-	-	**7,448**	14,879
The Lawson Foundation	-	-	-	-	-	-	36,500	150,187	-	-	**186,687**	148,422
Local Investment Toward Employment	-	-	-	-	5,630	-	-	-	-	-	**5,630**	5,615
Manitoba Children and Youth Opportunities	-	-	-	1,816,117	-	-	-	-	-	-	**1,816,117**	1,030,249
Manitoba Education & Training/Urban Green	-	-	-	-	9,976	-	-	-	-	-	**9,976**	-
Manitoba Family Services and Housing	-	-	-	-	-	751,700	-	-	-	-	**751,700**	751,700
Manitoba Housing and Community Development	-	-	-	-	-	-	-	-	-	-	**-**	9,465
Manitoba Housing Authority	-	-	-	-	24,745	-	-	-	-	-	**24,745**	24,745
Manitoba Justice	-	-	-	-	24,000	-	-	-	-	-	**24,000**	24,000
McConnell Funds	-	-	-	-	-	-	-	-	-	-	**-**	5,000
Other	11,835	-	-	765	134,235	8,484	112,076	-	1,000	-	**268,395**	115,724
RBC Foundation	-	-	-	-	-	-	-	-	100,000	-	**100,000**	-
Red River Co-op	-	-	-	-	-	-	2,627	-	-	-	**2,627**	-
United Way of Winnipeg	-	-	-	-	335,469	-	-	-	-	-	**335,469**	317,988
Winnipeg Regional Health Authority	3,704,695	308,625	496,809	-	-	-	20,641	-	-	-	**4,530,770**	4,488,577
Winnipeg Foundation	-	-	-	26,080	-	-	50,000	-	-	-	**76,080**	76,388
Amortization of deferred contributions	-	-	-	-	-	-	-	-	-	179,456	**179,456**	166,312
Deferred revenue	-	-	-	(413,273)	(14,863)	-	(56,103)	(71,528)	(76,069)	-	**(631,835)**	(567,402)
	3,749,181	308,625	496,809	1,429,689	692,221	760,184	447,651	78,659	24,931	179,456	**8,167,406**	7,247,903
EXPENSES												
Accounting and computer fees	12,117	600	-	16,595	3,600	8,500	6,720	-	-	-	**48,132**	30,720
Administrative	98,004	7,137	7,037	122,045	42,104	21,311	9,437	910	-	-	**307,985**	216,585
Amortization	-	-	-	-	-	-	-	-	-	184,214	**184,214**	167,446
Fundraising	-	-	-	-	-	-	12,023	-	-	-	**12,023**	39,127
Networking and EMR Charges	34,580	-	5,818	-	-	-	-	-	-	-	**40,398**	40,641
Medical supplies	57,768	10,707	2,252	-	-	-	-	12,289	-	-	**83,016**	72,549
Pre-retirement expenses (includes payout)	19,127	1,357	3,203	11,744	3,539	4,117	2,018	418	31	-	**45,554**	34,561
Professional fees	407,318	600	600	1,920		71,413	32,324	-	-	-	**514,175**	604,594
Program expenses (includes one-time purchases)	112,093	5,196	8,568	64,407	61,362	13,016	69,212	17,289	-	-	**351,143**	281,978
Rent and utilities	61,020	-	57,243	24,091	-	40,593	38,067	-	-	-	**221,014**	202,451
Repairs and maintenance	73,884	38	-	31,674	8,742	-	20,446	-	-	-	**134,784**	78,849
Salaries and benefits	2,743,940	280,514	415,174	1,077,535	575,748	507,437	259,813	47,293	24,900	-	**5,932,354**	5,281,291
Service contracts	36,762	-	11,298	-	-	154	-	-	-	-	**48,214**	29,261
Staff training	26,734	2,653	-	23,470	1,388	3,170	2,984	50	-	-	**60,449**	40,450
Staff travel	1,946	1,212	23	20,475	9,992	12,790	910	410	-	-	**47,758**	37,578
	3,685,293	310,014	511,216	1,393,956	706,475	682,501	453,954	78,659	24,931	184,214	**8,031,213**	7,158,082
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 63,888**	**$ (1,389)**	**$ (14,407)**	**$ 35,733**	**$ (14,254)**	**$ 77,683**	**$ (6,303)**	**-**	**-**	**$ (4,758)**	**$ 136,192**	$ 89,822

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

EARLY LEARNING AND CHILD CARE CENTRE *(Schedule 2)*

Year Ended March 31, 2017

	2017	2016
REVENUE		
Child care fees	$ 197,936	$ 195,621
Child care fee subsidies - Province of Manitoba	126,604	130,514
Inclusion Support Staffing grant	90,543	81,807
Operating grant	365,680	353,849
Interest	1,270	1,388
Other sources	10,344	13,972
Training grant	10,897	12,048
Manitoba child care program pension grant	19,424	19,117
	822,698	808,316
EXPENSES		
Administrative	18,791	23,796
Pre-retirement	6,329	6,513
Program	26,870	29,155
Rent and utilities	24,794	25,648
Repairs and maintenance	2,573	3,326
Salaries and benefits	755,804	768,997
	835,161	857,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (12,463)	$ (49,119)

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

HEALTHY CHILD MANITOBA PROGRAMS *(Schedule 3)*

Year Ended March 31, 2017

Unaudited *(Note 13)*

	InSight Mentor	Project Choices	Parent Child Coalition	Gilbert Park Going Places	Mental Health Teen Clinics	Intervention & Outreach Team	TOTAL 2017	TOTAL 2016
REVENUE								
Manitoba Children and Youth Opportunities	$ 276,800	$ 100,600	$ 102,500	$ 230,000	$ 79,216	$ 1,027,001	**$ 1,816,117**	$ 1,030,249
Other Payment Sources	-	-	-	765	-	-	**765**	-
Winnipeg Foundation	-	-	-	26,080	-	-	**26,080**	44,888
Deferred revenue	-	-	-	(12,321)	(4,433)	(396,519)	**(413,273)**	(339,969)
	276,800	100,600	102,500	244,524	74,783	630,482	**1,429,689**	735,168
EXPENSES								
Accounting and computer fees	4,245	2,850	2,000	2,100	2,400	3,000	**16,595**	11,400
Administrative	4,893	567	6,970	8,240	1,340	100,036	**122,045**	32,098
Pre-retirement	1,283	(1,563)	526	(1,218)	235	12,481	**11,744**	(89)
Professional fees	960	960	-	-	-	-	**1,920**	2,389
Program	3,831	2,269	12,271	20,558	1,591	23,887	**64,407**	49,991
Rent and utilities	-	-	-	-	-	24,091	**24,091**	-
Repairs and maintenance	-	-	-	3,181	673	27,820	**31,674**	3,589
Salaries and benefits	251,423	93,573	68,907	191,449	59,102	413,081	**1,077,535**	619,643
Staff training	605	598	1,287	1,301	2,497	17,182	**23,470**	6,568
Staff travel	8,650	1,346	302	1,069	204	8,904	**20,475**	13,340
	275,890	100,600	92,263	226,680	68,042	630,482	**1,393,956**	738,928
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 910**	**$ -**	**$ 10,237**	**$ 17,844**	**$ 6,741**	**$ -**	**$ 35,733**	$ (3,760)

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

COMMUNITY DEVELOPMENT PROGRAMS *(Schedule 4)*

Year Ended March 31, 2017

Unaudited *(Note 13)*

	Community Development	Summer Student	Immigrant Settlement	Management	TOTAL 2017	TOTAL 2016
REVENUE						
Citizenship and Immigration Canada	-	-	$ 158,391	-	$ 158,391	$ 125,301
Investors Group	7,448	-	-	-	7,448	14,879
Local Investment Toward Employment (L.I.T.E)	5,630	-	-	-	5,630	5,615
MB Education & Training/Urban Green	-	9,976		-	9,976	-
MB Justice (Light Houses)	24,000	-	-	-	24,000	24,000
MB Housing Authority	24,745	-	-	-	24,745	24,745
MB Housing and Community Development	-	-	-	-	-	9,465
Other Payment Sources	26,218	2,310	-	105,707	134,235	39,797
United Way of Winnipeg	335,469	-	-	-	335,469	317,988
Human Resources Development of Canada	-	7,190	-	-	7,190	4,553
Winnipeg Foundation	-	-	-	-	-	1,500
Deferred revenue	(14,863)	-	-	-	(14,863)	(32,673)
	408,647	19,476	158,391	105,707	692,221	535,170
EXPENSES						
Accounting and computer fees	-	-	3,600	-	3,600	3,600
Administrative	22,776	-	19,328	-	42,104	22,555
Pre-retirement	2,362	-	257	920	3,539	3,545
Professional fees	-	-	-	-	-	100
Program	52,368	-	8,994	-	61,362	62,928
Repairs and maintenance	8,742	-	-	-	8,742	5,715
Salaries and benefits	325,770	19,476	125,715	104,787	575,748	467,532
Staff training	1,338	-	50	-	1,388	2015
Staff travel	9,545	-	447	-	9,992	10,253
	422,901	19,476	158,391	105,707	706,475	578,243
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (14,254)	$ -	$ -	$ -	$ (14,254)	$ (43,073)

NORWEST CO-OP COMMUNITY HEALTH CENTRE, INC.

FAMILY COUNSELLING PROGRAMS *(Schedule 5)*

Year Ended March 31, 2017

Unaudited *(Note 13)*

	Counselling services	Central Support	Women's Place	TOTAL 2017	TOTAL 2016
REVENUE					
MB Family Services and Housing	$ 346,700	$ 185,600	$ 219,400	**$751,700**	$ 751,700
Other payment sources	8,484	-	-	**8,484**	-
	355,184	185,600	219,400	**760,184**	751,700
EXPENSES					
Accounting and computer fees	-	8,500	-	**8,500**	8,400
Administrative	-	21,311	-	**21,311**	18,603
Pre-retirement	3,724	1,043	(650)	**4,117**	6,061
Professional fees	-	-	71,413	**71,413**	64,689
Program	7,197	1,634	4,185	**13,016**	10,518
Rent and utilities	-	40,593	-	**40,593**	40,661
Salaries and benefits	293,915	117,299	96,223	**507,437**	611,094
Service contracts	-	154	-	**154**	95
Staff training	-	3,170	-	**3,170**	3,042
Staff travel	-	5,981	6,809	**12,790**	7,817
	304,836	199,685	177,980	**682,501**	770,980
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 50,348**	**$ (14,085)**	**$ 41,420**	**$ 77,683**	$ (19,280)

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

Financial Statements

For the year ended March 31, 2017

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE

We have audited the accompanying financial statements of ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. - GOLDEN LINKS LODGE, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flow for the year ended March 31, 2017, 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, 2017 and the results of its operations and its cash flows for the year ended March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 10, 2017

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31	2017	2016
Assets		
Current Assets		
Cash	$ 2,106,925	$ 2,177,979
Short-term investments (Note 2)	297,535	292,304
Accounts receivable	1,234,308	2,721,447
Employee benefits recoverable	230,242	230,242
Inventory - supplies on hand	-	23,412
Prepaid expenses	20,563	17,999
Due from Winnipeg Regional Health Authority (Note 5)	294,883	365,233
	4,184,456	5,828,616
Deferred benefit entitlements	511,065	579,737
Capital assets (Note 4)	2,030,382	2,073,448
	$ 6,725,903	$ 8,481,801
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 390,210	$ 361,568
Due to Winnipeg Regional Health Authority	3,168,214	4,410,024
Accrued vacation entitlements (Note 3)	315,896	318,225
Trust liabilities	8,088	9,069
	3,882,408	5,098,886
Pre-retirement entitlement (Note 3)	478,328	547,000
Deferred Contributions		
Externally restricted (Schedule 1)	310,218	291,882
Capital assets (Schedule 2)	1,944,693	1,992,370
Donations (Schedule 3)	54,711	60,370
Reserve for insurance deductible (Schedule 4)	5,209	4,201
	2,314,831	2,348,823
Total liabilities and deferred contributions	6,675,567	7,994,709
Contingencies (Note 8)	-	-
Net assets, unrestricted	50,336	487,092
	$ 6,725,903	$ 8,481,801

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		2017		2016
Balance, beginning of year	$	**487,092**	$	411,563
Prior year adjustments for agency costs		**-**		75,529
Excess of revenue over expenditures for the year		**(436,756)**		-
Balance, end of year	$	**50,336**	$	487,092

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		2017		2016
Revenue				
Winnipeg Regional Health Authority (Note 7)	$	4,368,958	$	4,222,011
Residential charges		1,897,201		1,889,578
Amortization of deferred contributions related to capital assets		159,448		147,509
Donations and other		35,901		23,766
Mortgage interest subsidy		34,019		45,359
Recoveries and offset income		29,101		79,141
Interest earned		5,265		5,459
		6,529,893		6,412,823
Expenditures				
Nursing personal care		4,239,559		4,102,530
Food services		821,486		756,241
General and administrative		648,943		413,864
Housekeeping		304,017		256,049
Plant maintenance		219,714		195,978
Plant operation		191,472		183,699
Amortization		158,462		150,340
Recreation		124,328		109,795
Laundry and linen		92,475		105,780
In-service education		75,643		122,224
Social work		30,117		43,103
Interest on long-term debt		6,654		13,259
		6,912,870		6,452,862
Deficiency of revenue over expenditures for the year before the undernoted		(382,977)		(40,039)
Flood costs not covered by insurance		-		(284,105)
Pre-retirement entitlement, change in liability		68,672		(27,000)
Pre-retirement payouts		(122,451)		(18,637)
Winnipeg Regional Health Authority deficit funding		-		369,781
Deficiency of revenue over expenditures for the year	$	(436,756)	$	-

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (436,756)	$ -
Adjustments for		
Amortization of capital assets	158,462	150,340
Amortization of deferred contributions related to capital assets	(159,448)	(147,509)
Agency costs prior year adjustments	-	75,529
Loss on disposal of assets	-	1,966
	(437,742)	80,326
Changes in non-cash working capital balances		
Accounts receivable	1,487,139	(2,319,422)
Due from Winnipeg Regional Health Authority	70,350	(290,907)
Inventory - supplies on hand	23,412	(22,673)
Prepaid expenses	(2,564)	4,950
Deferred benefit entitlements	68,672	(27,000)
Accrued vacation entitlement	(2,329)	(6,027)
Pre-retirement entitlement	(68,672)	27,000
Accounts payable and accrued expenses	28,642	49,691
Due to Winnipeg Regional Health Authority	(1,241,810)	4,410,024
Trust liabilities	(981)	4,701
	361,859	1,830,337
	(75,883)	1,910,663
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	18,336	18,336
Deferred contributions - capital assets	111,771	86,405
Deferred contributions - donations	(5,659)	(13,479)
Reserve for insurance deductible	1,008	(8,992)
	125,456	82,270
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	(115,396)	(92,440)
Increase in short-term investments	(5,231)	(5,339)
	(120,627)	(97,779)
Increase (decrease) in cash and cash equivalents	(71,054)	1,895,154
Cash and cash equivalents, beginning of year	2,177,979	282,825
Cash and cash equivalents, end of year	$ 2,106,925	$ 2,177,979

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

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

The Odd Fellows and Rebekahs Care Homes Inc. Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority ("WRHA") relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	10 years, straight-line basis
Buildings	30-50 years, straight-line basis
Equipment	5-10 years, straight-line basis

1. Nature of the Organization and Summary of Significant Accounting Policies (continued)

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 3.0% (3.125% in 2016), a rate of salary increase of 3.5% (3.5% in 2016) 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.

For the year ended March 31, 2017

2. Short-term Investments

	2017	2016
Steinbach Credit Union, regular savings, 1.7% (1.7% in 2016)	$ 297,535	$ 292,304

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, 2017 reports an obligation of $478,328 ($547,000 in 2016). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The change in pre-retirement liability for fiscal 2017 of $68,672 ($27,000 in 2016) 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

			2017	2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 217,027	$ -	$ -
Buildings	4,133,606	2,426,212	1,707,394	1,711,109
Building addition Special Needs Unit	388,858	226,834	162,024	172,826
Equipment	999,893	838,929	160,964	189,513
Equipment Special Needs Unit	31,771	31,771	-	-
	$ 5,771,155	$ 3,740,773	$ 2,030,382	$ 2,073,448

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:

	2017	2016
2014 fiscal year end	$ 7,415	$ 7,415
2015 fiscal year end	147,532	(48,765)
2015 fiscal year end - repayable In-Globe surplus	(66,448)	(66,448)
2016 fiscal year end	206,384	473,031
Balance, end of year	$ 294,883	$ 365,233

6. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

7. Winnipeg Regional Health Authority Operating Income

	2017	2016
Budgeted Items	$ 4,368,958	$ 4,265,436
Current adjustments - Out of Globe	-	(43,425)
Balance, end of year	$ 4,368,958	$ 4,222,011

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, 2017.

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 $356,536 ($348,538 in 2016) 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, 2015 indicated a solvency deficiency. The deficiency will be funded out of the current contributions in the subsequent years. On April 1, 2014, both employer and employee contribution rates increased to 7.9% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.5% on earnings in excess of the YMPE.

On April 1, 2015, with the inclusion on contributions towards the Cost of Living Adjustment Plan of 1%, the contribution rates increased to 8.9% (employer and employee portion) of pensionable earnings up to the YMPE and 10.5% (employer and employee portion) on earnings in excess of YMPE.

11. Disclaimer

The information contained in this report is the property of Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge, and may not be combined, consolidated or in any way modified without the written authorization of the Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge.

12. Financial Risk Management

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

Credit Risk

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

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

	2017	2016
Accounts receivable	**$ 1,234,308**	$ 2,721,447
Due from WRHA	**294,883**	365,233
Vacation entitlements receivable	**230,242**	230,242
Retirement obligations receivable	**511,065**	579,737
	$ 2,270,498	$ 3,896,659

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

Due from WRHA, vacation entitlements receivable and retirement obligations receivable: The organization is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

12. Financial Risk Management (continued)

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The organization is not exposed to significant interest rate risk. Its investments are held in short-term or variable rate products.

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

The organization is not exposed to other price risk.

13. 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.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2017		2016
Reserve for Major Repairs				
Balance, beginning of year	$	194,880	$	176,544
Current year funding		18,336		18,336
Balance, end of year	$	213,216	$	194,880
Equipment Replacements				
Balance, beginning of year	$	97,002	$	97,002
Balance, end of year	$	97,002	$	97,002
Total Deferred Contributions - Externally Restricted	$	310,218	$	291,882

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31		2017		2016
Balance, beginning of year	$	1,992,370	$	2,053,474
Current year funding		260,497		266,080
Debt reduction		(148,726)		(179,675)
Amortize to revenue		(159,448)		(147,509)
Balance, end of year	$	1,944,693	$	1,992,370

The above balance of deferred contributions includes the following:

TD Canada Trust loan balances	$	255,138	$	295,122

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31	2017	2016
Balance, beginning of year	$ 60,370	$ 73,849
Current year donations	6,563	26,111
Current year expenditures	(12,222)	(39,590)
Balance, end of year	$ 54,711	$ 60,370

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2017		2016
Balance, beginning of year	$	4,201	$	13,193
Current year funding		1,008		1,008
Current year expenditures		-		(10,000)
Balance, end of year	$	5,209	$	4,201

Park Manor Care Inc.

Financial Statements
March 31, 2017

June 25, 2017

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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

Park Manor Care Inc.

Statement of Financial Position

As at March 31, 2017

ASSETS	Operating Fund $	Restricted Capital Fund $	Restricted Development Fund $	2017 Total $	2016 Total $
Current Assets					
Cash	556,339	22,936	226,815	806,090	1,114,944
Investments - Short-term (note 3)	-	-	1,096,564	1,096,564	634,578
Receivable from WRHA (note 4)	568,090	-	-	568,090	772,716
Accounts Receivable (note 5)	96,823	-	-	96,823	94,264
Inventories & Prepaid Expenses (note 6)	44,204	-	-	44,204	46,111
Due from Related Parties (note 7)	43,167	-	-	43,167	47,022
Due from (to) Other Funds	(527,179)	130,342	396,837	-	-
Total Current Assets	781,444	153,278	1,720,216	2,654,938	2,709,635
Non-Current Assets					
Receivable from WRHA (note 4)	942,481	-	-	942,481	885,727
Capital Assets (note 8)	-	1,249,859	-	1,249,859	1,270,394
Investments - Long-term (note 3)	-	-	174,961	174,961	234,254
Total Non-Current Assets	942,481	1,249,859	174,961	2,367,301	2,390,375
Total Assets	1,723,925	1,403,137	1,895,177	5,022,239	5,100,010
LIABILITIES & FUND BALANCES					
Current Liabilities					
Wages & Benefits Payable	135,029	-	-	135,029	108,219
Vacation & Statutory Holidays Payable	417,239	-	-	417,239	386,543
Accounts Payable to WRHA	149,139	-	-	149,139	141,580
Accounts Payable & Accruals (note 9)	179,861	-	-	179,861	249,684
Resident Trust	1,226	-	-	1,226	(1,322)
Current Portion of Long-term Debt (note 10)	-	13,202	-	13,202	38,115
Total Current Liabilities	882,494	13,202	-	895,696	922,819
Non-Current Liabilities					
Pre-retirement Leave (note 12)	779,754	-	-	779,754	723,000
Deferred Contributions (note 13)	9,946	913,993	-	923,939	978,693
Long-term Debt (note 10)	-	-	-	-	13,941
Total Non-Current Liabilities	789,700	913,993	-	1,703,693	1,715,634
Total Liabilities	1,672,194	927,195	-	2,599,389	2,638,453
Fund Balances					
Unrestricted	51,731	-	-	51,731	117,456
Invested in Capital Assets	-	296,592	-	296,592	291,558
Restricted	-	179,350	1,895,177	2,074,527	2,052,543
Total Fund Balances	51,731	475,942	1,895,177	2,422,850	2,461,557
Total Liabilities & Fund Balances	1,723,925	1,403,137	1,895,177	5,022,239	5,100,010

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, 2017

REVENUES	Operating Fund $	Restricted Capital Fund $	Restricted Development Fund $	2017 Total $	2016 Total $
Winnipeg Regional Health Authority (note 14)	5,090,394	1,968	-	5,092,362	4,988,387
Residential Charges	1,934,334	-	-	1,934,334	1,899,258
Accrued Future Employee Benefits	56,754	-	-	56,754	46,000
Pre-retirement Leave	63,643	-	-	63,643	59,617
Deferred Contributions (note 13)	950	219,097	-	220,047	197,689
Department Recoveries	117,384	-	-	117,384	116,489
Food Service Recoveries	81,549	-	-	81,549	93,498
Adventist Care Foundation - Grants	121,040	-	-	121,040	120,748
Interest Income	-	-	26,906	26,906	41,323
Donations	-	-	21,739	21,739	22,498
Other Revenue	17,101	-	21,500	38,601	41,779
Total Revenues	7,483,149	221,065	70,145	7,774,359	7,627,286
EXPENSES					
Salaries and Wages	5,533,549	-	-	5,533,549	5,308,568
Employee Benefits (note 15)	901,404	-	-	901,404	885,402
Accrued Future Employee Benefits	56,754	-	-	56,754	46,000
Pre-retirement Leave	63,643	-	-	63,643	59,617
Health and Education Tax	119,162	-	-	119,162	113,667
Administration	113,185	-	-	113,185	129,845
Resident Care and Supports	171,461	-	-	171,461	158,250
Food Services	275,922	-	-	275,922	287,420
Environmental Services	39,039	-	-	39,039	42,056
Physical Plant	143,989	-	-	143,989	119,152
Utilities	162,359	-	-	162,359	183,029
Amortization	-	204,745	-	204,745	192,664
Interest on Long-term Debt	-	1,236	-	1,236	4,119
Other Expenses	1,782	907	57,304	59,993	76,978
Total Expenses	7,582,249	206,888	57,304	7,846,441	7,606,767
Excess (Deficiency) of Gen'l Revenues over Expenses	**(99,100)**	**14,177**	**12,841**	**(72,082)**	**20,519**
Other Programs					
Adult Day Program (schedule 1)	32,991	-	-	32,991	3,872
SSGL Program (schedule 2)	384	-	-	384	850
Excess (Deficiency) of All Revenues over Expenses	**(65,725)**	**14,177**	**12,841**	**(38,707)**	**25,241**
Fund Balances - Beginning of Year	117,456	461,765	1,882,336	2,461,557	2,436,316
Fund Balances - End of Year	**51,731**	**475,942**	**1,895,177**	**2,422,850**	**2,461,557**

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

Park Manor Care Inc.

Statement of Cash Flows

Year Ended March 31, 2017

CASH PROVIDED BY (USED IN)	2017 Total $	2016 Total $
Operating Activities		
Excess (Deficiency) of Revenue over Expenses	(38,707)	25,241
Amortization	204,745	192,664
Changes in Non-Cash Working Capital Items	201,764	218,523
Net Cash Provided by (used in) Operating	367,802	436,428
Investing Activities		
Purchase of Capital Assets	(184,210)	(75,984)
Purchase of Investments	(1,057,462)	(387,719)
Net Proceeds on Disposal of Investments	654,769	587,564
Net Cash Provided by (used in) Investing	(586,903)	123,861
Financing Activities		
Repayment of Long-term Debt	(38,854)	(35,970)
Due to Related Party	3,855	111,841
Deferred Contributions	(54,754)	(88,803)
Net Cash Provided by (used in) Financing	(89,753)	(12,932)
Increase (Decrease) in Cash During the Year	(308,854)	547,357
Cash - Beginning of Year	1,114,944	567,587
Cash - End of Year	806,090	1,114,944

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

1. Incorporation and Nature of the Organization

Park Manor Care Inc. (the Organization) was originally incorporated as a non-profit organization without share capital under *The Corporations Act of Manitoba* on May 19, 1966. The Organization is registered as a not-for-profit organization under the *Income Tax Act* and as such is exempt from income taxes.

The organization is privately operated under the auspices of The Manitoba-Saskatchewan Conference of the Seventh-day Adventist Church, in cooperation with the Winnipeg Regional Health Authority, providing quality compassionate long-term care to elderly persons in the Transcona area of Winnipeg, Manitoba.

The Mission of the Organization is:
"Offering love, peace, compassion, hope and empowerment…to CARE as Christ does."

2. Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Fund accounting is a procedure whereby a self-balancing group of accounts is provided for each accounting fund established by the Organization.

For financial reporting purposes, the accounts have been classified into three funds. The activities carried out by each fund are as follows:

- The Operating Fund accounts for the Organization's general and administrative operating activities.
- The Capital Fund reports the Organization's investment of resources in long-term capital assets.
- The Development Fund is to be used for the purpose of reporting contributions held for specific projects that the Organization has planned as determined by the Board of Directors.

Cash

Cash includes amounts held on deposit at banking institutions, including redeemable Money Market Funds.

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 and Bonds maturing beyond the next fiscal year and include related accrued interest.

Capital Assets

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

The Organization capitalizes all individual assets grouped in a similar kind with a cost over $2,000.

Amortization of capital assets starts in the year of acquisition whether it is acquired at the beginning of the year or at the end. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Building and improvements	5 - 40 years
Computer equipment	5 years
Equipment	5 - 20 years

Long-lived Assets

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

The organization performs impairment testing on long-lived assets held for use whenever events or changing circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized in the statement of operations when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount.

Deferred Contributions

Deferred contributions relating to the Operating Fund are contributions designated for future general operations or self-funding of insurance deductibles. These contributions are recognized when the expense is incurred.

Deferred contributions relating to the Capital 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 16,700 (2016 - 10,400) hours of service in various activities. Due to the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for investments in equity instuments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the year incurred.

Financial assets measured at amortized cost include Cash, Investments - Short term and Long term, Receivable from the WRHA, Accounts Receivable and amounts Due from Related Parties.

Financial liabilities measured at amortized cost include Wages & Benefits Payable, Vacation and Statutory Holidays Payable, Accounts Payable to WRHA, Accounts Payable & Accruals and Long-term Debt.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

3. Investments

Short-term Investments	2017 Total $	2016 Total $
GIC, non-redeemable, earning interest at 2.8%, maturing May 2016	-	227,699
GIC, non-redeemable, flexible term earning interest at 1%, maturing December 9, 2016	-	373,151
GIC, non-redeemable, earning interest at escalating rates between 1.5% and 5.5%, maturing May 2017	215,874	-
GIC, non-redeemable, earning interest at 1.47%, maturing January 2018	100,000	-
GIC, redeemable after 90 days, earning interest at 1.2%, maturing January 2018	750,000	-
Accrued Interest	30,690	33,728
Total Short-term Investments	1,096,564	634,578
Long-term Investments		
GIC, non-redeemable, earning interest at escalating rates between 1.5% and 5.5%, maturing May 2017	-	215,874
Citigroup Finance Bond, earning interest at 2.192%, maturing September 2018	96,059	-
Westcoast Energy Bond, earning interest at 1.654%, maturing January 2019	80,712	-
Acccrued Interest	-	18,380
Unrealized Gains (Losses)	(1,810)	-
Total Long-term Investments	174,961	234,254
Total Investments	1,271,525	868,832

4. Receivable from Winnipeg Regional Health Authority (WRHA)

	2017 Total $	2016 Total $
Pre-retirement Leave	942,481	885,727
Other Receivables - Current	568,090	772,716
Total Receivable from WRHA	1,510,571	1,658,443

5. Accounts Receivable

	2017 Total $	2016 Total $
Residents Fees	47,108	42,898
Resident's Personal	23,750	20,104
GST Rebate	21,194	13,033
Employees	7,477	2,133
Other	10,156	27,384
Total Accounts Receivable	109,685	105,552
Less: Allowance for Bad Debts	12,862	11,288
Net Accounts Receivable	96,823	94,264

6. Inventories & Prepaid Expenses

	2017 Total $	2016 Total $
Medical and Surgical Supplies	11,308	13,970
Food Services Food	13,464	15,590
Food Services Supplies	1,692	2,715
Housekeeping Supplies	3,802	2,908
Linen Supplies	4,545	3,326
Total Inventories	34,811	38,509
Insurance	4,320	$3,665
Other	5,073	$3,937
Total Prepaid Expenses	9,393	7,602
Total Inventories & Prepaid Expenses	44,204	46,111

7. Due from Related Parties

	2017 Total $	2016 Total $
Adventist Care Foundation Inc.	30,236	27,118
East Park Lodge Inc.	12,931	19,904
Total Due from Related Parties	43,167	47,022

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 (2016 - $22,800) in management fees, $25,200 (2016 - $25,200) in maintenance fees and $19,200 (2016 - $19,200) 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 (2016 - $36,000) and Grants for Consultants totalling $85,400 (2016 - $84,748).

8. Capital Assets

Asset Class	Cost $	Accumulated Amortization $	2017 Total $	2016 Total $
Land	46,266	-	46,266	28,266
Buildings and Improvements	3,636,877	2,797,491	839,386	966,421
Computer Equipment	72,202	45,649	26,553	5,062
Equipment and Furniture	948,749	670,987	277,762	254,570
Construction in Progress	59,892	-	59,892	16,075
Total Capital Assets	4,763,986	3,514,127	1,249,859	1,270,394

9. Government Remittances Payable

Included in accounts payable and accruals as at March 31, 2017 is $5,104 (2016 - $4,081) 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 26, 2017.

10. Long-term Debt

	2017 Total $	2016 Total $
First mortgage payable in monthly installments of $3,341 including interest at 5.88% secured by land and building, maturing July 1, 2017	13,202	52,056
Less: Current Portion	13,202	38,115
Total Long-term Debt	-	13,941

11. Bank Indebtedness

The Organization has an available line of operating credit with CIBC to a maximum of $175,000 (2016 - $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 $200,000, including $25,000 for a CIBC Corporate credit card.
The credit line was not accessed in 2017 (2016 - not accessed).

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, 2017 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 3.1% 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
2016-17	779,754	710,047

13. Deferred Contributions

	Operating	Capital	2017 Total $	2016 Total $
Balance - Beginning of Year	9,888	968,805	978,693	1,067,496
Contributions Received during the Year				
Donations/ Development Fund Contributions	-	28,615	28,615	16,707
WRHA - Mortgage Principal Payment	-	38,112	38,112	35,976
WRHA - Basic Equipment Funding	-	17,500	17,500	17,500
WRHA - Other Equipment Funding	-	75,762	75,762	33,400
WRHA - Major Repairs Funding	-	4,296	4,296	4,296
WRHA - Insurance Deductible	1,008	-	1,008	1,007
Total Deferred Contributions Available	10,896	1,133,090	1,143,986	1,176,382
Recognized as Revenue during the Year	950	219,097	220,047	197,689
Balance - End of Year	9,946	913,993	923,939	978,693

14. WRHA Operating Funding

Funding Category	2017 Total $	2016 Total $
Baseline Operating	4,832,062	4,310,538
Supplemental	168,624	192,498
3.6 HPRD Staffing	-	241,454
Accrued Wage Adjustments	29,040	221,730
HEB/HEPP/Blue Cross Benefits	45,794	50,562
Medical Administration	14,208	14,106
Staff Training & Influenza Vaccine	4,209	3,485
Constant Care	4,016	-
Special Resident Transportation	-	2,986
Total WRHA Operating Funding	5,097,953	5,037,359
Less: Resident Fees Year End Adjustment	7,559	53,100
Net WRHA Operating Funding	5,090,394	4,984,259

15. Employee Benefit Contributions

Benefit Category	2017 Total $	2016 Total $
Canada Pension Plan	224,210	213,161
HEPP Pension Plan (note 15)	352,841	330,235
Employment Insurance	129,028	127,712
Workers Compensation Board	34,834	58,396
Disability and Rehabilitation Plan	54,283	52,767
Extended Health Plan	36,443	32,090
Dental Plan	39,954	37,027
Group Life Plan	9,281	8,718
Healthcare Spending Account	16,428	21,197
Employment Assistance Plan	4,102	4,099
Total Employer Contributions - General Programs	901,404	885,402

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 $363,828 (2016 - $340,945).

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 forseeable 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 68.0% (2016 - 67.9%).

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, 2017

	2017 Total $	2016 Total $
REVENUES		
Winnipeg Regional Health Authority (WRHA)	168,791	157,536
Participant Fees	17,245	17,906
Other Revenue	3,121	-
Total Revenues	189,157	175,442
EXPENSES		
Salaries and Wages	72,722	76,703
Employee Benefits	11,190	12,219
Health and Education Tax	1,523	1,690
Participant Travel	48,292	60,085
Participant Meals	12,603	11,574
Program Expense	2,484	1,832
Administrative Expense	2,352	2,467
Management Fees	5,000	5,000
Total Expenses	156,166	171,570
Excess (Deficiency) of Revenues over Expenses	32,991	3,872

Park Manor Care Inc.

Schedule 2 - Support for Seniors in Group Living (SSGL) Program

Year Ended March 31, 2017

	2017 Total $	2016 Total $
REVENUES		
Winnipeg Regional Health Authority (WRHA)	87,692	87,486
Other Revenue	58	178
Total Revenues	87,750	87,664
EXPENSES		
Salaries and Wages	63,216	63,290
Employee Benefits	13,520	13,643
Health and Education Tax	1,370	1,344
Program Expense	1,531	1,709
Administrative Expense	3,829	2,928
Management Fees	3,900	3,900
Total Expenses	87,366	86,814
Excess (Deficiency) of Revenues over Expenses	384	850

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Financial Statements
For the year ended March 31, 2017

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BDO Canada LLP
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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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP
Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2017

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31		2017		2016
Assets				
Current Assets				
Cash and bank	$	**217,627**	$	102,999
Restricted cash		**35,169**		35,664
Accounts receivable (Note 2)		**21,423**		85,472
Inventories		**7,600**		7,600
Prepaid expenses		**4,537**		4,410
Vacation entitlement receivable (Note 3)		**121,948**		121,948
		408,304		358,093
Retirement obligations asset (Note 9)		**269,728**		264,999
Capital assets (Note 4)		**433,806**		392,711
	$	**1,111,838**	$	1,015,803
Liabilities and Net Deficiency				
Current Liabilities				
Accounts payable (Note 6)	$	**322,549**	$	289,781
Accrued vacation entitlements (Note 3)		**201,128**		193,153
Unspent equipment funding (Note 7)		**59,721**		74,155
		583,398		557,089
Accrued retirement obligation (Note 9)		**269,728**		264,999
Deferred contributions (Note 8)		**433,806**		392,711
		1,286,932		1,214,799
Net Deficiency				
Invested in capital assets		**-**		-
Unrestricted net deficiency		**(175,094)**		(198,996)
		(175,094)		(198,996)
	$	**1,111,838**	$	1,015,803

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	2017	2016
Revenue		
Winnipeg Regional Health Authority	**$ 3,075,301**	$ 3,131,819
Residential charges	**1,264,317**	1,186,612
Other income	**30,846**	31,916
	4,370,464	4,350,347
Expenses		
Drugs and medical supplies	**72,094**	89,949
Office and miscellaneous	**14,754**	14,498
Other supplies and expenses	**60,942**	55,358
Professional fees	**22,299**	18,205
Purchased services	**646,608**	572,031
Repairs and maintenance	**16,171**	14,087
Resident travel	**16,654**	6,280
Salaries and benefits	**3,278,635**	3,353,720
Service charges and fees	**14,935**	13,128
Shared building operation expenses (Note 10)	**181,440**	192,000
Telephone	**21,744**	20,982
Travel	**286**	109
	4,346,562	4,350,347
Excess of revenue over expenses before amortization	**23,902**	-
Amortization		
Deferred contributions (Note 8)	**53,038**	44,373
Capital assets (Note 4)	**(53,038)**	(44,373)
	-	-
Excess of revenue over expenses	**23,902**	-
Net deficiency, beginning of year	**(198,996)**	(198,996)
Net deficiency, end of year	**$ (175,094)**	$ (198,996)

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	2017	2016
Cash Provided by (used in):		
Cash Flows from Operating Activities		
Excess of revenue over expenses	$ 23,902	$ -
Adjustment for non-cash items		
Amortization of capital assets	53,038	44,373
	76,940	44,373
Changes in non-cash working capital		
Accounts receivable	64,048	7,261
Vacation entitlement receivable	(4,729)	(25,000)
Prepaid expenses	(127)	2,343
Accounts payable	32,768	(14,655)
Vacation entitlement payable	12,704	39,072
Unspent equipment funding	(14,434)	(10,684)
Net cash flows provided by operating activities	167,170	42,710
Cash Flows from Financing Activities		
Deferred contributions	41,095	48,605
Net cash flows provided by financing activities	41,095	48,605
Cash Flows from Investing Activities		
Purchase of capital assets	(94,132)	(92,978)
Net cash flows used in investing activities	(94,132)	(92,978)
Increase (decrease) in cash and cash equivalents	114,133	(1,663)
Cash and cash equivalents, beginning of year	138,663	140,326
Cash and cash equivalents, end of year	$ 252,796	$ 138,663
Represented by:		
Cash	$ 217,627	$ 102,999
Restricted cash	35,169	35,664
	$ 252,796	$ 138,663

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. (the "Home") provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a not-for-profit organization and, as such, is exempt from income taxes under The Income Tax Act. The Home, a Mennonite Organization, provides compassionate, outstanding long term care and affordable housing for seniors.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) - Part III of the CPA Canada Handbook.

Revenue Recognition

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

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree. The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

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

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.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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

	2017	2016
Receivable from residents	**$ 16,641**	$ 17,943
Winnipeg Regional Health Authority	**-**	44,394
GST rebate receivable	**3,517**	6,009
Other	**1,265**	17,126
	$ 21,423	$ 85,472

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:

	2017	2016
Balance, beginning of year	**$ 121,948**	$ 121,948
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 121,948**	$ 121,948

3. Accrued Vacation Entitlements (continued)

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

	2017	2016
Balance, beginning of year	**$ 193,153**	$ 179,081
Net change in accrued vacation entitlements	**7,975**	14,072
Balance, end of year	**$ 201,128**	$ 193,153

4. Capital Assets

	2017 Cost	2017 Accumulated Amortization	2016 Cost	2016 Accumulated Amortization
Leasehold improvements	**$ 2,506,586**	**$ 2,488,286**	$ 2,506,586	$ 2,485,347
Furniture, fixtures and equipment	**988,688**	**573,182**	894,556	523,084
	$ 3,495,274	**$ 3,061,468**	$ 3,401,142	$ 3,008,431
Cost less accumulated amortization		**$ 433,806**		$ 392,711

Amortization of capital assets for the year ended March 31, 2017 is $53,038 (2016 - $44,373).

5. Credit Facility

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 (2016 - $50,000), available for operating needs. The overdraft facility bears interest at the bank's prime rate (effective rate at March 31, 2016 - 2.85%), calculated and payable monthly. The line was unutilized as of March 31, 2017.

6. Accounts Payable

	2017	2016
Trade accounts payable	**$ 67,032**	$ 58,145
Salaries and employee benefits payable	**66,939**	156,221
Winnipeg Regional Health Authority	**93,700**	-
Due to related parties	**94,878**	75,415
	$ 322,549	$ 289,781

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.

		2017		2016
Balance, beginning of year	$	**74,155**	$	84,839
Additional contributions received				
Winnipeg Regional Health Authority		**-**		82,268
Interest received		**-**		26
Less transfer to deferred contributions - asset purchases		**(14,434)**		(92,978)
Balance, end of year	**$**	**59,721**	$	74,155

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:

		2017		2016
Balance, beginning of year	**$**	**392,711**	$	344,106
Transfer from unspent equipment funding		**14,434**		92,978
Reserve equipment purchases		**79,699**		-
Less amounts amortized to revenue		**(53,038)**		(44,373)
Balance, end of year	**$**	**433,806**	$	392,711

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, 2017. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2016 - 3.35%) and a rate of salary increase of 3.5% (2016 - 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.

	2017	2016
Employee future benefits recoverable from:		
Manitoba Health	**$ 83,241**	$ 83,241
Winnipeg Regional Health Authority	**186,487**	181,758
	$ 269,728	$ 264,999

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

	2017	2016
Balance, beginning of year	**$ 264,999**	$ 239,999
Net change in pre-retirement entitlements	**4,729**	25,000
Balance, end of year	**$ 269,728**	$ 264,999

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, 2015 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 $215,228 (2016 - $216,133) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

	2017	2016
Salary and IT expenses charged by related party	**$ 454,419**	$ 384,410
Shared building operations expenses	**181,440**	192,000

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

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted a portion of building operation expenses for the year ended March 31, 2017.

Accounts payable includes $94,878 (2016 - $75,415) payable to related parties. The balances are unsecured, non interest bearing and due on demand.

11. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 9, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) is recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

12. Economic Dependence

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

13. Financial Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Home's activities. The risks have not changed from the previous year.

<u>Credit risk</u>

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.

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 from previous years.

Financial Statements of

PRAIRIE VIEW LODGE

March 31, 2017

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

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Independent Auditor's Report

To the Board of Directors of 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, 2017, 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 14, 2017
Winnipeg, Manitoba

PRAIRIE VIEW LODGE
Statement of Financial Position
March 31, 2017

		2017		2016
ASSETS				
CURRENT				
Cash	$	**137,774**	$	145,318
Investments		**77,952**		76,679
Accounts receivable		**30,845**		29,410
		246,571		251,407
CAPITAL ASSETS (Note 3)		**971,049**		847,074
OTHER ASSETS		**188**		188
	$	**1,217,808**	$	1,098,669
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**100,463**	$	91,179
Due to Southern Health-Santé Sud (Note 4)		**13,815**		23,044
Current portion of mortgage payable (Note 5)		**4,406**		4,079
		118,684		118,302
MORTGAGE PAYABLE (Note 5)		**22,868**		27,351
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 6)		**15,686**		14,786
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 6)		**938,244**		810,202
		1,095,482		970,641
CONTINGENCIES (Note 11)				
NET ASSETS				
Invested in capital assets (Note 7)		**5,719**		5,630
Internally restricted		**630**		630
Reserve fund (Note 8)		**110,973**		101,973
Unrestricted		**5,004**		19,795
		122,326		128,028
	$	**1,217,808**	$	1,098,669

APPROVED BY THE DIRECTORS

Original Document Signed
. . . . Director

Original Document Signed
. . . . Director

PRAIRIE VIEW LODGE
Statement of Operations
For the year ended March 31, 2017

		2017		2016
REVENUES				
Southern Health-Santé Sud (Note 9)	$	**949,759**	$	926,806
Residential charges		**510,047**		503,138
Ancillary operations (Note 10)		**100,242**		98,477
Amortization of deferred contributions - capital assets		**43,143**		33,552
Other income		**740**		98
		1,603,931		1,562,071
EXPENSES				
Long term care (Schedule 1)		**1,444,192**		1,415,221
Ancillary operations (Schedule 2)		**113,766**		133,364
Amortization		**43,143**		33,552
Pharmacy capitation		**17,532**		16,272
		1,618,633		1,598,409
DEFICIENCY OF REVENUE OVER EXPENSES	$	**(14,702)**	$	(36,338)

PRAIRIE VIEW LODGE
Statement of Changes in Net Assets
For the year ended March 31, 2017

2017

	Invested in Capital Assets	Internally Restricted	Unrestricted	Reserve	Total
Balance, beginning of year	$ 5,630	$ 630	$ 19,795	$ 101,973	$ 128,028
Deficiency of revenue over expenses	(4,068)	-	(10,634)	-	(14,702)
Reserve for Major Repairs (Note 8)	-	-	-	9,000	9,000
Transfer	4,157	-	(4,157)	-	-
Balance, end of year	$ 5,719	$ 630	$ 5,004	$ 110,973	$ 122,326

2016

	Invested in Capital Assets	Internally Restricted	Unrestricted	Reserve	Total
Balance, beginning of year	$ 4,117	$ 630	$ 57,646	$ 92,973	$ 155,366
Excess (deficiency) of revenues over expenses	(2,562)	-	(33,776)	-	(36,338)
Reserve for Major Repairs (Note 8)	-	-	-	9,000	9,000
Transfer	4,075	-	(4,075)	-	-
Balance, end of year	$ 5,630	$ 630	$ 19,795	$ 101,973	$ 128,028

PRAIRIE VIEW LODGE
Statement of Cash Flows
For the Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Items not affecting cash:		
Deficiency of revenue over expenses	$ (14,702)	$ (36,338)
Amortization	47,211	36,114
Amortization of deferred contributions - capital assets	(43,143)	(33,552)
Transfers to the reserve fund	9,000	9,000
	(1,634)	(24,776)
Changes in non-cash operating working capital items:		
Investments	(1,273)	(2,413)
Accounts receivable	(1,435)	(5,046)
Accounts payable and accrued liabilities	9,284	(178,925)
Funding payment received in advance	-	(39,832)
Due to Southern Health-Santé Sud	(9,229)	(63,157)
	(4,287)	(314,149)
FINANCING ACTIVITIES		
Deferred contributions received - expense of future periods	900	900
Repayment of mortgage payable	(4,156)	(4,076)
Deferred contributions received - capital assets	171,185	517,337
	167,929	514,161
INVESTING ACTIVITY		
Purchase of capital assets	(171,186)	(330,465)
DECREASE IN CASH POSITION	(7,544)	(130,453)
CASH POSITION, BEGINNING OF YEAR	145,318	275,771
CASH POSITION, END OF YEAR	$ 137,774	$ 145,318

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, 2017.

Revenue derived from ancillary operations and residential charges is recorded in the period to which it relates.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Southern Health–Santé Sud Funding*

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The Lodge is responsible for any in-globe deficits and may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the Lodge may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Lodge as revenue in the period in which the amount of funding has been confirmed.

c) *Contributed services*

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

d) *Capital assets*

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

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

Buildings	2%
Equipment	10%
Property improvements	10%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Lodge subsequently measures all its financial assets and financial liabilities at amortized cost.

g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and allowance for doubtful accounts. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. CAPITAL ASSETS

	2017			2016
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Hostel Land	**$ 1,100**	**$ -**	**$ 1,100**	$ 1,100
Hostel buildings	**878,776**	**191,878**	**686,898**	701,209
Hostel equipment	**422,531**	**225,834**	**196,697**	129,620
Hostel property improvements	**3,444**	**3,444**	**-**	-
Units buildings	**278,407**	**195,513**	**82,894**	11,406
Units equipment	**5,547**	**4,137**	**1,410**	1,689
Units land	**2,050**	**-**	**2,050**	2,050
	$ 1,591,855	**$ 620,806**	**$ 971,049**	$ 847,074

4. DUE TO SOUTHERN HEALTH–SANTÉ SUD

		2017		2016
Balance, beginning of year	$	**23,044**	$	86,201
Payment of prior year balance		**(23,044)**		(86,201)
Current year's estimated out-of-globe amounts		**13,873**		23,310
Miscellaneous		**(58)**		(266)
	$	**13,815**	$	23,044

5. MORTGAGE PAYABLE

		2017		2016
CMHC loan	$	**27,274**	$	31,430
Less: current portion		**(4,406)**		(4,079)
	$	**22,868**	$	27,351

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:

2018	4,406
2019	4,761
2020	5,143
2021	5,556
2022	6,002
Thereafter	1,406

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.

		2017		2016
Expenses of future periods - Hostel				
Balance, beginning of year	$	**14,786**	$	13,886
Add: additional contributions received		**900**		900
	$	**15,686**	$	14,786

6. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions related to capital assets is as follows:

	2017	2016
Capital Assets – Hostel		
Balance, beginning of year	**$ 810,202**	$ 326,417
Add: additional contributions received	**171,185**	517,337
Less: amounts amortized to revenue	**(43,143)**	(33,552)
	$ 938,244	$ 810,202

7. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 971,049**	$ 847,074
Organization costs	**188**	188
Deferred contributions - capital assets	**(938,244)**	(810,202)
Mortgage payable	**(27,274)**	(31,430)
	$ 5,719	$ 5,630

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

	2017	2016
Amortization of deferred contributions related to capital assets	**$ 43,143**	$ 33,552
Amortization of capital assets	**(47,211)**	(36,114)
	(4,068)	(2,562)
Purchase of capital assets	**171,186**	330,465
Repayment of mortgage payable	**4,156**	4,076
Asset purchases in accounts payable	**-**	186,871
Deferred contributions – capital assets	**(171,185)**	(517,337)
	4,157	4,075
	$ 89	$ 1,513

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, 2017 the balance of the reserve fund is as follows:

		2017		2016
Balance, beginning of year	**$**	**101,973**	$	92,973
Add: additional contributions received		**9,000**		9,000
	$	**110,973**	$	101,973

9. SOUTHERN HEALTH–SANTÉ SUD REVENUE

SH-SS revenue includes the following:

		2017		2016
Revenue per final budget	**$**	**965,825**	$	955,974
Provincially funded debt		**-**		(3,084)
Ceiling track inspection		**300**		-
Amounts recorded as deferred contribution		**(900)**		(900)
Bed grant disclosed in ancillary revenue		**(1,592)**		(1,596)
		963,633		950,394
Current year's funding adjustment		**(13,874)**		(23,588)
Revenue for the year	**$**	**949,759**	$	926,806

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

		2017		2016
Units Rental	**$**	**98,650**	$	96,881
Bed grant for units		**1,592**		1,596
	$	**100,242**	$	98,477

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, 2017.

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 $72,230 as at March 31, 2017 (2016 – $72,430). Included in accounts payable and accrued liabilities is an amount payable to Rock Lake Health District of $8,232 (2016 - $4,075) 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% (2016 – 59%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

15. COMPARATIVE FIGURES

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

PRAIRIE VIEW LODGE Schedule 1

Statement of Expenses - Long Term Care

For the year ended March 31, 2017

	2017	2016
EXPENSES		
Administration	**$ 13,196**	$ 13,169
Housekeeping	**9,385**	7,942
Personal care	**56,050**	57,312
Physical plant maintenance	**30,156**	26,837
Physical plant operation	**58,048**	54,699
Purchased services - nursing	**1,270,833**	1,251,000
Recreation and activity	**6,524**	4,262
TOTAL LONG TERM CARE EXPENSES	**$ 1,444,192**	$ 1,415,221

PRAIRIE VIEW LODGE

Schedule 2

Statement of Expenses - Ancillary Operations

For the year ended March 31, 2017

	2017	2016
EXPENSES		
Amortization of capital assets	**$ 4,068**	$ 2,562
Electricity	**9,029**	8,200
Major repairs	**9,000**	34,000
Mortgage interest	**2,254**	2,334
Property taxes	**14,444**	13,497
Purchased services - administration	**9,507**	9,123
Purchased services - janitor	**9,792**	9,600
Purchased services - maintenance	**20,760**	17,340
Repairs - building and grounds	**31,973**	33,424
Water	**2,939**	3,284
TOTAL ANCILLARY EXPENSES	**$ 113,766**	$ 133,364

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)

Financial Statements
For the year ended March 31, 2017

Tel: 204 956 7200
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www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of REST HAVEN NURSING HOME OF STEINBACH INC.

We have audited the accompanying financial statements of **REST HAVEN NURSING HOME** (A division of Rest Haven Nursing Home of Steinbach Inc.), which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 24, 2017

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Financial Position

March 31		2017		2016
Assets				
Current Assets				
Cash in bank	$	**443,961**	$	407,511
Accounts receivable (Note 2)		**75,882**		96,753
Due from SHSS (Note 3)		**76,871**		32,901
Due from related parties (Note 4)		**123,011**		128,524
Inventories		**35,840**		38,215
Prepaid expenses		**43,669**		48,017
Vacation entitlements receivable (Note 5)		**152,406**		152,406
		951,640		904,327
Retirement obligations receivable (Note 6)		**309,000**		268,000
Capital assets (Note 7)		**5,291,186**		4,658,565
	$	**6,551,826**	$	5,830,892
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued charges (Note 9)	$	**265,415**	$	265,005
Accrued vacation entitlements (Note 5)		**417,521**		380,935
		682,936		645,940
Accrued retirement obligations (Note 6)		**309,000**		268,000
Deferred Contributions (Note 10)				
Expenses of future periods		**9,319**		6,665
Capital assets		**5,170,430**		4,534,881
		6,171,685		5,455,486
Commitments and contingencies (Note 12)				
Net assets				
Invested in capital assets (Note 11)		**120,756**		123,684
Unrestricted		**259,385**		251,722
		380,141		375,406
	$	**6,551,826**	$	5,830,892

Approved on behalf of the Board:

_____________________ Director _____________________ Director

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Operations

For the year ended March 31	2017	2016
Revenue		
Southern Health - Sante Sud fixed payments (Note 13)	**$ 4,141,603**	$ 3,973,521
Residential charges	**921,732**	933,733
Amortization of deferred contributions related to capital assets	**339,729**	277,618
Other recoveries	**23,322**	58,526
Meal recoveries	**50,109**	50,630
Canada Mortgage & Housing Corporation capital funding	**16,727**	27,182
Interest income	**5,258**	2,531
	5,498,480	5,323,741
Expenditures		
Administration	**414,726**	392,816
Amortization of capital assets	**342,657**	279,461
Cafeteria/courtesy meals	**25,505**	29,512
Dietary	**528,464**	507,236
Drugs	**119,406**	138,728
Housekeeping	**216,671**	225,442
Laundry/linen	**149,612**	169,284
Nursing	**3,029,772**	2,885,290
Patient support services	**208,140**	199,502
Physical plant	**203,446**	164,294
Pre-retirement obligations	**41,000**	41,336
Utilities/taxes/insurance	**192,461**	189,986
Woodhaven Manor Inc. - food services	**21,885**	23,319
	5,493,745	5,246,206
Excess of revenue over expenditures for the year	**$ 4,735**	$ 77,535

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

REST HAVEN NURSING HOME
(A division of Rest Haven Nursing Home of Steinbach Inc.)
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	**$ 123,684**	**$ 251,722**	**$ 375,406**	$ 297,871
Excess of revenue over expenditures for the year	**(2,928)**	**7,663**	**4,735**	77,535
Balance, end of year	**$ 120,756**	**$ 259,385**	**$ 380,141**	$ 375,406

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	2017	2016
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 4,735**	$ 77,535
Items not involving cash:		
Amortization of capital assets	**342,657**	279,461
Amortization of deferred contributions related to capital assets	**(339,729)**	(277,618)
	7,663	79,378
Changes in non-cash working capital:		
Accounts receivable	**20,871**	(80,061)
Due from SHSS	**(43,970)**	(71,539)
Inventory	**2,375**	467
Prepaid expenses	**4,348**	12,989
Accounts payable and accrued charges	**410**	1,588
Accrued vacation entitlements	**36,586**	82,895
	20,620	(53,661)
Retirement obligations receivable	**(41,000)**	9,000
Accrued retirement obligations	**41,000**	(9,000)
	28,283	25,717
Cash Flows from Financing Activities		
SHSS funding - capital assets	**951,578**	1,505,034
Donations	**23,700**	32,050
Decrease (increase) in deferred contributions related to expenses of future periods	**2,654**	(4,127)
	977,932	1,532,957
Cash Flows used in Investing Activities		
Purchase of capital assets	**(975,278)**	(1,580,438)
Advances to related parties	**5,513**	(90,676)
	(969,765)	(1,671,114)
Net increase (decrease) in cash and cash equivalents	**36,450**	(112,440)
Cash and cash equivalents, beginning of year	**407,511**	519,951
Cash and cash equivalents, end of year	**$ 443,961**	$ 407,511

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

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.

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, 2017.

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

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

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

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

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

Revenue from the residential services and marketed services is recognized when the service is provided or the goods are sold.

Contributed Services

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

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts Receivable

		2017		2016
Receivable from residents	**$**	**14,197**	$	5,120
GST receivable		**17,216**		8,405
Steinbach Housing Inc.		**43,785**		73,200
Other		**684**		10,028
	$	**75,882**	$	96,753

3. Due from SHSS

		2017		2016
2016/2017 funding adjustment	**$**	**76,871**	$	-
2015/2016 funding adjustment		**-**		32,901
	$	**76,871**	$	32,901

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.

		2017		2016
Due from				
Rest Haven Apartments	**$**	**57,108**	$	66,291
HavenGroup Foundation 2006 Inc.		**41,831**		22,001
Woodhaven Manor Inc.		**24,072**		40,232
	$	**123,011**	$	128,524

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.

5. Accrued Vacation Entitlements (continued)

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

	2017	2016
Balance, beginning of year	**$ 152,406**	$ 152,406
Balance, end of year	**$ 152,406**	$ 152,406

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

	2017	2016
Balance, beginning of year	**$ 380,935**	$ 298,040
Net increase in accrued vacation entitlements	**36,586**	82,895
Balance, end of year	**$ 417,521**	$ 380,935

6. Employee Future Benefits

<u>Accrued Retirement Entitlement</u>

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, 2017. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.00% (2016 - 3.00%) and a rate of salary increase of 3.50% (2016 - 3.50%) plus age related merit/promotion scale with a provision for potential disability.

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.

	2017	2016
Employee future benefits recoverable from		
Manitoba Health	**$ 195,628**	$ 195,628
SHSS	**113,372**	72,372
	$ 309,000	$ 268,000

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

	2017	2016
Balance, beginning of year	**$ 268,000**	$ 277,000
Net increase (decrease) in pre-retirement entitlements	**41,000**	(9,000)
Balance, end of year	**$ 309,000**	$ 268,000

Pension Plan

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

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

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, 2015 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 $326,907 (2016 - $309,886) and are included in the statement of operations.

7. Capital Assets

		2017		2016
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 67,383**	**$ -**	$ 67,383	$ -
Building	**2,202,843**	**1,762,275**	2,202,843	1,707,204
Building renovations and upgrades	**3,035,109**	**886,953**	3,035,109	735,197
Building service equipment	**2,773,284**	**291,214**	1,848,647	179,755
Furniture, fixtures and equipment	**392,495**	**239,486**	341,855	215,116
Computerization and software	**6,521**	**6,521**	6,521	6,521
	$ 8,477,635	**$ 3,186,449**	$ 7,502,358	$ 2,843,793
Cost less accumulated amortization		**$ 5,291,186**		$ 4,658,565

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, 2017.

9. Accounts Payable

	2017	2016
Trade	**$ 7,124**	$ 7,049
Government remittances	**11,418**	13,764
Other	**246,873**	244,192
	$ 265,415	$ 265,005

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.

	2017	2016
Balance, beginning of year	**$ 6,665**	$ 10,792
Add amount received during the year	**2,785**	2,785
Less expenditures	**(131)**	(6,912)
Balance, end of year	**$ 9,319**	$ 6,665

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.

	2017	2016
Balance, beginning of year	$ 4,534,881	$ 3,275,415
Additional contributions received		
SHSS and Manitoba Health	951,578	1,505,034
Donations	23,700	32,050
Less amounts amortized to revenue	(339,729)	(277,618)
Balance, end of year	$ 5,170,430	$ 4,534,881

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, 2017 the mortgage had an outstanding balance of $218,215. 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.

11. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 5,291,186**	$ 4,658,565
Amounts financed by deferred contributions	**(5,170,430)**	(4,534,881)
	$ 120,756	$ 123,684

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

	2017	2016
Excess of revenues over expenses		
Amortization of deferred contributions related to capital assets	**$ 339,729**	$ 277,618
Amortization of capital assets	**(342,657)**	(279,461)
	$ (2,928)	$ (1,843)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 975,278**	$ 1,580,438
Amounts funded by:		
SHSS and Manitoba Health funding - capital	**(951,578)**	(1,505,034)
Donations	**(23,700)**	(32,050)
	$ -	$ 43,354

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, 2017, 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, 2017.

The Home is a named insured under the SHSS policy with HIROC.

13. Revenue from the SHSS

Revenue as per SHSS final funding document	**$ 3,999,600**
Add:	
Pre-retirement leave	**41,000**
Capitation fees	**34,416**
Maternity Leave Top Up	**7,417**
HEB COLA 1.0% funding	**36,931**
Out of Globe	**29,896**
Long Service Step Increases	**3,295**
Deduct:	
Out of Globe	**-**
Interest on approved borrowings	**(10,952)**
Revenue from SHSS	**$ 4,141,603**

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:

	2017	2016
Accounts receivable	**$ 75,882**	$ 96,753
Due from SHSS	**76,871**	32,901
Due from related parties	**123,011**	128,524
Vacation entitlements receivable	**152,406**	152,406
Retirement obligations receivable	**309,000**	268,000
	$ 737,170	$ 678,584

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, 2017

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

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Independent Auditor’s Report

To the Board of Directors of 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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

June 14, 2017
Winnipeg, Manitoba

ROCK LAKE HEALTH DISTRICT
Statement of Financial Position
March 31, 2017

		2017		2016
ASSETS				
CURRENT				
Cash and short-term investments	$	**880,648**	$	812,305
Accounts receivable		**149,869**		144,890
Due from Southern Health-Santé Sud (Note 3)		**-**		24,295
Prepaid expenses		**7,049**		2,086
Vacation entitlement receivable (Note 4)		**262,780**		262,780
		1,300,346		1,246,356
PRE-RETIREMENT ENTITLEMENT (Note 4)		**441,159**		415,000
CAPITAL ASSETS (Note 5)		**940,147**		937,569
	$	**2,681,652**	$	2,598,925
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**271,722**	$	324,676
Government remittances payable		**-**		1,410
Due to Southern Health-Santé Sud (Note 3)		**18,413**		-
Accrued vacation entitlement (Note 4)		**345,472**		344,563
		635,607		670,649
PRE-RETIREMENT ENTITLEMENT (Note 4)		**441,159**		415,000
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 6)		**154,012**		149,012
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 6)		**877,030**		872,789
		2,107,808		2,107,450
CONTINGENCIES (NOTE 12)				
NET ASSETS				
Invested in capital assets (Note 9)		**63,117**		64,780
Unrestricted		**510,727**		426,695
		573,844		491,475
	$	**2,681,652**	$	2,598,925

APPROVED BY THE DIRECTORS

Original Document Signed .... Director

Original Document Signed .... Director

ROCK LAKE HEALTH DISTRICT
Statement of Operations
March 31, 2017

	2017	2016
REVENUE		
Southern Health-Santé Sud (Note 8)	**$ 4,681,472**	$ 4,562,681
Ancillary operations (Note 9)	**1,392,803**	1,379,469
Non-insured	**615,119**	539,769
Amortization of deferred contributions - capital assets	**95,718**	96,893
Interest, net	**12,761**	4,860
Other	**235,276**	232,315
Clinic rent	**85,984**	77,885
	7,119,133	6,893,872
EXPENSES		
Long term care - institutional based (Schedule 1)	**3,854,928**	3,878,850
Acute care - institutional based (Schedule 2)	**2,523,180**	2,408,385
Salaried physician program (Schedule 3)	**626,923**	554,503
Adult day care (Schedule 4)	**31,733**	30,050
	7,036,764	6,871,788
EXCESS OF REVENUE OVER EXPENSES	**$ 82,369**	$ 22,084

ROCK LAKE HEALTH DISTRICT
Statement of Changes in Net Assets
March 31, 2017

	2017		
	Invested in Capital Assets	**Unrestricted**	**Total**
Balance, beginning of year	**$ 64,780**	**$ 426,695**	**$ 491,475**
Excess (deficiency) of revenue over expenses (Note 7b)	**(1,663)**	**84,032**	**82,369**
Transfers (Note 7b)	**-**	**-**	**-**
Balance, end of year	**$ 63,117**	**$ 510,727**	**$ 573,844**

	2016		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 66,446	$ 402,945	$ 469,391
Excess (deficiency) of revenue over expenses	(1,663)	23,747	22,084
Transfer from unrestricted	(3)	3	-
Balance, end of year	$ 64,780	$ 426,695	$ 491,475

ROCK LAKE HEALTH DISTRICT
Statement of Cash Flows
March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 82,369**	$ 22,084
Items not affecting cash:		
Amortization	**97,380**	98,556
Amortization of deferred contributions - capital assets	**(95,718)**	(96,893)
	84,031	23,747
Changes in non-cash operating working capital items:		
Accounts receivable	**(4,979)**	316,013
Due from Southern Regional Health Authority	**24,295**	(24,295)
Prepaid expenses	**(4,963)**	7,097
Accounts payable and accrued liabilities	**(52,954)**	(282,618)
Due to Southern Regional Health Authority	**18,413**	(65,532)
Funding payment received in advance	**-**	(192,924)
Accrued vacation entitlements	**909**	27,335
Government remittances payable	**(1,410)**	(407)
	63,342	(191,584)
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**99,959**	75,699
Deferred contributions received - expense of future periods	**5,000**	5,003
Repayment of mortgage payable	**-**	(20,726)
	104,959	59,976
INVESTING ACTIVITY		
Purchase of capital assets	**(99,958)**	(54,969)
	(99,958)	(54,969)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**68,343**	(186,577)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	**812,305**	998,882
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ 880,648**	$ 812,305
CASH AND SHORT TERM INVESTMENTS IS COMPOSED OF:		
Cash	**$ 611,408**	$ 548,123
Short-term investments	**269,240**	264,182
	$ 880,648	$ 812,305

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, 2017.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Southern Health–Santé Sud funding

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The District is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the District may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the District as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Land improvements	10%
Building	2 - 5%
Equipment	10%

e) Pre-Retirement entitlement obligation

The District has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The District has recorded an accrual based on an actuarial valuation that includes employees who qualify at year-end statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from SH-SS on an out-of-globe basis in the year of payment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The District subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and the pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. DUE (TO) FROM SOUTHERN HEALTH–SANTÉ SUD

	2017	2016
Out-of-globe amounts	**$ (38,447)**	$ (77,419)
Miscellaneous	**9,933**	22,806
Health spending account	**5,489**	10,363
Pre-retirement funding	**(31,819)**	26,119
HEB COLA funding adjustment	**36,854**	36,866
Maternity top up	**9,500**	7,875
Lead year funding	**-**	13,241
Principal payment adjustment	**(9,923)**	(15,556)
Balance, end of year	**$ (18,413)**	$ 24,295

4. VACATION AND PRE-RETIREMENT ENTITLEMENTS

		2017		2016
Vacation entitlement receivable	**$**	**262,780**	$	262,780
Pre-retirement receivable		**441,159**		415,000

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 $345,472 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 $415,000 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 3.10% (2016 - 3.00%) and a rate of salary increase of 3.5% (2016 - 3.5%) plus age related merit / promotion scale with actuarial derived provisions for disability.

5. CAPITAL ASSETS

	2017						2016	
		Cost		**Accumulated Amortization**		**Net Book Value**		Net Book Value
Land	**$**	**1,000**	**$**	**-**	**$**	**1,000**	$	1,000
Equipment		**944,357**		**(615,235)**		**329,122**		287,218
Building		**2,139,917**		**(1,529,892)**		**610,025**		649,351
	$	**3,085,274**	**$**	**(2,145,127)**	**$**	**940,147**	$	937,569

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for specific expenditures. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	2017	2016
Expenses of future periods:		
Balance, beginning of year	**$ 149,012**	$ 144,009
Add: funding received for major repairs	**5,000**	5,003
	$ 154,012	$ 149,012

Deferred contributions related to capital assets is summarized as follows:

	2017	2016
Related to capital assets:		
Balance, beginning of year	**$ 872,789**	$ 893,983
Add: additional contributions received	**99,959**	75,699
Less: amounts amortized to revenue	**(95,718)**	(96,893)
	$ 877,030	$ 872,789

7. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 940,147**	$ 937,569
Amounts financed by deferred contributions	**(877,030)**	(872,789)
	$ 63,117	$ 64,780

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

	2017	2016
Amortization of deferred contributions related to capital assets	**$ 95,718**	$ 96,893
Amortization of capital assets	**(97,380)**	(98,556)
	(1,662)	(1,663)
Purchase of capital assets	**99,958**	54,969
Repayment of long-term debt	**-**	20,726
Amounts funded by deferred contributions	**(99,959)**	(75,699)
	-	(4)
	$ (1,663)	$ (1,667)

8. SOUTHERN HEALTH–SANTÉ SUD REVENUE

Southern Health–Santé Sud revenue includes the following:

	2017	2016
Revenue per final budget	**$ 4,727,121**	$ 4,653,576
Province of Manitoba debt	**-**	(20,816)
Amounts recorded as deferred contributions	**(5,000)**	(5,000)
	4,722,121	4,627,760
Current year's estimated out of globe amounts	**(60,701)**	(77,419)
Support to Seniors in Group Living home	**20,052**	20,052
Other	**-**	(7,712)
	$ 4,681,472	$ 4,562,681

9. ANCILLARY OPERATIONS REVENUE

	2017	2016
Shared services – Prairie View Lodge	**$ 1,308,237**	$ 1,248,660
Dietetics	**71,938**	81,164
Meals on Wheels	**12,628**	13,645
	$ 1,392,803	$ 1,379,544

10. CONTINGENCIES

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

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The District may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2017.

11. PENSION PLAN

Substantially all employees of the District are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $1,955,292,000 (2014 - $1,955,292,000). Actual contributions to the plan made during the year by the District on behalf of its employees amounted to $331,869 (2016 - $334,845) and are included in the statement of operations.

12. RELATED ENTITIES

The Rock Lake Health District has economic interest in the Rock Lake Health District Foundation Inc. ("Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation's by-laws, the Foundation's Board of Directors must be comprised of previous and/or current members of the Board of Directors of Rock Lake Health District. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of patient care within the Rock Lake Health District. During the year, the Foundation funded the Palliative Care Program, Volunteer and Lifeline programs, personal care home renovations as well as contributing to other expenses, including physician and nursing costs and education. The financial statements of the Foundation have not been consolidated in these financial statements.

12. RELATED ENTITIES (continued)

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to Prairie View Lodge under a shared services agreement. Amounts charged to Prairie View Lodge for these services are included as ancillary operations revenue in the statement of operations. The amount receivable in respect of these transactions was $72,230 as at March 31, 2017 (2016 – $72,430).

13. CAPITAL MANAGEMENT

The District defines its capital as the amounts included in the Net Asset balances. The District's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents. The District sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

14. ECONOMIC DEPENDENCE

The District receives approximately 66% (2016 – 66%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

ROCK LAKE HEALTH DISTRICT

Schedule 1

Statement of Expenses - Long Term Care - Institutional Based

March 31, 2017

	2017	2016
DEPARTMENTAL EXPENSES		
Amortization of capital assets	**$ 47,727**	$ 38,694
Employee benefits	**593,465**	628,995
Medical and surgical supplies and drugs	**57,425**	57,311
Other supplies and expenses	**370,392**	380,187
Pharmacy capitation	**14,026**	13,018
Purchased services	**14,625**	14,047
Salaries	**2,757,268**	2,746,598
	$ 3,854,928	$ 3,878,850

ROCK LAKE HEALTH DISTRICT

Schedule 2

Statement of Expenses - Acute Care - Institutional Based

March 31, 2017

	2017	2016
DEPARTMENTAL EXPENSES		
Amortization of capital assets	$ 49,654	$ 59,863
Employee benefits	381,481	355,233
Medical and surgical supplies and drugs	65,030	57,391
Other supplies and expenses	260,776	255,709
Purchased services	41,375	40,351
Salaries	1,685,034	1,639,838
	$ 2,523,180	$ 2,408,385

ROCK LAKE HEALTH DISTRICT

Schedule 3

Statement of Expenses - Salaried Physician Program

March 31, 2017

		2017		2016
DEPARTMENTAL EXPENSES				
Other	$	**97,684**	$	95,672
Salaries and benefits		**520,120**		449,931
Supplies		**6,780**		6,542
Utilities		**2,339**		2,358
	$	**626,923**	$	554,503

ROCK LAKE HEALTH DISTRICT

Schedule 4

Statement of Expenses - Adult Day Care

March 31, 2017

	2017	2016
DEPARTMENTAL EXPENSES		
Other supplies and expenses	**$ 665**	$ 894
Purchased services	**18,536**	17,560
Rental	**6,144**	6,027
Travel	**6,388**	5,569
	$ 31,733	$ 30,050

Financial Statements of

ST.AMANT INC.

Year ended March 31, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2017, 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, 2017, 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 13, 2017

Winnipeg, Canada

ST.AMANT INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	Operating Fund 2017	Operating Fund 2016	Capital Fund 2017	Capital Fund 2016	Total 2017	Total 2016
Assets						
Current assets:						
Cash	$ 2,245,652	$ 631,448	$ 63,664	$ 62,924	$ 2,309,316	$ 694,372
Accounts receivable	6,632,134	7,627,627	–	–	6,632,134	7,627,627
Receivable from St.Amant Foundation Inc. (note 7)	515,889	337,358	353,260	7,098	869,149	344,456
Inventories	149,541	166,295	–	–	149,541	166,295
Prepaid expenses	302,820	210,172	–	–	302,820	210,172
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	778,001	287,626	(778,001)	(287,626)	–	–
	12,085,235	10,721,724	(361,077)	(217,604)	11,724,158	10,504,120
Capital assets (note 2)	–	–	23,040,277	22,438,944	23,040,277	22,438,944
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 9)	3,874,133	3,742,378	–	–	3,874,133	3,742,378
	$15,959,368	$14,464,102	$22,679,200	$22,221,340	$38,638,568	$36,685,442
Liabilities, Deferred Contributions and Fund Balances						
Current liabilities:						
Bank indebtedness (note 4)	$ –	$ 1,040,477	$ –	$ –	$ –	$ 1,040,477
Accounts payable and accrued liabilities	5,243,040	3,056,952	–	–	5,243,040	3,056,952
Employee vacation payable (note 9)	4,082,385	3,857,365	–	–	4,082,385	3,857,365
Advances (note 3)	1,647,480	1,647,480	–	–	1,647,480	1,647,480
Debt (note 5)	–	–	15,054,742	13,790,150	15,054,742	13,790,150
	10,972,905	9,602,274	15,054,742	13,790,150	26,027,647	23,392,424
Employee future benefits (note 9)	4,735,403	4,462,338	–	–	4,735,403	4,462,338
Deferred contributions (note 6):						
Expenses of future periods	854,203	852,450	–	–	854,203	852,450
Capital assets	–	–	5,618,398	5,932,024	5,618,398	5,932,024
	854,203	852,450	5,618,398	5,932,024	6,472,601	6,784,474
Fund balances:						
Invested in capital assets	–	–	2,006,060	2,499,166	2,006,060	2,499,166
Internally restricted	103,782	103,782	–	–	103,782	103,782
Unrestricted	(706,925)	(556,742)	–	–	(706,925)	(556,742)
	(603,143)	(452,960)	2,006,060	2,499,166	1,402,917	2,046,206
	$15,959,368	$14,464,102	$22,679,200	$22,221,340	$38,638,568	$36,685,442

See accompanying notes financial statements.

On behalf of the Board:

Original Document Signed Director

Original Document Signed Director

June 22, 2017 Date

ST.AMANT INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	Winnipeg Regional Health Authority	Families	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	Total 2017	Total 2016
Revenue:								
Families	$ 519,618	$ 44,770,644	$ 45,290,262	$ –	$ 45,290,262	$ –	$ 45,290,262	$ 42,296,249
Winnipeg Regional Health Authority	31,345,657	3,810,362	35,156,019	–	35,156,019	–	35,156,019	33,596,964
Manitoba Health	–	–	–	–	–	100,502	100,502	127,094
Government of Canada	11,236	1,146,885	1,158,121	–	1,158,121	–	1,158,121	582,111
School divisions	–	725,355	725,355	–	725,355	–	725,355	608,341
Fees	83,280	293,083	376,363	–	376,363	–	376,363	335,670
Grants	43,000	–	43,000	–	43,000	–	43,000	38,856
Recoveries	148,555	–	148,555	–	148,555	–	148,555	184,323
Investment income	12,785	–	12,785	–	12,785	894	13,679	7,530
St.Amant Foundation Inc. donations (note 7)	230,922	211,523	442,445	–	442,445	53,182	495,627	322,847
Amortization of deferred contributions (note 6)	–	–	–	–	–	680,704	680,704	703,389
Gain on disposal of capital assets	–	–	–	–	–	146,793	146,793	412,713
Other programs	37,721	188,500	226,221	–	226,221	–	226,221	159,547
	32,432,774	51,146,352	83,579,126	–	83,579,126	982,075	84,561,201	79,375,634
Expenses:								
Salaries and wages	25,308,828	33,663,271	58,972,099	–	58,972,099	–	58,972,099	55,761,296
Employee benefits	5,268,528	7,027,800	12,296,328	–	12,296,328	–	12,296,328	11,844,861
Purchased services	1,068,244	138,018	1,206,262	–	1,206,262	–	1,206,262	1,174,361
Supplies	1,724,539	412,184	2,136,723	–	2,136,723	–	2,136,723	2,081,507
Food	422,462	603,782	1,026,244	–	1,026,244	–	1,026,244	1,070,719
Utilities	648,235	258,673	906,908	–	906,908	–	906,908	941,792
Equipment	169,115	255,010	424,125	–	424,125	–	424,125	316,334
Property taxes	245,677	182,309	427,986	–	427,986	–	427,986	419,948
Repairs and maintenance	195,348	592,935	788,283	–	788,283	–	788,283	595,415
Interest on long-term debt	–	–	–	–	–	213,382	213,382	337,089
Amortization	–	–	–	–	–	2,282,248	2,282,248	2,151,740
Administration and facility cost allocation (note 8)	(5,500,943)	5,500,943	–	–	–	–	–	–
Other	2,884,347	1,498,104	4,382,451	–	4,382,451	141	4,382,592	3,825,272
	32,434,380	50,133,029	82,567,409	–	82,567,409	2,495,771	85,063,180	80,520,334
Excess (deficiency) of revenues over expenses before the undernoted	(1,606)	1,013,323	1,011,717	–	1,011,717	(1,513,696)	(501,979)	(1,144,700)
Future employee pre-retirement benefits revenue (note 9)	121,620	10,135	131,755	–	131,755	–	131,755	262,101
Future employee pre-retirement benefits (note 9)	(122,715)	(150,350)	(273,065)	–	(273,065)	–	(273,065)	(339,765)
Excess (deficiency) of revenues over expenses	(2,701)	873,108	870,407	–	870,407	(1,513,696)	(643,289)	(1,222,364)
Transfer to Capital Fund for purchased capital assets	(42,675)	–	(42,675)	–	(42,675)	42,675	–	–
Transfer to Capital Fund for principal repayment	(89,062)	(678,421)	(767,483)	–	(767,483)	767,483	–	–
Transfer to Capital Fund for interest	(23,829)	(186,603)	(210,432)	–	(210,432)	210,432	–	–
Net change in fund balances	(158,267)	8,084	(150,183)		(150,183)	(493,106)	(643,289)	(1,222,364)
Fund balances, beginning of year			(556,742)	103,782	(452,960)	2,499,166	2,046,206	3,268,570
Fund balances, end of year			$ (706,925)	$ 103,782	$ (603,143)	$ 2,006,060	$ 1,402,917	$ 2,046,206

See accompanying notes to financial statements.

ST.AMANT INC.

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	$ (643,289)	$ (1,222,364)
Items not involving cash:		
Amortization of capital assets	2,282,248	2,151,740
Amortization of deferred contributions	(680,704)	(703,389)
Gain on disposal of capital assets	(146,793)	(412,713)
Change in non-cash operating working capital:		
Accounts receivable	995,493	(2,044,431)
Inventories	16,754	39,287
Prepaid expenses	(92,648)	138,497
Receivable from to St.Amant Foundation Inc.	(524,693)	336,470
Employee future benefits recoverable from Winnipeg Regional Health Authority	(131,755)	(262,101)
Bank indebtedness	(1,040,477)	(542,117)
Accounts payable and accrued liabilities	2,186,088	15,393
Employee vacation payable	225,020	312,562
Advances	–	1,270,000
Employee future benefits	273,065	339,765
Net change in deferred contributions related to expenses of future periods	1,753	(214,186)
	2,720,062	(797,587)
Capital activities:		
Purchase of capital assets	(2,951,788)	(4,345,424)
Proceeds on disposal of capital assets	215,000	692,450
Receipt of deferred capital contributions	367,078	224,263
	(2,369,710)	(3,428,711)
Financing activities:		
Proceeds from debt	2,239,177	15,599,730
Repayment of debt	(974,585)	(10,743,444)
	1,264,592	4,856,286
Increase in cash	1,614,944	629,988
Cash, beginning of year	694,372	64,384
Cash, end of year	$ 2,309,316	$ 694,372

See accompanying notes to financial statements.

General:

St.Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership, and promoting excellence in services for Manitobans with developmental disabilities.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Department of Families (Families). 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, 2017. The Organization's Service Purchase Agreement (SPA) with Families expired on March 31, 2014, however, it continues in effect until a new agreement is finalized. The SPA with WRHA expired on March 31, 2013, however it continues to be in effect until a new agreement is finalized.

The Organization follows the deferral method for contributions on a fund accounting basis as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Investment income is recognized in the Operating or Capital Fund in the year in which it is earned.

1. Significant accounting policies (continued):

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the operations of the Organization.

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted as approved by the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital expenditures are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

1. Significant accounting policies (continued):

(e) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

(f) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(g) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(h) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the financial statements for donated services since no objective basis is available to measure the value of such services.

(i) Employee future benefits:

Employee future pre-retirement benefits are accrued as earned on an actuarial estimation. The estimation of the employee future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Organization's employee future pre-retirement benefits includes mortality and withdrawal rates, a discount rate of 3.10 percent (2016 - 3.00 percent) and a rate of salary increase of 3.5 percent (2016 - 3.5 percent) plus an age related merit/promotion scale with no provision for disability.

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.

(j) Use of estimates:

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

2. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	1,141,846	643,245	498,601	551,029
Buildings	19,245,263	15,468,732	3,776,531	4,235,881
Buildings service equipment	5,639,925	3,884,092	1,755,833	2,079,160
Furniture and equipment	533,310	533,099	211	316
Automotive	60,844	31,026	29,818	39,758
Software	411,025	359,987	51,038	62,469
	27,245,101	20,920,181	6,324,920	7,181,501
Community residences:				
Land	4,325,664	–	4,325,664	4,015,306
Land improvements	2,910	2,910	–	121
Buildings	15,678,653	4,238,270	11,440,383	9,929,909
Furniture and equipment	2,134,418	1,328,878	805,540	1,144,108
Automotive	509,684	365,914	143,770	167,999
	22,651,329	5,935,972	16,715,357	15,257,443
	$ 49,896,430	$ 26,856,153	$ 23,040,277	$ 22,438,944

3. Advances:

The Organization has received working capital advances from WRHA and Families. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

4. Bank indebtedness:

		2017		2016
Line of credit	$	–	$	1,040,477

The Organization has a revolving demand operating credit facility with the Canadian Imperial Bank of Commerce to finance the day-to-day operations of the Organization in the amount of $1,700,000 (2016 - $1,700,000), bearing interest at prime minus 0.7 percent (2016 - prime minus 0.7 percent). The revolving demand operating credit facility is unsecured and is due on demand.

5. Debt:

The Organization has a revolving demand capital expenditure credit facility agreement with the Canadian Imperial Bank of Commerce. The demand capital expenditure credit facility provides for a maximum of $18,300,000 (2016 - $18,300,000) in demand loans to finance capital expenditures by the Organization. At March 31, 2017, the Organization had utilized $15,054,742 (2016 - $13,790,150) of this facility which bears interest at the Canadian Banker's Acceptance Canadian Deposit Offering Rate plus a stamping fee of 0.57 percent per annum and revolves quarterly until between August 2024 and August 2041, if not demanded. The revolving demand capital expenditure credit facility is unsecured and is due on demand.

5. Debt (continued):

Management does not believe that the demand features of the debt will be exercised in the current year. Assuming payment of the debt is not demanded, regular principal payments required on the debt until maturity are due as follows:

2018	$ 832,702
2019	832,702
2020	832,702
2021	832,702
2022	832,702
Thereafter	10,891,232
	$ 15,054,742

6. Deferred contributions:

(a) Expenses of future periods:

Deferred contribution related to expenses of future periods represents unspent externally restricted grants and donations.

	2017	2016
Balance, beginning of year	$ 852,450	$ 1,272,026
Additional contributions received	215,811	378,063
Less amounts recognized as revenue	(214,058)	(592,249)
Less amounts transferred to deferred contributions - capital assets	–	(205,390)
Balance, end of year	$ 854,203	$ 852,450

6. Deferred contributions (continued):

(b) Capital assets:

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

	2017	2016
Balance, beginning of year	$ 5,932,024	$ 6,205,760
Additional contributions received	367,078	224,263
Add amounts transferred from deferred contributions - expenses of future periods	–	205,390
Less amounts recognized as revenue	(680,704)	(703,389)
Balance, end of year	$ 5,618,398	$ 5,932,024

	Grants	Accumulated amortization	2017 Net book value	2016 Net book value
Land improvements	$ 916,602	$ 362,248	$ 554,354	$ 600,988
Buildings	8,391,532	4,829,461	3,562,071	3,300,482
Buildings service equipment	1,550,135	953,358	596,777	689,225
Furniture and equipment	2,013,754	1,108,558	905,196	999,070
	$ 12,872,023	$ 7,253,625	$ 5,618,398	$ 5,589,765

Unspent contributions received for purchase of capital assets at March 31, 2017 are $342,259 (2016 - $342,259).

7. Related party transactions and balances:

During the year ended March 31, 2017, the Organization paid rent on eight community residences to St.Amant Foundation Inc. aggregating $110,904 (2016 - $110,904). In addition, the Organization paid rent to Sara Riel Foundation Inc., a corporation with the same Member as the Organization in the amount of $116,002 (2016 - $112,630) during the year ended March 31, 2017. The Organization charged St.Amant Foundation Inc. $86,816 (2016 - $88,334) for costs related to the parking lot during the year ended March 31, 2017 including $43,013 (2016 - $41,045) which was recorded in deferred contribution related to capital assets. The Organization also charged St.Amant Foundation Inc. $110,269 (2016 - $102,340) for administrative services provided by the Organization during the year ended March 31, 2017.

The following are contributions from St.Amant Foundation Inc. received or receivable for the fiscal year:

	2017	2016
Client services programs:		
Leisure Fund	$ 18,170	$ 25,930
Autism programs	34,327	9,181
River Road Place	23,993	32,379
St.Amant School and Developmental Services	4,716	975
Community Residence Program	36,434	1,445
River Road Child Care	2,031	2,558
Clinical Services	15,778	292
Volunteer services	160	580
Research program	203,875	164,137
Case for Support	102,961	68,672
Other equipment and supplies	5,435	–
Identified Priority Projects	122,172	287,769
	570,052	593,918
Capital projects and renovations	319,502	22,743
	$ 889,554	$ 616,661

Of these contributions, $319,502 (2016 - $22,743) have been recorded in deferred contributions related to capital assets and $122,172 (2016 - $287,769) in deferred contributions related to expenses of future periods during the year ended March 31, 2017.

The receivable from St.Amant Foundation Inc. of $869,149 (2016 - $344,456) at March 31, 2017, 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.

8. Allocation of expenses:

The Organization has incurred $6,094,190 (2016 - $6,020,477) of administration expenses and $6,361,096 (2016 - $6,253,709) of facility expenses in fiscal 2017 that are common to the administration of the WRHA and Families programs. These expenses are reflected in the WRHA programs expenses in the statement of operations. The Organization has allocated $4,021,452 (2016 - $4,160,165) and $1,479,491 (2016 - $1,091,814) of administration and facility expenses to the Families programs, respectively. The aggregate of $5,500,943 (2016 - $5,251,979) allocated to the Families programs is recorded as a recovery in the WRHA programs and an expense in the Families programs within administration and facility cost allocation in the statement of operations.

9. Employee future benefits and employee benefits:

	2017	2016
Pre-retirement benefits plan	$ 3,043,933	$ 2,999,555
Accumulated non-vested sick leave benefits	1,691,470	1,462,783
	$ 4,735,403	$ 4,462,338

(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:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	$ 2,999,555	$ 2,852,603
Current benefit cost	284,883	239,000
Interest	90,000	74,000
Benefits paid	(316,505)	(161,048)
	3,057,933	3,004,555
Amortized actuarial loss	(14,000)	(5,000)
Liability for benefits	$ 3,043,933	$ 2,999,555

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 2017 was $44,378 (2016 - $146,952) and is recorded in the statement of operations. Actual funding provided by WRHA for 2017 was 100.0 percent (2016 - 100.0 percent) of actual pre-retirement benefits paid during the year.

The employee future pre-retirement benefits recoverable from WRHA at March 31, 2017 aggregates $2,765,445 (2016 - $2,721,067) 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 $4,438,901 (2016 - $4,162,124) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2015, 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. Contribution rates for the Organization remain unchanged from the previous year at 8.9 percent (2015 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2015 - 10.5 percent) on earnings in excess of the YMPE.

9. Employee future benefits and employee benefits (continued):

(c) Vacation benefits:

The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2017 is $4,082,385 (2016 - $3,857,365), 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, 2017 of 3.10 percent (2016 - 3.00 percent) and a rate of salary increase of 3.5 percent (2016 - 3.5 percent).

A recoverable from the WRHA at March 31, 2017 of $1,108,688 (2016 - $1,021,311) 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 $87,377 (2016 - $115,149) for 2017 was recorded in the statement of operations.

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, 2017 and 2016, all accounts receivable were current, there were no amounts past due.

There have been no significant changes to the credit risk exposure from 2016.

(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 2018.

The contractual maturity of debt is disclosed in note 5.

There have been no significant changes to the liquidity risk exposure from 2016.

(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, 2017, the balance of funds held in trust on behalf of the residents who reside at St.Amant Inc. was $459,297 (2016 - $443,467).

Financial Statements of

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./ L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Year ended March 31, 2017

KPMG LLP
Suite 2000 - One Lombard Place
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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, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. as at March 31, 2017, 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 7, 2017

Winnipeg, Canada

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 124,253	$ 97,390
Accounts receivable (note 3)	16,241	19,674
Inventory (note 4)	126,206	114,897
Investments (note 5)	141,602	105,730
	408,302	337,691
Investments (note 5)	53,455	111,360
Capital assets (note 6)	28,237	33,080
	$ 489,994	$ 482,131
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 54,987	$ 43,752
Payable to St. Boniface General Hospital	18,358	31,813
Grants payable to St. Boniface General Hospital	7,287	9,771
	80,632	85,336
Net assets:		
Unrestricted	280,762	263,352
Invested in capital assets	28,237	33,080
Hospital Staff Development (note 7)	100,363	100,363
	409,362	396,795
Commitments (note 9)		
	$ 489,994	$ 482,131

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 12, 2017

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Gift Shop sales	$ 620,170	$ 576,871
Television and telephone rentals	75,959	76,044
Automated teller machine	36,242	34,148
Kiosk rentals	62,790	64,970
Commissions	33,713	35,755
Miscellaneous	4,271	4,372
Investment income	4,331	5,204
	837,476	797,364
Expenses:		
Gift Shop cost of goods sold	373,078	350,916
Salaries and benefits	180,923	167,265
Television and telephone rentals	51,088	51,011
General	36,450	38,221
Management services (note 8)	44,345	41,463
Amortization	10,405	10,336
	696,289	659,212
Excess of revenue over expenses, before grants	141,187	138,152
Grants (note 8)	128,620	197,914
Excess (deficiency) of revenue over expenses	$ 12,567	$ (59,762)

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIARE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

March 31, 2017	Invested in Capital assets	Hospital Staff Development	Unrestricted	Total
Balance, beginning of year	$ 33,080	$ 100,363	$ 263,352	$ 396,795
Excess (deficiency) of revenue over expenses	(10,405)	(5,000)	27,972	12,567
Capital assets acquired	5,562	-	(5,562)	-
Net asset transfers	-	5,000	(5,000)	-
Balance, end of year	$ 28,237	$ 100,363	$ 280,762	$ 409,362

March 31, 2016	Invested in 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

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

ST. BONIFACE GENERAL HOSPITAL AUXILIARY INC./
L'AUXILIAIRE DE L'HÔPITAL GÉNÉRAL SAINT-BONIFACE INC.
Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses	$ 12,567	$ (59,762)
Items not involving cash:		
Amortization of capital assets	10,405	10,336
Change in non-cash operating working capital:		
Accounts receivable	3,433	(1,655)
Inventory	(11,309)	2,476
Accounts payable	11,235	13,870
Payable to St. Boniface General Hospital	(13,455)	7,231
Grants payable to St. Boniface General Hospital	(2,484)	(57,669)
	10,392	(85,173)
Capital activites:		
Capital assets acquired	(5,562)	(1,375)
Investing activites:		
Change in investments, net	22,033	98,380
Net increase in cash	26,863	11,832
Cash, beginning of year	97,390	85,558
Cash, end of year	$ 124,253	$ 97,390

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

1. Purpose of the organization:

The St. Boniface General Hospital Auxiliary Inc./L'Auxiliaire de l'Hôpital général Saint-Boniface Inc. (Auxiliary) is incorporated without share capital under the laws of Manitoba and is a registered charity under the Income Tax Act. Its mandate is to carry on activities to raise funds and to provide supporting services which complement the objectives and mission of the Auxiliary's Member, St. Boniface General Hospital (Hospital), and facilitate enhancement of patient care activities and services to staff. In the event of wind up or dissolution, the net assets shall be paid or transferred to the Hospital.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the PS 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Auxiliary follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably assured. Non-cash contributions are recorded at fair value on the date of contribution.

Investment income is comprised of interest income.

(b) Contributed services:

Volunteers are an integral part of carrying out the activities of the Auxiliary. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair market value.

(c) Grants:

Grants are expensed in the fiscal year for which they are approved.

(d) Inventory:

Inventory is stated at the lower of cost and net realizable value, with cost determined at average cost.

(e) Capital assets:

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

Amortization of capital assets is provided on a straight line basis at rates estimated to amortize the assets over their useful lives. The amortization rates applicable to the various classes of assets are as follows:

Gift Shop and basement storage renovations	10 years
Furniture and equipment and POS system	5 years

2. Significant accounting policies (continued):

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

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

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Auxiliary determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Auxiliary expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

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

3. Accounts receivable:

	2017	2016
Hospitality Network	$ 5,860	$ 7,795
Manitoba Lotteries	5,006	6,125
ATM	3,294	2,936
Interest receivable	2,081	2,201
Other	-	617
Just Arrived Photography	-	2,879
	16,241	22,553
Less allowance for doubtful accounts	-	(2,879)
	$ 16,241	$ 19,674

4. Inventory:

	2017	2016
Gift Shop	$ 124,210	$ 111,498
Lottery	1,996	3,399
	$ 126,206	$ 114,897

5. Investments:

		2017		2016
Mutual Fund				
RBC Investment Savings	$	27,785	$	53,454
Guaranteed investment certificates:				
La Caisse GIC, 2.20% maturing June 2017		56,909		55,680
La Caisse GIC, 2.20% maturing December 2017		56,908		55,680
La Caisse GIC, 2.05% maturing June 2019		53,455		-
La Caisse GIC, 2.25% matured June 2016		-		52,276
		195,057		217,090
Less: current portion		141,602		105,730
	$	53,455	$	111,360

6. Capital assets:

		Cost		Accumulated Amortization		Net Book Value 2017		Net Book Value 2016
Gift Shop Renovations	$	27,276	$	24,777	$	2,499	$	5,227
Basement Storage Renovation		19,969		13,812		6,158		8,154
Furniture and Equipment		49,233		40,975		8,257		3,993
POS System		21,916		10,593		11,323		15,706
	$	118,394	$	90,157	$	28,237	$	33,080

7. Hospital Staff Development net assets:

The Hospital Staff Development net assets consist of internally restricted net assets which represent funds that the Auxiliary has designated for scholarships and professional development of Hospital staff and volunteers. These net assets were established by the Board and must maintain a minimum capital component of $100,000. Allocations to this fund are based on the lesser of the interest income earned on cash and investments in the fiscal year or the excess of the revenue over expenses after grant expense. The Board of Directors may decide to modify the allocation in any given year. Staff development grants are charged to the Hospital Staff Development net assets.

8. Related party transactions:

St. Boniface General Hospital (Hospital):

The Auxiliary raises funds to assist in the care, comfort and welfare of Hospital patients. During the year, the Auxiliary granted $128,620 (2016 - $197,914) 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 $44,345 (2016 - $41,463).

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 2017/18 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 $30,000 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, 2017 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, 2017, nil (2016 - $2,879) of accounts receivable are considered impaired.

The Auxiliary's investment policy limits the investments to guaranteed investment certificates. The policy's application is monitored by management and the Board.

There have been no significant changes to the credit risk exposure from 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 2016.

(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 2016.

Financial Statements of

SALEM HOME INC.

March 31, 2017

Deloitte.

Deloitte LLP
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Canada

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Salem Home Inc.

We have audited the accompanying financial statements of Salem Home Inc., which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

May 23, 2017
Winnipeg, Manitoba

SALEM HOME INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and short term investments (Note 3)	**$ 961,550**	$ 567,393
Accounts receivable	**22,554**	37,465
Prepaid expenses	**21,583**	30,898
Due from Southern Health - Santé Sud (Note 4)	**130,139**	310,995
Vacation entitlement receivable (Note 5)	**379,275**	379,275
	1,515,101	1,326,026
PRE-RETIREMENT ENTITLEMENT (Note 5)	**708,114**	752,000
CAPITAL ASSETS (Note 6)	**7,398,177**	7,556,957
	$ 9,621,392	$ 9,634,983
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 488,403**	$ 425,104
Accrued vacation entitlement (Note 5)	**610,703**	585,344
Residents' trust fund	**27,345**	31,055
Current portion of long-term debt (Note 8)	**85,257**	59,131
	1,211,708	1,100,634
PRE-RETIREMENT ENTITLEMENT (Note 5)	**708,114**	752,000
LONG-TERM DEBT (Note 8)	**568,002**	678,351
DEFERRED CONTRIBUTIONS EXPENSES OF FUTURE PERIODS (Note 7)	**1,857**	123,638
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	**6,363,878**	6,438,064
	8,853,559	9,092,687
NET ASSETS		
Invested in capital assets (Note 9)	**381,040**	381,562
Externally restricted (Note 10)	**12,070**	12,070
Unrestricted	**374,723**	148,664
	767,833	542,296
	$ 9,621,392	$ 9,634,983

APPROVED BY THE BOARD

Original Document Signed .... Director

Original Document Signed .... Director

SALEM HOME INC.
Statement of Operations
Year ended March 31, 2017

		2017		2016
REVENUE				
Southern Health - Santé Sud (Note 11)	**$**	**9,649,779**	$	9,514,524
Non-insured		**2,235,053**		2,224,185
Recoveries revenue		**88,540**		83,212
Donations and other revenue		**10,562**		5,236
Interest		**8,129**		36,595
Ancillary operations		**115,489**		112,649
Adult day care participant fees		**8,432**		8,522
Amortization of deferred contributions - expenses of future periods		**38,109**		46,409
Amortization of deferred contributions - capital assets		**382,322**		384,871
		12,536,415		12,416,203
EXPENSES				
Long term care - institutional based (Schedule 1)		**11,978,130**		11,839,035
Amortization		**415,284**		410,707
Rental properties deficit (surplus) (Schedule 2)		**37,876**		(9,067)
Medical remuneration and sessional fees		**2,525**		5,072
		12,433,815		12,245,747
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED		**102,600**		170,456
AMORTIZATION OF DEFERRED CONTRIBUTION - EXPENSES OF FUTURE PERIODS		**122,937**		-
EXCESS OF REVENUE OVER EXPENSES	**$**	**225,537**	$	170,456

SALEM HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2017

	2017			
	Invested in Capital Assets	**Externally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**$ 381,562**	**$ 12,070**	**$ 148,664**	**$ 542,296**
Excess (deficiency) of revenue over expenses	**(76,147)**	**-**	**301,684**	**225,537**
Capital assets purchased with unrestricted funds	**14,441**	**-**	**(14,441)**	**-**
Debt repaid with unrestricted funds	**61,184**	**-**	**(61,184)**	**-**
Balance, end of year	**$ 381,040**	**$ 12,070**	**$ 374,723**	**$ 767,833**

	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

SALEM HOME INC.
Statement of Cash Flows
Year ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 225,537**	$ 170,456
Items not affecting cash:		
Amortization	**424,988**	420,405
Loss on disposal of building	**76,480**	-
Amortization of deferred contributions - expenses of future periods	**(161,046)**	(46,409)
Amortization of deferred contributions - capital assets	**(425,321)**	(388,202)
	140,638	156,250
Changes in non-cash operating working capital accounts:		
Accounts receivable	**14,911**	(19,636)
Prepaid expenses	**9,315**	(12,183)
Accounts payable and accrued liabilities	**63,299**	(102,318)
Accrued vacation entitlement	**25,359**	38,718
Residents' trust fund	**(3,710)**	2,633
Change in other assets	**-**	22,951
Advanced payments received	**-**	(388,868)
Due to / from Southern Health - Santé Sud	**180,856**	(104,309)
	430,668	(406,762)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(84,223)**	(60,551)
Deferred contributions received - expenses of future periods	**39,265**	21,867
Deferred contributions received - capital assets	**351,128**	995,730
	306,170	957,046
INVESTING ACTIVITY		
Purchase of capital assets	**(342,681)**	(1,018,603)
	(342,681)	(1,018,603)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	**394,157**	(468,319)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**567,393**	1,035,712
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 961,550**	$ 567,393

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, 2017.

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

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

Endowment contributions are recognized as direct increases in externally restricted net assets and related revenue is recognized as revenue when earned.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) SHSS funding

Funding is provided by SHSS on an expense recovery basis for out-of-globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Buildings	2%
Computer and office equipment	25%
Equipment	10%

e) Pre-retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years of service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

3. CASH AND SHORT TERM INVESTMENTS

Guaranteed investment certificates are carried at cost, which approximates market value. The certificates have maturity dates between May and February 2018, and earn interest between 1.75% and 1.90% (2016 – between 2.00% and 2.35%).

4. DUE FROM SOUTHERN HEALTH - SANTÉ SUD

	2017	2016
Balance, beginning of year	**$ 310,995**	$ 206,686
Payment received	**(321,852)**	-
SHSS budget funding adjustment	**169,574**	22
Staffing items	**-**	80,157
Other miscellaneous funding adjustments	**1,341**	6,172
Out-of-globe adjustment	**(29,919)**	17,958
	$ 130,139	$ 310,995

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	2017	2016
Vacation entitlement receivable	**$ 379,275**	$ 379,275
Pre-retirement entitlement receivable	**708,114**	752,000

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, 2017 in the amount of $708,114 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 3.10% (3.00% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) plus age related merit / promotion scale with actuarial derived provisions for disability.

6. CAPITAL ASSETS

	2017			2016
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 377,681**	**$ -**	**$ 377,681**	$ 377,681
Buildings	**11,138,939**	**5,034,688**	**6,104,251**	6,095,294
Computer and office equipment	**292,186**	**291,076**	**1,110**	3,040
Equipment	**4,127,458**	**3,220,200**	**907,258**	1,068,385
Construction in Progress	**7,877**	**-**	**7,877**	12,557
	$ 15,944,141	**$ 8,545,964**	**$ 7,398,177**	$ 7,556,957

7. DEFERRED CONTRIBUTIONS

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

	2017	2016
Expenses of future periods		
Balance, beginning of year	**$ 123,638**	$ 148,180
Add: additional contributions received	**39,265**	21,867
Less: amounts amortized to income	**(161,046)**	(46,409)
	$ 1,857	$ 123,638

	2017	2016
Related to capital assets		
Balance, beginning of year	**$ 6,438,065**	$ 5,830,537
Add: additional contributions received	**351,128**	995,730
Less: amounts amortized to revenue	**(425,315)**	(388,202)
	$ 6,363,878	$ 6,438,065

8. LONG-TERM DEBT

	2017	2016
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 $76,500.	**$ 44,988**	$ 49,765
Mortgage payable in monthly installments of $650 including interest at prime, due 2022, secured by land and building.	**41,334**	47,924
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.	**64,907**	69,097
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.	**30,950**	58,392
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.	**69,835**	73,870
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.	**89,089**	94,624
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.	**98,789**	104,326
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.	**33,287**	36,365
Mortgage payable in monthly installments of $3,028 including interest at 7.0%, due 2023	**180,080**	203,119
	653,259	737,482
Less: current portion	**(85,257)**	(59,131)
	$ 568,002	$ 678,351

8. LONG-TERM DEBT (continued)

Principal repayments on long-term debt in each of the next 5 years are estimated as follows:

2018	$	85,257
2019		63,092
2020		62,028
2021		65,918
2022		58,053

9. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	2017	2016
Capital Assets	**$ 7,398,177**	$ 7,556,957
Amounts financed by deferred contributions	**(6,363,878)**	(6,641,183)
Amounts financed by long-term debt	**(653,259)**	(534,212)
	$ 381,040	$ 381,562

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

	2017	2016
Amortization of deferred contributions related to capital assets	**$ 425,321**	$ 388,202
Amortization of capital assets	**(426,518)**	(420,405)
Loss incurred on the write down of an asset	**(74,950)**	-
	(76,147)	(32,203)
Purchase of capital assets	**342,681**	1,018,603
Amounts funded by deferred contributions	**(351,128)**	(995,730)
Repayment of long-term debt	**84,223**	60,551
	75,776	83,424
	$ (371)	$ 51,221

10. RESTRICTIONS ON NET ASSETS

The externally restricted net assets are subject to externally imposed restrictions stipulating that a principal of $10,000 be maintained intact as a library fund. Accumulated investment income of $2,070 is restricted for use in the purchase of resource materials for the staff library at the Facility.

11. SOUTHERN HEALTH - SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	2017	2016
Revenue per final budget	**$ 9,591,254**	$ 9,332,854
Amounts recorded as deferred contribution	**(4,700)**	(4,700)
Health spending account and maternity top-ups	**1,395**	71,816
Provincially funded debt	**(13,286)**	(14,828)
	9,574,663	9,385,142
Retroactive salary approvals	**103,694**	111,196
Other budget adjustments	**-**	(64,102)
Current year’s estimated out of globe amounts	**(28,578)**	82,288
Revenue for the year	**$ 9,649,779**	$ 9,514,524

Amounts recoverable or payable are based on SHSS funding policies on out-of-globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

12. RELATED PARTY

The Facility exercises significant influence over Salem Foundation Inc. by virtue of its ability to appoint two out of five members of the its Board of Directors. Salem Foundation Inc. was established to raise funds to support the programs of the Facility and assist individuals experiencing cognitive and/or physical dysfunctions of a chronic or long-term nature. Salem Foundation Inc. is incorporated under the Manitoba Corporations Act and is registered charity under the Income Tax Act.

13. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees Pension Plan (the “Plan”) which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based of the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan's investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $2,320,015,000 (2014 - $1,955,292,000). 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, 2016 is not yet available.

14. CAPITAL MANAGEMENT

The Facility defines its capital as the amounts included in the Net Asset balances.

The Facility's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Facility sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

15. ECONOMIC DEPENDENCE

The Facility receives in excess of 76% (2016 – 76%) of its total revenue from Southern Health – Santé Sud and is economically dependent on SHSS for its continued operations.

SALEM HOME INC.

Statement of Expenses - Long-Term Care - Institutional Based

Year ended March 31, 2017

	2017	2016
Departmental expenses		
Adult day care	$ 60,923	$ 68,971
Administration	646,287	696,616
Food services	1,530,060	1,454,565
Housekeeping	581,958	551,774
Internal services education	117,591	126,307
Laundry and linen	329,980	306,424
Pastoral care	60,117	63,841
Personal care	5,898,429	5,821,800
Pharmacy	84,738	78,648
Plant maintenance	401,278	390,618
Plant operations	372,829	371,142
Pre-retirement benefits	92,000	90,572
Recreation	233,755	216,260
Resident food service	43,579	36,272
Social work	72,776	72,227
Behavioural treatment unit (Willow)	1,374,135	1,408,768
Undistributed out of globe expenses	47,624	51,699
Vending	2,221	3,208
Volunteer services	27,850	29,323
	$ 11,978,130	$ 11,839,035

SALEM HOME INC.
Supplemental Statement of Operations - Rental Properties
Year ended March 31, 2017

	2017	2016
REVENUE		
Rental and other income	$ 50,370	$ 53,480
Deferred contributions	42,999	3,331
	93,369	56,811
EXPENSES		
Natural gas	1,511	1,480
Electricity	2,135	1,801
Water	1,831	1,052
Insurance	140	2,623
Building maintenance	13,098	5,890
Mortgage interest	12,333	13,572
Municipal taxes	14,013	11,628
Amortization	9,704	9,698
Loss on disposal of building, net of deferred contributons	76,480	-
	131,245	47,744
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ (37,876)	$ 9,067

SEVEN OAKS GENERAL HOSPITAL FOUNDATION INC. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017 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, 2017

booke
& partners

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Independent Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the accompanying financial statements of Sexuality Education Resource Centre Manitoba, Inc., which comprise the statement of financial position as at March 31, 2017 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, 2017, 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, 2017

Chartered Professional Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2017	2016
Assets		
Current		
Cash and short term deposits	**$ 1,111,017**	$ 816,976
Receivables (Note 3)	**192,009**	125,710
Prepaids	**20,274**	15,070
	1,323,300	957,756
Pre-retirement leave receivable from Winnipeg Regional Health Authority (Note 7)	**56,189**	46,631
Capital assets (Note 4)	**83,692**	100,724
	$ 1,463,181	$ 1,105,111
Liabilities		
Current		
Payables and accruals (Note 5)	**$ 404,181**	$ 403,118
Deferred revenue (Note 6)	**460,312**	269,596
	864,493	672,714
Pre-retirement leave (Note 7)	**111,803**	100,000
Deferred contributions related to capital assets (Note 8)	**21,782**	27,133
	998,078	799,847
Net Assets		
Unrestricted	**37,635**	296,649
Donation Fund	**258,853**	-
Internally restricted	**168,615**	8,615
	465,103	305,264
	$ 1,463,181	$ 1,105,111

Original Document Signed Director   Original Document Signed Director

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations

Year Ended March 31	**2017**	2016
Revenues (Page 12)	**$ 2,570,815**	$ 2,167,536
Expenditures (Page 12)	**2,408,731**	2,181,252
Excess (deficiency) of revenues over expenditures from operations	**162,084**	(13,716)
Pre-retirement leave (Note 7)	**(2,245)**	220
Excess (deficiency) of revenues over expenditures	**$ 159,839**	$ (13,496)

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Net Assets
Years Ended March 31

	Unrestricted	Donation Fund	Internally Restricted	**2017**	2016
Net assets, beginning of year	$ 296,649	$ -	$ 8,615	**$ 305,264**	$ 318,760
Excess (deficiency) of revenues over expenditures	159,839	-	-	**159,839**	(13,496)
Transfers (Note 9)	(418,853)	258,853	160,000	**-**	-
Net assets, end of year	$ 37,635	$ 258,853	$ 168,615	**$ 465,103**	$ 305,264

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31	2017	2016
Cash flows from operating activities		
Cash received from:		
Winnipeg Regional Health Authority	**$ 1,070,614**	$ 1,081,527
Northern Manitoba Regional Health Authority	**35,000**	35,000
Interlake Regional Health Authority	**54,946**	-
Province of Manitoba	**234,700**	234,700
Government of Canada	**432,165**	401,116
United Way	**131,911**	131,762
Foundations	**51,700**	41,951
Donations	**262,155**	3,483
Interest	**8,630**	7,151
Other sources	**408,061**	128,962
Cash paid for:		
Human resources and benefits	**(1,724,656)**	(1,528,376)
Materials and services	**(666,942)**	(583,566)
Interest	**(332)**	(245)
Net cash generated from operating activities	**297,952**	(46,535)
Cash flows used in financing and investing activities		
Purchase of capital assets	**(3,911)**	(43,146)
Net increase (decrease) in cash	**294,041**	(89,681)
Cash and short term deposits, beginning of year	**816,976**	906,657
Cash and short term deposits, end of year	**$ 1,111,017**	$ 816,976

See accompanying notes to the financial statements.

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. (the Organization) is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The Organization is an incorporated not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are detailed as follows:

a) Fund accounting

The Unrestricted Fund reports all revenues and expenses related to program delivery and administrative activities. The Unrestricted Fund reports the assets, liabilities, revenues and expenses related to the Organization's activities.

The Internally Restricted Fund represents funds designated by the Board of Directors for the purpose of website development and future operations.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at annual rates estimated to write off the assets over their estimated useful lives as follows:

Computers	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	Over the life of the lease

2. Summary of significant accounting policies - continued

d) Allocation of expenses

The Organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

e) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.0% (2016 - 3.0%), a rate of salary increase of 3.5% (2016 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

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, 2017

3. Receivables

	2017	2016
Receivable from Winnipeg Regional Health Authority	**$ 93,020**	$ 68,157
Grants receivable	**67,957**	39,383
GST receivable	**8,873**	11,336
Other receivables	**22,159**	6,834
	$ 192,009	$ 125,710

4. Capital assets

	Cost	**Accumulated Amortization**	**2017 Net Book Value**
Winnipeg			
Computers	**$ 79,875**	**$ 50,679**	**$ 29,196**
Furniture and equipment	**114,399**	**82,628**	**31,771**
Leasehold improvements	**13,010**	**4,651**	**8,359**
Brandon			
Computers	**11,085**	**10,702**	**383**
Furniture and equipment	**9,195**	**5,138**	**4,057**
Leasehold improvements	**18,612**	**8,686**	**9,926**
	$ 246,176	**$ 162,484**	**$ 83,692**

	Cost	Accumulated Amortization	2016 Net Book Value
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	18,612	4,963	13,649
	$ 242,265	$ 141,541	$ 100,724

5. Payables and accruals

	2017	2016
Vacation pay and salary accrual	**$ 185,809**	$ 163,628
Trade	**218,372**	239,490
	$ 404,181	$ 403,118

6. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	2017	2016
Balance, beginning of year	**$ 269,596**	$ 346,859
Less amount recognized as revenue in the year	**(57,483)**	(128,145)
Add amount received related to the following year	**248,199**	50,882
Balance, end of year	**$ 460,312**	$ 269,596

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	2017	2016
Opening balance	**$ 100,000**	$ 101,000
Increase (decrease) in obligation	**11,803**	(1,000)
	$ 111,803	$ 100,000
Pre-retirement leave		
Current year retirement benefits paid	**$ -**	$ (10,619)
Current year recovery	**-**	10,619
(Increase) decrease in obligation	**(11,803)**	1,000
Increase (decrease) in receivable	**9,558**	(780)
	$ (2,245)	$ 220

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 $5,351 (2016 - $3,740).

Included in deferred contributions related to capital assets is $14,684 (2016 - $16,042) from the WRHA.

9. Transfers

During the year, a transfer was made of $160,000 (2016 - $NIL) from unrestricted net assets to internally restricted net assets for future operations.

During the year, a transfer was made of $NIL (2016 - $3,972) from internally restricted net assets to unrestricted net assets to cover the costs of website redevelopment.

During the year, a transfer was made of $258,853 (2016 - $NIL) from unrestricted net assets to the Donation Fund.

10. Lease commitments

The Organization leases office space at Unit C, 1700 Pacific Avenue in Brandon, Manitoba. The lease is for five years and expires November 30, 2019. The annual rental lease payment is $19,200.

The Organization leases office space at Suite 109, 55 Selkirk Avenue in Thompson, Manitoba. The lease is for two years and expires March 31, 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.

11. Pension

Effective January 1, 2008, the Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the Plan). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $132,148 (2016 - $97,275) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

12. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Operations
Year Ended March 31

	General Operations	KIA	Our Daughters	OFTA	The 595 Prevention Team	2017 Total	2016 Total
Revenues							
Grants							
Winnipeg Regional Health Authority							
Fixed payments	$ 1,073,896	$ -	$ -	$ -	$ 22,878	$ 1,096,774	$ 1,174,166
Other funding	-	-	-	-	-	-	968
Capital grant (Note 8)	1,358	-	-	-	-	1,358	-
Government of Canada							
Health Canada	-	47,684	-	-	209,383	257,067	266,430
Canadian Institutes of Health Research	4,542	-	-	-	-	4,542	5,701
Canadian Immigration Citizenship	-	-	-	103,902	-	103,902	103,902
First Nations and Inuit Health	-	-	-	-	99,770	99,770	29,000
Province of Manitoba							
Children and Youth Opportunities	-	-	-	-	40,200	40,200	40,200
Health, Seniors and Active Living	99,500	-	45,000	-	50,000	194,500	194,500
United Way							
Winnipeg	122,904	-	-	-	-	122,904	121,534
Brandon	13,000	-	-	-	-	13,000	13,000
Canadian Women's Foundation	39,781	-	-	-	-	39,781	35,374
CancerCare	-	-	-	-	-	-	700
Jewish Foundation of Manitoba	-	-	-	-	-	-	933
Interlake Regional Health Authority	-	-	-	-	54,946	54,946	2,406
Northern Manitoba Regional Health Authority	-	-	-	-	35,000	35,000	35,000
Donations	262,155	-	-	-	-	262,155	2,983
Interest	8,630	-	-	-	-	8,630	7,151
Administrative fee recoveries and other	99,157	-	-	-	137,129	236,286	131,182
Total revenues	1,724,923	47,684	45,000	103,902	649,306	2,570,815	2,167,536
Expenditures							
Salaries	952,419	32,147	25,625	70,115	295,533	1,375,839	1,242,360
Contract fees	18,281	1,710	6,118	557	16,134	42,800	41,735
Honoraria	3,421	4,460	790	-	23,630	32,301	26,204
Benefits (Note 11)	192,818	5,008	5,165	13,906	79,000	295,897	231,346
Amortization	20,942	-	-	-	-	20,942	24,052
Bank charges and interest	105	-	-	-	227	332	244
Evaluation	2,350	-	-	-	2,921	5,271	9,335
Insurance	2,693	-	-	-	1,782	4,475	4,529
Membership and dues	400	-	-	-	-	400	1,376
Office supplies and services	22,466	1,370	299	956	12,858	37,949	51,568
Postage and delivery	1,620	-	-	-	188	1,808	2,131
Professional development	2,540	-	-	-	605	3,145	16,045
Professional fees	10,543	-	-	-	-	10,543	14,719
Program costs	91,088	2,379	8,233	18,368	124,903	244,971	187,158
Promotion	8,697	-	-	-	-	8,697	17,273
Occupancy	149,597	-	107	-	19,836	169,540	164,800
Other	3,623	-	-	-	-	3,623	5,150
Repairs and maintenance	46,875	-	-	-	2,426	49,301	46,590
Travel	15,419	250	16	-	56,488	72,173	56,773
Telephone	14,231	360	-	-	12,398	26,989	32,094
Website	1,358	-	-	-	377	1,735	5,770
Total expenditures	1,561,486	47,684	46,353	103,902	649,306	2,408,731	2,181,252
Excess (deficiency) of revenues over expenditures	$ 163,437	$ -	$ (1,353)	$ -	$ -	$ 162,084	$ (13,716)

SOUTHEAST PERSONAL CARE HOME INC.

Financial Statements
For the year ended March 31, 2017

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Members of SOUTHEAST PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **SOUTHEAST PERSONAL CARE HOME INC.**, which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2017

SOUTHEAST PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2017	2016
Assets		
Current Assets		
Cash and bank	$ **1,135,839**	$ 601,992
Short-term investment (Note 4)	**2,511,014**	-
Accounts receivable (Note 2)	**203,439**	385,241
Prepaid expenses	**16,690**	8,989
	3,866,982	996,222
Retirement obligations receivable (Note 5)	**131,102**	98,102
Capital assets (Note 6)	**19,147,790**	19,686,011
Long-term investment (Note 4)	**1,044,605**	3,085,551
	$ **24,190,479**	$ 23,865,886
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued charges (Note 7)	$ **444,565**	$ 418,214
Due to Winnipeg Regional Health Authority (Note 3)	**4,818,040**	4,170,173
Resident deposits	**9,741**	10,425
Accrued vacation entitlements	**232,070**	213,714
	5,504,416	4,812,526
Accrued retirement obligations (Note 5)	**131,102**	98,102
Deferred Contributions (Note 8)		
Capital assets	**17,031,411**	17,576,061
	22,666,929	22,486,689
Commitments and contingencies (Note 10)		
Net Assets		
Invested in capital assets	**2,116,379**	2,109,950
Unrestricted	**(592,829)**	(730,753)
	1,523,550	1,379,197
	$ **24,190,479**	$ 23,865,886

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	2017	2016
Revenue		
Winnipeg Regional Health Authority	$ 4,828,316	$ 4,518,635
Residential charges	1,152,504	1,145,755
Aboriginal Affairs and Northern Development Canada	936,080	993,013
Deferred contributions recognized for amortization	581,308	663,433
Other Income	21,236	19,759
Interest income	44,114	56,329
	7,563,558	7,396,924
Expenditures		
Administration	479,611	474,445
Amortization	581,308	663,433
Bad debt expense	-	9,787
Housekeeping	186,738	184,197
Interest and bank charges	-	53
Laundry and linen	137,753	131,537
Nursing	3,893,756	3,811,979
Nutrition and food services	749,725	739,444
Plant operation	159,153	155,206
Pre-retirement obligations	33,000	32,102
Recreation	131,184	118,400
Social work	47,365	51,520
Staff development	18,311	19,205
Utilities, taxes and insurance	353,381	299,188
	6,771,285	6,690,496
Excess of revenue over expenditures before other item	792,273	706,428
Other Item		
2016/17 WRHA surplus recovery	(926,216)	(984,724)
Deficiency of revenue over expenditures on current year operations	(133,943)	(278,296)
2015/16 WRHA deficit recovery	278,296	-
Excess (deficiency) of revenue over expenditures for the year	$ 144,353	$ (278,296)

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			2017	2016
	Invested in Capital Assets	**Unrestricted**	**Total**	Total
Balance, beginning of year	**$ 2,109,950**	**$ (730,753)**	**$ 1,379,197**	$ 1,657,493
Excess (deficiency) of revenue over expenditures for the year	**-**	**144,353**	**144,353**	(278,296)
Net changes in investment in capital assets (Note 9)	**6,429**	**(6,429)**	**-**	-
Balance, end of year	**$ 2,116,379**	**$ (592,829)**	**$ 1,523,550**	$ 1,379,197

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		2017		2016
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenditures for the year	**$**	**144,353**	$	(278,296)
Items not involving cash				
Amortization of capital assets		**581,308**		663,433
Amortization of deferred contributions		**(581,308)**		(663,433)
		144,353		(278,296)
Changes in non-cash working capital:				
Accounts receivable		**181,802**		(91,193)
Due to WRHA		**647,867**		984,724
Prepaid expenses		**(7,701)**		1,498
Retirement obligations receivable		**(33,000)**		(32,102)
Accounts payable and accrued liabilities		**26,351**		55,199
Resident deposits		**(684)**		1,166
Accrued retirement obligations		**33,000**		32,102
Accrued vacation entitlements		**18,356**		13,166
		865,991		964,560
		1,010,344		686,264
Cash Flows from Financing Activities				
Decrease in loan payable		**-**		(18,941)
Receipt of deferred contributions related to capital assets		**36,658**		49,576
		36,658		30,635
Cash Flows from Investing Activities				
Purchase of capital assets		**(43,087)**		(35,397)
Increase in investments		**(470,068)**		(653,965)
		(513,155)		(689,362)
Net increase in cash and cash equivalents		**533,847**		27,537
Cash and cash equivalents, beginning of year		**601,992**		574,455
Cash and cash equivalents, end of year	**$**	**1,135,839**	$	601,992

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

For the year ended March 31, 2017

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of the Organization

The Southeast Personal Care Home Inc. ("the Organization") was incorporated under the Manitoba Corporations Act in 2009. The Organization is principally involved in providing long-term care and related services to Aboriginal people.

The Organization has been established as a not-for-profit Organization, incorporated without share capital and as such is exempt from income taxes.

Management's Responsibility for the Financial Statements

The financial statements of the Organization are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

Basis of Accounting

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

Capital Assets

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

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Land improvements	10 years
Equipment	5 years
Computers	3 years

Employee Future Benefits

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

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization is funded primarily by the Province of Manitoba, through the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by WRHA with respect to the year ended March 31, 2017.

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.

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

	2017	2016
Residential charges receivable	**$ 45,956**	$ 21,978
GST receivable	**4,376**	20,671
Winnipeg Regional Health Authority	**83,069**	283,289
Accrued interest receivable	**24,707**	18,726
Other receivables	**55,687**	50,933
Allowance for doubtful accounts	**(10,356)**	(10,356)
	$ 203,439	$ 385,241

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.

	2017	2016
2016/2017 funding adjustment	**$ (926,216)**	$ -
2015/2016 funding adjustment	**(706,375)**	(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)
	$ (4,818,040)	$ (4,170,173)

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 July 22, 2019.

	2017	2016
Investments	**$ 3,555,619**	$ 3,085,551
Less amounts reclassified to short-term	**(2,511,014)**	-
Long-term investment	**$ 1,044,605**	$ 3,085,551

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, 2017. The significant actuarial assumptions adopted in measuring the Organization's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.0% (2.55% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) plus age related merit/promotion scale with a provision for potential disability.

5. Employee Future Benefits (continued)

The Province has included in its ongoing annual funding to the Organization, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

	2017	2016
Employee future benefits recoverable from Winnipeg Regional Health Authority	**$ 131,102**	$ 98,102

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

	2017	2016
Balance, beginning of year	**$ 98,102**	$ 66,000
Net increase in pre-retirement entitlements	**33,000**	32,102
Balance, end of year	**$ 131,102**	$ 98,102

(b) Pension Plan

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

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

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2015, 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 $295,602 ($289,042 in 2016) and are included in the statement of operations.

6. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 2,181,716**	**$ -**	$ 2,181,716	$ -
Land improvements	**38,113**	**(9,528)**	38,113	(5,717)
Buildings	**19,567,730**	**(2,684,109)**	19,567,730	(2,194,915)
Equipment	**890,490**	**(849,916)**	853,605	(766,709)
Computers	**140,852**	**(127,558)**	134,649	(122,461)
	$ 22,818,901	**$ (3,671,111)**	$ 22,775,813	$ (3,089,802)
Net book value		**$ 19,147,790**		$ 19,686,011

7. Accounts Payable

	2017	2016
Trade accounts payable	**$ 49,351**	$ 38,616
Salaries and employee benefits payable	**363,819**	355,755
Accrued liabilities	**31,395**	23,843
	$ 444,565	$ 418,214

8. Deferred Contributions

<u>Capital Assets</u>

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.

	2017	2016
Balance, beginning of year	**$ 17,576,061**	$ 18,189,918
Additional contributions received - WRHA	**36,658**	49,576
Less amounts amortized to revenue	**(581,308)**	(663,433)
Balance, end of year	**$ 17,031,411**	$ 17,576,061

For the year ended March 31, 2017

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	**$ 19,147,790**	$ 19,686,011
Amounts financed by		
Deferred contributions	**(17,031,411)**	(17,576,061)
	$ 2,116,379	$ 2,109,950

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

	2017	2016
Excess of revenues over expenses		
Deferred contributions recognized for amortization	**$ 581,308**	$ 663,433
Amortization of capital assets	**(581,308)**	(663,433)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	**$ 43,087**	$ 35,397
Amounts funded by:		
WRHA funding	**(36,658)**	(49,576)
	$ 6,429	$ (14,179)

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, 2017.

(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, 2017.

The Organization is a named insured under the policy with HIROC.

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:

	2017	2016
Residential charges receivable	**$ 45,956**	$ 21,978
GST receivable	**4,376**	20,671
Winnipeg Regional Health Authority	**83,069**	283,289
Accrued interest receivable	**24,707**	18,726
Other receivables	**55,687**	50,933
Retirement obligations receivable	**131,102**	98,102
	$ 344,897	$ 493,699

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.

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, 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Tabor Home Inc.

We have audited the accompanying financial statements of Tabor Home Inc., which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Tabor Home Inc. as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants

May 24, 2017
Winnipeg, Manitoba

TABOR HOME INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and short term investments	**$ 1,741,103**	$ 681,579
Accounts receivable	**3,906**	12,428
Prepaid expenses	**13,034**	13,415
Due from Southern Health - Santé Sud (Note 4)	**-**	124,896
Vacation entitlement receivable (Note 5)	**190,579**	190,579
	1,948,622	1,022,897
PRE-RETIREMENT ENTITLEMENT (Note 5)	**379,927**	366,000
CAPITAL ASSETS (Note 6)	**1,038,112**	1,140,905
OTHER ASSETS (Note 7)	**101,057**	85,104
	$ 3,467,718	$ 2,614,906
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 215,079**	$ 190,775
Accrued vacation entitlement (Note 5)	**295,778**	276,941
Due to Southern Health - Santé Sud (Note 4)	**136,796**	-
Residents' trust fund	**13,308**	10,244
Current portion of mortgage payable (Note 8)	**27,398**	25,583
	688,359	503,543
PRE-RETIREMENT ENTITLEMENT (Note 5)	**379,927**	366,000
MORTAGE PAYABLE (Note 8)	**53,471**	81,160
DEFERRED CONTRIBUTIONS EXPENSES OF FUTURE PERIODS (Note 9)	**993,682**	415,627
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**869,912**	976,632
	2,985,351	2,342,962
NET ASSETS		
Invested in capital assets (Note 10)	**188,388**	142,634
Unrestricted	**293,979**	129,310
	482,367	271,944
	$ 3,467,718	$ 2,614,906

APPROVED BY THE BOARD

Original Document Signed
. . . . Director

Original Document Signed
. . . . Director

TABOR HOME INC.
Statement of Operations
Year ended March 31, 2017

	2017	2016
REVENUE		
Southern Health - Santé Sud (Note 11)	$ 4,029,644	$ 3,890,407
Non-insured	988,857	966,925
Miscellaneous income	56,751	129,067
Amortization of deferred contributions - expenses of future periods	-	3,867
Amortization of deferred contributions - capital assets	167,327	174,093
	5,242,579	5,164,359
EXPENSES		
Long term care - institutional based (Schedule 1)	4,825,062	4,602,030
Long term care - adult day care (Schedule 2)	103,173	104,336
Amortization	167,327	174,093
Pre-retirement benefit	40,000	41,021
Pharmacy capitation	35,064	32,544
Asset impairment loss	-	82,037
	5,170,626	5,036,061
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME AND OTHER ITEMS	71,953	128,298
AMORTIZATION OF DEFERRED CONTRIBUTIONS - EXPENSES OF FUTURE PERIODS	138,470	-
OTHER INCOME	-	10
	138,470	10
ACTIVITES RELATING TO THE CONSTRUCTION OF A NEW FACILITY (NOTE 16)		
Contribution received from Tabor Foundation	-	2,495,156
Other contribtutions received	-	150,000
Donation To Southern Health-Sante Sud	-	(3,695,156)
	-	(1,050,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 210,423	$ (921,692)

TABOR HOME INC.
Statement of Changes in Net Assets
Year ended March 31, 2017

	2017		
	Invested in Capital Assets	**Unrestricted**	**Total**
Balance, beginning of year	**$ 142,634**	**$ 129,310**	**$ 271,944**
Excess (deficiency) of revenue over expenses	**-**	**210,423**	**210,423**
Interfund transfer	**45,754**	**(45,754)**	**-**
Balance, end of year	**$ 188,388**	**$ 293,979**	**$ 482,367**

	2016		
	Invested in Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 207,732	$ 985,904	$ 1,193,636
(Deficiency) excess of revenue over expenses	(2,037)	(919,655)	(921,692)
Interfund transfer	(63,061)	63,061	-
Balance, end of year	$ 142,634	$ 129,310	$ 271,944

TABOR HOME INC.
Statement of Cash Flows
Year ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 210,423	$ (921,692)
Items not affecting cash:		
Amortization	167,327	174,093
Amortization of deferred contributions - expenses of future periods	-	(3,867)
Amortization of deferred contributions - capital assets	(167,327)	(174,093)
Asset impairment loss	-	82,037
	210,423	(843,522)
Changes in non-cash working capital accounts:		
Accounts receivable	8,522	66,829
Prepaid expenses	381	748
Accounts payable and accrued liabilities	24,304	(39,820)
Accrued vacation entitlement	18,837	3,662
Residents' trust fund	3,064	(2,422)
Advanced payments received	-	(159,346)
Due from/to Southern Health - Santé Sud	261,692	(141,049)
	527,223	(1,114,920)
FINANCING ACTIVITIES		
Deferred contributions received - expenses of future periods	578,055	102,603
Deferred contributions received - capital assets	60,607	89,974
Repayment of mortgage	(25,874)	(24,183)
	612,788	168,394
INVESTING ACTIVITIES		
Purchase of capital assets	(64,534)	(63,614)
Investment in asset held for sale	(15,953)	(19,116)
	(80,487)	(82,730)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,059,524	(1,029,256)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	681,579	1,710,835
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 1,741,103	$ 681,579

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, 2017.

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

Internally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue recognition (continued)

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

Endowment contributions are recognized as direct increases in externally restricted net assets.

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

b) SHSS Funding

Funding is provided by SHSS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SHSS for all other eligible operations is provided in accordance with the approved in-globe budget. The Facility is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SHSS for in-globe expenses not initially included in the budget. During the course of an operating period, the Facility may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Facility as revenue in the period in which the amount of funding has been confirmed.

c) Contributed services

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

d) Capital assets

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

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

Buildings	2.5%
Equipment	10%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Pre-retirement entitlement obligation

The Facility has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they have ten years service and have reached the age of 55 or qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Facility has recorded an accrual based on an actuarial valuation that includes employees who qualify as at the statement of financial position date and an estimate for the remainder of employees who have not yet met the criteria noted above. Funding for the pre-retirement entitlement is recoverable from SHSS on an out-of-globe basis in the year of payment.

f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

g) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Facility subsequently measures all its financial assets and financial liabilities at amortized cost.

h) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital assets and pre-retirement entitlement. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

4. DUE FROM (TO) SOUTHERN HEALTH – SANTÉ SUD

	2017	2016
Balance, beginning of year	**$ 124,896**	$ (16,153)
Payments received	**(143,471)**	-
RHA budget adjustment	**(137,041)**	(4,636)
Out of Globe adjustment	**(9,136)**	32,316
CUPE and HUB increases	**28,475**	28,081
New project expenses	**(519)**	85,288
	$ (136,796)	$ 124,896

5. VACATION AND PRE-RETIREMENT ENTITLEMENT RECEIVABLES

	2017	2016
Vacation entitlement receivable	**$ 190,579**	$ 190,579
Pre-retirement entitlement receivable	**$ 379,927**	$ 366,000

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, 2017 in the amount of $379,927 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 3.10% (3.00% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) plus age related merit / promotion scale with actuarial derived provisions for disability.

6. CAPITAL ASSETS

	2017			2016
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land and land improvements	**$ 54,371**	**$ -**	**$ 54,371**	$ 48,996
Buildings	**1,303,922**	**1,009,278**	**294,644**	301,801
Equipment	**1,890,077**	**1,200,980**	**689,097**	790,108
	$ 3,248,370	**$ 2,210,258**	**$ 1,038,112**	$ 1,140,905

7. OTHER ASSETS

Other assets are comprised of the following:

	2017	2016
Land held for sale	**$ 77,993**	$ 65,988
Costs related the construction of a new facility	**23,064**	19,116
	$ 101,057	$ 85,104

8. MORTGAGE PAYABLE

	2017	2016
CMHC loan	**$ 80,869**	$ 106,743
Less: current portion	**(27,398)**	(25,583)
	$ 53,471	$ 81,160

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 three years are expected to be as follows:

2018	27,398
2019	29,342
2020	24,129

Subsequent to year end the remaining balance of the mortgage payable was repaid in full.

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.

	2017	2016
Expenses of future periods		
Balance, beginning of year	**$ 415,627**	$ 316,891
Add: additional contributions received	**716,525**	102,603
Less: amounts amortized to revenue	**(138,470)**	(3,867)
	$ 993,682	$ 415,627
Related to capital assets		
Balance, beginning of year	**$ 976,632**	$ 1,060,751
Add: additional contributions received	**60,607**	89,974
Less: amounts amortized to revenue	**(167,327)**	(174,093)
	$ 869,912	$ 976,632

10. NET ASSETS – INVESTED IN CAPITAL ASSETS

a) *Invested in capital assets is calculated as follows:*

	2017	2016
Capital assets	**$ 1,038,112**	$ 1,140,905
Asset held for sale	**101,057**	85,104
Amounts financed by deferred contributions	**(869,912)**	(976,632)
Amounts financed by mortgage payable	**(80,869)**	(106,743)
	$ 188,388	$ 142,634

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

	2017	2016
Amortization of deferred contributions related to capital assets	**$ 167,327**	$ 174,093
Amortization of capital assets	**(167,327)**	(174,093)
Self funded mortgage payments	**25,874**	24,183
Amounts funded by deferred contributions	**(60,607)**	(89,974)
Asset impairment loss	**-**	(82,037)
Capital asset purchases	**80,487**	82,730
	$ 45,754	$ (65,098)

11. SOUTHERN HEALTH – SANTÉ SUD REVENUE

Southern Health – Santé Sud revenue includes the following:

	2017	2016
Revenue per final budget	**$ 4,250,541**	$ 3,824,300
Deferred for major repairs	**(3,380)**	-
Provincially funded debt	**(15,067)**	(15,067)
	4,232,094	3,809,233
Other budget adjustments	**(232,201)**	-
Current year's estimated out of globe amounts	**(23,772)**	42,590
Retroactive salary approvals	**53,523**	38,584
Revenue for the year	**$ 4,029,644**	$ 3,890,407

Amounts recoverable or payable are based on SHSS funding policies on out of globe budget items for the fiscal year. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

12. PENSION PLAN

Substantially all employees of the Facility are members of the Health Employees' Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities with the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3462.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan's investment policy. Pension expense is based on best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% of earnings in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $91,185,000 (2014 - $194,548,000) as well as a solvency deficiency of $2,320,015,000 (2014 - $1,955,292,000). Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to $249,332 (2016 - $249,040) and are included in the statement of operations. The actuarial valuation for December 31, 2016 is not yet available.

13. HOUSING UNITS AND APARTMENTS DIVISIONAL RESULTS

	2017	2016
Summarized balance sheet		
Assets		
Current	**$ 610,048**	$ 600,981
Restricted	**-**	-
	610,048	600,981
Liabilities		
Current	**-**	-
Net Assets	**610,048**	600,981
	$ 610,048	$ 600,981
Summarized income statement		
Investment income	**$ 9,077**	$ 23,891

14. ECONOMIC DEPENDENCE

The Facility receives approximately 77% (2016 – 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

In the prior year SHSS commenced construction of a new building which will replace the current facility owned and occupied by Tabor Home Inc. SHSS is responsible for 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.

TABOR HOME INC.

Statement of Expenses - Personal Care Home

Year ended March 31, 2017

	2017	2016
Departmental expenses		
Activities program	$ 135,171	$ 129,721
Administration	341,200	329,661
Building maintenance	165,781	174,207
Building operation	157,647	158,161
Chaplain	18,838	17,908
Dietary	533,260	531,575
Housekeeping	217,618	231,364
In-service education	55,708	89,364
Laundry and linen	122,492	128,885
Mortgage interest	6,442	12,000
New facility expenditures	207,487	-
Nursing services	2,802,722	2,744,187
Social work	54,390	47,471
Volunteer services	6,306	7,526
	$ 4,825,062	$ 4,602,030

TABOR HOME INC.
Statement of Expenses - Adult Day Care Program
Year ended March 31, 2017

		2017		2016
Program expenses				
Employer benefits contribution	**$**	**13,798**	$	16,340
Salaries		**77,013**		75,982
Travel		**12,362**		12,014
	$	**103,173**	$	104,336

THE CONVALESCENT HOME OF WINNIPEG
FINANCIAL STATEMENTS
MARCH 31, 2017

FORT GROUP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the accompanying financial statements of **THE CONVALESCENT HOME OF WINNIPEG**, which comprise the statement of financial position as at March 31, 2017 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.

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, 2017 and results of operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
May 30, 2017

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

March 31, 2017

		2017	2016
ASSETS			
CURRENT			
Cash	$	**16,923**	-
Short-term investments (note 3)		-	62,285
Accounts receivable (note 4)		**58,548**	63,584
Due from Winnipeg Regional Health Authority (note 10)		-	370,790
Vacation entitlement receivable (note 5)		**171,526**	171,526
Prepaid expenses		**15,589**	26,239
		262,586	694,424
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 11)		**423,206**	422,422
RESTRICTED CASH AND INVESTMENTS (note 6)		**110,413**	99,146
CAPITAL ASSETS (note 7)		**1,885,043**	2,052,597
		2,681,248	3,268,589
LIABILITIES			
CURRENT			
Bank indebtedness (note 8)	$	-	250,814
Accounts payable and accrued liabilities (note 9)		**305,692**	405,980
Resident trust payable		**13,215**	8,442
Accrued vacation payable (note 5)		**276,500**	314,447
Due to Winnipeg Regional Health Authority (note 10)		**4,341**	-
		599,748	979,683
COMMITMENTS AND CONTINGENCIES (note 12)			
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 11)		**366,783**	366,000
DEFERRED CONTRIBUTIONS, EXPENSES OF FUTURE PERIODS		**110,413**	153,072
DEFERRED CONTRIBUTIONS, CAPITAL ASSETS (note 13)		**1,412,329**	1,464,131
		2,489,273	2,962,886
NET ASSETS			
NET ASSETS (page 4)		**191,975**	305,703
	$	**2,681,248**	3,268,589

Approved on behalf of the Board

Original Document Signed — Director

Original Document Signed — Director

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

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF OPERATIONS

For the year ended March 31, 2017

		2017	2016
REVENUE			
Winnipeg Regional Health Authority	$	**4,562,110**	4,419,008
Resident charges		**1,486,161**	1,566,166
Offset income		**18,210**	14,246
Investment income (loss)		**629**	(11,140)
		6,067,110	5,988,280
EXPENSES			
Electricity		**45,064**	42,227
Health and education levy		**82,955**	74,776
Insurance		**23,668**	19,708
Interest		**20,334**	19,177
Medical remuneration		**14,217**	14,216
Medical supplies and equipment		**82,648**	94,108
Natural gas		**23,053**	31,972
Operational supplies and services		**166,858**	195,246
Other employee benefits		**708,648**	649,940
Other nursing expenses		**14,982**	11,361
Plant maintenance		**100,583**	159,999
Property taxes		**16,380**	17,465
Purchased services		**887,063**	869,308
Resident travel		**12,947**	8,815
Salaries		**3,742,826**	3,668,511
Water and waste		**44,728**	40,474
		5,986,954	5,917,303
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE OTHER ITEMS		**80,156**	70,977
OTHER ITEMS			
Amortization of deferred contributions		**59,379**	59,379
Amortization of capital assets		**(169,628)**	(174,108)
Change in retirement obligation		**(83,644)**	(42,001)
		(193,893)	(156,730)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$	**(113,737)**	(85,753)

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

STATEMENT OF CHANGES IN NET ASSETS

March 31, 2017

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2017	TOTAL 2016
NET ASSETS (DEFICIT), beginning of year	$ 588,466	(282,763)	305,703	394,843
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	-	(113,737)	(113,737)	(85,753)
PRE-RETIREMENT REMEASUREMENT	-	9	9	(3,387)
TRANSFER	(115,752)	115,752	-	-
NET ASSETS (DEFICIT), end of year	$ 472,714	(280,739)	191,975	305,703

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

		2017	2016
OPERATING ACTIVITIES			
Excess (deficiency) of revenue over expenses	$	**(113,737)**	(85,753)
Adjustments for			
Amortization of capital assets		**169,628**	174,108
Net increase in deferred contributions - capital assets		**(51,802)**	215,577
Net increase (decrease) in deferred contributions - expenses of future periods		**(42,659)**	19,548
Changes in fair value of investments			15,885
		(38,570)	339,365
Changes in non-cash working capital balances			
Accounts receivable		**5,036**	(7,920)
Restricted cash and investments		**(11,267)**	34,378
Prepaid expenses		**10,643**	(3,142)
Pre-retirement entitlement receivable		**(784)**	5,261
Accounts payable and accrued liabilities		**(100,282)**	45,588
Resident trust payable		**4,773**	(5,893)
Accrued vacation payable		**(37,947)**	40,195
Accrued pre-retirement entitlement		**783**	9,000
		(167,615)	456,832
INVESTING ACTIVITIES			
Purchase of capital assets		**(2,503)**	(270,383)
Net (increase) decrease in investments		**62,715**	(4,220)
		60,212	(274,603)
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		**375,131**	(319,021)
Pre-retirement remeasurement		**9**	(3,387)
		375,140	(322,408)
NET INCREASE (DECREASE) IN CASH POSITION		**267,737**	(140,179)
CASH (BANK OVERDRAFT) POSITION, beginning of year		**(250,814)**	(110,635)
CASH (BANK OVERDRAFT) POSITION, end of year	$	**16,923**	(250,814)

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

1. ENTITY DEFINITION

The Convalescent Home of Winnipeg ("The Home") is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Board of Directors of The Home administers the Benefit Fund under a "Declaration of Trust" for all present and future Residents of The Home and to further the objects of The Home. These financial statements present the financial position and results of operations of The Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - The Benefit Fund ("The Benefit Fund"). The Benefit Fund is the recipient of gifts, devices or bequests of money and shall be administered for the benefit of all Residents with respect to financing purchases outside the normal scope of the regular operation of The Home as may be authorized by the Board of Directors.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Home's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Home's financial instruments consist of cash, accounts receivable, vacation entitlement receivable, short-term investments, pre-retirement entitlement receivable, restricted cash and investments, bank indebtedness, demand loan payable, accounts payable and accrued liabilities, Resident trust payable, accrued vacation payable, due to Winnipeg Regional Health Authority, callable debt, and accrued pre-retirement entitlement.

Transaction costs for the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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

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

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

		2017	2016
Accounts receivable	$	**394,793**	493,910
Vacation entitlement receivable		**171,526**	171,526
Pre-retirement entitlement receivable		**423,206**	422,422
	$	**989,525**	1,087,858

Accounts receivable: The Home is not exposed to significant credit risk as the receivable is primarily from the WRHA and the remaining balances are spread among a broad client base and payment in full is typically collected when it is due. The Home establishes and allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Vacation entitlement receivable and pre-retirement entitlement receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the WRHA.

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

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

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

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

Buildings	- 2%
Roof replacement	- 6.67%
Computer equipment	- 33%
Computer software	- 33%
Furniture - sun room	- 20%
Furniture and equipment	- 20%
Equipment - generator	- 2%

Major Repairs and Equipment Replacement Reserve
The Home has established a reserve to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Restricted Cash and Investments
Restricted cash and investment balances represent assets segregated for use for replacement reserves.

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

Under the Health Insurance Act and regulations hereto, The Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2017.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

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

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

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

Employee Future Benefits
Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

3. SHORT-TERM INVESTMENTS

		2017	2016
CIBC Mutual funds	$	-	62,285

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

		2017	2016
Receivable from Residents	$	**31,948**	34,743
Other		**17,687**	11,217
GST receivable		**8,913**	17,624
	$	**58,548**	63,584

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.

6. RESTRICTED CASH AND INVESTMENTS

	2017	2016
CIBC savings account	$ **4**	4
Basic equipment reserve GIC	**88,880**	77,248
Major repair reserve GIC	**15,307**	16,715
Insurance deductible reserve GIC	**6,222**	5,179
	$ **110,413**	99,146

7. CAPITAL ASSETS

	2017 Cost	2017 Accumulated Amortization	2016 Cost	2016 Accumulated Amortization
Land	$ **16,269**	**-**	16,269	-
Building	**2,956,709**	**1,269,642**	2,955,684	1,192,985
Computer equipment	**192,514**	**188,457**	191,036	181,561
Computer software	**55,313**	**55,313**	55,313	55,313
Furniture - sun room	**146,176**	**144,906**	146,176	134,831
Furniture and equipment	**1,229,249**	**1,052,869**	1,229,249	976,440
	4,596,230	**2,711,187**	4,593,727	2,541,130
Cost less accumulated amortization	$ **1,885,043**		2,052,597	

Amortization of capital assets for the year ended March 31, 2017 is $169,628 (2016 - $174,108).

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, 2017 the Home was not utilizing its line of credit.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable - trade	$ **153,479**	278,724
Accrued property taxes	**4,610**	4,366
Accrued audit fees	**13,750**	13,750
Accrued salaries and other	**133,853**	109,140
	$ **305,692**	405,980

10. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2017	2016
Receivable from WRHA			
Pre-retirement leave	$	**14,172**	14,172
HEPP 1%		**(8,120)**	(8,120)
Constant care		**840**	840
Non-unionized salary increase - 2013/2014		**24,540**	24,540
Residential charges (non-global) - 2013/2014		**20,354**	20,354
Residential charges (non-global) - 2014/2015		**14,222**	23,744
HEPP .8%		-	23,919
MGEU retroactive pay - 2014/2015		-	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**	92,227
Deficit funding - 2015/2016		**90,000**	90,000
20 Year Step Support - 2016/2017		**8,047**	-
Prof Tech - 2016/2017		**8,647**	-
Employee benefits - 2016/2017		**22,930**	-
HEPP - COLA - 2016/2017		**32,129**	-
Constant Care - 2016/2017		**8,172**	-
Other		**8,085**	18,794
Total receivable from WRHA		**336,245**	493,306
Payable to WRHA			
Residential charges (non-global) - 2016/2017		**118,070**	-
Advances		**222,516**	122,516
Total payable to WRHA		**340,586**	122,516
Net due (to) from WRHA	$	**(4,341)**	370,790

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, 2017. 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 2016) and a rate of salary increase of 3.50% (3.0% in 2016) 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 $294,336 (2016 - $253,182) and are included in the statement of operations.

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, 2017, no litigation is in process. With respect to potential claims at March 31, 2017, 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, 2017.

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.

		2017	2016
Balance, beginning of year	$	**1,464,131**	1,248,554
Contributions - Winnipeg Regional Health Authority		**91,416**	87,213
Fire system upgrade advances		-	226,767
Roof replacement loan advances		-	43,972
CMHC loan principal reductions		**(9,570)**	(19,931)
Emergency generator loan principal reductions		**(42,289)**	(38,765)
Window replacement loan principal reductions		**(16,620)**	(16,620)
Roof replacement loan principal reductions		**(15,360)**	(7,680)
Less amounts amortized to revenue		**(59,379)**	(59,379)
Balance, end of year	$	**1,412,329**	1,464,131

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

		2017	2016
Reserve for basic equipment			
Balance, beginning of year	$	**88,880**	74,180
Contributions - Winnipeg Regional Health Authority		**14,700**	14,700
Expenses during the year		**(14,700)**	
Balance, end of year		**88,880**	88,880
Reserve for major repair			
Balance, beginning of year		**58,974**	55,134
Contributions - Winnipeg Regional Health Authority		**3,840**	3,840
Reserve adjustment		**5,925**	
Expenses during the current year		**(5,300)**	
Expenses of the prior year not previously applied against reserve		**(48,132)**	
Balance, end of year		**15,307**	58,974
Reserve for insurance deductible			
Balance, beginning of year		**5,218**	4,210
Contributions - Winnipeg Regional Health Authority		**1,008**	1,008
Balance, end of year		**6,226**	5,218
Total deferred contributions - expenses of future periods	$	**110,413**	153,072

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

		2017	2016
CIBC - emergency generator loan, payable in monthly instalments of $3,524 plus interest at prime plus 0.50%, callable on demand	$	**146,802**	189,091
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		**3,288**	12,858
CIBC - window replacement loan, payable in monthly instalments of $1,385 plus interest at prime plus 0.50%, callable on demand		**106,460**	123,080
CIBC - roof replacement loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand		**130,132**	145,492
CIBC - fire system upgrade loan, terms of repayment not yet set, bearing interest at prime plus 0.50%, callable on demand		**226,767**	226,767
	$	**613,449**	697,288

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.

14. ECONOMIC DEPENDENCE

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

Financial Statements of

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Year ended March 31, 2017

KPMG LLP
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Winnipeg MB R3B 0X3
Canada

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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, 2017, 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 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, 2017, 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 1, 2017

Winnipeg, Canada

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Financial Position

March 31, 2017, with comparative information for 2016

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents (note 3)	$	570,348	$	149,159
Accounts receivable		23,542		19,967
Receivable from Winnipeg Regional Health Authority		47,545		261,913
Receivable from The Salvation Army		–		63,219
Prepaid expenses		1,775		5,658
Inventory		–		19,540
Employee benefits recoverable from Winnipeg Regional Health Authority (note 7[b])		271,682		271,682
		914,892		791,138
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 7[a])		659,759		640,530
Capital assets (note 4)		1,977,909		2,136,781
Deferred grants receivable (note 5)		239,429		277,820
	$	3,791,989	$	3,846,269
Liabilities, Deferred Contributions and Net Equity (Deficiency)				
Current liabilities:				
Accounts payable and accrued liabilities (notes 6 and 14)	$	261,289	$	235,503
Accrued vacation payable		437,117		431,230
Current portion of loan payable to The Salvation Army (note 9 [b])		84,770		67,944
Current portion of long-term debt (note 9[a])		39,420		36,841
		822,596		771,518
Accrued pre-retirement benefits (note 7[a])		699,228		680,000
Loan payable to The Salvation Army (note 9[b])		295,650		302,526
Long-term debt (note 9[a])		99,075		138,495
		1,916,549		1,892,539
Deferred contributions (note 8)		1,884,228		2,054,557
Net equity (deficiency):				
Unrestricted		(544,452)		(472,370)
Internally restricted (note 11)		399,278		340,292
Invested in capital assets (note 10)		136,386		31,251
		(8,788)		(100,827)
	$	3,791,989	$	3,846,269

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, 2017, with comparative information for 2016

	PCH services	Adult day care	Other services	Total unrestricted	Capital	Internally restricted	2017 Total	2016 Total
Revenue:								
Winnipeg Regional Health Authority	$ 5,844,843	$ 196,488	$ –	$ 6,041,331	$ –	$ –	$ 6,041,331	$ 5,987,608
Participant fees	–	24,791	–	24,791	–	–	24,791	24,068
Residential charges	2,536,938	–	–	2,536,938	–	–	2,536,938	2,535,129
Amortization of deferred contributions (note 8)	–	–	–	–	264,007	–	264,007	297,977
Dietary services	18,198	–	–	18,198	–	–	18,198	31,788
Grants from The Salvation Army (note 14)	–	–	170,000	170,000	–	3,311	173,311	224,151
Donations	–	–	–	–	–	23,123	23,123	29,354
Fundraising	–	–	–	–	–	–	–	4,409
Other income	124,649	–	40,000	164,649	–	365	165,014	117,782
Federal grant	6,679	–	–	6,679	–	–	6,679	–
	8,531,307	221,279	210,000	8,962,586	264,007	26,799	9,253,392	9,252,266
Expenses:								
Salaries	5,873,395	108,171	–	5,981,566	–	–	5,981,566	6,120,936
Employee benefits	1,161,692	23,072	–	1,184,764	–	–	1,184,764	1,176,999
Payroll levy	115,965	–	–	115,965	–	–	115,965	125,436
Administration (note 14)	183,111	2,111	135,913	321,135	–	–	321,135	252,155
Amortization	–	–	–	–	305,296	–	305,296	306,477
Contributed services	–	–	51,092	51,092	–	–	51,092	58,187
Interest on long-term debt (note 9)	22,694	–	–	22,694	–	–	22,694	24,889
Medical supplies	151,816	–	–	151,816	–	–	151,816	109,883
Operating expenses	559,404	71,214	–	630,618	–	–	630,618	629,362
Fundraising	–	–	–	–	–	–	–	4,281
Physical plant	326,039	12,600	–	338,639	–	–	338,639	342,906
Pre-retirement leave costs (note 7[a])	57,768	–	–	57,768	–	–	57,768	69,157
	8,451,884	217,168	187,005	8,856,057	305,296	–	9,161,353	9,220,668
Excess (deficiency) of revenue over expenses	$ 79,423	$ 4,111	$ 22,995	$ 106,529	$ (41,289)	$ 26,799	$ 92,039	$ 31,598

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Unrestricted	Internally restricted	Invested in capital assets	2017 Total	2016 Total
Balance, beginning of year	$ (472,370)	$ 340,292	$ 31,251	$ (100,827)	$ (132,425)
Excess (deficiency) of revenue over expenses	106,529	26,799	(41,289)	92,039	31,598
Inter-fund transfers (note 12)	(178,611)	32,187	146,424	–	–
Balance, end of year	$ (544,452)	$ 399,278	$ 136,386	$ (8,788)	$ (100,827)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Operating activities:		
Excess of revenue over expenses	$ 92,039	$ 31,598
Items not affecting cash:		
Amortization of capital assets	305,296	306,477
Amortization of deferred contributions	(264,007)	(297,977)
	133,328	40,098
Changes in non-cash working capital balances:		
Accounts receivable	(3,575)	66,337
Receivable from Winnipeg Regional Health Authority	214,368	(18,603)
Receivable from The Salvation Army	63,219	(3,219)
Prepaid expenses	3,883	3,625
Inventory	19,540	1,095
Future employee pre-retirement benefits recoverable	(19,229)	5,000
Accrued pre-retirement benefits	19,228	(5,000)
Accrued vacation payable	5,887	15,281
Accounts payable and accrued liabilities	25,786	(302,503)
	462,435	(197,889)
Financing activities:		
Grants received	38,391	38,104
Additional deferred contributions received, net	93,678	83,314
Repayments of long-term debt	(109,918)	(168,596)
Proceeds from long-term debt	83,027	292,026
	105,178	244,848
Investing activities:		
Capital asset purchases	(146,424)	(44,520)
Increase in cash and cash equivalents	421,189	2,439
Cash and cash equivalents, beginning of year	149,159	146,720
Cash and cash equivalents, end of year	$ 570,348	$ 149,159

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial Lodge (the “Lodge” or the “Ministry Unit”) is an unincorporated operating unit of The Salvation Army Canada and Bermuda Territory (the “Territory”).

The Governing Council of The Salvation Army in Canada (“The Governing Council”), a corporation established by a Special Act of Parliament, is the primary legal entity through which the Territory conducts its operations. The Governing Council holds title to all Salvation Army property, including bank accounts and real estate on behalf of individual operating units.

The Ministry Unit is a registered charitable organization, associated with The Salvation Army Territorial Headquarters (“THQ”), the primary charitable entity of the Territory. The Ministry Unit is a not-for-profit corporation established by the provincial statute and continued by *The Salvation Army Golden West Centennial Lodge Act* (the Act). The Lodge operates a long-term care facility and is governed by a board of management appointed by The Salvation Army in accordance with the Act. The Ministry Unit operates under the direction of The Salvation Army Prairie Divisional Headquarters (“DHQ”), which is located in Winnipeg, Manitoba and pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and licensed under the provisions of the Winnipeg Regional Health Authority (“WRHA”). 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.

1. Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and present the assets, liabilities, net deficiency, revenue and expenses and cash flows of the Ministry Unit.

(a) 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.

(b) 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.

(c) Internally restricted funds:

Internally restricted funds (note 11) represents 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.

2. Significant accounting policies:

(a) Cash and cash equivalents:

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

2. **Significant accounting policies (continued):**

(b) Capital assets:

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

In accordance with the policies established by the Territory, capital assets with a cost exceeding $5,000 are stated at cost. 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.

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

Asset	Term
Buildings	40 - 50 years
Building expansion	20 - 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

(c) Revenue recognition:

The Lodge follows the deferral method of accounting for contributions.

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

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

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

2. Significant accounting policies (continued):

Grants from The Salvation Army DHQ represent an allocation made to the Ministry Unit from DHQ for the operation of the programs. The funds are derived mainly from individuals in the community that have contributed to the fundraising efforts of the Territory.

(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).

2. Significant accounting policies (continued):

(g) Employee future benefits:

The Lodge records a provision for future employee benefits including accrued vacation payable and accrued pre-retirement benefits. For certain employees, funding for future employee benefits is recoverable from the WRHA as a component of salary costs in the period in which the expenditures are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statement of financial position as recoverable from the WRHA.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently 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, liquidity, 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. Significant items subject to such estimates and assumptions include the useful lives of capital assets. Actual results could differ from those estimates.

3. Cash and cash equivalents:

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.

	2017	2016
Cash	$ 497,311	$ 77,392
THQ general deposit account	40,485	39,580
THQ capital deposit account (CDA)	32,552	32,187
	$ 570,348	$ 149,159

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 $2,527 (2016 - $9,239) on behalf of residents. These funds are not presented in these financial statements.

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 55,159	$ –	$ 55,159	$ 55,159
Buildings	1,184,276	954,318	229,958	253,643
Building expansion	5,868,028	4,688,728	1,179,300	1,248,739
Major equipment	1,148,256	754,626	393,630	448,748
Nurse call system	165,263	49,593	115,670	121,180
Roof expansion	220,032	220,032	–	–
Computer hardware and software	67,576	63,384	4,192	9,312
	$ 8,708,590	$ 6,730,681	$ 1,977,909	$ 2,136,781

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.

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, 2017 is $17,652 (2016 - $22,323).

(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 $221,777 remaining to be received from the WRHA as at March 31, 2017 (2016 - 255,497). 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.

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2017	2016
Accounts payable	$ 115,500	$ 106,010
Accrued salaries and benefits	135,631	119,128
Government remittances payable	9,375	9,375
Accrued interest payable	783	990
	$ 261,289	$ 235,503

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 (2016 - 3.1 percent) and a rate of salary increase of 3.5 percent (2016 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 4.0 percent (2016 - 0 - 4.0 percent) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $57,768 (2016 - $69,157).

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 $659,759 at March 31, 2017 (2016 - $640,530) 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.

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:

			2017	2016
	Purchased capital assets	Future capital purchases and major repairs	Total	Total
Balance, beginning of year	$ 1,930,194	$ 124,363	$ 2,054,557	$ 2,269,220
Additional contributions received:				
Mortgage/loan payments (note 9)	36,841	–	36,841	34,440
Capital assets and major repairs	–	56,837	56,837	48,874
	1,967,035	181,200	2,148,235	2,352,534
Amortization	264,007	–	264,007	297,977
Balance, end of year	$ 1,703,028	$ 181,200	$ 1,884,228	$ 2,054,557

9. Long-term debt:

(a) Canada Mortgage and Housing Corporation

	2017	2016
Canada Mortgage and Housing Corporation, mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	$ 138,495	$ 175,336
Current portion	39,420	36,841
	$ 99,075	$ 138,495

Principal and interest payments are funded by the Province of Manitoba via the WRHA. Principal payments are recorded in deferred contributions (note 8).

9. Long-term debt (continued):

Principal payments expected in the next four years to expiry are as follows:

2018	$	39,420
2019		42,174
2020		45,123
2021		11,778
	$	138,495

During the year, interest expense relating to the debt funded amounted to $22,694 (2016 - $24,889).

(b) The Salvation Army - THQ

		2017		2016
The Salvation Army - THQ, loan payable, interest at 3.14%, repayable $3,105 monthly, including principal and interest, maturing 2019.	$	77,939	$	112,163
Current portion		35,314		34,224
	$	42,625	$	77,939
The Salvation Army - THQ, loan payable, interest at 3.00%, repayable $2,810 monthly including principal and interest, maturing 2023 - Principal and interest payments are funded by the Province of Manitoba via the WRHA.	$	224,587	$	258,307
Current portion		33,720		33,720
	$	190,867	$	224,587
The Salvation Army - THQ, loan payable, interest at 3.17%, repayable $1,498 monthly, including principal and interest, maturing 2021.	$	77,894		–
Current portion		15,736		–
	$	62,158		–
	$	295,650	$	302,526

The above loan agreements with THQ, relate to the projects described in note 5(b).

10. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2017	2016
Capital assets (note 4)	$ 1,977,909	$ 2,136,781
Amounts financed by:		
Deferred contributions - purchased capital assets (note 8)	(1,703,028)	(1,930,194)
Long-term debt (note 9)	(138,495)	(175,336)
Balance, end of year	$ 136,386	$ 31,251

11. Internally restricted funds:

The internally restricted fund balance comprises the following (note 1[c]):

	2017	2016
Special Projects	$ 366,726	$ 340,292
Capital improvements (Capital Deposit acct)	32,552	–
	$ 399,278	$ 340,292

During the year, donations of $23,123 (2016 - $33,763) were received for future projects.

12. Inter-fund transfers:

During the year, the Lodge transferred $32,187 to internally restricted funds to reflect the balance in the CDA account that is used for future capital purchases. In addition, the Lodge transferred $146,424 to invested in capital assets to cover capital asset purchases during the year.

13. Pension plan:

Eligible employees of the Lodge are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan.

During the year, the Lodge contributed $492,161 (2016 - $483,696) 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 11.24 percent (2016 - 8.9 percent) of pensionable earnings up to the YMPE and 9.52 percent (2016 - 10.5 percent) on earnings in excess of YMPE.

14. Related party transactions:

During the year, the Lodge had the following transactions with The Salvation Army:

	2017	2016
Revenue:		
Grant from DHQ - Red Shield Appeal	$ 170,000	$ 130,000
Grant from DHQ	–	60,000
Grant from DHQ - window project	–	34,151
Grant from THQ - Johnstone Endowment	3,311	–
	173,311	224,151
Expense:		
Management support assessment paid to THQ	135,913	133,371
Accounting fees paid to THQ	57,233	–
	193,146	133,371

Included in accounts payable and accrued liabilities are balances due to THQ of $972 (2016 - $26,002).

14. Related party transactions (continued):

DHQ has approved funding to the Ministry Unit up to $60,000 annually starting April 1, 2012 for a maximum of 12 years for the purpose of reducing the deficiency in net assets, when required. Funding, if any, for the current year is included in receivable from The Salvation Army on the statement of financial position.

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

15. Economic dependence:

The Ministry Unit defines receives the majority of its revenues in the form of grants from WRHA. In management's opinion, the Ministry Unit's continuing operations are dependent on the continuance of these grants.

THE SAUL AND CLARIBEL SIMKIN CENTRE FOUNDATION INC. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017 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, 2017

BDO

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of 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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 28, 2017

THE SHARON HOME, INC.
Non-consolidated Statement of Financial Position

As at March 31		2017		2016
Assets				
Current Assets				
Cash and bank (Note 17)	$	**171,463**	$	414,246
Accounts receivable (Note 2)		**172,890**		44,791
Due from The Saul and Claribel Simkin Centre Foundation Inc. (Note 15)		**699,963**		248,148
Due from Winnipeg Regional Health Authority (Note 3)		**760,538**		1,308,854
Prepaid expenses		**107,436**		119,717
		1,912,290		2,135,756
Loan receivable (Note 4)		**70,989**		70,989
Capital assets (Note 5)		**32,658,068**		33,780,503
Vacation entitlements receivable (Note 6)		**603,753**		603,753
Pre-retirement entitlements receivable (Note 7)		**1,376,178**		1,277,599
	$	**36,621,278**	$	37,868,600
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 8)	$	**1,000,000**	$	1,000,000
Accounts payable and accrued liabilities (Note 9)		**709,876**		741,417
Accrued vacation entitlements (Note 6)		**753,035**		730,438
Current portion of mortgage payable (Note 10)		**1,102,500**		1,102,500
Current portion of notes payable (Note 11)		**202,920**		921,670
		3,768,331		4,496,025
Mortgage payable (Note 10)		**11,943,750**		13,046,250
Notes payable (Note 11)		**2,367,400**		2,570,320
Deferred contributions (Note 12)		**16,803,734**		16,018,201
Accrued pre-retirement obligations (Note 7)		**1,268,982**		1,166,000
		36,152,197		37,296,796
Contingencies (Note 13)				
Net Assets				
Invested in capital assets		**576,650**		404,134
Unrestricted		**(107,569)**		167,670
		469,081		571,804
	$	**36,621,278**	$	37,868,600

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	2017	2016
Revenue		
Adult Day Program (per Schedule)	$ -	$ -
Capital funding Manitoba Health	844,895	982,969
Change in pre-retirement benefit	98,579	(16,000)
Contributions from The Saul and Claribel Simkin Centre Foundation Inc. (Note 15)	268,032	289,540
Other income	44,741	31,607
Residential charges	4,386,220	4,280,302
Winnipeg Regional Health Authority	10,326,806	10,590,045
	15,969,273	16,158,463
Expenses		
Administration	713,532	708,887
Housekeeping	650,622	637,603
Information technology	68,273	43,371
Interest on long-term debt	844,895	982,969
Interest and carrying charges on land for future improvement	78,803	81,113
Laundry and linen	452,090	459,006
Nutrition and food services	1,855,841	1,827,938
Other employee benefits	184,363	139,770
Plant maintenance	452,169	482,363
Plant operation	747,051	732,878
Resident care	9,418,408	9,405,632
Social work	82,129	75,644
Spiritual care	99,146	75,995
Staff development	11,167	10,994
Therapeutic recreation	378,629	375,668
Volunteer services	48,181	47,730
	16,085,299	16,087,561
Excess (deficiency) of revenue over expenses before other items	(116,026)	70,902
Other Items		
Amortization of deferred contributions related to capital assets (Note 12)	1,236,613	1,238,911
Amortization of capital assets	(1,322,698)	(1,309,813)
Gain on insurance proceeds related to capital assets disposal	99,388	-
	13,303	(70,902)
Deficiency of revenue over expenses for the year	$ (102,723)	$ -

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

THE SHARON HOME, INC.
Non-consolidated Statement of Changes in Net Assets

For the year ended March 31, 2017

	Invested in Capital Assets	Unrestricted	Total
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**
Excess (deficiency) of revenue over expenses for the year	**13,303**	**(116,026)**	**(102,723)**
Interfund transfers (Note 14)	**159,213**	**(159,213)**	**-**
Balance, March 31, 2017	**$ 576,650**	**$ (107,569)**	**$ 469,081**

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	2017	2016
Cash Flows from Operating Activities		
Deficiency of revenue over expenses for the year	$ **(102,723)**	$ -
Items not affecting cash and bank		
Amortization of deferred contributions related to capital assets	**(1,236,613)**	(1,238,911)
Amortization of capital assets	**1,322,698**	1,309,813
	(16,638)	70,902
Changes in non-cash working capital		
Accounts receivable	**(128,099)**	(21,573)
Due from The Saul and Claribel Simkin Centre Foundation Inc.	**(451,815)**	323,384
Due from Winnipeg Regional Health Authority	**548,316**	6,997
Prepaid expenses	**12,281**	33,074
Pre-retirement entitlements receivable	**(98,579)**	16,000
Accounts payable and accrued liabilities	**(31,541)**	(280,180)
Accrued vacation entitlements	**22,597**	22,077
Accrued pre-retirement obligations	**102,982**	(16,000)
	(40,496)	154,681
Cash Flows from Financing Activities		
Repayment of mortgage payable	**(1,102,500)**	(1,102,500)
Repayment of notes payable	**(921,670)**	(921,670)
	(2,024,170)	(2,024,170)
Cash Flows from Investing Activities		
Acquisition of capital assets	**(200,263)**	(317,950)
Deferred contributions received related to capital assets	**2,022,146**	2,030,166
	1,821,883	1,712,216
Net decrease in cash and bank during the year	**(242,783)**	(157,273)
Cash and bank, beginning of year	**414,246**	571,519
Cash and bank, end of year	$ **171,463**	$ 414,246

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

1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of the Organization

The Sharon Home, Inc. ("Home") has as its mission to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism.

The Home was incorporated under the laws of Canada on March 23, 1914 and is a registered charity under the Canada Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

The Home is economically dependent on funding from the Winnipeg Regional Health Authority ("WRHA"). If this funding were discontinued, it would affect the Home's ability to continue operations.

b. Basis of Accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Contributions Receivable

Contributions receivable are recognized when the amounts to be received can be reasonably estimated and ultimate collection is reasonable assured.

d. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

e. Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Carrying charges on land held for future development including interest and property taxes are recorded as expenses as incurred.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 40 years
Equipment	3 to 10 years

f. Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004/2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

g. Revenue Recognition

The Home follows the deferral method of accounting for contributions.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These non-consolidated financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2017.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

g. Revenue Recognition (continued)

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Home. After the WRHA reviews the non-consolidated financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Residential charges are recognized as revenue in the period services are rendered. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

h. Contributed Materials and Services

Contributed materials which are used in the normal course of the Home's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonable estimated.

Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

i. Controlled Entities

Controlled not-for-profit organizations are not consolidated in the Home's non-consolidated financial statements (Note 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.

2. Accounts Receivable

	2017	2016
Receivable from residents	$ **13,756**	$ 18,182
GST rebate receivable	**16,537**	10,294
Other	**142,597**	16,315
	$ **172,890**	$ 44,791

3. Due from Winnipeg Regional Health Authority

	2017	2016
2003/2004 funding adjustment	$ **6,479**	$ 6,479
2004/2005 funding adjustment	**2,512**	2,512
2005/2006 funding adjustment	**5,406**	5,406
2006/2007 funding adjustment	**13,992**	13,992
2007/2008 funding adjustment	**18,896**	18,896
2008/2009 funding adjustment	**21,500**	21,500
2009/2010 funding adjustment	**16,597**	217,852
2010/2011 funding adjustment	**14,556**	14,556
2011/2012 funding adjustment	**4,605**	4,605
2012/2013 funding adjustment	**247,321**	222,478
2013/2014 funding adjustment	**168,011**	168,507
2015/2016 funding adjustment	**86,077**	612,071
2016/2017 funding adjustment	**154,586**	-
	$ **760,538**	$ 1,308,854

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 2015/2016 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 $Nil ($201,254 in 2016) relating to the portion of the outstanding debenture to the Province of Manitoba that remains for the Kanee Centre.

4. 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.

5. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 786,418**	**$ -**	$ 786,418	$ -
Buildings	**40,368,498**	**10,597,896**	40,361,120	9,561,853
Equipment	**3,996,272**	**3,210,382**	3,863,768	2,984,108
Land held for future development	**1,315,158**	**-**	1,315,158	-
	$ 46,466,346	**$ 13,808,278**	$ 46,326,464	$ 12,545,961
Net book value		**$ 32,658,068**		$ 33,780,503

6. 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:

	2017	2016
Balance, beginning of year	**$ 603,753**	$ 603,753
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 603,753**	$ 603,753

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

	2017	2016
Balance, beginning of year	**$ 730,438**	$ 708,361
Net increase in accrued vacation entitlements	**22,597**	22,077
Balance, end of year	**$ 753,035**	$ 730,438

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, 2017. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 3.0% (2.55% in 2016) and a rate of salary increase of 3.5% (3.5% in 2016) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2017	2016
Balance, beginning of the year	**$ 1,166,000**	$ 1,182,000
Net increase (decrease) in pre-retirement entitlements	**102,982**	(16,000)
Balance, end of year	**$ 1,268,982**	$ 1,166,000

7. Employee Future Benefits (continued)

Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.90% of salaries under $55,300 and 9.50% for salaries greater than $55,300, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2015 indicated that the Plan is in deficit. The deficiency will be funded out of the current contributions in the subsequent years. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $763,575 ($754,366 in 2016) and are included in the statement of operations.

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% (2.70% in 2016) at March 31, 2017. 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 Saul and Claribel Simkin Centre Foundation Inc.

9. Accounts Payable and Accrued Liabilities

	2017	2016
Salaries and employee benefits payable	**$ 232,878**	$ 362,334
Trade accounts payable and accrued liabilities	**476,998**	379,083
	$ 709,876	$ 741,417

Included in accounts payable and accrued liabilities is $39,499 ($149,605 in 2016) in government remittances payable.

10. Mortgage Payable

	2017	2016
Mortgage payable - Province of Manitoba - Interest at 5.20%, requiring monthly principal payments of $91,875, secured by the property at the Simkin Centre, maturing in January 2029.	**$ 13,046,250**	$ 14,148,750
Current portion of mortgage payable	**1,102,500**	1,102,500
	$ 11,943,750	$ 13,046,250

Minimum principal repayments required under the terms of the mortgage payable over the next five fiscal years are $1,102,500 annually.

11. Notes Payable

	2017	2016
Province of Manitoba - Interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 2017.	**$ -**	$ 718,750
Province of Manitoba - Interest at 5.05%, requiring monthly principal payments of $16,910 plus interest, maturing November 2029.	**2,570,320**	2,773,240
	2,570,320	3,491,990
Current portion of notes payable	**202,920**	921,670
	$ 2,367,400	$ 2,570,320

The notes payable are secured by the property at the Simkin Centre.

Minimum principal repayments required under the terms of the notes payable for the years ending March 31, 2018 to 2022 will be $202,920.

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:

	2017	2016
Balance, beginning of year	**$ 16,018,201**	$ 15,226,946
Contributions received	**2,022,146**	2,030,166
Less amounts amortized to revenue	**(1,236,613)**	(1,238,911)
Balance, end of year	**$ 16,803,734**	$ 16,018,201

The balances as at March 31, 2017 consist of the following:

	2017	2016
Deferred contributions related to capital assets	**$ 16,464,848**	$ 15,735,629
Unspent funding for future equipment acquisition	**304,190**	265,180
Unspent funding for future major repairs costs	**34,696**	17,392
Balance, end of year	**$ 16,803,734**	$ 16,018,201

13. Contingencies

With respect to possible claims at March 31, 2017, 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, 2017. 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:

	2017	2016
Capital assets	**$ 32,658,068**	$ 33,780,503
Less:		
Mortgage payable (Note 10)	**13,046,250**	14,148,750
Notes payable (Note 11)	**2,570,320**	3,491,990
Deferred contributions related to capital assets (Note 12)	**16,464,848**	15,735,629
	$ 576,650	$ 404,134

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:

	2017	2016
Principal repayment on mortgage payable	**$ 1,102,500**	$ 1,102,500
Principal repayment on notes payable	**921,670**	921,670
Acquisition of capital assets	**200,263**	317,950
Contributions received during the year	**(1,965,832)**	(2,070,439)
Insurance proceeds	**(99,388)**	-
	$ 159,213	$ 271,681

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 Foundation. The Foundation is incorporated under The Corporations Act in Manitoba and is designated as a public foundation under the Canada Income Tax Act.

The Foundation was established to support and foster the operations of The Sharon Home, Inc. The Foundation supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets, results of the operations and cash flows are not included in the financial statements of the Home. Separate financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at March 31, 2017 and March 31, 2016 and for the years then ended are as follows:

	2017	2016
Statement of Financial Position		
Total assets	**$ 1,584,737**	$ 1,298,844
Total liabilities	**$ 744,551**	$ 277,585
Total fund balances	**840,186**	1,021,259
Total liabilities and fund balances	**$ 1,584,737**	$ 1,298,844

	2017	2016
Statement of Operations		
Total revenue	**$ 300,396**	$ 334,264
Total expenses	**73,892**	97,342
Excess of revenue over expenses before other item	**226,504**	236,922
Contributions to The Sharon Home, Inc.	**407,717**	403,040
Deficiency of revenue over expenses	**$ (181,213)**	$ (166,118)

15. Controlled Not-for-Profit Organization and Related Party Transactions (continued)

		2017		2016
Statement of Cash Flows				
Cash provided by (used in) operating activities	**$**	**287,471**	$	(463,850)
Cash (used in) generated by investing and financing activities		**(19,898)**		482,328
Net increase in cash and bank for the year	**$**	**267,573**	$	18,478

As at March 31, 2017 the Home has an amount due from the Fund of $699,963 ($248,148 in 2016). 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 $30,600 ($19,680 in 2016) for administration expenses.

During the year, the Foundation contributed the following to the Home:

		2017		2016
Contributions related to operations				
Garden Café	**$**	**11,584**	$	-
High Holy Days program		**7,530**		7,555
Interest and carrying charges on land held for development		**78,803**		81,113
Keives Garden maintenance		**130**		130
Minor equipment and other		**2,691**		15,647
Music Therapy program		**6,964**		4,904
Office renovations		**-**		40,332
Spiritual Care program		**91,616**		71,894
Therapeutic Recreation program		**22,108**		21,399
Volunteer Services program		**46,606**		46,566
		268,032		289,540
Contributions related to capital assets				
Capital Campaign		**100,675**		113,500
Equipment deferred contribution		**39,010**		-
		139,685		113,500
	$	**407,717**	$	403,040

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

16. Resident Trust Funds

Included in the cash and accounts payable and accrued liabilities are funds held in trust for the Home's residents totaling $34,180 ($30,656 in 2016).

17. Restricted Cash

Cash in the amount of $299,876 ($282,572 in 2016) is restricted for capital asset purchases.

18. Financial Instrument Risk Management

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

Credit Risk

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

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

	2017	2016
Accounts receivable	**$ 172,890**	$ 44,791
Due from Winnipeg Regional Health Authority	**760,538**	1,308,854
Due from The Saul and Claribel Simkin Centre Foundation Inc.	**699,963**	248,148
Vacation entitlements receivable	**-**	-
Loan receivable	**70,989**	70,989
Pre-retirement entitlements receivable	**1,376,178**	1,277,599
	$ 3,080,558	$ 2,950,381

18. Financial Instrument 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		2017		2016
Revenue				
Province of Manitoba	$	**87,576**	$	87,576
Participants' fees		**15,147**		14,449
		102,723		102,025
Expenses				
Salaries and benefits		**52,411**		51,715
Other		**59,017**		63,522
		111,428		115,237
Deficiency of revenue over expenses before other item		**(8,705)**		(13,212)
Other Item				
Deficiency recoverable from WRHA		**8,705**		13,212
Excess of revenue over expenses for the year	$	**-**	$	-

VILLA YOUVILLE INC. - NURSING

États financiers

Pour l'exercice terminé le 31 mars 2017

Tel: 204 956 7200
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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Rapport de l'auditeur indépendant

Aux membres et au conseil de VILLA YOUVILLE INC. - NURSING

Nous avons effectué l'audit des états financiers ci-joints de **VILLA YOUVILLE INC. - NURSING**, qui comprennent l'état de la situation financière au 31 mars 2017 et l'état de l'évolution des soldes de fonds, l'état des résultats, et l'état des flux de trésorerie pour l'exercice terminé à cette date ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers
La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux normes comptables canadiennes pour les organismes sans but lucratif, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur
Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en oeuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion
À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de **VILLA YOUVILLE INC. - NURSING** au 31 mars 2017 ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux normes comptables canadiennes pour les organismes sans but lucratif.

BDO Canada LLP

Comptables professionnels agréés

Winnipeg (Manitoba)
le 22 juin 2017

VILLA YOUVILLE INC. - NURSING
État de la situation financière

Au 31 mars				**2017**	2016
	Fonds opérations	**Fonds immobilisa-tions**	**Fonds de réserve**	**Total**	Total
	$	$	$	$	$
Actif					
Actif à court terme					
Encaisse (note 2)	**419 062**	**-**	**-**	**419 062**	313 907
Comptes à recevoir	**36 700**	**-**	**-**	**36 700**	36 233
Comptes à recevoir - SM/SS	**2 798**	**-**	**-**	**2 798**	145 349
Inventaire	**43 601**	**-**	**-**	**43 601**	39 141
Dépenses payées d'avance	**15 071**	**-**	**-**	**15 071**	13 173
Avantages sociaux future recouvrables (note 3)	**227 348**	**-**	**-**	**227 348**	227 348
Dû de Villa Youville Motels	**5 213**	**-**	**-**	**5 213**	2 176
	749 793	**-**	**-**	**749 793**	777 327
Avantages sociaux futurs recouvrables (note 3)	**399 848**	**-**	**-**	**399 848**	407 000
Immobilisations (note 4)	**-**	**6 159 125**	**-**	**6 159 125**	6 434 337
Interfonds	**(86 285)**	**-**	**86 285**	**-**	-
	1 063 356	**6 159 125**	**86 285**	**7 308 766**	7 618 664
Passif et solde de fonds					
Passif à court terme					
Comptes à payer et dépenses courues	**299 929**	**-**	**-**	**299 929**	333 991
Avantages sociaux à payer (note 3)	**390 448**	**-**	**-**	**390 448**	415 562
Revenus reportés - Soins de garde de jour	**50 563**	**-**	**-**	**50 563**	69 430
	740 940	**-**	**-**	**740 940**	818 983
Passif à long terme					
Avantages sociaux futurs à payer (note 3)	**399 848**	**-**	**-**	**399 848**	407 000
Apports reportés (note 5)					
Afférents aux immobilisations	**-**	**6 084 035**		**6 084 035**	6 359 247
Fonds des réserves					
Réserve générale	**-**	**-**	**14 915**	**14 915**	6 799
Réserve pour ameublement	**-**	**-**	**-**	**-**	-
Réserve pour réparations majeures	**-**	**-**	**71 370**	**71 370**	68 730
	399 848	**6 084 035**	**86 285**	**6 570 168**	6 841 776
	1 140 788	**6 084 035**	**86 285**	**7 311 108**	7 660 759
Engagements contractuels et éventualités (note 6)					
Solde de fonds					
Surplus cumulé	**(77 432)**	**75 090**	**-**	**(2 342)**	(42 095)
	1 063 356	**6 159 125**	**86 285**	**7 308 766**	7 618 664

Approuvé au nom du conseil d'administration :

Original Document Signed président(e)

Original Document Signed secrétaire-trésorière

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars			2017	2016
	Fonds opérations	Fonds immobilisa-tions	Total	Total
	$	$	$	$
Solde, au début de l'exercice	**(117 185)**	**75 090**	**(42 095)**	(58 897)
Excédent des revenus sur les dépenses pour l'exercice	**39 753**	**-**	**39 753**	16 802
Solde, à la fin de l'exercice	**(77 432)**	**75 090**	**(2 342)**	(42 095)

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État des résultats

Pour l'exercice terminé le 31 mars	2017	2016
	$	$
Revenus		
Services de soins prolongés		
Santé Sud (note 7)	**4 306 073**	4 329 462
Prestations de retraite	**45 000**	45 764
	4 351 073	4 375 226
Loyer des résidents	**1 080 681**	1 057 218
Autres		
Recouvrements - motels	**100 587**	96 176
- cuisine	**61 322**	62 942
- matériel et autres	**79 074**	68 248
Amortissement des apports reportés	**283 926**	276 864
Intérêts	**2 313**	1 476
Soins de garde de jour	**38 844**	30 287
	566 066	535 993
	5 997 820	5 968 437
Dépenses		
Administration	**583 594**	516 390
Amortissement	**283 926**	276 864
Buanderie	**175 004**	174 570
Frais d'entretien d'immobilisations	**227 030**	214 036
Frais de ménage	**329 958**	316 883
Frais d'opération d'immobilisations	**224 140**	220 715
Médicaments	**119 605**	136 461
Paiement pré-retraite/Prestations de retraite	**45 000**	45 764
Services de supports aux résidents - activités	**172 827**	166 465
Ressources cliniques	**52 277**	103 955
Services alimentaires - nursing	**640 092**	635 930
- motels	**40 411**	35 771
- autres	**37 453**	37 628
Soins de garde de jour	**38 844**	30 540
Soins médicaux	**2 987 906**	3 039 663
	5 958 067	5 951 635
Excédent des revenus sur les dépenses pour l'exercice	**39 753**	16 802

Les notes afférentes font partie intégrante de ces états financiers.

VILLA YOUVILLE INC. - NURSING
État des flux de trésorerie

Pour l'exercice terminé le 31 mars	2017	2016
	$	$
Flux de trésorerie reliés aux opérations		
Excédent des revenus sur les dépenses pour l'exercice	**39 753**	16 802
Ajustements pour		
Amortissement des immobilisations	**283 926**	276 864
Amortissement des apports reportés	**(283 926)**	(276 864)
	39 753	16 802
Variations des éléments hors liquidités du fonds de roulement		
Comptes à recevoir	**(466)**	(14 545)
Comptes à recevoir - SM/SS	**142 551**	(266)
Dû de Villa Youville Motels	**(3 038)**	7 924
Inventaire	**(4 460)**	(519)
Dépenses payées d'avance	**(1 898)**	203
Avantages sociaux future recouvrables	**7 152**	(33 000)
Compte à payer - SM/SS	**(34 062)**	75 626
Avantages sociaux à payer	**(25 114)**	100 546
Avantages sociaux futurs à payer	**(7 152)**	33 000
	113 266	185 771
Flux de trésorerie reliés aux activités de financement		
Financement de Santé Sud pour immobilisations	**2 640**	2 640
Soins de garde de jour	**(18 867)**	39 729
Augmentation des apports reportés afférents aux immobilisations	**8 714**	137 960
	(7 513)	180 329
Flux de trésorerie reliés aux activités d'investissement		
Achat d'immobilisations	**(8 714)**	(137 960)
Dépenses des apports reportés - dépenses de périodes futures	**8 116**	(17 088)
	(598)	(155 048)
Augmentation nette de l'encaisse	**105 155**	211 052
Encaisse, au début de l'exercice	**313 907**	102 855
Encaisse, à la fin de l'exercice	**419 062**	313 907

Les notes afférentes font partie intégrante de ces états financiers.

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).

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 2017 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.

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.

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 3,05 % (3,30 % en 2016), 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

			2017	2016
	Coût	**Amortissement cumulé**	**Valeur comptable nette**	Valeur comptable nette
	$	**$**	**$**	$
Terrain	**75 090**	**-**	**75 090**	75 090
Bâtisses	**9 866 901**	**4 103 464**	**5 763 437**	6 014 785
Équipement	**429 885**	**296 870**	**133 015**	141 657
Équipement d'entretien	**308 841**	**121 258**	**187 583**	202 805
Ordinateurs	**13 684**	**13 684**	**-**	-
	10 694 401	**4 535 276**	**6 159 125**	6 434 337

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.

	2017	2016
	$	$
Solde, au début de l'exercice	**6 359 247**	6 498 150
Plus achat d'ameublement	**8 714**	137 961
Moins montants amortis dans les résultats	**(283 926)**	(276 864)
Solde, à la fin de l'exercice	**6 084 035**	6 359 247

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.

	2017	2016
	$	$
Solde, au début de l'exercice	**-**	4 339
Allocation de réserve	**8 714**	32 337
Apport reportés afférents aux immobilisations	**(8 714)**	(36 676)
Solde, à la fin de l'exercice	**-**	-

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.

	2017	2016
	$	$
Solde, au début de l'exercice	**68 730**	66 090
Plus allocations de réserve	**2 640**	2 640
Autres allocations de réserve	**-**	-
Solde, à la fin de l'exercice	**71 370**	68 730

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.

	2017	2016
	$	$
Solde, au début de l'exercice	**6 799**	19 549
Allocations de réserve	**13 237**	91 712
Apports reportés afférents aux immobilisations	**-**	(101 285)
Montants amortis dans les résultats	**(5 121)**	(3 177)
Solde, à la fin de l'exercice	**14 915**	6 799

6. Engagements contractuels et éventualités

Au 1er juillet 1987, un groupe d'organismes en soins de santé, (« souscripteurs »), ont formé le Healthcare Insurance Reciprocal of Canada (« HIROC »). HIROC est autorisé en tant que bourse d'assurance réciproque au sens de la Loi sur les assurances des provinces, qui permet des contrats réciproques de personnes d'assurance indemnité. HIROC facilite la fourniture d'assurance aux organismes en soins de santé dans les provinces de l'Ontario, du Manitoba, de la Saskatchewan et de Terre-Neuve. Les abonnés payent des primes annuelles, qui sont actuariellement déterminées, et sont sujets à une évaluation pour les pertes expérimentées par le groupe d'abonnés au-dessus de telles primes pendant les années où ils étaient un abonné. Au 31 mars 2017, la corporation n'a subi aucune évaluation de ce genre.

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 2017.

	2017	2016
	$	$
Revenu de Santé Sud conformément au budget	**4 299 400**	4 235 600
Plus		
Honoraires de capitation	**37 858**	30 254
Augmentation de service longue durée	**10 367**	-
Financement supplémentaire année bissextile	**-**	12 449
Normalisation des salaires - MNU	**-**	32 790
Moins apports nets redistribués		
Ajustement du financement de HEPP COLA	**(2 774)**	-
Ajustement de congé de maternité	**(12 013)**	7 385
Ajustement du financement de HSA	**2 002**	(4 260)
Ajustement du financement hors globe - Loyer des résidents	**(23 481)**	(11 518)
Ajustement du financement hors globe - impôts fonciers	**(4 857)**	(2 567)
Ajustement du financement hors globe - assurance	**7 071**	6 703
Ajustement du financement hors globe - électricité	**1 708**	1 140
Ajustement du financement hors globe - gaz	**(6 027)**	1 371
Ajustement du financement hors globe - eau	**1 071**	(90)
Ajustement du financement hors globe - médicaments	**(4 252)**	20 205
Revenue de Santé Sud	**4 306 073**	4 329 462

8. Avantages sociaux futurs

Avantages sociaux futurs à payer

Les avantages sociaux futurs à payer sont basés sur une évaluation actuarielle au 31 mars 2017.

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.

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 3,00 % (3,00 % en 2016) et un taux d'accroissement du salaire de 3,50 % (3,50 % en 2016); 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 2015, indiquait que le régime était en déficit; cependant, on prévoit que les augmentations des taux de contribution récemment mises en application élimineront cette insuffisance dans l'horizon prévisionnel. Au cours de l'exercice, la corporation a versé au régime 290 055 $ (286 620 $ en 2016) 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. À moins d'indication contraire, l'analyse des risques n'as pas changé comparativement à l'exercice précédent.

Risque de crédit

Le risque de crédit est le risque de perte couru par la corporation lorsqu’une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. La corporation est exposée principalement au risque de crédit au niveau des placements et des comptes à recevoir.

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 :

	2017	2016
	$	$
Autres	**36 700**	36 233
Santé Manitoba/Santé Sud	**2 798**	145 349
Villa Youville Motels	**5 213**	2 176
	44 711	183 758

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, 2017

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, 2017, 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of West Park Manor Personal Care Home Inc. as at March 31, 2017, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

June 23, 2017

MNP LLP

Chartered Professional Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2017

	2017	2016
Assets		
Current		
Cash *(Note 3)*	**1,106,909**	549,859
Short term investments	**1,773,600**	1,763,201
Accounts receivable *(Note 4)*	**77,546**	67,245
Prepaid expenses and deposits	**65,249**	200,065
Receivable from Winnipeg Regional Health Authority	**809,090**	1,121,344
	3,832,394	3,701,714
Capital assets *(Note 5)*	**2,777,948**	2,317,319
Deferred charges - future employee benefits *(Note 6)*	**777,004**	748,664
	7,387,346	6,767,697
Liabilities		
Current		
Accounts payable and accruals	**1,047,446**	1,065,342
Trust funds payable	**327,979**	328,152
Current portion of long-term debt *(Note 7)*	**1,117,600**	714,000
	2,493,025	2,107,494
Long-term debt *(Note 7)*	**444,376**	504,862
Deferred contributions *(Note 8)*	**1,488,426**	1,479,321
Accrued future employee benefits *(Note 6)*	**834,340**	806,000
	5,260,167	4,897,677
Net Assets		
Unrestricted	**497,242**	372,989
Invested in capital assets	**507,991**	387,361
Internally restricted *(Note 9)*	**1,121,946**	1,109,670
	2,127,179	1,870,020
	7,387,346	6,767,697

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, 2017

	2017	*2016*
Revenue		
Winnipeg Regional Health Authority		
Operating	**5,715,893**	5,491,160
Bed grant	**11,712**	11,712
Interest on approved borrowing	**46,560**	54,384
Year-end adjustment *(Note 12)*	**59,439**	78,033
Medical salaries	**20,712**	20,556
Pre-retirement leave amortization	**57,223**	77,018
MNU related	**93,707**	179,940
Over-cost and other funding	**168,950**	207,795
20 year step support and median rate adjustment	**34,129**	91,309
Non median rate funding	**262,320**	262,476
CUPE related	**463,947**	359,921
Residential charges	**3,213,179**	3,225,879
3.6 HPRD and other revenue	**741,280**	734,010
Amortization of deferred capital contributions	**192,624**	189,997
	11,081,675	10,984,190
Expenses		
Amortization	**202,621**	160,188
Dietary services and supplies	**378,880**	385,331
Employee benefits	**1,557,246**	1,569,127
Employee benefits - preretirement leave	**57,223**	77,018
General administrative	**194,311**	151,070
Health and safety	**6,299**	5,978
Housekeeping	**52,017**	49,194
Interest on long-term debt	**58,466**	60,076
Laundry	**44,166**	40,176
Medical salaries	**21,648**	20,751
Nursing services and supplies	**190,701**	202,720
Recreation and handicraft supplies	**16,855**	17,114
Repairs and maintenance	**199,421**	184,071
Salaries and wages	**7,571,460**	7,600,539
Utilities and property taxes	**285,478**	285,509
	10,836,792	10,808,862
Excess of revenue over expenses before the following:	**244,883**	175,328
Other items		
Accrued future employee benefit income	**28,340**	(6,000)
Accrued future employee benefit expense	**(28,340)**	6,000
Excess of revenue over expenses	**244,883**	175,328

The accompanying notes are an integral part of these financial statements

MNP LLP

West Park Manor Personal Care Home Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2017

	Internally restricted	*Unrestricted*	*Invested in capital assets*	*2017*	*2016*
Net assets beginning of year	1,109,670	372,989	387,361	**1,870,020**	1,700,050
Excess of revenue over expenses	-	254,880	(9,997)	**244,883**	175,328
Change in internally restricted net amounts *(Note 9)*	12,276	-	-	**12,276**	(5,358)
Purchase of capital assets	-	(663,249)	663,249	**-**	-
Funding proceeds on capital asset additions	-	532,622	(532,622)	**-**	-
Net assets, end of year	**1,121,946**	**497,242**	**507,991**	**2,127,179**	1,870,020

West Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating		
Cash receipts from Government and tenants	**11,070,338**	10,602,747
Cash received from contributions	**11,000**	-
Cash paid to suppliers	**(1,292,483)**	(1,544,438)
Cash paid to employees	**(9,153,008)**	(9,188,018)
Interest paid	**(58,466)**	(60,076)
	577,381	(189,785)
Financing		
Advances of long-term debt	**1,385,563**	122,962
Repayment of long-term debt	**(1,042,450)**	(150,641)
Increase in internally restricted net assets	**(19,071)**	(18,439)
Decrease in internally restricted net assets	**6,795**	23,797
Advances of receivable from Winnipeg Regional Health Authority	**618,657**	696,679
Repayments of receivable from Winnipeg Regional Health Authority	**(306,403)**	(259,350)
Contributions to trust funds payable	**36,151**	88,057
Withdrawals from trust funds payable	**(36,324)**	(43,586)
	642,918	459,479
Investing		
Purchase of capital assets	**(663,249)**	(482,373)
Increase (decrease) in cash resources	**557,050**	(212,679)
Cash resources, beginning of year	**549,859**	762,538
Cash resources, end of year	**1,106,909**	549,859

1. Incorporation and nature of the organization

West Park Manor Personal Care Home, Inc. (the "Organization") is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash

Cash include balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as short-term assets in concurrence with the nature of the investment.

Capital assets

The Organization capitalizes all individual assets and assets grouped in a similar kind with a cost over $2,000. Capital assets with a cost less than $2,000 may be capitalized if the Organization estimates the asset will have a long-term benefit.

Purchased capital assets are recorded at cost. Amortization is recorded 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

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible and major repairs deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

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

Long-lived assets

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

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

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable and receivable from WRHA are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

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

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

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

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

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

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions.

Bank accounts earn interest at rates ranging from prime plus 1.0% to 1.75%

	2017	*2016*
Bank (bank indebtedness)	**195,136**	(32,239)
Internally restricted cash - equipment and repairs	**17,479**	17,479
Investment cash account	**894,294**	564,619
	1,106,909	549,859

Cash includes an operating line of credit authorized to a maximum of $100,000 (2016 - $100,000) bearing interest at bank prime of 2.70% plus 0.5% (2016 - bank prime of 2.70% plus 0.5%) per annum and is secured by a general security agreement. The Organization has drawn on $nil (2016 - $nil) of the line of credit at year end.

4. Accounts receivable

	2017	2016
Resident rents receivables	**44,955**	33,617
Government remittances receivable	**43,591**	33,628
Allowance for doubtful accounts	**(11,000)**	-
	77,546	67,245

5. Capital assets

	Cost	**Accumulated amortization**	**2017 Net book value**
Land	**132,920**	**-**	**132,920**
Buildings	**3,846,047**	**2,042,580**	**1,803,467**
Computer equipment	**89,865**	**77,158**	**12,707**
Equipment	**2,801,231**	**1,972,377**	**828,854**
	6,870,063	**4,092,115**	**2,777,948**

	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**

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, 2017 fiscal year the Organization incurred an increase in employee future benefits of $28,340 (2016 - an decrease of $6,000) 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, 2017 is $834,340 (2016 - $806,000) and the related receivable is $777,004 (2016 - $748,664).

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 $554,235 (2016 - $550,585).

7. Long-term debt

	2017	*2016*
First mortgage payable in monthly instalments of $8,289 (2016 - $8,289) including interest at 7.75% (2016 - 7.75%), secured by land and buildings having a net book value of $684,402 (2016 - $740,789), due August 1, 2023.	**506,624**	562,043
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2016 - bank prime of 2.70% minus 0.50%) , payable in monthly instalments of $1,485 (2016 - $1,485) plus interest, with a renewal date of December 20, 2017, secured with a general security agreement.	**27,713**	45,533
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2016 - bank prime of 2.70% minus 0.50%), payable in monthly instalments of $1,301 (2016 - $1,301) plus interest, with a renewal date of December 9, 2017, secured with a general security agreement.	**53,262**	68,874
Term loan due on demand bearing interest at bank prime of 2.70% minus 0.50% (2016 - bank prime of 2.70% minus 0.50%), payable in monthly instalments of $1,542 (2016 - $1,542) plus interest, with a renewal date of October 15, 2017, secured with a general security agreement.	**92,507**	111,011
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.	**617,448**	122,962
Term loan due on demand bearing interest at bank prime of 2.70% plus 0.25% (2016 - bank prime of 2.70% plus 0.25%), payable in monthly instalments of $3,668 (2016 - $3,668) plus interest, with a renewal date of September 14, 2017, secured with a general security agreement.	**264,422**	308,439
	1,561,976	1,218,862
Less: current portion	**1,117,600**	714,000
	444,376	504,862

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:

2018	154,000
2019	148,000
2020	149,000
2021	139,000
2022	137,000

8. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital fund	*Insurance*	*2017*	*2016*
Balance, beginning of year	**1,456,657**	**22,664**	**1,479,321**	1,065,960
- Principal repayment	**153,552**	**-**	**153,552**	148,665
- Equipment replacement	**46,161**	**-**	**46,161**	444,733
- Major repairs	**-**	**-**	**-**	7,944
- Insurance deductible	**-**	**2,016**	**2,016**	2,016
Recognized as revenue during the year	**(192,624)**	**-**	**(192,624)**	(189,997)
	1,463,746	**24,680**	**1,488,426**	1,479,321

9. Internally restricted net assets

	2017	*2016*
Non-operating income reserve		
Balance, beginning of year	**656,799**	662,157
Interest	**18,971**	18,439
Other	**(1,128)**	(12,295)
Payments/expenditures	**(5,567)**	(11,502)
Balance, end of year	**669,075**	656,799
Reserve for major repairs	**28,233**	28,233
Reserve for employee benefits	**424,638**	424,638
	1,121,946	1,109,670

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. 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 short term investments exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

11. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or WRHA and its ability to continue viable operations is dependent upon maintaining this funding.

12. 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, 2017

FORT GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Women's Health Clinic Inc.:

We have audited the accompanying financial statements of Women's Health Clinic Inc., which comprise the statements of financial position as at March 31, 2017, 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, 2017, and the results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Fort Group

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Winnipeg, Manitoba
June 6, 2017

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash (Note 3)	$ 212,236	215,094
Accounts receivable (Note 4)	57,789	75,723
Due from Winnipeg Regional Health Authority	1,086,189	1,288,776
Inventory (Note 2(b))	77,874	81,888
Prepaid expenses	29,090	26,319
	1,463,178	1,687,800
DEFERRED PROJECT COSTS	40,921	39,846
TANGIBLE CAPITAL ASSETS (Notes 2(c) and 5)	554,697	594,569
	$ 2,058,796	2,322,215
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	$ 697,542	651,174
Government remittances payable	29,390	21,927
Deferred revenue (Note 7)	30,983	41,125
Deferred operating contributions (Note 8)	-	65,899
Demand loan (Note 9)	163,543	217,382
	921,458	997,507
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	188,807	196,315
PRE-RETIREMENT LEAVE (Notes 2(e) and 11)	499,233	483,000
	1,609,498	1,676,822
NET ASSETS (DEFICIT)		
Operating fund	(213,998)	121,434
Donation fund	448,948	343,087
Capital fund	214,348	180,872
	449,298	645,393
	$ 2,058,796	2,322,215

APPROVED BY THE BOARD:

Original Document Signed ______ Director Original Document Signed ______ Director

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2017	TOTAL 2016
REVENUE					
Winnipeg Regional Health Authority					
Fixed payments	$ 5,721,197	-	-	5,721,197	5,803,857
Deferred operating contributions	64,188	-	-	64,188	-
Amortization of deferred capital contributions (Note 10)	-	-	31,933	31,933	29,139
Donations	-	78,886	-	78,886	65,365
Fee for service	458,559	-	-	458,559	457,885
Fundraising	-	42,853	-	42,853	-
Interest	-	2,953	-	2,953	4,652
Miscellaneous	22,889	-	-	22,889	4,661
Province of Manitoba (Note 12)	245,300	-	-	245,300	241,300
Rental	-	-	12,000	12,000	-
The Winnipeg Foundation	53,340	-	-	53,340	43,889
United Way of Winnipeg	227,852	-	-	227,852	230,252
	6,793,325	124,692	43,933	6,961,950	6,881,000
EXPENSES (Schedule)	7,064,889	18,831	69,977	7,153,697	6,843,909
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE PRE-RETIREMENT LEAVE	(271,564)	105,861	(26,044)	(191,747)	37,091
PRE-RETIREMENT LEAVE (Note 11)					
Pre-retirement revenue	45,528	-	-	45,528	39,000
Pre-retirement expense	(50,156)	-	-	(50,156)	(47,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (276,192)	105,861	(26,044)	(196,375)	29,091

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2017

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2017	TOTAL 2016
NET ASSETS, BEGINNING OF YEAR	$ 121,434	343,087	180,872	645,393	613,302
Excess (deficiency) of revenue over expenses	(276,192)	105,861	(26,044)	(196,375)	29,091
Demand loan principal repayment and demand loan interest	(59,520)	-	59,520	-	-
Additions to tangible capital assets	(24,425)	-	24,425	-	-
Additions to deferred capital contributions	24,425	-	(24,425)	-	-
Pre-retirement leave remeasurement	280	-	-	280	3,000
NET ASSETS (DEFICIT), END OF YEAR	$ (213,998)	448,948	214,348	449,298	645,393

WOMEN'S HEALTH CLINIC INC.
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017

		2017	2016
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Excess (deficiency) of revenue over expenses	$	(196,375)	29,091
Add back non-cash item(s):			
Amortization of tangible capital assets		64,296	74,407
Amortization of deferred capital contributions		(31,933)	(29,139)
		(164,012)	74,359
Change in non-cash working capital items:			
Accounts receivable		17,934	(53,560)
Due from Winnipeg Regional Health Authority		202,587	(160,392)
Inventory		4,014	20,973
Prepaid expenses		(2,771)	11,242
Deferred project costs		(1,075)	(5,075)
Accounts payable and accrued liabilities		46,369	53,890
Government remittances payable		7,463	21,927
Deferred revenue		(10,142)	1,233
Deferred operating contributions		(65,899)	(29,689)
		34,468	(65,092)
INVESTING ACTIVITIES			
Purchase of tangible capital assets		(24,425)	(21,934)
FINANCING ACTIVITIES			
Demand loan repayment		(53,839)	(52,117)
Additions to deferred capital contributions		24,425	17,671
Pre-retirement leave		16,233	44,000
Pre-retirement leave remeasurement		280	3,000
		(12,901)	12,554
DECREASE IN CASH		(2,858)	(74,472)
CASH, BEGINNING OF YEAR		215,094	289,566
CASH, END OF YEAR	$	212,236	215,094

WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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.

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% (2016 - 2.90%), a rate of salary increase of 3.50% (2016 - 3.50%) plus an age-related merit/promotion scale with provision for disability.

(f) Accounting Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved, useful life of tangible capital assets, and pre-retirement leave payable. Actual results may differ from estimates.

(g) Financial Instruments

Financial instruments held by the organization include cash, accounts receivable, accounts payable and accrued liabilities, and demand loan. The organization initially measures its financial instruments at fair value when the asset or liability is first recognized. The organization subsequently measures its financial instruments at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. CASH

The organization has a line of credit available in the amount of $25,000 at the prime interest rate. As at March 31, 2017 the balance is $Nil (2016 - $Nil).

4. ACCOUNTS RECEIVABLE

		2017	2016
Manitoba Health	$	44,313	64,881
GST		6,650	5,353
Other		6,826	5,489
	$	57,789	75,723

WOMEN'S HEALTH CLINIC INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 130,000	-	130,000	-
Building and improvements	1,025,353	628,146	1,025,353	569,109
Computers, furniture and fixtures	157,583	154,432	157,583	153,532
Leasehold improvements	3,553	2,487	3,553	2,132
Security system	50,135	47,487	50,135	47,146
Medical equipment	172,628	152,003	148,203	148,339
	1,539,252	984,555	1,514,827	920,258
Net book value	$ 554,697		594,569	

6. ACCOUNTS PAYABLE

	2017	2016
Accrued liabilities	$ 72,460	29,108
Group pension payable	42,027	38,976
Reserve for salary replacement	-	15,174
Salaries and wages payable	53,560	113,969
Trade accounts payable	117,338	58,407
Vacation pay payable	402,430	386,677
Other	9,727	8,863
	$ 697,542	651,174

7. DEFERRED REVENUE

	Balance March 31, 2016	Revenue Received 2017	Revenue Recognized 2017	Balance March 31, 2017
Insurance	$ 11,894	792	-	12,686
Client emergency fund	8,488	-	50	8,438
Birthing Centre garden	9,608	-	9,608	-
PEDPRP	10,492	-	1,276	9,216
Reproductive rights	643	-	-	643
	$ 41,125	792	10,934	30,983

8. DEFERRED OPERATING CONTRIBUTIONS

	Balance March 31, 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31, 2017
Winnipeg Foundation	$ 1,811	-	1,811	-
WRHA	64,088	-	64,088	-
	$ 65,899	-	65,899	-

9. DEMAND LOAN

	2017	2016
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	$ 163,543	217,382

10. DEFERRED CAPITAL CONTRIBUTIONS

	Balance March 31, 2016	Revenue Received 2017	Revenue Recognized 2017	Balance March 31, 2017
WRHA	$ 62,218	24,425	19,568	67,075
Non-WRHA	134,097	-	12,365	121,732
	$ 196,315	24,425	31,933	188,807

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 $16,233 (2016 - $44,000).

A portion of the pre-retirement benefits for the current year of $45,528 (2016 - $39,000) were funded the WRHA.

During the year, the organization incurred retirement leave expenditures of $33,643 (2016 - $nil) of which $33,643 (2016 - $nil) were funded by the WRHA.

The pre-retirement leave obligation is as follows:

	2017	2016
WRHA funded employees	$ 433,885	422,000
Non-WRHA funded employees	65,348	61,000
	$ 499,233	483,000

12. PROVINCE OF MANITOBA

The Province of Manitoba fund the following programs:

		2017	2016
Healthy Child Manitoba - Families Connecting, Healthy Baby Program	$	215,300	211,300
Body Positive Project		30,000	30,000
	$	245,300	241,300

13 ENDOWMENT FUND

In 2002, the organization established an Endowment Fund to held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Organization annually to support general operations. As of March 31, 2017 contributions to the Endowment Fund totaled $207,970 (2016 - $197,165), including those from third parties. The market value of the Endowment Fund at March 31, 2017 is $286,593 (2016 - $255,432).

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, $371,123 (2016 - $344,113) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense.

16 ECONOMIC DEPENDENCE

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

17. RISK MANAGEMENT

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the organization is exposed to interest rate risk due to its demand loan.

17. RISK MANAGEMENT (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The organization's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

(c) Credit Risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

18. 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, 2017

	OPERATING FUND	DONATION FUND	CAPITAL FUND	TOTAL 2017	TOTAL 2016
Accounting and computer	$ 15,531	-	-	15,531	12,693
Amortization of tangible capital assets	-	-	64,296	64,296	74,407
Association membership fees	12,801	-	-	12,801	16,868
Community relations	38,614	-	-	38,614	22,640
Employee benefits	756,796	-	-	756,796	708,804
Equipment leases	68,602	-	-	68,602	76,569
Fundraising	-	18,831	-	18,831	3,317
Health reform materials	1,068	-	-	1,068	515
Insurance	7,382	-	-	7,382	7,213
Interest on mortgage	-	-	5,681	5,681	7,406
Lectures and honorariums	500	-	-	500	340
Medical supplies and processing fees	390,429	-	-	390,429	384,836
Occupancy costs	136,358	-	-	136,358	131,243
Office	102,783	-	-	102,783	97,598
Other supplies	93,940	-	-	93,940	72,128
Professional fees	35,521	-	-	35,521	35,662
Purchased services	561,637	-	-	561,637	554,003
Repairs and maintenance	138,871	-	-	138,871	94,946
Salaries	4,538,812	-	-	4,538,812	4,403,191
Recruitment and hiring	24,439	-	-	24,439	5,071
Staff training	19,262	-	-	19,262	14,398
Telephone	44,053	-	-	44,053	43,667
Travel	24,231	-	-	24,231	21,334
Utilities	51,163	-	-	51,163	53,804
Volunteer services	2,096	-	-	2,096	1,256
	$ 7,064,889	18,831	69,977	7,153,697	6,843,909

Regional Health Authorities of Manitoba Inc.

Financial Statements

March 31, 2017

MNP

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

June 28, 2017

Original Document Signed

Gayle Hryshko
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, 2017, 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, 2017 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 28, 2017

MNP LLP

Chartered Professional Accountants

Regional Health Authorities of Manitoba Inc.
Statement of Financial Position
As at March 31, 2017

	2017	2016
Assets		
Current		
Cash	3,555,997	5,305,405
Restricted cash	-	420,385
Accounts receivable *(Note 3)*	4,192	64,376
Goods and Service Tax receivable	13,345	9,448
	3,573,534	5,799,614
Capital assets *(Note 4)*	-	11,900
	3,573,534	5,811,514
Liabilities		
Current		
Accounts payable and accruals *(Note 5)*	10,500	84,713
Deferred contributions related to operations *(Note 6)*	-	2,514,180
Employee future benefits *(Note 7)*	41,580	104,041
	52,080	2,702,934
Employee future benefits *(Note 7)*	132,927	152,000
	185,007	2,854,934
Contingency *(Note 8)*		
Net Assets		
Unrestricted	3,393,568	2,524,295
Restricted (deficit)	(5,041)	420,385
Invested in capital assets *(Note 9)*	-	11,900
	3,388,527	2,956,580
	3,573,534	5,811,514

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, 2017

	2017 Budget	2017	2016
Revenue			
Program revenue and recoveries	**3,856,132**	**4,474,209**	4,345,343
Expenses			
Advertising	**-**	**-**	2,481
Amortization	**-**	**3,278**	7,743
Defibrillator fund	**-**	**-**	52,796
Dues and memberships	**101,000**	**80,946**	100,125
Equipment lease	**4,260**	**2,471**	4,043
Fire safety fund	**-**	**554,842**	88,000
Meeting expense	**127,600**	**81,948**	93,278
Office	**61,500**	**32,117**	38,254
Professional fees	**1,859,890**	**1,815,060**	1,657,931
Public relations	**71,500**	**119,641**	89,098
Purchased services	**134,260**	**377,594**	126,364
Rental	**32,375**	**32,626**	31,965
Repairs and maintenance	**4,000**	**1,670**	216
Salaries, wages, and benefits	**1,020,933**	**793,992**	1,262,789
Telephone, fax, and internet	**10,500**	**10,713**	17,393
Training and education	**5,400**	**2,819**	7,124
Travel	**51,400**	**123,923**	97,134
	3,484,618	**4,033,640**	3,676,734
Excess of revenue over expenses before other items	**371,514**	**440,569**	668,609
Other items			
Loss on disposal of capital assets	**-**	**(8,622)**	-
Excess of revenue over expenses	**371,514**	**431,947**	668,609

The accompanying notes are an integral part of these financial statements

MNP

Statement of Changes in Net Assets

For the year ended March 31, 2017

	Unrestricted	*Restricted*	*Invested in capital assets*	*2017*	*2016*
Net assets, beginning of year	**2,524,295**	**420,385**	**11,900**	**2,956,580**	2,287,971
Excess (deficiency) of revenue over expenses	**869,273**	**(425,426)**	**(11,900)**	**431,947**	668,609
Net assets, end of year	**3,393,568**	**(5,041)**	**-**	**3,388,527**	2,956,580

Regional Health Authorities of Manitoba Inc.
Statement of Cash Flows
For the year ended March 31, 2017

	2017	*2016*
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenue over expenses	**431,947**	668,609
Amortization	**3,278**	7,743
Loss on disposal of capital assets	**8,622**	-
	443,847	676,352
Changes in working capital accounts		
Accounts receivable	**60,184**	9,703
Goods and Service Tax receivable	**(3,897)**	(5,065)
Accounts payable and accruals	**(74,213)**	2,803
Deferred contributions related to operations	**(2,514,180)**	(140,796)
Employee future benefits	**(81,534)**	(10,698)
Increase (decrease) in cash resources	**(2,169,793)**	532,299
Cash resources, beginning of year	**5,725,790**	5,193,491
Cash resources, end of year	**3,555,997**	5,725,790
Cash resources are composed of:		
Cash	**3,555,997**	5,305,405
Restricted cash	**-**	420,385
	3,555,997	5,725,790

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.

Effective June 30, 2017 the operating agreement will be transferred to another party and RHAM Inc. will be dissolved. The financial statements have been prepared on a liquidation basis of accounting in accordance with Canadian public sector accounting standards for not-for-profit organizations. Accounts receivable is recorded at net realizable value based on management’s estimates. Based on management's estimates tangible capital assets is appropriately recorded at the lower of its carrying amount and net recoverable amount, and as such is not impaired. It is management's intention to settle all liabilities within the next fiscal year. Management believes that the financial statements have been prepared within reasonable limits of materiality and within the framework of accounting policies summarized below.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards for 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 bank 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 it's 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 12 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 if 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 excess of revenue over expenses in the periods in which they become known.

3. Accounts receivable

	2017	*2016*
Manitoba Health	**338**	39,612
Other	**3,854**	24,764
	4,192	64,376

4. Capital assets

	Cost	***Accumulated amortization***	***2017 Net book value***
Equipment	**3,181**	**3,181**	**-**

	Cost	*Accumulated amortization*	*2016 Net book value*
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

5. Accounts payable and accruals

	2017	*2016*
Professional fees	**10,500**	10,500
Government remittances	**-**	27,210
Accrued wages payable	**-**	47,003
	10,500	84,713

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:

	2017	*2016*
Defibrillator Fund		
Balance, beginning of year	**602,180**	654,976
Less: amounts recognized as revenue during the year	**-**	(52,796)
Less: amounts returned to Province of Manitoba	**(602,180)**	-
	-	602,180
Fire Safety Fund		
Balance, beginning of year	**1,912,000**	2,000,000
Less: amounts recognized as revenue during the year	**(554,842)**	(88,000)
Less: amounts transferred to Winnipeg Regional Health Authority	**(1,357,158)**	-
	-	1,912,000
	-	2,514,180

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, 2017.

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, 2017 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:

	2017	2016
Discount rate – March 31	**3.10%**	3.00%
Rate of salary increase – April 1	**3.50%**	3.50%
Rate of salary increase – March 31	**3.50%**	3.50%
EARSL – March 31 (in years)	**5.7**	5.7

7. Employee future benefits *(Continued from previous page)*

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.

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, 2017:

Pre-retirement benefit obligation per valuation at March 31, 2017	108,000
	108,000
Current period service cost	14,000
Interest cost	3,000
Benefits paid	(35,501)
Actuarial loss	(270)
Pre-retirement benefit obligation at March 31, 2017	89,229

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.

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, 2016	44,000
	44,000
Current period service cost	7,000
Interest cost	1,000
Benefits paid	(10,000)
Actuarial gain	1,698
Sick leave benefit obligation at March 31, 2017	43,698

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, 2017 is $41,580 (2016 - $104,041).

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, 2017.

9. Invested in capital assets

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

	2017	*2016*
Balance beginning of year	**11,900**	19,643
a) Excess of revenue over expenses		
Amortization of capital assets included in programs	**(3,278)**	(7,743)
b) Purchase of capital assets		
c) Asset disposals		
Loss on disposal of capital assets	**(8,622)**	-
Balance, end of year	**-**	11,900

10. 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, 2017.

11. 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, 2017.

12. 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)(I) 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, 2017 was as follows:

	2017	*2016*
Current Assets	**6,419,312**	6,844,122
Long Term Assets	**2,871,320**	2,675,952
Current Liabilities	**(479,699)**	(1,352,235)
Long Term Liabilities	**(8,810,933)**	(8,167,839)
Net Assets	**-**	-
Revenues	**6,021,320**	5,604,938
Expenses	**(6,084,394)**	(5,333,266)
Excess (deficiency) of revenues over expenses	**(63,074)**	271,672
Operating Transactions	**(450,583)**	1,841,674
Capital Transactions	**(497,047)**	(1,222,406)
Net change in cash	**(947,630)**	619,268

13. Segments

During the year, RHAM Inc. had six (2016 - 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.

13. Segments *(Continued from previous page)*

	RHAM	RHAPP	OR&NH	IRP	MH	CP	2017
Revenues	733,212	1,385,700	2,034,909	124,700	195,688	-	**4,474,209**
Expenses							
Advertising	-	-	-	-	-	-	**-**
Amortization	3,278	-	-	-	-	-	**3,278**
Dues and memberships	58,811	21,415	720	-	-	-	**80,946**
Equipment lease	556	1,058	857	-	-	-	**2,471**
Fire safety fund	554,842	-	-	-	-	-	**554,842**
Meeting expense	23,256	686	52,486	-	-	5,520	**81,948**
Office	2,462	537	11,759	17,359	-	-	**32,117**
Professional fees	211,678	379	1,578,708	-	9,484	14,811	**1,815,060**
Public relations	547	-	119,094	-	-	-	**119,641**
Purchased services	10,558	-	37,699	329,337	-	-	**377,594**
Rental	-	7,375	25,251	-	-	-	**32,626**
Repairs and maintenance	-	-	1,670	-	-	-	**1,670**
Salaries, wages and benefits	160,490	193,020	254,278	-	186,204	-	**793,992**
Telephone, fax and internet	1,195	774	8,744	-	-	-	**10,713**
Training and education	-	-	2,819	-	-	-	**2,819**
Travel	-	-	123,923	-	-	-	**123,923**
Total expenses	1,027,673	225,244	2,218,008	346,696	195,688	20,331	**4,033,640**
Excess (deficiency) of revenues over expenses	(294,461)	1,160,456	(183,099)	(221,996)	-	(20,331)	**440,569**
Other items							
Loss on disposal of capital assets	(8,622)	-	-	-	-	-	**(8,622)**
Excess (deficiency) of revenues over expenses	(303,083)	1,160,456	(183,099)	(221,996)	-	(20,331)	**431,947**

13. 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**

14. Financial instruments

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

Financial Statements of

REHABILITATION CENTRE FOR CHILDREN, INC.

March 31, 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rehabilitation Centre for Children, Inc.

We have audited the accompanying financial statements of Rehabilitation Centre for Children, Inc., which comprise the statement of financial position as at March 31, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

May 18, 2017
Winnipeg, Manitoba

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Operations
Year Ended March 31, 2017

	2017	2016
REVENUE		
Patient services - Winnipeg Regional Health Authority	**$ 5,834,329**	$ 3,450,445
School therapy program	**2,138,540**	2,008,546
Manitoba Family Services (Note 16)	**1,324,638**	1,205,820
Health Canada	**391,667**	-
Sales of prosthetics/orthotics fees for service	**1,118,542**	1,005,612
Sales of prosthetics/orthotics - other revenue	**181,266**	234,375
Sales of assistive devices	**51,345**	63,358
Restricted funding		
Children's Rehabilitation Foundation Inc. (Note 11b)	**616,260**	755,375
Research revenue	**51,462**	27,510
Miscellaneous	**255,657**	224,328
	11,963,706	8,975,369
EXPENSES		
Salaries	**4,322,399**	2,942,086
Employee benefits and costs	**1,025,274**	627,093
School therapy salaries and other costs	**1,965,578**	1,922,169
Manitoba Family Services - salaries and other costs		
Provincial Outreach Therapy for Children	**599,630**	632,487
Childrens' Therapy Initiative (Note 12)	**250,740**	193,038
Stepping Out Saturdays	**229,458**	228,893
Family support network	**47,600**	47,600
Health Canada salaries and other costs	**90,300**	-
Prosthetics and orthotics supplies	**297,884**	313,997
Special devices supplies	**135,902**	178,911
Other supplies and expenses	**500,541**	268,120
Restricted expenditures		
Children's Rehabilitation Foundation Inc.	**697,217**	820,775
Research expense	**51,462**	37,497
Purchased services - salaries and benefits	**507,858**	172,237
Purchased services	**264,886**	259,400
Start-up costs - SSCY Centre	**126,374**	-
Repairs and maintenance	**30,518**	33,661
Utilities, insurance and taxes	**29,044**	73,914
	11,172,665	8,751,878
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)	**791,041**	223,491
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	**78,166**	43,752
Amortization of capital assets	**(88,572)**	(51,343)
Interest income	**13,637**	20,926
Funding adjustments relating to prior years	**(8,552)**	9,025
EXCESS OF REVENUE OVER EXPENSES	**$ 785,720**	$ 245,851

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Financial Position
March 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash and short-term investments	$ 1,135,190	$ 815,313
Investments in GIC (Note 3)	1,193,271	1,226,291
Accounts receivable (Note 4)	1,856,186	1,186,199
Inventory	366,771	247,417
Prepaid expenses	6,473	9,803
Due from WRHA - accrued vacation pay (Note 2h)	155,997	155,997
	4,713,888	3,641,020
Restricted cash	75,819	74,638
Investments in GIC (Note 3)	432,865	649,682
Due from WRHA - pre-retirement and sick leave benefits (Note 2h)	466,413	413,215
Capital assets (Note 5)	856,555	125,110
	$ 6,545,540	$ 4,903,665
LIABILITIES		
CURRENT		
Accounts payable	$ 646,912	$ 469,655
Accrued vacation pay - WRHA	412,525	259,086
Accrued vacation pay - other funders	46,972	8,307
	1,106,409	737,048
Accrued pre-retirement leave benefits (Note 6)	707,696	781,136
Accrued sick leave benefits (Note 7)	153,237	135,417
Deferred contributions related to capital assets (Note 8)	699,359	156,678
Deferred contributions (Note 9)	65,022	65,289
	2,731,723	1,875,568
COMMITMENTS (Note 15)		
NET ASSETS (Note 12)		
Restricted POTC	40,853	50,483
Restricted Childrens' Therapy	350,801	132,914
Restricted School Therapy	456,219	283,257
Restricted Prosthetics and Orthotics	370,331	190,743
Restricted Stepping Out Saturdays	305,040	299,027
Health Canada	301,367	-
WRHA Restricted	21,841	-
Equipment Reserve	534,093	848,395
Unrestricted	1,433,272	1,223,278
	3,813,817	3,028,097
	$ 6,545,540	$ 4,903,665

APPROVED BY THE BOARD

Original Document Signed . . . . Director

Original Document Signed . . . . Director

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2017

	2017										2016
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Health Canada Restricted	WRHA Restricted	Equipment Reserve	Unrestricted (Note 12)	**Total**	Total
Balance, beginning of year	$ 50,483	$ 132,914	$ 283,257	$ 190,743	$ 299,027	$ -	$ -	$ 848,395	$ 1,223,278	**$ 3,028,097**	$ 2,782,246
Excess of revenue over expenses (expenses over revenue)	(9,630)	217,887	172,962	179,588	6,013	301,367	21,841	7,397	(111,705)	**785,720**	245,851
Interfund transfers (Note 12)	-	-	-	-	-	-	-	(321,699)	321,699	**-**	-
Balance, end of year	**$ 40,853**	**$ 350,801**	**$ 456,219**	**$ 370,331**	**$ 305,040**	**$ 301,367**	**$ 21,841**	**$ 534,093**	**$ 1,433,272**	**$ 3,813,817**	$ 3,028,097

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 785,720	$ 245,851
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	88,572	51,343
Amortization of deferred contributions - capital assets	(77,899)	(39,594)
Amortization of deferred contributions - EMR	(267)	(4,158)
Employee future benefits	83,286	(89,017)
	879,412	164,425
Net change in non-cash working capital balances		
Accounts receivable	(669,987)	(198,529)
Inventory	(119,354)	53,059
Prepaid expenses	3,330	976
Accounts payable	177,257	(97,395)
	270,658	(77,464)
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	620,580	44,700
Change in cash restricted for purchases of capital assets	(1,181)	(42,532)
	619,399	2,168
INVESTING ACTIVITIES		
Purchase of capital assets	(820,017)	(18,779)
Investments in GIC, net	249,837	(18,661)
	(570,180)	(37,440)
NET INCREASE (DECREASE) IN CASH POSITION	319,877	(112,736)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	815,313	928,049
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 1,135,190	$ 815,313

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. Amounts retained must be restricted for WRHA programs. Any amount in excess of the above would be repayable to the WRHA.

ii) Other Funding Sources

The Centre receives funding from other sources including Children's Rehabilitation Foundation Inc., Province of Manitoba Family Services and Labour, Manitoba Health, Health Canada and school divisions for specified programs.

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.

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 $412,438 (2016 - $314,221).

d) *Capital assets*

Equipment acquired before April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution and recorded as restricted donations. Repairs and maintenance costs are charged to expense.

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

Equipment and furniture	5 - 25 years
Information systems	5 - 10 years
Leasehold improvements	term of lease

e) *Cash and short-term investments*

Cash and short-term investments include cash and highly liquid investments with an original maturity of three months or less at the date of acquisition.

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.

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 based on the number of hours they work per month. The Centre recognizes an obligation for the estimated sick leave benefits that have accumulated based on the expectation of future utilization of the benefits. Any change in the accrual relating to sick leave benefits are recorded as an expense on the Statement of Operations.

h) Due from WRHA – employee future benefits

Funding for vacation pay entitlements by the WRHA has been capped at the amount owing for vacation entitlements as at March 31, 2004. Because the vacation entitlements up to March 31, 2004 will be funded, this amount has been recorded on the statement of financial position as a receivable from the WRHA.

For certain employees, funding for pre-retirement and sick leave benefits will be provided by the WRHA and therefore the amount that is to be funded by the WRHA has been recorded as a receivable on the statement of financial position.

i) Financial instruments

All financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received.

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. INVESTMENTS IN GIC

Investments represent amounts invested in guaranteed investment certificates. Short term investments earn interest at rates of 0.75% to 1.35% (2016 – 0.75%) per annum and have maturity dates ranging from 50 to 128 days (2016 – 59 to 73 days) after year end. Long term investments earn interest at a rate of 1.28% (2016 – 1.35%) per annum and mature 407 days (2016 – 415 days) after year end.

4. ACCOUNTS RECEIVABLE

	2017	2016
Patient services	**$ 69,044**	$ 167,905
School divisions	**233,634**	133,429
Manitoba Health – Patient services	**285,882**	343,833
Winnipeg Regional Health Authority – Operations	**980,893**	181,072
Due from Children's Rehabilitation Foundation Inc. (Note 10b)	**92,032**	109,921
Specialized Services for Children and Youth (SSCY) Capital campaign	**153,582**	218,502
GST Rebate	**38,622**	31,483
Other	**2,497**	54
	$1,856,186	$1,186,199

5. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment and furniture	**948,318**	**250,014**	**698,304**	1,588
Information systems	**123,394**	**59,132**	**64,262**	97,524
Leasehold improvements	**104,695**	**10,706**	**93,989**	9,416
Assets under construction	**-**	**-**	**-**	16,582
	$ 1,176,407	**$ 319,852**	**$ 856,555**	$ 125,110

6. ACCRUED PRE-RETIREMENT LEAVE BENEFITS

The WRHA undertook an actuarial valuation as at March 31, 2015 of the accrued pre-retirement leave benefits which include those of the Centre. The significant actuarial assumptions adopted in measuring the Centre's accrued pre-retirement leave benefits include mortality and withdrawal rates, a discount rate of 3.0%, 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, 2017, 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 $57,153 (2016 - $70,614).

7. SICK LEAVE BENEFITS

The Centre calculated an obligation related to the estimated sick leave benefits that have accumulated based on the expectation of future utilization of the benefits. The significant assumptions used in measuring the Centre's accrued sick leave benefits include the estimated average remaining service life of its employees of 5.10 years, a discount rate of 3.0% and a rate of salary increase of 3.5%.

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2017	2016
Balance, beginning of year	**$ 156,678**	$ 151,572
Plus: contributions received during the year	**620,580**	44,700
Less: current year amortization	**(77,899)**	(39,594)
	$ 699,359	$ 156,678

9. DEFERRED CONTRIBUTIONS

During the prior year contributions were received from Manitoba eHealth for the Electronic Medical Records (EMR) Adoption Program. These funds are restricted for the use of purchasing specific computer hardware and software products for the EMR system and related expenses.

	2017	2016
Balance, beginning of year	**$ 65,289**	$ 69,447
Less: current year purchases/expenses	**(267)**	(4,158)
	$ 65,022	$ 65,289

10. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. Variances between the actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The costs of the benefit plan are not individually allocated to the participating facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $550,890 (2016 - $453,531) and are included in the statement of operations.

11. ECONOMIC DEPENDENCE AND RELATED ENTITIES

a) The Province of Manitoba and the WRHA provide a significant amount of the operating funding of the Centre. The statement of operations and Note 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 $616,260 to the Centre in the form of cash and capital donations (2016 - $755,375).

12. NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Labour, surpluses generated through the Provincial Outreach Therapy for Children (POTC) program are restricted to the future provision of outreach therapy services. In addition, funds received for the Children's Therapy and Stepping Out Saturdays Initiatives are restricted for use for these programs.

Funds received for the School Therapy and Prosthetics and Orthotics Initiatives are internally restricted for use for these programs. During the year, the Board transferred $321,699 (2016 - $nil) of the funds in the Equipment Reserve to the unrestricted fund to cover one-time start-up costs incurred in the current year.

Based on the Service Purchase Agreement, the Centre is permitted to retain the greater of 50% of the surplus or 2% of the WRHA annual global operating budget. However, there are instances where the Centre requests that surplus amounts that would otherwise be repaid to the WRHA be retained for specific future purposes. This deferred funding is to be used towards financing the SSCY project manager and related administrative costs in the 2018 fiscal year. This current year surplus is shown in the WRHA restricted fund under net assets. Management believes that the amount subject to audit will be able to be retained by the Centre and therefore no amounts have been recorded as a payable to the WRHA as at March 31, 2017.

Details relating to unrestricted net assets as of March 31, 2017 are as follows:

Net assets invested in capital assets	$	157,196
Net assets - unrestricted		1,276,076
	$	1,433,272

12. NET ASSETS (continued)

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:

	2017	2016
Gross funding received by the Centre	**$1,016,000**	$ 865,000
Disbursement to the third party	**(547,373)**	(566,855)
Revenue earned by the Centre	**468,627**	298,145
Expenses incurred by the Centre	**(250,740)**	(193,038)
Program surplus at the Centre	**$ 217,887**	$ 105,107

13. SPECIAL SERVICES FOR CHILDREN AND YOUTH (SSCY) CAPITAL CAMPAIGN

SSCY is a partnership between Manitoba Health, the Winnipeg Regional Health Authority, Manitoba Family Services and Labour and a number of community service providers. The following is a summary of the Campaign's operations:

	2017	2016
WRHA – donated funds	**$ 19,525**	$ 5,802
Campaign expenses	**19,525**	5,802

These expenses are not reflected in the Centre's statement of operations. Funds raised by the Campaign will be held by the Winnipeg Foundation on behalf of the partners and disbursed to the WRHA. Any expenses incurred by the Centre will be recovered from the WRHA through donated funds.

14. INTEREST RATE AND CREDIT RISK

Interest rate risk
Interest rate risk is the risk to the Centre's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. The Centre does not use derivative instruments to reduce this risk.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, the Centre's accounts receivable are amounts due from government funding authorities and similar agencies which minimizes credit risk.

15. 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.

16. MANITOBA FAMILY SERVICES REVENUE

	2017	2016
Provincial Outreach Therapy Program (POTC)	**$ 590,000**	$ 635,000
Children's Therapy Initiative (CTI)	**468,627**	298,145
Stepping Out Saturday (SOS)	**191,500**	191,500
Family Support Network	**35,200**	35,200
Building Circles of Support	**12,400**	12,400
Rural Clinics	**6,711**	8,550
Manitoba FASD – Network Development	**20,200**	25,000
Other	**-**	25
	$1,324,638	$1,205,820

17. 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, 2017

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors of the RESEARCH MANITOBA

We have audited the accompanying financial statements of **RESEARCH MANITOBA**, which comprise the statement of financial position as at March 31, 2017, 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 13, 2017

RESEARCH MANITOBA
Statement of Financial Position

March 31		2017		2016
Assets				
Current Assets				
Cash and bank	$	**149,926**	$	408,605
Short-term investment (Note 2)		**3,390,765**		3,326,817
Accounts receivable (Note 3)		**70,964**		291,959
Accrued interest receivable		**14,199**		20,020
Prepaid expenses		**15,926**		8,614
		3,641,780		4,056,015
Capital assets (Note 4)		**30,923**		27,008
	$	**3,672,703**	$	4,083,023
Liabilities and Fund Balance				
Current Liabilities				
Accounts payable and accrued liabilities	$	**132,751**	$	434,213
Deferred revenue (Note 5)		**1,583,896**		1,855,246
Research grants payable		**971,701**		1,365,362
		2,688,348		3,654,821
Commitments (Note 7)				
Fund balance		**984,355**		428,202
	$	**3,672,703**	$	4,083,023

Approved on behalf of the Board:

Original Document Signed
________________________ Director

Original Document Signed
________________________ Director

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

RESEARCH MANITOBA
Statement of Operations and Fund Balance

For the year ended March 31	2017	2016
Revenue		
Province of Manitoba		
Jobs and the Economy	**$ 17,116,000**	$ 17,073,400
Winnipeg Regional Health Authority	**1,100,000**	1,100,000
Other funding	**6,300**	29,501
Grants returned/rescinded	**618,573**	97,659
Investment income	**59,941**	84,113
	18,900,814	18,384,673
Add deferred revenue, beginning of year	**1,855,246**	3,265,250
Less deferred revenue, end the year	**1,583,896**	1,855,246
	19,172,164	19,794,677
Expenditures		
Administration (Page 12)	**1,466,375**	1,348,361
Personnel awards	**2,542,212**	2,197,577
Research grants	**7,821,894**	8,352,699
MS grants and awards	**125,000**	761,955
Applied health services	**-**	677,550
Centres for healthcare innovation	**1,000,000**	1,000,000
Infrastructure grants	**3,660,530**	4,164,301
Health research initiative	**2,000,000**	2,000,000
	18,616,011	20,502,443
Excess (deficiency) of revenue over expenditures for the year	**556,153**	(707,766)
Fund balance, beginning of year	**428,202**	1,135,968
Fund balance, end of year	**$ 984,355**	$ 428,202

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

RESEARCH MANITOBA
Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ 556,153**	$ (707,766)
Adjustments for		
Amortization of capital assets	**9,991**	6,752
	566,144	(701,014)
Changes in non-cash working capital balances		
Accounts receivable	**220,995**	(254,610)
Accrued interest receivable	**5,821**	9,976
Prepaid expenses	**(7,312)**	(6,314)
Accounts payable and accrued liabilities	**(301,462)**	(1,198,427)
Deferred revenue	**(271,350)**	(1,410,004)
Research grants payable	**(393,661)**	258,229
	(180,825)	(3,302,164)
Cash Flows from Investing Activities		
Purchase of capital assets	**(13,906)**	-
Decrease in cash and cash equivalents during the year	**(194,731)**	(3,302,164)
Cash and cash equivalents, beginning of year	**3,735,422**	7,037,586
Cash and cash equivalents, end of year	**$ 3,540,691**	$ 3,735,422
Represented by		
Cash and bank	**$ 149,926**	$ 408,605
Short-term investment	**3,390,765**	3,326,817
	$ 3,540,691	$ 3,735,422

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.

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.

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.

2. Short-term Investment

	2017	2016
Steinbach Credit Union, charity regular savings account, 1.70% (1.70% in 2016), no maturity date and is reduced by the deficit in the chequing account.	**$ 3,390,765**	$ 3,326,817

The fair value of the short-term investment approximates the carrying value.

3. Accounts Receivable

	2017	2016
University of Manitoba	**$ 61,425**	$ 281,000
Miscellaneous receivables	**147**	2,881
Goods and Services Tax receivable	**9,392**	8,078
	$ 70,964	$ 291,959

4. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 34,151**	**$ 22,026**	$ 34,151	$ 18,995
Computer equipment	**62,913**	**44,115**	49,007	37,155
	$ 97,064	**$ 66,141**	$ 83,158	$ 56,150
Net book value		**$ 30,923**		$ 27,008

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 2016-17, $125,000 of these funds were utilized (for a cumulative total of $4,202,097) and outstanding future commitments are $797,903. Funds were used to support the Canadian Multiple Sclerosis Monitoring System.

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, $128,500 of these funds was utilized (for a cumulative total of $1,225,658) and the unexpended balance at March 31, 2017 is $774,342. Future commitments of $721,500 have been made to expend the balance of this deferred revenue.

Of the funds received in the amount of $29,501 from the Manitoba Mental Health Research Foundation, $17,850 was expended during the year to support two PhD Studentship, leaving a balance of $11,651.

The total deferred revenue for 2016-17 is $1,583,896.

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 8.0% to 9.0% of the employees' salary. The organization is required to match at rates of 7.1% to 9.0% of the employees' salary. The amount contributed by Research Manitoba for 2017 was $68,002 ($53,348 in 2016) and the employee share was $65,045 ($57,100 in 2016). Under this agreement, the organization has no further pension liability.

7. Commitments

Research Manitoba has committed grants and awards under the General Research Fund, the Regional Partnership Fund, MS Fund and S Patient Oriented Research Fund as follows:

Year	General Research Fund	MS Fund	SPOR Fund	Research and Infrastructure Grants	Total
2018	$ 7,040,743	$ 642,700	$ 1,000,000	$ 4,509,035	$ 13,192,478
2019	2,931,740	93,750		3,306,000	6,331,490
2020	2,225,634	-	-	3,000,000	5,225,634
2021	575,634	-	-	3,000,000	3,575,634
Total	$ 12,773,751	$ 736,450	$ 1,000,000	$ 13,815,035	$ 28,325,236

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	$ 975,429
Deferred revenue	1,583,896
Future Province of Manitoba grants	25,765,911
	$ 28,325,236

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:

	2017	2016
Grant revenue	**$ 18,216,000**	$ 18,173,400

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

9. Economic Dependence

Research Manitoba relies almost entirely on grants from the Province of Manitoba.

10. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's Chief Executive Officer (CEO). The Board of Directors receives quarterly reports from the organization's CEO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The organization's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible.

At March 31, 2017, a 1% move in interest rates, with all other variables held constant, could impact the interest revenue of the investments by $33,900 ($33,300 in 2016). 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.

11. Comparative Information

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

RESEARCH MANITOBA
Schedule of Administrative Expenses

For the year ended March 31	2017	2016
Accounting and audit	**$ 9,844**	$ 9,391
Amortization	**9,991**	6,752
Bank charges and interest	**1,421**	971
Communications and information technology	**74,007**	56,969
Conferences, meetings and travel	**49,871**	47,250
Consulting and professional fees	**35,861**	41,478
Council and committee expenses	**3,568**	16,257
Delivery	**1,668**	1,768
Insurance	**5,253**	5,174
Marketing	**77,870**	76,407
Office space	**86,885**	73,383
Parking	**2,259**	1,696
Printing, stationery and office supplies	**53,956**	23,273
Repairs and maintenance	**2,195**	9,580
Reviewer's expenses	**14,920**	15,094
Salaries and benefits	**1,032,270**	951,869
Workshops and training	**4,536**	11,049
	$ 1,466,375	$ 1,348,361

SOUTHERN FIRST NATIONS NETWORK OF CARE

Financial Statements

For the year ended March 31, 2017

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BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Directors
SOUTHERN FIRST NATIONS NETWORK OF CARE

We have audited the accompanying financial statements of the **SOUTHERN FIRST NATIONS NETWORK OF CARE,** which comprise the statement of financial position as at March 31, 2017 and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **SOUTHERN FIRST NATIONS NETWORK OF CARE** as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Unaudited Information
We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules on pages 13 through 22 of the financial statements.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
July 17, 2017

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Financial Position

March 31	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,311,844**	$ 1,324,045
Accounts receivable (Note 2)	**1,846,063**	3,014,324
Prepaid expenses	**71,514**	235,874
	3,229,421	4,574,243
Capital Assets (Note 3)	**1,566,325**	1,762,227
Due from Agencies (Note 4)	**6,200,026**	6,200,026
	$ 10,995,772	$ 12,536,496
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	**$ 2,235,265**	$ 3,180,270
Deferred revenue (Note 6)	**1,055,060**	1,282,259
	3,290,325	4,462,529
Due to Province of Manitoba (Note 4)	**6,200,026**	6,200,026
	9,490,351	10,662,555
Commitments (Note 8)		
Net Assets	**1,505,421**	1,873,941
	$ 10,995,772	$ 12,536,496

Approved by:

Original Document Signed ______________________ Chairperson

Original Document Signed ______________________ Treasurer

Original Document Signed ______________________ Chief Executive Officer

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

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Operations

For the year ended March 31	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Revenue			
Province of Manitoba (Note 7)			
Network Core (Schedule 1)	$ 3,154,235	$ 3,033,272	$ 2,987,844
Education and Training (Schedule 5)	525,894	537,156	536,723
IT Support (Schedule 2)	906,400	713,017	726,410
Agency Grants (Schedule 3)	47,913,784	50,330,305	48,939,347
Foster Care Backlog Reduction	-	-	107,286
Golden Eagle	293,750	1,104,593	1,094,193
Adele Site Programming (Schedule 4)	540,535	2,033,424	2,076,062
Kinship/Foster Care Recruitment Campaign	-	-	54,755
Emergency Foster Care Stand By Fees	14,000	895	15,845
SCO Liaison Co-ordinator	-	177,501	-
Other	-	-	95,379
Deferred revenue - recognition (Schedule 6)	557,894	308,811	64,997
Total Province of Manitoba	53,906,492	58,238,974	56,698,841
Indigenous and Northern Affairs Canada (INAC)			
IT Capacity Development (Schedule 2, 7)	250,000	250,000	250,000
Regional Advisory Committee (Schedule 8)	98,325	98,000	30,000
Distinct Needs Assessment (Schedule 9)	-	25,000	-
Phoenix Sinclair Inquiry (Schedule 10)	-	50,000	-
Total Indigenous and Northern Affairs Canada	348,325	423,000	280,000
Agency			
Rents and secondments (Schedule 1)	185,293	263,193	-
IT Support (Schedule 2)	450,000	447,442	444,461
Morningstar	17,379	14,523	129,576
Total agency	652,672	725,158	574,037
Other			
Rent (Schedule 1)	98,779	94,826	-
Education and Training (Schedule 5)	10,829	1,650	-
Miscellaneous	3,000	-	37,376
Total other	112,608	96,476	37,376
	55,020,097	59,483,608	57,590,254
Expenses			
Network Core			
Staffing (Schedule 1)	2,681,931	2,752,955	2,463,726
Operating (Schedule 1)	839,704	779,067	516,165
Education and Training (Schedule 5)	453,551	410,340	342,839
IT Support (Schedule 2)	1,566,429	1,533,212	1,282,840
Agency Grants (Schedule 3)	47,913,784	50,330,305	48,939,347
Office moving expenses	105,000	93,126	3,943
Programming			
Golden Eagle	293,750	1,104,593	1,094,193
Adele Site Programming (Schedule 4)	540,535	2,035,299	2,127,837
Morningstar	17,854	15,915	130,311
SCO Liaison Co-ordinator	-	177,500	-
Customary Care (Schedule 6)	222,688	101,621	-
Kinship/Foster Care Recruitment Campaign	-	-	54,755
Foster Care Backlog Reduction	-	-	107,286
Age of Majority	73,231	21,533	37,636
Emergency Foster Care Stand by Fees	14,000	1,285	15,545
Stepping out on Saturdays	57,500	39,789	27,961
Regional Advisory Committee (Schedule 8)	98,325	69,462	47,561
Agency review	-	-	45,000
	54,878,282	59,466,002	57,236,945
Excess before amortization	141,815	17,606	353,309
Amortization	387,237	415,572	448,892
Deficiency before other items	(245,422)	(397,966)	(95,583)
Bad debt expense	-	(57,297)	-
Debt forgiveness on discontinued operations	125,437	86,743	-
Excess (deficiency) of revenue over expenses	(119,985)	(368,520)	(95,583)
Net assets, beginning of year	-	1,873,941	1,969,524
Net assets, end of year	$ (119,985)	$ 1,505,421	$ 1,873,941

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

SOUTHERN FIRST NATIONS NETWORK OF CARE
Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	**$ (368,520)**	$ (95,583)
Adjustments for items not involving cash		
Amortization of capital assets	**415,572**	448,892
Gain on disposal of capital assets	**(19,938)**	-
	27,114	353,309
Changes in non-cash working capital balances		
Accounts receivable	**1,168,261**	(605,254)
Prepaid expenses and deposits	**164,360**	(88,028)
Due from agencies	**-**	(662,036)
Accounts payable and accrued liabilities	**(945,004)**	82,809
Deferred revenue	**(227,199)**	341,007
Due to Province of Manitoba	**-**	662,036
	187,532	83,843
Cash Flows from Capital Activities		
Purchase of capital assets	**(199,733)**	(271,838)
Proceeds on sale of capital assets	**-**	6,179
	(199,733)	(265,659)
Net decrease in cash during the year	**(12,201)**	(181,816)
Cash and cash equivalents, beginning of year	**1,324,045**	1,505,861
Cash and cash equivalents, end of year	**$ 1,311,844**	$ 1,324,045

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

1. Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of the Organization

The First Nations of Southern Manitoba Child and Family Services Authority (the "Southern Network") was incorporated on November 24, 2003 under the Province of Manitoba through *The Child and Family Services Authority Act*, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003. On November 15, 2015, the legal name was changed to Southern First Nations Network of Care.

The Southern Network was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Southern Network is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

The Southern Network is a non-profit organization and as such is exempt from income taxes under *The Income Tax Act* (the "Act"). In order to maintain its status as a non-profit organization under the Act, the Network must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

(b) Management's Responsibility for the Financial Statements

The financial statements of the Southern Network are the responsibility of management.

(c) Basis of Accounting

The financial statements have been prepared using the deferral method under the Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board.

(d) Revenue Recognition

The Southern Network follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

1. **Nature of Organization and Summary of Significant Accounting Policies** (continued)

(f) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance and straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	30% declining balance basis
Furniture and fixtures	20% declining balance basis

Leasehold improvements are amortized over the term of the lease.

(g) Use of Estimates and Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian public sector accounting standards which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period.

Certain accounts receivable amounts contain measurement uncertainty as they relate to funding based upon the latest communication with the Province of Manitoba.

(h) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Accounts Receivable

	2017	2016
Indigenous and Northern Affairs Canada	**$ 25,000**	$ 125,000
Due from agencies	**398,747**	236,744
Due from Province of Manitoba		
Golden Eagle	**181,826**	181,382
IT Support	**235,067**	248,460
Adele Site Programming	**327,950**	420,927
Stabilization	**195,010**	953,458
Kinship/Foster Care Recruitment Campaign	**-**	77,805
Customary Care	**-**	293,004
Other	**291,955**	338,364
GST receivable	**148,116**	113,727
Other	**42,392**	25,453
	$ 1,846,063	$ 3,014,324

3. Capital Assets

	2017			2016		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 4,672,116**	**$ 3,812,886**	**$ 859,230**	$ 4,497,363	$ 3,498,422	$ 998,941
Furniture and fixtures	**454,308**	**348,553**	**105,755**	429,328	320,904	108,424
Leasehold improvements	**1,221,272**	**619,932**	**601,340**	1,221,272	566,410	654,862
	$ 6,347,696	**$ 4,781,371**	**$ 1,566,325**	$ 6,147,963	$ 4,385,736	$ 1,762,227

4. Due from agencies and Due to Province of Manitoba

The Province of Manitoba advanced the Southern Network a working capital advance in the amount of $6,200,026 ($6,200,026 in 2016), which in turn was advanced by the Southern Network to the agencies. The advances are repayable by the Southern Network if the Southern Network's operations cease. The amounts due from the agencies have no fixed terms of repayment and are non-interest bearing.

	2017	2016
Animikii-Ozoson Child and Family Services	**$ 1,204,000**	$ 1,204,000
Child and Family All Nations Coordinated Response Network	**538,400**	538,400
Dakota Ojibway Child and Family Services	**689,610**	689,610
Intertribal Child and Family Services	**121,030**	121,030
Peguis Child and Family Services	**221,820**	221,820
Sandy Bay Child and Family Services	**158,700**	158,700
Sagkeeng Child and Family Services	**662,036**	662,036
Southeast Child and Family Services	**1,368,830**	1,368,830
West Region Child and Family Services	**1,235,600**	1,235,600
	$ 6,200,026	$ 6,200,026

5. Accounts Payable and Accrued Liabilities

	2017	2016
Due to agencies	**$ 1,366,252**	$ 1,846,996
Trade payables	**574,077**	1,108,870
Accrued expenses	**292,894**	221,554
Social fund	**2,042**	2,850
	$ 2,235,265	$ 3,180,270

6. Deferred Revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred. Deferred revenue is comprised of:

	2017	2016
CFSIS/SDM compliance	**$ 645,698**	$ 732,478
Age of Majority	**192,251**	228,544
Stepping out on Saturdays	**66,751**	69,255
Customary care	**150,360**	251,982
	$ 1,055,060	$ 1,282,259

7. Revenue from Province of Manitoba

Revenue as per Province of Manitoba confirmation	**$ 70,316,466**
Add:	
Deferred revenue amounts recognized as revenue in the year	**108,352**
Current years receivables	**9,470**
CSA withheld from operating grants	**1,735,637**
	1,853,459
Deduct:	
Funding of prior year accounts receivable	**763,514**
Current year payable	**166,510**
Revenue deferred during the year	**-**
Advance funding received for next year	**13,000,927**
Others	**-**
	13,930,951
Revenue from Province of Manitoba	**$ 58,238,974**

8. Commitments

The Southern Network has entered into various lease agreements for premises for its operations and to support other agencies and programs expiring between December 2017 and November 2021.

The minimum annual lease payments for the next five years are as follows:

2018	$ 380,333
2019	327,750
2020	327,750
2021	327,750
2022	218,500

9. Employment Benefits

Pension Benefits

The Southern Network has a defined contribution pension plan for its employees. Employees contribute at least 4% of their salaries and the Southern Network contributes 5%. The Southern Network's total pension contribution for 2017 was $174,515 ($174,557 in 2016).

Sick Leave Benefits

Employees of the Southern Network are entitled to sick leave benefits during their employment. Sick leave benefits, which accumulate but do not vest, are not considered to be significant by management. As such, management has not recorded a liability for these benefits in the financial statements of the Southern Network.

10. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

11. Financial Risk Management

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

Credit Risk

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

The Southern Network's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is $1,846,063 ($3,014,324 at March 31, 2016).

The Southern Network is not exposed to significant credit risk as the majority of the receivables are from the the Province of Manitoba and agencies.

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Southern Network is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Southern Network is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

Liquidity Risk - Liquidity risk is the risk that the Southern Network will encounter difficulty in meeting financial obligations as they become due, and arises from the Southern Network's management of working capital. The Southern Network's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Fair Value - The carrying values of cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 1
Statement of Revenues and Expenditures - Network Core
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba			
Core grant	$ 2,892,125	$ 2,895,734	$ 2,781,894
Other	262,110	137,538	205,950
	3,154,235	3,033,272	2,987,844
Agency			
Rent	70,104	71,828	-
Secondments	115,189	191,365	-
	185,293	263,193	-
Other			
Rent	98,779	94,826	-
	3,438,307	3,391,291	2,987,844
Expenses			
Staffing			
Salaries and benefits	2,611,931	2,636,471	2,370,880
Training - staff	25,000	69,159	31,750
Travel - staff	30,000	36,231	41,664
Health and education tax levy	10,000	8,977	6,002
Recruitment	5,000	2,117	13,430
	2,681,931	2,752,955	2,463,726
Operations			
Rent	280,929	224,921	216,011
Reimbursable rent	151,080	151,089	-
Professional fees	105,800	120,782	32,238
Board and administrator costs	77,000	63,689	72,091
Office supplies	30,000	40,429	32,497
Insurance	28,000	37,173	26,711
Telephone and fax	30,000	25,874	25,465
Annual general meeting	15,000	22,659	7,788
Operational planning	19,200	20,366	-
Community relations	30,000	16,497	24,208
Cultural expenses	50,000	15,741	21,644
Repairs and maintenance	7,195	15,730	16,595
Agency relations	11,500	15,214	35,033
Bank service charges	4,000	8,259	5,884
Miscellaneous	-	644	-
	839,704	779,067	516,165
	3,521,635	3,532,022	2,979,891
Excess (deficiency) of revenue over expenses	$ (83,328)	$ (140,731)	$ 7,953

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 2
Statement of Revenues and Expenditures - IT Support
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba	$ **906,400**	$ **713,017**	$ 726,410
INAC - Capacity Development	**250,000**	**250,000**	250,000
Agency	**450,000**	**447,442**	444,461
	1,606,400	**1,410,459**	1,420,871
Expenses			
Salaries and benefits	**575,645**	**573,343**	533,296
Internet	**500,000**	**462,465**	400,202
Information technology	**443,784**	**451,957**	316,348
Rent data centre	**-**	**14,471**	-
Professional fees	**-**	**12,597**	-
Travel	**20,000**	**10,521**	18,505
Telephone and fax	**5,000**	**6,174**	6,118
Training and development	**22,000**	**1,684**	8,371
	1,566,429	**1,533,212**	1,282,840
Excess (deficiency) of revenue over expenses before capital asset purchases	**39,971**	**(122,753)**	138,031
Capital asset purchases	**221,027**	**174,753**	271,838
Excess (deficiency) of revenue over expenses	$ **(181,056)**	$ **(297,506)**	$ (133,807)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 3
Statement of Revenues and Expenditures - Agency Grants
Unaudited

For the year ended March 31	2017	2017	2016
	Budget	**Actual**	Actual
Revenue			
Province of Manitoba	**$ 47,913,784**	**$ 50,330,305**	$ 48,939,347
Expenses			
Protection	**24,483,274**	**26,012,990**	24,483,274
Central support	**12,553,664**	**12,659,571**	12,510,569
Core	**6,607,171**	**6,607,163**	6,607,172
Prevention	**3,415,069**	**3,830,267**	3,830,273
Other	**1,008,800**	**1,158,800**	708,801
CFSIS data entry clerk	**558,954**	**558,954**	558,961
Family care	**541,263**	**541,263**	541,264
Workload relief	**224,000**	**224,000**	224,000
Stabilization	**-**	**195,010**	953,458
Designated intake	**76,086**	**76,086**	76,086
Vacancy management	**(1,554,497)**	**(1,533,799)**	(1,554,511)
	47,913,784	**50,330,305**	48,939,347
Excess (deficiency) of revenue over expenses	**$ -**	**$ -**	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 4
Statement of Revenues and Expenditures - Adele Site Programming
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba	$ **540,535**	$ **2,033,424**	$ 2,076,062
Expenses			
Programming	**356,184**	**1,421,169**	1,417,972
Rent	**142,500**	**465,190**	465,190
Building maintenance	**32,500**	**121,228**	124,700
Utilities	**7,500**	**18,709**	24,524
Insurance	**1,851**	**8,021**	7,785
Professional fees	**-**	**1,027**	87,155
Telephone and fax	**-**	**(45)**	511
	540,535	**2,035,299**	2,127,837
Excess (deficiency) of revenue over expenses	$ **-**	$ **(1,875)**	$ (51,775)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 5
Statement of Revenues and Expenditures - Education and Training
Unaudited

For the year ended March 31	2017	2017	2016
	Budget	**Actual**	Actual
Revenue			
Province of Manitoba	**$ 525,894**	**$ 537,156**	$ 536,723
Miscellaneous	**10,829**	**1,650**	-
	536,723	**538,806**	536,723
Expenses			
Rent	**165,736**	**151,998**	129,154
Salaries and benefits	**150,300**	**146,534**	94,606
Training - agency	**95,940**	**67,997**	78,981
Office supplies	**12,000**	**17,258**	10,844
Insurance	**17,000**	**13,411**	17,808
Building maintenance	**10,000**	**8,104**	9,319
Travel	**2,300**	**3,423**	2,127
Telephone and fax	**275**	**1,615**	-
	453,551	**410,340**	342,839
Excess of revenue over expenses before training (in house)	**$ 83,172**	**$ 128,466**	$ 193,884
Training (in house)	**-**	**44,664**	-
Excess (deficiency) of revenue over expenses	**$ 83,172**	**$ 83,802**	$ 193,884

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 6
Statement of Revenues and Expenditures - Customary Care
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Province of Manitoba			
Network	$ 201,982	$ 85,371	$ -
Agency	50,000	16,250	-
	251,982	101,621	-
Expenses			
Salaries and benefits	87,386	82,692	-
Travel	-	2,491	-
Meetings	-	188	-
Programming			
Network	70,302	-	-
Agency	65,000	16,250	-
	222,688	101,621	-
Excess (deficiency) of revenues over expenses	$ 29,294	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 7
Statement of INAC Funding and Expenditures - Capacity Development
Unaudited

For the year ended March 31	2017	2017	2016
	Budget	**Actual**	Actual
Revenue			
INAC contribution	**$ 250,000**	**$ 250,000**	$ 250,000
Expenses			
Virtual	**181,000**	**213,050**	13,303
VoIP	**69,000**	**36,950**	192,256
VLAN	**-**	**-**	29,537
ACCPAC	**-**	**-**	8,203
Records management	**-**	**-**	4,120
Refresh	**-**	**-**	2,581
	250,000	**250,000**	250,000
Excess of revenue over expenses	**$ -**	**$ -**	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 8
Statement of INAC Funding and Expenditures - Regional Advisory Committee
Unaudited

For the year ended March 31	2017	2017	2016
	Budget	**Actual**	Actual
Revenue			
INAC			
Regional Advisory Committee	$ 30,000	$ 30,000	$ 30,000
Funding Model Working Group	68,325	68,000	-
Province of Manitoba			
Child Maintenance Billings Working Group	-	-	15,000
	98,325	98,000	45,000
Expenses			
Funding Model Working Group Meetings	66,000	40,908	-
First Nation Child and Family Services Regional Meeting	16,500	25,501	26,568
Regional Advisory Committee	3,000	1,673	576
Youth Engagement Committee	-	1,380	-
Child Maintenance Billings Working Group Meetings	-	-	20,417
	85,500	69,462	47,561
Administrative costs	12,825	14,700	7,500
Funding model development support	-	13,838	-
Amount Claimed in 2014/15 and recorded in 2015/16	-	-	(7,110)
	98,325	98,000	47,951
Excess (deficiency) of revenue over expenses	$ -	$ -	$ (2,951)

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 9
Statement of INAC Funding and Expenditures - Distinct Needs Assessment
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Distinct Needs Assessment	-	25,000	-
Expenses			
Distinct Needs Assessment Support	-	25,000	-
Excess (deficiency) of revenue over expenses	$ -	$ -	$ -

SOUTHERN FIRST NATIONS NETWORK OF CARE
Schedule 10
Statement of INAC Funding and Expenditures - Phoenix Sinclair Inquiry
Unaudited

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Phoenix Sinclair Inquiry	-	50,000	-
Expenses			
Phoenix Sinclair Inquiry Support	-	50,000	-
Excess (deficiency) of revenue over expenses	$ -	$ -	$ -

Financial Statements of

SPORT MANITOBA INC.

Year ended March 31, 2017

KPMG LLP
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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, 2017, 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.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sport Manitoba Inc. as at March 31, 2017, 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 21, 2017

Winnipeg, Canada

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 3,017,006	$ 4,996,997
Accounts receivable	475,606	317,420
Inventories	31,442	30,689
Prepaid expenses and deposits	60,023	67,301
	3,584,077	5,412,407
Marketable securities (note 2[f])	100,564	104,452
Long-term accounts receivable	71,276	76,367
Capital assets (note 3)	39,616,738	21,614,112
	$ 43,372,655	$ 27,207,338

	2017	2016

Liabilities, Deferred Contributions and Net Assets

	2017	2016
Current liabilities:		
Bank indebtedness (note 5)	$ –	$ 1,003,082
Accounts payable and accrued liabilities	2,953,471	2,116,421
Current portion of loans payable (note 7)	569,375	372,271
	3,522,846	3,491,774
Loans payable (note 7)	23,710,782	13,911,629
Deferred contributions relating to (note 8):		
Expenses of future periods	569,488	254,962
Capital assets	14,002,679	8,215,305
	14,572,167	8,470,267
Net assets:		
Unrestricted	(1,056,455)	(1,176,528)
Internally restricted (note 2[e]):		
Initiatives program	87,107	87,107
Coaching	26,875	26,875
Future major repairs and upgrades	450,000	375,000
Phase 2 building expenditures	700,000	590,000
Princess Royal Pan Am Scholarship endowment (note 2[f])	100,564	104,452
Invested in capital assets (note 11)	1,258,769	1,326,762
	1,566,860	1,333,668
KidSport Canada trust assets (note 4)		
	$ 43,372,655	$ 27,207,338

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, 2017, with comparative information for 2016

	Operating Fund	Restricted Funds	Capital Asset Fund	2017 Total	2016 Total
Revenue:					
Province of Manitoba:					
Program support	$ 11,105,927	$ –	$ –	$ 11,105,927	$ 11,105,927
Bingo allocation	250,400	–	–	250,400	234,800
Other grants	255,560	–	–	255,560	580,586
Sport Medicine Centre	545,103	–	–	545,103	568,382
Manitoba Games	366,385	–	–	366,385	105,000
Other income	758,563	–	–	758,563	665,863
Bilateral funding:					
Province of Manitoba	312,273	–	–	312,273	312,273
Federal Government	312,273	–	–	312,273	312,273
	13,906,484	–	–	13,906,484	13,885,104
Expenses:					
Grants					
Sport groups for sport development	7,561,722	3,888	–	7,565,610	7,649,996
Bilateral sport development programs	375,063	–	–	375,063	366,941
Sport Medicine Centre	666,962	–	–	666,962	647,583
Administration and services provided to sport groups:					
Occupancy	1,467,817	–	–	1,467,817	1,482,588
Operating	396,906	–	–	396,906	381,564
Administration	1,960,160	–	–	1,960,160	1,934,826
Member services	1,720,142	–	–	1,720,142	1,601,447
Cost recovered from sport groups	(1,010,082)	–	–	(1,010,082)	(1,003,610)
Amortization	–	–	530,714	530,714	515,331
	13,138,690	3,888	530,714	13,673,292	13,576,666
Excess (deficiency) of revenue over expenses	$ 767,794	$ (3,888)	$ (530,714)	$ 233,192	$ 308,438

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	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	2017 Total	2016 total
Net assets, beginning of year	$ (1,176,528)	$ 87,107	$ 26,875	$ 590,000	$ 375,000	$ 104,452	$ 1,326,762	$ 1,333,668	$ 1,025,230
Excess (deficiency) of revenue over expenses	767,794	–	–	–	–	(3,888)	(530,714)	233,192	308,438
Capital assets acquired	(90,450)	–	–	–	–	–	90,450	–	–
Principal payments on loan payable	(372,271)	–	–	–	–	–	372,271	–	–
Internally imposed restriction (note 2[e])	(185,000)	–	–	110,000	75,000	–	–	–	–
Net assets, end of year	$ (1,056,455)	$ 87,107	$ 26,875	$ 700,000	$ 450,000	$ 100,564	$ 1,258,769	$ 1,566,860	$ 1,333,668

See accompanying notes to financial statements.

SPORT MANITOBA INC.
Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 233,192	$ 308,438
Items not involving cash:		
Amortization of capital assets	472,321	446,743
Amortization of deferred financing fee	68,528	68,588
Change in non-cash operating working capital	1,008,895	94,171
	1,782,936	917,940
Capital activities:		
Additions to capital assets	(18,474,948)	(6,169,656)
Increase in deferred contributions related to capital assets	5,787,374	5,456,091
	(12,687,574)	(713,565)
Financing activities:		
Proceeds of loan payable	10,300,000	–
Principal repayments of loan payable	(372,271)	(360,382)
Bank indebtedness	(1,003,082)	1,003,082
	8,924,647	642,700
Increase (decrease) in cash	(1,979,991)	847,075
Cash, beginning of year	4,996,997	4,149,922
Cash, end of year	$ 3,017,006	$ 4,996,997

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires on March 31, 2020.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

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

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as an increase in net assets when received.

Revenue from the Sport Medicine Centre and other income are recognized as revenue when earned.

2. Significant accounting policies (continued):

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is complete and the asset is placed in service.

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Operating fund:

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.

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 (2016 - $75,000) to be used to fund future major repairs and upgrades required for 145 Pacific Avenue, as well as an additional $110,000 (2016 - $200,000) to be used to fund future capital expenditures and salaries relating to Phase 2 of the building. These amounts were 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.

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, 2017 (2016 - 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.

2. Significant accounting policies (continued):

(j) 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:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000	$ 1,200,000
Building	15,237,377	2,698,782	12,538,595	12,902,465
Computers	371,295	310,482	60,813	69,470
Furniture and equipment	846,224	734,665	111,559	120,483
Print shop equipment	248,761	246,455	2,306	2,727
Leasehold improvements	40,577	40,577	–	–
Construction in progress	25,703,465	–	25,703,465	7,318,967
	$ 43,647,699	$ 4,030,961	$ 39,616,738	$ 21,614,112

4. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding $1,288,282 of assets in trust for KidSport Canada as at March 31, 2017 (2016 - $1,054,622). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

5. Bank indebtedness:

The organization has an operating line of credit to a maximum of $2,650,000. The operating line of credit is due on demand and bears interest at prime plus 0.5 percent. The organization had not utilized the operating line of credit at March 31, 2017 (2016 - $1,003,082).

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. 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 in June of 2017. As at March 31, 2017, the organization has a remaining commitment of approximately $2 million related to the construction of Phase 2.

7. Loans payable:

	2017	2016
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	$ 17,267,347	$ 17,639,618
Loan payable to Province of Manitoba bearing interest at 3.375%, unsecured, repayable in monthly installments of $45,536 including interest, maturing April 30, 2047	10,300,000	–
Deferred financing fee	(3,287,190)	(3,355,718)
	24,280,157	14,283,900
Current portion of loans payable	569,375	372,271
	$ 23,710,782	$ 13,911,629

7. Loan payable (continued):

Principal repayments over the next five years are as follows:

2018	$ 569,375
2019	605,483
2020	625,725
2021	646,644
2022	668,263

8. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2017	2016
Balance, beginning of year	$ 254,961	$ 662,193
Contributions in the current year	589,346	187,876
Amounts amortized to revenue	(274,819)	(595,107)
Balance, end of year	$ 569,488	$ 254,962

Deferred contributions for expenses of future periods are comprised of the following:

	2017	2016
Future bids, MB Games sponsorship, coaching and programming and storage of equipment	$ 569,488	$ 254,962

8. Deferred contributions (continued):

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.

	2017	2016
Balance, beginning of year	$ 8,215,305	$ 2,759,214
Contributions in the current year	5,787,374	5,456,091
Balance, end of year	$ 14,002,679	$ 8,215,305

Deferred contributions related to capital assets are comprised of the following:

	2017	2016
Sport for Life Centre Phase 1	$ 9,050	$ 9,050
Sport for Life Centre Phase 2	13,993,629	8,206,255
	$ 14,002,679	$ 8,215,305

Sport for Life Centre Phase 2 capital contributions includes contributions received from the Province of $1,453,909 (2016 - $4,546,091) during fiscal 2017. 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, 2017, the balance of the promissory note is $5,912,159 with payments on the promissory note beginning on July 2016 totaling $87,841 during the year. 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 2017, the organization provided the Hall of Fame nil (2016 - $1,500) 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 $71,276 (2016 - $76,367), is non-interest bearing, and has no fixed terms of repayment.

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2017	2016
Assets	$ 686,365	$ 695,585
Liabilities and deferred contributions	$ 514,809	$ 585,814
Net assets	171,556	109,771
	$ 686,365	$ 695,585
Revenues	$ 360,126	$ 438,222
Expenses	298,341	350,821
Excess of revenues over expenses	$ 61,785	$ 87,401

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:

	2017	2016
Assets	$ 566,665	$ 1,069,863
Deferred contributions	$ 404,813	$ 401,813
Unrestricted net assets	161,097	161,795
Pan Am Games Legacy fund	–	505,000
Restricted Bud Tinsley fund	755	1,255
	$ 566,665	$ 1,069,863

	2017	2016
Revenue	$ 20,191	$ 19,621
Expenses	526,389	36,786
Excess (deficiency) of revenue over expenses	$ (506,198)	$ (17,165)

During the year, the Foundation provided $11,500 (2016 - $15,000) of scholarship grants to Manitoba athletes.

11. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	$ 39,616,738	$ 21,614,112
Amounts financed by:		
Loans payable	(24,280,157)	(14,283,900)
Deferred contributions	(14,002,679)	(8,215,305)
Unspent cash proceeds	–	2,211,885
Working capital	(75,133)	–
	$ 1,258,769	$ 1,326,792

12. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2017 was $127,530 (2016 - $132,007).

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, 2017 is the carrying value of these assets.

At March 31, 2017, an allowance for bad debt was set up for $25,025 (2016 - $26,133). All other accounts receivable for March 31, 2017 are current.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2017.

There have been no significant changes to the credit risk exposure from 2016.

13. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization manages liquidity risk by monitoring its operating requirements. The organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2018.

There have been no significant changes to the liquidity risk exposure from 2016.

(c) Interest rate risk:

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

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest risk. The organization is not exposed to this risk as its loans payable have fixed interest rates.

There has been no change to the risk exposures from 2016.

14. Comparative information:

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

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sports Groups

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Occupancy expenses:		
Interest on loan payable	$ 567,603	$ 579,663
Member services	180,836	191,806
Utilities	180,227	163,310
Security and janitorial services	176,679	185,469
Salaries	87,546	85,488
Property repairs and maintenance	49,640	43,212
Insurance and taxes	223,780	232,435
Sport for Life Centre	1,506	1,205
	$ 1,467,817	$ 1,482,588
Operating expenses:		
Courier	$ 9,973	$ 11,963
Aboriginal Sport	5,096	–
Multi-sport games support	138,067	128,560
Postage	42,355	43,451
Repairs and maintenance	117,124	125,706
Service bureau fees	1,539	1,320
Stationery	29,966	31,335
Telephone	35,089	39,229
POS Online Software	17,697	–
	$ 396,906	$ 381,564
Administration expenses:		
Advertising, marketing and media programs	$ 264,331	$ 254,866
Coaching development	84,719	88,722
Community and regional development programs	158,191	143,724
Delivery and freight	749	524
Hall of Fame administration	–	1,500
Insurance	13,017	10,467
KidSport programs	33,098	32,764
Long-term athlete development	3,376	12,024
Meetings	14,271	13,506
Membership dues and subscriptions	2,720	3,813
Office supplies and stationery	12,800	7,924
Photocopying	5,523	4,825
Postage	4,974	4,256
Printing	5,072	8,167
Professional development	13,275	14,223
Professional fees	26,786	40,516
Respect in Sport	89,617	74,322
Salaries and benefits	926,230	862,316
Service bureau fees	4,896	6,924
Telephone	24,744	25,186
Travel	6,613	(1,909)
Volunteer and staff recognition	4,874	7,872
Fit Kids Healthy Kids	260,284	318,294
	$ 1,960,160	$ 1,934,826

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups (continued)

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Member services expenses:		
Salaries and benefits	$ 1,720,142	$ 1,601,447

	2017	2016
Amortization:		
Amortization of leasehold improvements	$ –	$ 841
Amortization of other capital assets	462,186	445,902
Amortization of deferred financing fee	68,528	68,588
	$ 530,714	$ 515,331

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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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants
Winnipeg, Manitoba
May 26, 2017

STATEMENT OF FINANCIAL POSITION

As at March 31		2017		2016
Assets				
Current Assets				
Cash and short-term deposits (Note 2)	$	**2,352,344**	$	1,322,354
Due from the Province of Manitoba (Note 3)		-		1,400,000
Trade accounts receivable		**309,517**		214,580
Prepaid expenses		**57,366**		62,468
		2,719,227		2,999,402
Due from the Province of Manitoba (Note 3)		**74,839**		78,532
Capital assets (Note 4)		**401,093**		415,447
	$	**3,195,159**	$	3,493,381
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,980,108**	$	849,911
Deferred revenue		**166,467**		1,335,105
		2,146,575		2,185,016
Retirement allowances and other benefits payable (Note 5)		**529,702**		554,737
		2,676,277		2,739,753
Contingencies and commitments (Note 7)				
Net Assets				
Unrestricted		**115,181**		320,042
Invested in capital assets		**401,093**		415,447
		516,274		735,489
Accumulated remeasurement gains		**2,608**		18,139
		518,882		753,628
	$	**3,195,159**	$	3,493,381

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		2017		2016
Revenue				
Province of Manitoba	$	10,596,000	$	7,471,000
Partnership and leveraged marketing		1,479,683		1,073,515
Other initiatives – Federal and provincial funding		1,200,000		327,500
Other		45,266		3,009
		13,320,949		8,875,024
Expenses				
Marketing and industry relations		11,722,462		6,558,894
Corporate services		848,509		991,442
Visitor services		863,950		839,497
Amortization		105,243		47,624
		13,540,164		8,437,457
(Deficiency) excess of revenue over expenses for the year	$	(219,215)	$	437,567

TRAVEL MANITOBA

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2017

	Unrestricted	Invested in Capital Assets	2017 Total	2016 Total
Net assets, beginning of year	$ 320,042	$ 415,447	$ 735,489	$ 297,922
(Deficiency) excess of revenue over expenses for the year	(113,972)	(105,243)	(219,215)	437,567
Interfund Transfer				
Acquisition of capital assets ($412,595 in 2016)	(90,889)	90,889	-	-
Net assets, end of year	$ 115,181	$ 401,093	$ 516,274	$ 735,489

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

TRAVEL MANITOBA

STATEMENT OF REMEASUREMENT GAINS

For the year ended March 31		2017		2016
Accumulated remeasurement gains, beginning of year	$	18,139	$	12,185
Unrealized (loss) gain attributable to foreign exchange		(15,531)		5,954
Accumulated remeasurement gains, end of year	$	2,608	$	18,139

TRAVEL MANITOBA

STATEMENT OF CASH FLOWS

For the year ended March 31		2017		2016
Cash Flows from Operating Activities				
(Deficiency) excess of revenue over expenses for the year	$	(219,215)	$	437,567
Adjustment for non-cash items				
Amortization of capital assets		105,243		47,624
Loss on disposal of capital assets		-		36,492
Unrealized remeasurement (loss) gain		(15,531)		5,954
		(129,503)		527,637
Changes in non-cash working capital				
Due from the Province of Manitoba		1,403,693		(1,400,000)
Trade accounts receivable		(94,937)		76,213
Prepaid expenses		5,102		36,117
Accounts payable and accrued liabilities		1,130,197		(559,986)
Deferred revenue		(1,168,638)		1,056,035
Retirement allowances and other benefits payable		(25,035)		23,595
		1,120,879		(240,389)
Cash Flows from Financing and Investing Activities		-		-
Cash Flows from Capital Activities				
Acquisition of capital assets		(90,889)		(412,595)
Net increase (decrease) in cash and short-term deposits		1,029,990		(652,984)
Cash and short-term deposits, beginning of year		1,322,354		1,975,338
Cash and short-term deposits, end of year	$	2,352,344	$	1,322,354

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

1. Nature of the Organization and Summary of Significant Accounting Policies

a. Nature of the Organization

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. Contributed Materials and Services

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

k. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of 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, 2017 is $120,473 ($113,160 at March 31, 2016).

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, 2017) which is secured by a general security agreement. As at March 31, 2017, 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, 2017 is $74,839 ($78,532 at March 31, 2016).

4. Capital Assets

	2017		2016	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware	**$ 57,776**	**$ 33,614**	$ 36,929	$ 23,259
Computer software	**61,213**	**40,210**	33,115	31,209
Furniture and equipment	**24,940**	**2,561**	22,020	1,384
Leasehold improvements	**43,100**	**14,507**	43,100	13,002
VIC technology	**426,954**	**121,998**	387,930	38,793
	$ 613,983	**$ 212,890**	$ 523,094	$ 107,647
Cost less accumulated amortization		**$ 401,093**		$ 415,447

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, 2015.

The significant actuarial assumptions adopted in measuring the Organization's retirement allowance obligation and costs are as follows:

	2017	2016
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.00%
Rate of compensation increase	**3.75%**	3.75%
Employer contributions	**$ 199,806**	$ 191,608

The significant actuarial assumptions adopted in measuring the Organization's enhanced pension benefit and costs are as follows:

	2017	2016
Benefit costs for the year ended March 31		
Discount rate	**6.00%**	6.50%
Rate of compensation increase	**3.75%**	3.75%
Employer contributions	**$ 13,202**	$ 13,053
Effect of change in assumptions	**$ -**	$ -
Experience loss/gain adjustment	**$ -**	$ -

5. Retirement Allowances and Other Benefits Payable (continued)

Sick Leave

Sick leave benefits that accumulate but do not vest, are determined using present value techniques and are estimated to be a liability as at March 31, 2017 of $34,000 ($34,000 in 2016). 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)	$ 126,803	$ 18,110	$ 164,604
Due from the Province of Manitoba	-	-	74,839
	$ 126,803	$ 18,110	$ 239,443

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.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization has a planning and budgeting process in place to help determine the funds required to support the Organization's normal operating requirements on an ongoing basis. The Organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances to meet, at a minimum, expected requirements for a period of at least 90 days. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	0-30 Days	31-60 Days	Over 60 Days
Trade accounts payable	$ 1,973,692	$ 32,627	$ 6,416

For the year ended March 31, 2017

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 $463,100. In addition, the Organization has entered into lease agreements for computer equipment expiring in January 2022, for total annual payments of $15,100.

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, 2017, 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 $86,146 ($94,604 in 2016).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.