VOLUME 4 - SECTION 3

TABLE OF CONTENTS		PAGE

Section 3:

CROWN ORGANIZATIONS (CONTINUED):

Management's Responsibility

To the Members of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated 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 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 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 members 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 Committee and management to discuss their audit findings.

June 22, 2012

Chief Executive Officer

Chief Financial Officer

Independent Auditors' Report

To the Members of Assiniboine Regional Health Authority:

We have audited the accompanying consolidated financial statements of Assiniboine Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted 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 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Assiniboine Regional Health Authority as at March 31, 2012 and and the results of their operations, changes in net assets and their cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

Brandon, Manitoba

June 22, 2012

MNP LLP

Chartered Accountants

Assiniboine Regional Health Authority
Consolidated Statement of Financial Position
As at March 31, 2012

	2012	2011
Assets		
Current Assets		
Cash	**26,114,069**	24,861,178
Marketable securities	**4,514,668**	4,313,139
Accounts receivable (Note 3)	**1,459,649**	1,507,823
Manitoba Health receivable - vacation entitlement (Note 4)	**6,484,052**	6,484,052
Inventories	**1,073,202**	1,015,502
Prepaid expenses	**664,528**	460,849
	40,310,168	38,642,543
Manitoba Health receivable - pre-retirement obligation (Note 5)	**7,336,760**	7,336,760
Capital assets (Note 6)	**101,241,247**	102,615,423
Trust assets	**145,426**	135,714
	149,033,601	148,730,440
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	**10,992,748**	12,500,375
Due to Manitoba Health (Note 7)	**31,010**	1,196,280
Current portion of long-term debt (Note 8)	**195,123**	183,601
Accrued vacation entitlement (Note 4)	**9,253,998**	8,947,961
	20,472,879	22,828,217
Long-term debt (Note 8)	**1,816,642**	2,011,766
Accrued pre-retirement obligation (Note 5)	**11,927,300**	11,767,144
Deferred contributions (Note 9)	**103,428,584**	102,043,084
Trust liabilities	**145,426**	135,714
	137,790,831	138,785,925
Commitments and contingencies (Note 10)	**-**	-
Net Assets		
Invested in capital assets (Note 11)	**3,308,439**	3,197,499
Internally restricted (Note 12)	**94,264**	148,666
Unrestricted	**7,840,067**	6,598,350
	11,242,770	9,944,515
	149,033,601	148,730,440

Approved on behalf of the Board:

Director ______________________ **Director** ______________________

The accompanying notes are an integral part of these financial statements

MNP LLP

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2012

	2012	2011
Revenues		
Manitoba Health operating income (Note 13)	**159,212,215**	153,608,082
Authorized/residential charges	**14,880,150**	14,423,531
Amortization of deferred contributions	**5,217,940**	4,322,198
Other income	**5,921,542**	5,402,488
Ancillary	**1,335,094**	1,349,168
Province of Manitoba	**1,901,553**	2,216,657
	188,468,494	181,322,124
Expenses		
Acute care	**60,595,716**	58,533,975
Long-term care	**59,496,507**	57,711,168
Community-based home care services	**13,843,794**	13,636,849
Medical remuneration	**12,836,048**	13,339,016
Community health clinics	**1,772,199**	1,484,309
Community-based health services	**7,765,928**	7,109,925
Land ambulance	**7,394,665**	7,087,475
Community-based mental health services	**2,336,577**	2,170,301
Therapy services	**1,178,607**	1,021,053
Community-based services administration	**827,178**	778,274
	168,047,219	162,872,345
Other Undistributed Costs		
Regional health authority costs	**11,125,374**	9,919,606
Amortization of capital assets	**5,381,470**	4,553,525
Ancillary	**1,294,815**	1,336,825
Pre-retirement	**1,527,488**	1,918,489
	19,329,147	17,728,445
Total expenses and other undistributed costs	**187,376,366**	180,600,790
Excess of revenues over expenses	**1,092,128**	721,334

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2012

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2012**	2011
Balance, beginning of year	3,197,499	148,666	6,598,350	**9,944,515**	9,221,458
Transfer (to) from deferred contributions	83,733	-		**83,733**	(5,364)
Investment in capital assets	193,447	(184,540)	(8,907)	**-**	-
Internally restricted assets	-	130,138	-	**130,138**	128,922
Excess of revenues over expenses	(166,240)	-	1,258,368	**1,092,128**	721,334
Elderly Persons Housing adjustments	-	-	26,867	**26,867**	(55,651)
Transferred to Municipalities	-	-	(34,611)	**(34,611)**	(66,184)
Balance, end of year	**3,308,439**	**94,264**	**7,840,067**	**11,242,770**	9,944,515

The accompanying notes are an integral part of these financial statements

MNP LLP

Assiniboine Regional Health Authority
Consolidated Statement of Cash Flows
For the year ended March 31, 2012

	2012	2011
Cash Flows from Operating Activities		
Excess of revenues over expenses	**1,092,128**	721,334
Adjustments for		
Loss (gain) on disposal of capital assets	**(3,253)**	(2,428)
Amortization of deferred contributions	**(5,217,940)**	(4,322,198)
Amortization of capital assets	**5,381,470**	4,553,525
	1,252,405	950,233
Changes in non-cash working capital balances		
Accounts receivable	**48,174**	(388,556)
Inventories	**(57,700)**	87,251
Prepaid expenses	**(203,679)**	169
Marketable securities	**(201,529)**	(105,181)
Due to Manitoba Health	**(1,165,270)**	(1,469,653)
Accounts payable and accrued liabilities	**(1,507,627)**	1,190,152
Accrued vacation entitlement	**306,037**	319,174
	(1,529,189)	583,589
Cash Flows from Investing and Financing Activities		
Increase in capital assets	**(4,007,294)**	(7,096,264)
Increase in deferred contributions	**6,603,440**	6,031,076
Increase (decrease) in long-term debt	**(183,602)**	(172,873)
Increase in accrued retirement obligation	**160,156**	1,052,835
Increase (decrease) in net assets	**209,380**	4,151
	2,782,080	(181,075)
Increase in cash and cash equivalents during the year	**1,252,891**	402,514
Cash and cash equivalents, beginning of year	**24,861,178**	24,458,664
Cash and cash equivalents, end of year	**26,114,069**	24,861,178

The accompanying notes are an integral part of these financial statements

MNP LLP

1. Purpose of the organization

The Assiniboine Regional Health Authority is a not-for-profit organization created in the Province of Manitoba by regulation 99/2002 under the Regional Health Authorities Act. Through participation, teamwork, and available resources, the Assiniboine Regional Health Authority's mission is to share in enhanced well-being through the delivery of quality health services that are responsive to the needs of the population.

The organization is a registered charity and, as such, is exempt from income taxes and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2012 respectively:

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge
Tiger Hills Villa Inc.

The financial statements of the above entities are prepared in accordance with the accounting principles required by Manitoba Housing. The differences in accounting policies used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these consolidated financial statements.

Revenue recognition

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

The Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution 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.

Contributed services

A number of individuals donate significant amounts of time to the Authority's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Inventories

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

2. Significant accounting policies *(continued)*

Capital assets

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

	Method	Rate
Buildings & leasehold improvements	straight-line	10-50 years
Equipment, computers, vehicles, ambulance equipment	straight-line	5-10 years
Land improvements	straight-line	15 years

Pre-retirement obligations

The Authority applies the accounting recommendations for employee future benefits contained in *Section 3461* of the *Canadian Institute of Chartered Accountants' Handbook.*

Long-lived assets

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

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Financial instruments

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash and marketable securities. These instruments are recorded at their fair value.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and Due from Manitoba Health. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accruals and Due to Manitoba Health. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

2. Significant accounting policies *(continued)*

Financial asset impairment:
The Organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. The accrued pre-retirement obligation and the accrued vacation entitlement liability are stated based on management estimates and actuarial valuations. 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.

Recent accounting pronouncements

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the "4400 series" of standards, which discusses the accounting for the unique circumstances of not-for-profit organizations (NFPO), from the CICA Handbook-Accounting into the CICA Public Sector Accounting Handbook ("PSA Handbook"). This set of standards will be appropriately modified to fit with public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, all Government NFPOs will have the option to apply either the PSA Handbook with or without the NFPO standards. Earlier adoption is permitted. The Organization expects to adopt the PSA Handbook with the NFPO standards as part of the newly amalgamated Western Regional Health Authority for its consolidated financial statements dated March 31, 2013. The Organization has not yet determined the impact of the adoption of the new standards on its consolidated financial statements.

3. Accounts receivable

	2012	2011
Trade receivables	**1,795,912**	1,670,432
GST receivable	**163,549**	183,610
Allowance for doubtful accounts	**(499,812)**	(346,219)
	1,459,649	1,507,823

4. Accrued vacation entitlement

The liability for the accrued vacation entitlement, as well as, the appropriate amount receivable from Manitoba Health has been recorded. Prior to April 1, 2004, deferred vacation entitlement costs were treated as Out-of-Globe by Manitoba Health. Since that time, In-Globe funding has been amended to include these costs. There will be an offsetting receivable from Manitoba Health only for the accumulated accrued vacation liability up to March 31, 2004. As at March 31, 2012, the amount receivable is $6,484,052.

	2012	2011
Due to Assiniboine Regional Health Authority Employees	**9,253,998**	8,947,961

MNP LLP

5. Accrued retirement obligations

Pre-retirement	**2012**	2011
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	**11,329,800**	11,186,618
Due to Members of the MGEU Community Support Collective Agreement	**597,500**	580,526
	11,927,300	11,767,144

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan 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

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan, employed by the Authority on or before May 2, 2003, is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

i) one week of severance pay for each year of service up to 15 years of service.
ii) two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service.

The Authority's contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the MGEU Community Support 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.

Funding for the retirement obligation is recoverable from Manitoba Health for pre-retirement 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. 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 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 the Authority requires the funding to discharge the related pre-retirement liabilities. As at March 31, 2012, the amount receivable is $7,336,760.

Pension plans

Most of the employees of the Authority 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 length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook, Section 3461.*

5. **Accrued retirement obligations *(continued)***

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, and 8.4% thereafter, required to provide assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The employer's costs are 7.8% and 9.4%, respectively.

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 2008, the actuarial valuation showed a deficit of $388 million. Therefore, in order to ensure the long term sustainability of the Plan, combination rates will increase 2.2% through a gradual implementation over 27 months from January 1, 2011 to April 1, 2013.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $6,494,468 (2011 - $5,685,965) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is reflected in the financial statements relating to the effects of participating 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, 2010.

6. **Capital assets**

		2012		2011
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	593,443	-	**593,443**	509,709
Land improvements	1,647,833	591,288	**1,056,545**	930,205
Buildings & leasehold improvements	127,601,817	43,937,421	**83,664,396**	56,540,284
Equipment, computers, vehicles	20,530,331	10,331,174	**10,199,157**	9,124,141
Construction in progress	5,727,706	-	**5,727,706**	35,511,084
	156,101,130	54,859,883	**101,241,247**	102,615,423

7. Due to Manitoba Health

	2012	2011
Out-of-Globe 2008/2009	**(141,621)**	(141,621)
Out-of-Globe 2009/2010	**(6,181)**	3,302,913
Out-of-Globe 2010/2011	**72,450**	(1,965,012)
Out-of-Globe 2011/2012	**106,362**	-
	31,010	1,196,280

In-Globe Funding

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

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

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

Out-of-Globe Funding

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

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

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements.

At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

8. Long-term debt

	2012	2011
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.00%, due from December 1, 2013 to March 1, 2018, with monthly payments of principal and interest from $142 to $2,854, secured by buildings.	**352,640**	415,955
Mortgages payable to Manitoba Housing at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479, secured by buildings.	**988,775**	1,040,357
Mortgage payable to the Royal Bank of Canada, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	**670,350**	739,055
	2,011,765	2,195,367
Less: current portion	**195,123**	183,601
	1,816,642	2,011,766

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

2013	195,123
2014	207,703
2015	220,993
2016	235,236
2017	214,074
Thereafter	938,636
	2,011,765

In prior years, the Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004.

Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has restated the long-term debt as deferred contributions in its financial statements.

9. Deferred contributions

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

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

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

Changes in the deferred contributions balance are as follows:

	Expended	Unexpended	Other	2012	2011
Balance, beginning of year	97,254,116	2,332,248	2,456,720	102,043,084	100,334,206
Funding Manitoba Health	884,533	4,086,383	-	4,970,916	10,228,760
Donations received	-	-	813,925	813,925	801,388
Interest earned	-	2,707	107,977	110,684	65,113
Other funding	-	1,630,335	-	1,630,335	1,399,697
Capital asset purchases	3,688,065	(926,146)	(601,183)	2,160,736	5,147,257
Operating expenses	(8,715)	(2,076,585)	(355,497)	(2,440,797)	(2,919,983)
Amortization	(5,140,804)	(1,629)	-	(5,142,433)	(4,263,613)
Principal payments on long-term debt	(689,442)	-	-	(689,442)	(8,739,064)
Transferred to municipalities	-	-	-	-	(8,795)
Reclassification	(83,734)	55,310	-	(28,424)	(1,882)
Balance, end of year	95,904,019	5,102,623	2,421,942	103,428,584	102,043,084

The lines of credit and long-term debt that have been incorporated in deferred contributions include the following:

	2012	2011
Lines of credit	6,405,530	5,110,165
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 1.64% to 10.50%, due from December 1, 2013 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	4,382,464	4,712,396
	10,787,994	9,822,561

Lines of Credit

The Authority has authorized capital lines of credit of $8,170,198 and has authorized $7,600,000 of an operating line of credit. These lines of credit bear interest at the bank's prime rate minus 0.8%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

10. Commitments and contingencies

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, 2012 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

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 the 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, 2012. As of December 31, 2010, the Authority has a subscriber's surplus of $675,269.

Environmental Liabilities

In accordance with accounting policy of the Province of Manitoba, the Authority has no known environmental liabilities for contaminated sites for which the Authority will become obligated to incur remediation costs due to reasons of public health and safety, contractual agreements, or to meet such standards which are set out in any act or regulation of government.

11. Invested in capital assets

	2012	2011
Capital Assets	**101,241,247**	102,615,423
Amounts financed by:		
Deferred contributions related to capital assets	**(95,904,019)**	(97,254,116)
Long-term debt	**(2,011,765)**	(2,195,367)
Due from (to) operating account	**(17,024)**	31,559
	3,308,439	3,197,499

12. Internally restricted net assets

The Authority has restricted $94,264 (2011 - $148,666) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

13. Manitoba Health operating income

	2012	2011
Revenue as per Manitoba Health's final funding document	**154,630,091**	150,172,835
Add:		
CUPE trades contract settlement	**7,884**	8,194
MGEU EMS training	-	15,769
MGEU community support general increase & wage standardization	-	678,998
MNU 2% lump sum payments	-	746,835
MNU maternity leave top up	**336,115**	266,398
	343,999	1,716,194

13. Manitoba Health operating income (continued)	2012	2011
Continued from previous page	**343,999**	1,716,194
CUPE maternity leave top up	**52,345**	58,809
MGEU maternity leave top up	**37,007**	-
Non-union maternity leave top up	**8,518**	-
Extended health benefits	**725,000**	738,312
Health spending account	**394,168**	226,419
Pension contribution increase	**831,171**	187,459
Primary Health Care nurses salaries & benefits	**336,339**	303,760
Provincial data network	**-**	19,822
Interfacility transfers	**1,526,195**	1,617,800
Personal Care Home staffing guidelines	**1,796,565**	1,750,910
Community health assessment	**-**	1,092
Canadian Emergency Department Triage & Acuity Scale training	**-**	100,000
Heat Alert & Response System project	**17,678**	63,515
Releasing Time to Care project	**34,892**	12,700
Manitoba Quality Assurance Program costs	**-**	117,000
Diabetes education	**-**	46,653
Youth suicide prevention strategy	**23,450**	20,500
Colonoscopies	**33,600**	-
Drug volume costs	**97,600**	-
Flood costs	**104,211**	-
Flood recovery response team	**46,731**	-
Foldable lenses	**3,000**	-
Hemodialysis training	**30,202**	-
Hepatitis C searches	**180**	-
Leap year staffing costs	**405,900**	-
Non-medical reciprocal recoveries	**261,668**	-
Patient navigator	**14,100**	-
Personal Care Home per Capita Fees retro	**21,514**	-
Per dose immunizations	**18,694**	-
Supplements per dose immunizations	**10,319**	-
Residential charges	**65,000**	-
Volume related costs	**1,391,000**	-
Adjustments (rounding variances, write-offs, etc.)	**73**	41
	8,631,119	6,980,986
Deduct:		
Medical remuneration - out-of-globe	**(2,851,527)**	(2,348,875)
	(2,851,527)	(2,348,875)
Total funding approved by Manitoba Health	**160,409,683**	154,804,946
Deduct:		
Capital funding	**(747,993)**	(752,350)
Capital interest on loans	**(449,475)**	(444,514)
	159,212,215	153,608,082

14. Related party transactions

The Authority is responsible for the overall management of the health care services provided in the Assiniboine region. Programs for hospital and personal care services are delivered in the region by the Authority. The Authority transacts business on a regular basis with organizations and agencies described in Notes 2, 4, 5, 7, 8 and 13.

15. Capital disclosures

The Authority considers its capital to be its net assets. The Authority's objectives when managing its capital 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 operating and capital budgets is developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

If the retainable surplus exceeds 2% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2012, the Authority was in compliance with this requirement.

The Authority 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 Authority is to be repaid. Where a cumulative deficiency exists for Manitoba housing properties, the shortfall is the responsibility of Manitoba Housing subject to Manitoba Housing approval of project costs.

16. Disclosure of allocated expenses

The Authority has allocated expenses amongst departments as follows:

	Acute care	Long-term care	Community-based health services	2012	Acute care	Long-term care	Community -based health services	2011
Administration	719,857	689,398	-	1,409,255	679,889	670,277	-	1,350,166
Housekeeping	1,832,112	1,306,190	-	3,138,302	1,785,761	1,276,808	-	3,062,569
Laundry	443,595	939,633	-	1,383,228	416,783	907,816	-	1,324,599
Plant Operations	3,227,318	1,160,211	-	4,387,529	3,402,329	1,189,900	-	4,592,229
Plant Maintenance	1,879,641	1,416,545	-	3,296,186	1,673,721	1,224,988	-	2,898,709
Nursing	1,439,042	901,595	-	2,340,637	1,371,117	853,350	-	2,224,467
Food Services	2,586,824	7,053,003	45,818	9,685,645	2,511,026	6,634,776	39,554	9,185,356
	12,128,389	13,466,575	45,818	25,640,782	11,840,626	12,757,915	39,554	24,638,095

17. Economic dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

18. Comparative figures

Certain comparative figures have been reclassified, if necessary, to conform with the current year presentation.

19. Subsequent event

Subsequent to year-end, the Province of Manitoba has approved the amalgamation of the Assiniboine Regional Health Authority with the Brandon Regional Health Authority and the Parkland Regional Health Authority.

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Brandon Regional Health Authority

We have audited the accompanying consolidated financial statements of Brandon Regional Health Authority, which comprise the statement of financial position as at March 31, 2012, and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Brandon Regional Health Authority as at March 31, 2012 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

Brandon Regional Health Authority
Consolidated Statement of Financial Position

As at March 31		2012		2011
ASSETS				
CURRENT				
Cash	$	15,809,307	$	7,818,241
Accounts receivable (Note 3)		4,107,881		6,354,617
Inventories		2,143,839		2,049,098
Prepaid expenses		1,728,646		1,841,679
Due From Manitoba Health - Vacation		7,224,269		7,224,269
Due From Manitoba Health - Vacation Non-Devolved Facilities		190,916		190,916
		31,204,858		**25,478,820**
DUE FROM Manitoba Health - Pre-retirement		9,191,179		9,191,179
DUE FROM Manitoba Health - Pre-retirement Non-Devolved Facilities		199,105		199,105
LOAN RECEIVABLE - Brandon YMCA (Note 4)		320,000		320,000
INVESTMENTS (Note 5)		3,324,291		3,242,854
CAPITAL ASSETS (Note 6)		121,877,218		123,091,304
	$	**166,116,651**	$	**161,523,262**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	13,380,252	$	11,575,449
Bank advances (Note 7)		656,699		746,699
Employee Future Benefits - Vacation		11,482,146		11,123,248
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation		190,916		190,916
Current portion of obligation under capital lease (Note 9)		130,785		125,816
Current portion of long term debt (Note 8)		133,497		125,349
		25,974,295		**23,887,477**
EMPLOYEE FUTURE BENEFITS - Pre-retirement		15,766,367		14,652,065
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benefits - Pre-retirement		199,105		199,105
OBLIGATION UNDER CAPITAL LEASE (Note 9)		411,709		542,494
LONG TERM DEBT (Note 8)		267,002		400,499
DEFERRED CONTRIBUTIONS (Note 10)				
Expenses of future periods		1,526,063		1,788,964
Capital assets		114,650,022		115,271,548
		158,794,563		**156,742,152**
COMMITMENTS AND CONTINGENCIES (Note 14)				
NET ASSETS				
Invested in capital assets (Note 11)		2,341,332		3,190,378
Internally restricted (Note 12)		4,123,329		3,745,305
Externally restricted (Note 12)		28,354		28,317
Unrestricted		829,073		(2,182,890)
		7,322,088		**4,781,110**
	$	**166,116,651**	$	**161,523,262**

APPROVED BY THE BOARD OF DIRECTORS

________________________ **Director**

________________________ **Director**

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31		2012		2011
REVENUE				
Manitoba Health operating income				
Income as per Funding Document (excluding funding related to Capital and Interest)	$	176,235,867	$	167,920,201
One Time Funding		5,342,491		3,830,005
Retroactive Salary Payments		2,649,916		3,006,098
Recovery of Non Global Items		(193,911)		(66,608)
Other Manitoba Health Income		4,099,455		4,269,710
Total Manitoba Health Funding (Note 13)		188,133,818		178,959,406
Non-insured income		8,437,973		8,364,949
Other Income		3,915,102		3,596,152
Amortization of deferred contributions		9,835,578		9,237,304
Capital revenue - Non Devolved Facilities		157,995		153,236
Ancillary revenue		4,153,283		3,923,449
		214,633,749		**204,234,496**
EXPENSES				
Acute Care Services		118,827,595		113,414,571
Long Term Care Services		28,668,467		27,977,226
Medical Remuneration - All Programs		16,300,294		15,507,117
Community Based Mental Health Services		14,336,780		13,964,266
Community Based Home Care Services		7,242,554		7,382,963
Community Based Health Services		7,231,846		7,131,489
Land Ambulance		625,308		608,592
RHA Administration Costs		4,282,787		4,125,647
Amortization of capital assets		9,012,300		8,578,221
Capital payments - Facilities		157,995		153,236
Interest on long term debt		34,180		41,830
Other operating expenses		1,858,498		1,382,309
Ancillary expenses		3,598,077		3,512,448
		212,176,681		**203,779,915**
Excess of revenue over expenses	$	**2,457,068**	$	**454,581**

ALLOCATION OF EXCESS OF REVENUE OVER EXPENSES:

		2012		2011
Investment in Capital Assets - Manitoba Health Activities	$	(1,040,462)	$	(931,802)
Investment in Capital Assets - Non Manitoba Health Activities		(388,957)		(373,341)
Unrestricted - Manitoba Health Activities		3,001,012		1,180,930
Internally Restricted - Non Manitoba Health Activities		885,438		578,757
Externally Restricted		37		37
	$	**2,457,068**	$	**454,581**

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2012 Total	2011 Total
BALANCE, beginning of year	$ 3,190,378	$ 3,745,305	$ 28,317	$ (2,182,890)	$ 4,781,110	$ 4,350,515
Excess (Shortfall) of revenue over expenses	(1,429,419)	885,438	37	3,001,012	- 2,457,068	454,581
Net change in investment in capital assets	580,373	(518,606)	-	(61,767)	-	-
Change in fair value of investments classified as available-for-sale	-	11,192	-	72,718	83,910	(23,986)
BALANCE, end of year	**$ 2,341,332**	**$ 4,123,329**	**$ 28,354**	**$ 829,073**	**$ 7,322,088**	**$ 4,781,110**

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2012	2011
OPERATING ACTIVITIES		
Excess (Shortfall) of revenue over expenses	$ 2,457,068	$ 454,581
Items not affecting cash		
Amortization of capital assets	9,012,300	8,578,221
Amortization of deferred contributions related to expenses of future periods (Note 10(a))	(2,419,825)	(1,964,226)
Amortization of deferred contributions related to capital assets (Note 10(b))	(7,582,889)	(7,273,078)
Net change to employee future benefits - pre-retirement	1,114,302	(43,491)
Changes in non-cash operating working capital items	4,428,809	(1,050,836)
	7,009,765	(1,298,829)
FINANCING ACTIVITIES		
Receipt of deferred contributions related to expenses of future periods	2,186,898	2,088,962
Receipt of deferred contributions related to capital assets	6,931,389	19,502,062
Receipt of funds from capital lease	-	678,576
Repayment of bank advances	(90,000)	(90,009)
Repayment of long term debt	(125,349)	(117,699)
Repayment of obligation under capital lease	(125,816)	(10,266)
	8,777,122	22,051,626
INVESTING ACTIVITIES		
Purchase of capital assets	(7,798,255)	(21,143,453)
Redemption of Investments	2,434	6,044
	(7,795,821)	(21,137,409)
INCREASE (DECREASE) IN CASH	**7,991,066**	**(384,612)**
CASH, BEGINNING OF YEAR	**7,818,241**	**8,202,853**
CASH, END OF YEAR	**$ 15,809,307**	**$ 7,818,241**
Supplementary information		
Interest paid	34,180	41,830

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. 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.

2 SIGNIFICANT ACCOUNTING POLICIES

The Authority has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not for profit organizations not to apply sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Authority for the year ended March 31, 2012. The Authority applies the requirements of Section 3861 of the CICA Handbook.

The consolidated financial statements have been prepared in accordance with the Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) ***Basis of Reporting***

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

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

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

The health care services provided by The Salvation Army Dinsdale Personal Care Home are delivered under the control of the Authority as the major funder. The financial position and results of operations of this related organization have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 16).

b) ***Revenue recognition***

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

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2012.

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 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 preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) ***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.

d) ***Inventories***

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) ***Investments***

Investments are classified as available-for-sale financial assets and are comprised of bonds and guaranteed investment certificates, which are recorded at fair value based on bid prices at year-end. 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. Changes in unrealized gains and losses are reflected as direct increase or decrease in net assets.

f) ***Financial Instruments***

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Authority's designation of such instruments.

Classification
Cash - Held for Trading
Accounts receivable - Loans and Receivables
Investments - Available for Sale
Due From Manitoba Health - Vacation - Loans and Receivables
Due From Manitoba Health - Vacation - Non-Devolved Facilities - Loans and Receivables
Due From Manitoba Health - Pre-retirement - Loans and Receivables
Due From Manitoba Health - Pre-retirement - Non-Devolved Facilities - Loans and Receivables
Loan receivable - Loans and Receivables
Accounts payable and accrued liabilities - Other Liabilities
Bank advances - Other Liabilities
Employee Future Benefits - Vacation and Pre-retirement - Other Liabilities
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation & Pre-retirement - Other Liabilities
Long term debt - Other Liabilities
Obligation under capital lease - Other Liabilities

Available for Sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in the consolidated statement of changes in net assets until realized when the cumulative gain or loss is transferred to other income.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the date of the statement of financial position. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

Fair value of financial instruments

The fair value of cash, accounts receivable, loan receivable, due from the Manitoba Health – vacation and vacation for non-devolved facilities, bank advances, accounts payable and accrued liabilities and employee future benefits - vacation approximates their carrying values due to their short-term maturity. The fair value of due from the Manitoba Health – Pre-retirement, Pre-retirement Non-devolved Faciliites, Empolyee future benefits - Pre-retirement and due to non-devolved facilities - Employee future benefits - Pre-retirement, cannot be determined as there are no specific terms of repayment. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

g) ***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, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Parking Lots	10%
Buildings	2.5% - 6.7%
Building Service Equipment/Equipment	5% - 33.3%

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

h) ***Compensated absences***

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

i) ***Pre-Retirement entitlement obligation***

The Authority has recorded an accrual for pre-retirement entitlements based on an actuarial valuation that 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 criteria below. Funding for the pre-retirement entitlement prior to March 31, 2004 is recoverable from Manitoba Health. Effective April 1, 2004, any increase in the entitlement is the responsibility of the Brandon Regional Health Authority.

The benefits paid during the year by the Authority amounted to $ 744,196 (2011 - $1,382,305) and are included in the consolidated statement of operations. The service costs for the year were $1,114,302 (2011 - ($43,491)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Healthcare Employees Pension Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan 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:

- 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
- retire at or after age 65
- terminate employment at any time due to permanent disability

Civil Service Superannuation Plan

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, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

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

The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 4.10% (2011 -4.70%) and a rate of salary increase of 3.00% (2011 - 3.50%) plus age related merit/promotion scale with nil for disability.

j) ***Due From Manitoba Health - Employee Future Benefits***

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 on-going annual funding to the Authority, 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 fundng is required to discharge the related pre-retirement liabilities.

k) ***Due to/from Manitoba Health***

In Globe Funding

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (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 Authority, or repaid to Manitoba Health.

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

l) ***Future accounting changes***

In December 2010, the Accounting Standards Board (AcSB) issued a final standard which provides Government not-for-profit organizations the following accounting framework options: Public Sector Accounting Standards (PSA) or Public Sector Accounting Standards (PSA) including PS 4200 to 4270. The Authority plans to adopt the PSA Standards including PS 4200 to 4270. These new standards will be applicable to the Authority for its fiscal year beginning April 1, 2012. The impact on the financial statements of the Authority has not yet been determined.

m) **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.

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

n) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Areas requiring use of significant estimates include useful life of capital assets and allowance for doubtful accounts. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 ACCOUNTS RECEIVABLE

	2012	2011
Manitoba Health		
Retroactive Salary Increases	$ 1,839,143	$ 2,148,920
Pre-retirement Funding	-	-
One Time Funding	-	1,800,000
Other Operations	1,385,690	1,868,251
Out of Globe - 2007/08	-	88,235
Out of Globe - 2008/09	-	(254,220)
Out of Globe - 2009/10	-	(268,771)
Out of Globe - 2010/11	(38,810)	(105,419)
Out of Globe - 2011/12	(365,676)	-
	2,820,347	5,276,996
Patients	540,067	642,885
Government of Canada - Goods and Services Tax	178,413	134,908
Sundry	1,345,946	1,324,770
	4,884,773	7,379,559
Less allowance for doubtful accounts	(776,892)	(1,024,942)
	$ 4,107,881	**$ 6,354,617**

4 LOAN RECEIVABLE

On August 31, 2009 the Authority advanced the Brandon YMCA $320,000 to establish and operate a day care facility. Interest is at the rate of three and one-half percent (3.5%), calculated from the date of advance compounded semi-annually. The term of the loan is thirteen (13) years. During the first three years from and after the advance date the borrower pays interest only. During the remaining ten (10) years the borrower will make equal quarterly payments of Principal and Interest in the amount of $9,561.

5 INVESTMENTS

	2012	
	Cost	Fair Value
Government of Canada Bonds	$ 40,690	$ 43,221
Other Bonds	2,809,754	2,976,068
GIC's	304,000	304,000
Other	1,002	1,002
	$ 3,155,446	**$ 3,324,291**

	2011	
	Cost	Fair Value
Government of Canada Bonds	$ 41,010	$ 43,347
Other Bonds	3,111,134	3,193,773
Other	5,734	5,734
	$ 3,157,878	**$ 3,242,854**

The fair values of the investments are based on the year end quoted market bid price.

6 CAPITAL ASSETS

	2012		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 6,063,160	$ 1,922,178	$ 4,140,982
Buildings	139,202,786	44,344,887	94,857,899
Building service equipment/equipment	105,974,793	85,376,601	20,598,192
Assets under capital lease	678,577	147,025	531,553
Construction in Progress	1,748,592	-	1,748,592
	$ 253,667,908	**$ 131,790,691**	**$ 121,877,218**

	2011		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,701,500	$ 1,704,268	$ 2,997,232
Buildings	110,301,862	41,029,964	69,271,898
Building service equipment/equipment	98,537,769	80,071,807	18,465,962
Assets under capital lease	678,576	11,310	667,267
Construction in Progress	31,688,945	-	31,688,945
	$ 245,908,652	**$ 122,817,348**	**$ 123,091,304**

7 BANK ADVANCES

The bank advances have been authorized by the Province of Manitoba. Interest is paid monthly based on an interest rate of prime plus 1.00%. The amount available for operating credit is $9,000,000.

8 LONG TERM DEBT

		2012		2011
City of Brandon 6.5% unsecured loan, repayable $159,529 annually, including interest, maturing 2015.	$	400,499	$	525,848
Less current portion		(133,497)		(125,349)
	$	**267,002**	$	**400,499**

The fair value of the Authority's long term debt is $426,485 as at March 31, 2012 ($555,568 - 2011) calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:	2013	133,497
	2014	142,174
	2015	124,827

9 OBLIGATION UNDER CAPITAL LEASE

		2012		2011
Royal Bank of Canada Monthly payments including interest of $12,460, bears interest at 3.88%, secured by the underlying equipment, expiring March 2016.	$	542,494	$	668,310
Less: Current Portion		(130,785)		(125,816)
	$	**411,709**	$	**542,494**

Minimum lease payments due in the next four years as follows:	2013	$	149,522
	2014		149,522
	2015		149,522
	2016		137,062
			585,628
	Less: Interest at 3.88%		(43,134)
			542,494
	Less: Current Portion		(130,785)
		$	411,709

The fair value of lease payments including interest as at March 31, 2012 is $551,882 ($693,438 - 2011) calculated using discounted cash flow analysis based on the Authority's current incremental borrowing rate.

10 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for future expenses.

		2012		2011
Balance, beginning of year	$	1,788,964	$	1,741,829
Add amount received		2,186,899		2,088,960
Less amount transferred to deferred contributions related to capital assets		(29,974)		(77,599)
Less inactive accounts written off to general revenue		(167,128)		-
Less amount amortized to revenue in the year		(2,252,698)		(1,964,226)
Balance, end of year	$	**1,526,063**	$	**1,788,964**

b) *Capital assets*

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

		2012		2011
Balance, beginning of year	$	115,271,548	$	102,964,965
Additional contributions received		6,931,389		19,502,062
Add amount transferred from expenses of future periods		29,974		77,599
Less amounts amortized to revenue in the year		(7,582,889)		(7,273,078)
Balance, end of year	$	**114,650,022**	$	**115,271,548**

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

		2012		2011
Unamortized capital contributions used to purchase assets	$	116,411,362	$	117,843,035
(Overspent) contributions		(1,761,340)		(2,571,487)
	$	**114,650,022**	$	**115,271,548**

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

		2012		2011
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings	$	310,351	$	345,466
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings		255,049		285,824
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings		255,425		269,334

10 DEFERRED CONTRIBUTIONS - Capital Assets (Continued)

	2012	2011
Royal Bank Promissory Notes		
Flex Financing Notes totaling $3,468,000 including 1.87% interest, BRHC General Borrowings, maturing May 15, 2012	3,457,534	1,278,920
Flex Financing Notes totaling $3,919,000 including 1.88% interest, Redevelopment borrowings, maturing May 29, 2012	3,900,502	1,525,773
Line of credit account Primarily related to Redevelopment borrowings	55,897	973,120

11 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 121,877,218	$ 123,091,304
Amounts financed by:		
Deferred contributions	(116,411,362)	(117,843,035)
Accounts Payable	(1,524,832)	(117,034)
Long term debt, bank advances and capital lease obligation	(1,599,692)	(1,940,857)
	$ 2,341,332	**$ 3,190,378**

12 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $4,123,329 (2011 - $3,745,305). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases.

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.

For the year ended March 31 2012

13 Manitoba Health Revenue

		2012		2011
Allocation per Funding Document	$	177,003,936	$	168,970,563
Add: MAHCP Accrual		62,399		78,698
CUPE Accrual		-		100,031
HEB Extended Health Premiums		799,844		626,472
Physician Assistants		-		58,475
MGEU Community		-		530,754
Maternity Leave Top Up		465,347		387,300
Westman Cancer Care		176,683		-
Colonoscopy Funding		315,000		368,200
GPS Agreement		490,000		420,000
Hemo Funding		-		658,554
HEPP Pension Employer Contribution increase		977,422		178,714
PCH Funding		534,956		466,026
Health Spending Account		344,904		188,682
ER 3rd Party Billing		40,000		40,000
2009/10 Non-global Adjustment		-		(10,400)
One Time Funding - Reciprocal recoveries		1,909,561		-
One Time Funding - MNU Signing Bonus		-		915,447
One Time Funding - Nurse Practioner Funding		25,200		-
One Time Funding - Leap Year Funding		459,541		-
One Time Funding - Capitation Fee Increase		15,850		-
One Time Funding - Volume Pressures		1,375,700		1,800,000
Total Funding Approved by Manitoba Health		184,996,343		175,777,516
Add: Other Income				
Non-Global Reconciliation		(193,911)		(66,608)
Separately Funded Programs		-		29,150
Fee for Service Income		4,099,455		4,269,710
Less: Amounts recorded in Deferred Contributions		(768,069)		(1,050,362)
Total Revenue from Manitoba Health	**$**	**188,133,818**	**$**	**178,959,406**

14 COMMITMENTS AND CONTINGENCIES

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

2013	$	1,841,870
2014		1,567,807
2015		915,585
2016		523,107
2017		114,377

b) The Authority 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 Authority.

c) Effective January 1, 2003 the Authority 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, 2012.

15 PENSION PLAN

The majority of the employees of the Authority are members of the Healthcare Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP 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 health 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.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP. Pension contributions by employees are at 6.8% of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees. The employer's costs are 7.8% and 9.4% respectively. The funding objective is for the employer contributions to HEPP to remain a constant percentage of employee's contributions.

As at December 2008, the actuarial valuation showed a deficit of $388 million. Therefore, in order to ensure the long term sustainability of the Plan combination rates will increase 2.2% through a gradual implementation over 27 months from January 1, 2011 to April 1, 2013. Actual Authority contributions to HEPP made during the year on behalf ot its employees amounted to $7,464,393 (2011 - $6,405,436) and are included in the consolidated 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 Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

16 NON-DEVOLVED FACILITIES

The Authority 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.

The Authority does recognize that since there is economic dependence of Dinsdale Personal Care Home accounting control does exist between the Authority and this organization. In light of this, management of the Authority has provided a financial summary of this organization. All revenues received by the Authority on behalf of Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to this entity are recorded as expenses.

Financial statements of Dinsdale Personal Care Home are available upon request.

The Salvation Army Dinsdale Personal Care Home

		2012		2011
FINANCIAL POSITION				
Total assets	$	2,965,334	$	3,017,514
Total liabilities	$	2,758,738	$	2,819,449
Total net assets		206,596		198,065
	$	2,965,334	$	3,017,514
RESULTS OF OPERATIONS				
Total revenues	$	4,766,284	$	4,633,631
Total expenses		(4,757,753)		(4,646,272)
Net operating surplus (deficit)	$	8,531	$	(12,641)

17 SUBSEQUENT EVENTS

On May 30, 2012, subsequent to year end, the Province of Manitoba registered a regulation in respect to the Regional Health Authorities Act stating that effective May 31, 2012 the Authority would be merging with Assiniboine and Parkland Regional Health Authorities to form a new Western Regional Health Authority. The health care services previously provided by the Authority will be carried on by this new Western Regional Health Authority.

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INDEPENDENT AUDITORS' REPORT

To The Governing Council of The Salvation Army in Canada

We have audited the accompanying financial statements of The Salvation Army Dinsdale Personal Care Home, which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 Dinsdale Personal Care Home as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

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

KPMG LLP

Chartered Accountants

May 28, 2012

Winnipeg, Canada

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 349,695	$ 526,671
Accounts receivable (note 13)	55,994	16,429
Inventory	33,273	35,720
Prepaid expenses	1,380	2,343
Employee benefits recoverable from Brandon Regional Health Authority [note 5(a)]	190,916	190,916
Due from Brandon Regional Health Authority	223,891	83,805
	855,149	855,884
Employee future benefits recoverable from Brandon Regional Health Authority [note 5(b)]	199,105	199,105
Capital assets (note 4)	1,911,080	1,962,525
	$ 2,965,334	$ 3,017,514
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 227,547	$ 228,758
Accrued vacation payable [note 5(a)]	256,211	256,562
Current portion of long-term debt (note 7)	122,577	117,195
	606,335	602,515
Accrued pre-retirement entitlement obligation [note 5(b)]	369,600	328,139
Long-term debt (note 7)	1,297,292	1,419,869
Deferred contributions (note 6):		
Expenses of future periods	75,031	72,613
Capital assets	410,480	396,313
	485,511	468,926
Net assets:		
Invested in capital assets (note 8)	173,076	119,128
Internally restricted (note 11)	208,224	186,341
Unrestricted	(174,704)	(107,404)
	206,596	198,065
	$ 2,965,334	$ 3,017,514

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	BRHA services	Contributed and other services	Capital	2012 Total	2011 Total
Revenue:					
Brandon Regional Health Authority (note 9)	$ 3,337,309	$ –	$ –	$ 3,337,309	$ 3,266,634
Donations and fundraising	–	16,415	–	16,415	15,195
Residential charges	1,028,035	–	–	1,028,035	998,120
Amortization of deferred contributions (note 6)	16,422	–	127,455	143,877	137,621
Ministry grant (note 11)	30,000	60,000	–	90,000	60,000
Interest income	–	7,143	–	7,143	7,026
Grants from The Salvation Army DHQ (note 13)	–	122,349	–	122,349	119,849
Other	17,894	3,262	–	21,156	29,186
	4,429,660	209,169	127,455	4,766,284	4,633,631
Expenses:					
Salaries	2,946,814	60,536	–	3,007,350	2,977,605
Employee benefits	660,262	10,838	–	671,100	606,685
Administration (note 13)	–	69,774	–	69,774	67,500
Health and education levy	60,143	–	–	60,143	62,541
Other supplies and expenses	578,273	46,138	–	624,411	641,713
Physical plant	172,268	–	–	172,268	138,303
Interest on long-term debt (note 7)	14,895	–	–	14,895	19,653
Amortization of capital assets	–	–	137,812	137,812	132,272
	4,432,655	187,286	137,812	4,757,753	4,646,272
Excess (deficiency) of revenue over expenses	$ (2,995)	$ 21,883	$ (10,357)	$ 8,531	$ (12,641)

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets	Internally restricted funds	Unrestricted	2012 Total	2011 Total
Balances, beginning of year	$ 119,128	$ 186,341	$ (107,404)	$ 198,065	$ 210,706
Excess (deficiency) of revenue over expenses	(10,357)	21,883	(2,995)	8,531	(12,641)
Inter-fund transfer	64,305	–	(64,305)	–	–
Balances, end of year	$ 173,076	$ 208,224	$ (174,704)	$ 206,596	$ 198,065

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 8,531	$ (12,641)
Items not affecting cash:		
Amortization of capital assets	137,812	132,272
Amortization of deferred contributions	(143,877)	(137,621)
	2,466	(17,990)
Changes in non-cash working capital balances:		
Accounts receivable	(39,565)	8,610
Inventory	2,447	(5,159)
Prepaid expenses	963	(1,054)
Accrued pre-retirement entitlement obligation	41,461	16,928
Accrued vacation payable	(351)	15,482
Due from Brandon Regional Health Authority	(140,086)	42,683
Accounts payable and accrued liabilities	(1,211)	44,107
	(133,876)	103,607
Financing activities:		
Additional deferred contributions received (note 6)	160,462	150,678
Repayments of long-term debt	(117,195)	(112,436)
	43,267	38,242
Investing activities:		
Capital asset purchases	(86,367)	(60,105)
Increase (decrease) in cash and cash equivalents	(176,976)	81,744
Cash and cash equivalents, beginning of year	526,671	444,927
Cash and cash equivalents, end of year	$ 349,695	$ 526,671
Supplementary cash flow information:		
Interest paid	$ 14,895	$ 19,653
Interest received	7,143	7,026

See accompanying notes to financial statements.

The Salvation Army Dinsdale Personal Care Home (the “Ministry Unit”) is an incorporated operating unit of The Salvation Army Canada & Bermuda Territory (the “Territory”).

The Governing Council of The Salvation Army in Canada (“The Governing Council”), a corporation established by a Special Act of Parliament, is the primary legal entity through which the Territory conducts its operations. The Governing Council holds title to all Salvation Army property, including bank and investment accounts and real estate on behalf of individual operating units.

The Ministry Unit is a registered charitable organization, associated with The Salvation Army Territorial Headquarters (“THQ”), the primary charitable entity of the Territory. The Ministry Unit operates under the direction of The Salvation Army Prairie Divisional Headquarters (“DHQ”), which is located in Winnipeg, Manitoba, and pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and is licensed under the provisions of the Brandon Regional Health Authority (“BRHA”).

The Salvation Army is an international Christian church. Its message is based on the Bible; its ministry is motivated by love for God and the needs of humanity. The mission of The Salvation Army is to share the love of Jesus Christ, meet human needs and be a transforming influence in the communities of our world.

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

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

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements present, in accordance with Canadian generally accepted accounting principles, the assets, liabilities, revenue and expenses and cash flows of the Ministry Unit.

(b) Revenue recognition:

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

The Ministry Unit is funded primarily by the Province of Manitoba in accordance with budget arrangements established by BRHA. 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.

1. Significant accounting policies (continued):

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

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.

(c) Cash and cash equivalents:

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

(d) Capital assets:

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

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

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

(e) Contributions of materials and services:

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and an official receipt for income tax purposes has been issued to the donors. Contributions of services are not recognized in these financial statements.

1. Significant accounting policies (continued):

(f) Financial instruments:

The carrying values of financial instruments included in current assets and current liabilities approximate their respective fair values due to the short-term maturity of these instruments.

Cash and cash equivalents are designated as held-for-trading, which is measured at fair value. Accounts receivable, employee benefits recoverable from BRHA, due from BRHA and employee benefits recoverable from BRHA are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, accrued vacation payable, resident trust accounts payable and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The carrying value of long-term debt approximates fair value since the interest rate approximates current interest rates.

The Ministry Unit has adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the Ministry Unit has elected not to adopt these standards in its financial statements.

It is management's opinion that there is no exposure to significant amounts of credit, interest or foreign exchange risks.

(g) Operating fund surpluses:

Operating fund surpluses are repayable to the BRHA.

(h) Pre-retirement entitlement obligation:

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

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

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

1. Significant accounting policies (continued):

(i) Employee future benefits recoverable from BRHA:

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

(j) Internally restricted net assets:

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

(k) 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.

(l) Allocation of fundraising/general administration expenses:

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

2. Cash and cash equivalents:

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

2. Cash and cash equivalents (continued):

Cash and cash equivalents held at March 31 were as follows:

	2012	2011
Operating bank account	$ 99,032	$ 285,618
THQ general deposit account	93,799	86,738
THQ capital deposit account	131,465	129,184
DHQ property maintenance account	9,149	9,067
Other	16,250	16,064
	$ 349,695	$ 526,671

Funds held in the general deposit account are available for withdrawal on demand and may be used for the general operating needs of the Ministry Unit.

Funds held in the capital deposit account represent funds that are restricted for capital purposes (i.e., acquisition, repair and replacement of long-lived assets); however, these funds can be withdrawn for operating purposes with the agreement of DHQ, provided the foreseeable capital needs of the Ministry Unit have been met.

Funds held in property maintenance accounts represent funds that have been set aside by the Ministry Unit and are available for building repairs and maintenance, property and liability insurance and property taxes.

3. Cash held in trust:

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

4. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 133,615	$ –	$ 133,615	$ 133,615
Buildings	4,297,978	2,625,357	1,672,621	1,747,596
Vehicles	6,045	1,008	5,037	–
Equipment and furnishings	668,825	569,018	99,807	81,314
	$5,106,463	$ 3,195,383	$ 1,911,080	$ 1,962,525

5. Employee benefits:

(a) Vacation payable:

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

(b) Pre-retirement entitlement obligation:

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

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

The employee future benefits recoverable from BRHA has no specified terms of repayment.

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

6. Deferred contributions:

(a) Expenses of future periods:

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

		2012		2011
Balance, beginning of year	$	72,613	$	65,314
Add funding received in current year		18,840		18,840
Less: Major repairs		(16,422)		(11,541)
		2,418		7,299
Balance, end of year	$	75,031	$	72,613

(b) Capital assets:

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

		2012		2011
Balance, beginning of year	$	396,313	$	390,555
Add:				
Payments of mortgage principal (note 9)		117,195		107,743
Major equipment funding		21,960		21,960
Transfer from capital deposit account (note 2)		2,281		1,996
Other		186		139
Less:				
Amounts amortized to revenue		(127,455)		(126,080)
		14,167		5,758
Balance, end of year	$	410,480	$	396,313

The Ministry Unit has an outstanding loan of $222,014 (2011 - $253,730) payable to the Province of Manitoba. The Province has committed to fund payments of interest and principal on this loan, but does so directly, and does not include these amounts in funding provided directly to the Home. As the Province is funding the payment of principal and interest directly, the loan is not presented as a separate liability on the statement of financial position, but was recognized as an increase in deferred capital contributions when first incurred.

7. Long-term debt:

	2012	2011
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$ 1,419,869	$ 1,537,064
Current portion	122,577	117,195
	$ 1,297,292	$ 1,419,869

The Province of Manitoba, via the BRHA, provides funding for all payments of principal [note 6(b)] and interest on this debt. Interest expense, net of subsidies received from Manitoba Housing for fiscal 2012 was $14,895 (2011 - $19,653). Principal payments expected in the next five years are as follows:

2013	$ 122,578
2014	127,780
2015	133,347
2016	139,067
2017	897,097
	$ 1,419,869

8. Invested in capital assets:

	2012	2011
Capital assets	$ 1,911,080	$ 1,962,525
Amounts financed by:		
Deferred contributions, excluding unspent CDA (note 6)	(279,015)	(267,129)
Long-term debt	(1,419,869)	(1,537,064)
Relating to capital assets within internally restricted funds	(39,120)	(39,204)
	$ 173,076	$ 119,128

9. Revenue - Brandon Regional Health Authority:

	2012	2011
Total approved funding	$ 3,495,304	$ 3,415,177
Less funding allocated to deferred contributions:		
Equipment	(21,960)	(21,960)
Major repairs	(18,840)	(18,840)
Mortgage principal	(117,195)	(107,743)
Funding for operations	$ 3,337,309	$ 3,266,634

10. Pension plan:

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on their length of service and on their average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and, accordingly, the Plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2010 reported the Plan had a solvency deficiency of $927,089,000. However, in November 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $198,054 (2011 - $172,825) and are recorded as expense in the statement of operations.

Contributions rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE.

11. Internally restricted fund balance:

The internally restricted fund balance comprises the following:

		2012		2011
Property maintenance deposit	$	9,149	$	9,067
Other		199,075		177,274
	$	208,224	$	186,341

Ministry grant revenue of $60,000 (2011 - $60,000) has been recorded in contributed services (internally restricted) with an offsetting charge to BRHA services for management support services received during the year ended March 31, 2012.

12. Management of capital:

The Ministry Unit defines its capital as the amounts included in its fund balances. The Ministry Unit's objectives in managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of services and benefits to its clients and its stakeholders, while carrying out the mandate of The Salvation Army.

Management continually monitors the impact of changes in economic conditions on its funding commitments.

13. Related party transactions:

The Ministry Unit received DHQ grant of $122,349 (2011 - $122,349) from DHQ during the year. In addition, the Ministry Unit received $2,281 (2011 - $1,996) of interest from THQ and DHQ on funds held in deposit accounts.

During the year, the Ministry Unit paid THQ $69,774 (2011 - $67,500) for management support assessment charges.

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

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

14. Economic dependence:

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

15. Comparative figures:

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

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Schedule - Expenses

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Salaries:		
Activity	$ 98,114	$ 97,544
Administration	127,896	123,159
Dieticians	315,175	311,340
Housekeeping	168,023	168,466
In-service director	47,127	55,353
Laundry	67,672	64,973
Nursing	2,012,062	1,995,303
Physical plant and equipment	110,745	110,676
	$ 2,946,814	$ 2,926,814
Employee benefits	$ 660,262	$ 601,560
Health and education levy	$ 60,143	$ 62,541
Other supplies and expenses:		
Activity	$ 2,449	$ 1,592
Drug capitation	28,570	26,971
Administration	147,151	161,438
Housekeeping	18,302	21,218
In-service education	1,335	1,094
Laundry and linen	73,656	80,931
Nursing	76,762	71,486
Nutritional services	162,866	153,821
Plant maintenance	67,182	59,329
	$ 578,273	$ 577,880
Physical plant:		
Heat and lights	$ 60,173	$ 70,028
Insurance	2,741	2,741
Property taxes	34,462	33,789
Water and sewer	22,459	17,000
Major repairs	48,933	11,873
Property	3,500	2,872
	$ 172,268	$ 138,303

KENDALL & PANDYA

Chartered Accountants

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* Operating as professionnal corporations

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:

Report on the Financial Statements
We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2012 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 generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including 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 the Burntwood Regional Health Authority Inc., as at March 31, 2012 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson, Manitoba
June 15, 2012

Chartered Accountants.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF FINANCIAL POSITION

	2012	2011
ASSETS		
CURRENT ASSETS		
Bank	$ 993,984	$ -
Accounts receivable (Note 1)	3,458,614	7,539,887
Inventories	590,517	644,128
Prepaid expenses	447,819	403,286
Vacation entitlements receivable – Manitoba Health	2,589,257	2,589,257
Due from Manitoba Health (Note 2)	2,359,866	4,645,683
	$ 10,440,057	$15,822,241
Pre-retirement receivable-Manitoba Health	1,555,430	1,555,430
Capital assets (Note 3)	42,373,551	43,747,466
	$ 54,369,038	$61,125,137
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ -	$ 3,712,625
Manitoba Health cash advance (Note 14)	-	350,000
Accounts payable	4,005,419	5,426,913
Deferred revenue (Note 5)	2,429,033	533,709
Line of credit (Note 6)	1,857,760	1,500,088
Current portion of capital lease obligations (Note 7)	180,916	181,518
Vacation entitlements payable	5, 095,440	4,497,216
	13, 568,568	16,202,069
Manitoba Health cash advance (Note 14)	-	3, 000,000
Accrued pre-retirement obligation (Note 12)	2, 817,334	2, 683,168
Capital lease obligations (Note 7)	-	188,107
Deferred contributions (Note 8)		
Expenses of future periods	126,586	121,285
Capital assets	34,486,543	35,755,807
	$ 37,430,463	$ 41,748,367
Contingencies (Note 15)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	5,848,332	6,121,946
Unrestricted net assets	(2,478,325)	(2,947,245)
	3,370,007	3,174,701
	$ 54,369,038	$ 61,125,137

APPROVED BY THE BOARD: ____________________ ____________________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Unrestricted	2012	2011
Balance, beginning of year	$ 6,121,946	$(2,947,245)	$ 3,174,701	$ 3,453,924
Excess (Deficiency) of revenue over expenses for the year	-	195,306	195,306	(279,223)
Investment in capital assets (Note 9)	(273,614)	273,614	-	-
Transfers to unrestricted	-	-	-	-
Balance, end of year	$ 5,848,332	$(2,478,325)	$ 3,370,007	$ 3,174,701

See accompanying notes.

STATEMENT OF OPERATIONS

	2012	2011
REVENUE		
Amortization of deferred contributions	**$ 2,254,066**	$ 2,268,782
Ancillary programs	**870,389**	887,797
Manitoba Health (Note 10)	**87,138,452**	83,951,614
Northern patient transportation program recoveries	**2,159,907**	2,441,054
Other	**418,810**	1,155,006
Patient	**803,029**	931,967
	$ 93,644,653	$91,636,220
EXPENSES		
Acute care services	**$ 40,394,878**	$39,670,367
Amortization of capital assets	**2,254,066**	2,268,782
Ancillary operations	**870,392**	887,797
Community based – health services	**8,335,515**	8,644,909
Community based – home care	**2,037,232**	1,780,719
Community based – mental health	**1,775,720**	1,600,204
Land ambulance	**939,249**	671,181
Medical remuneration	**18,105,917**	18,616,994
Northern patient transportation program	**8,287,943**	7,884,691
Regional health authority	**7,359,631**	6,897,084
Support to seniors	**30,000**	29,964
Personal Care Home	**3,058,804**	2,962,751
	$ 93,449,347	$91,915,443
Excess (deficiency) of revenue over expenses for the year	**$ 195,306**	$ (279,223)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF CASH FLOWS

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expenses	$ 195,306	$ (279,223)
Adjustments for		
Amortization of capital assets	2,254,066	2,268,782
Amortization of deferred contributions	(2,254,066)	(2,268,782)
	$ 195,306	$ (279,223)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	4,081,273	(1,399,820)
Due from Manitoba Health	(1,064,183)	(503,237)
Inventories	53,611	(81,785)
Prepaid expenses	(44,533)	186,289
Accounts payable	(1,421,494)	1,054,373
Vacation entitlements payable	598,224	654,232
Deferred revenue	1,895,325	(158,284)
	$ 4,293,529	$ (527,455)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$ (1,340,122)	$(1,650,878)
Disposal of Garden Hill asset net of amortization	459,971	-
Payments of capital lease obligation	(188,709)	(183,608)
Receipt of deferred contributions related to capital assets	984,802	636,296
Receipt of deferred contributions related to expenses of future periods	5,301	(45,298)
Pre-retirement obligation	134,166	366,491
Advances on line of credit	357,672	288,748
	$ 413,081	$ (588,249)
Increase (Decrease) in cash and cash equivalents during the year	4,706,609	(1,115,704)
Cash and cash equivalents, beginning of year	(3,712,625)	(2,596,921)
Cash and cash equivalents, end of year	$ 993,984	$(3,712,625)
Represented by:		
Cash in bank	$ 993,984	$ -
Bank indebtedness	-	(3,712,625)
	$ 993,984	$(3,712,625)

See accompanying notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a not for profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using Canadian generally accepted accounting principles for not-for-profit organizations and the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

Basis of Reporting

These financial statements include the accounts of the following controlled not-for-profit organizations of the Authority:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor

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. 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 Manitoba Health with respect to the year ended March 31, 2012.

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

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

Any operating surplus greater than 2% of budget related to global 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 Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

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

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

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

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

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 purpose 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.

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.

Financial Instruments

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

The organization has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, vacation entitlements receivable, pre-retirement receivable, and the amounts due from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance, are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The organization has continued to apply Section 3861- *Financial Instruments- Disclosure and Presentation* in place of Sections 3862 and 3863

The fair value of cash, accounts receivable, vacation entitlements receivable, amounts due from the Province of Manitoba, accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – pre-retirement receivable approximates its fair value, as the annual interest accretion is funded.

The organization's activities are exposed to a variety of financial risks, which include:

a) Interest Rate Risk

The organization's main interest rate risk arises from short-term deposits raised for ongoing operations. The organization has no interest bearing debt. The organization periodically monitors the investment it makes and is satisfied with the credit rating of its banks.

b) Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations and is managed on a group basis. Credit risks arise from cash and deposits with banks, as well as credit exposures to customers for committed transactions. The organization does not have a significant concentration of credit risk with any one group.

c) Liquidity Risk

As at March 31, 2012 the organization had $4,452,598 in cash and accounts receivable and $4,005,419 in accounts payable. Prudent liquidity risk management implies maintaining sufficient cash through available funding via an adequate amount of committed credit facilities and the ability to close out financing positions. The organization manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Concentration of Credit Risk

Exposure to credit risk arises through the failure of a customer or third party to meet its contractual obligations to the organization. The organization's maximum exposure to credit risk as at March 31, 2012 is its accounts receivable.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Management

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

The organization's capital management policy is to

- Meet short-term capital needs with working capital needs with working capital advances from the Manitoba Health and Healthy Living.
- Meet long term capital needs through long term debt with the Manitoba Health and Healthy Living.

The organization is not subject to externally imposed capital requirements.

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

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

Vacation Entitlements Receivable/Pre-retirement receivable – Manitoba Health

An offsetting receivable from Manitoba Health equal to the liability balance outstanding as at March 31, 2004 has been recorded.

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 Burntwood Regional Health 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 it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre - Retirement Obligation

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

1. Accounts Receivable

	2012	2011
Patients Receivable	$ 2,691,927	$2,045,596
Other	183,946	205,588
Goods and Services Tax	271,819	89,647
Northern Patient Transportation Program	6,529,075	5,464,266
	9,676,767	7,805,097
Allowance for Doubtful Accounts	(6,218,153)	(265,210)
	$3,458,614	$7,539,887

2. Due (to) from Manitoba Health

2009-10 Board Expenses	-	936
2009-10 EMS Funding	-	50,000
2009-10 MAHCP Wage Standardization	-	229,631
2009-10 Medical Remuneration	-	1,461,430
2010-11 MYC Program Funding	1,687	1,687
2010-11 Board Expenses	1,109	2,123
2010-11 Immunization Funding	50,743	50,743
2010-11 Health Spending Account	-	11,079
2010-11 HEPP	-	59,850
2010-11 NPTP Funding	-	220,000
2010-11 HEB Receivable	-	163,903
2010-11 Colonoscopy Funding	-	48,050
2010-11 Community Retro Adjustments	-	67,400
2010-11 Trades Accounts	-	3,381
2010-11 Pine Service – Education Coordinator	-	55,000
2010-11 Maternity Top-Up	-	66,854
2010-11 EMS Funding	-	50,000
2010-11 Medical Remuneration	-	2,103,616
2011-12 Community Support Wage Standardization	83,678	-
2011-12 Medical Remuneration	1,318,604	-
2011-12 MYC Program Funding	490,000	-
2011-12 Pine Service – Education Coordinator	55,000	-
2011-12 HEPP	286,680	-
2011-12 Maternity Top-Up	64,665	-
2011-12 Colonoscopy Funding	7,700	-
	$ 2,359,866	$4,645,683

3. **Capital Assets**

	2012 Cost	2012 Accumulated Amortization	2012 Net Book Value	2011 Cost	2011 Accumulated Amortization	2011 Net Book Value
Land	$ 235,468	$ -	**$ 235,468**	$ 235,468	$ -	$ 235,468
Buildings	52,502,161	16,107,870	**36,394,291**	52,973,926	14,889,028	38,084,898
Computers	2,319,286	1,811,527	**507,759**	2,310,850	1,556,592	754,258
Equipment	20,582,429	15,893,973	**4,688,456**	19,636,613	15,125,478	4,511,135
Construction in Progress	547,577	-	**547,577**	161,707	-	161,707
	$76,186,921	$33,813,370	**$42,373,551**	$75,318,564	$31,571,098	$43,747,466

Included in capital asset additions during the year is interest of $30,308 (2011 - $23,094) which has been capitalized.

4. **Bank Indebtedness**

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $4.1 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. **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:

	2012	2011
Balance, beginning of year	**$ 533,709**	$ 691,993
Amount recognized as revenue in the current year	**(1,419,698)**	(1,211,754)
Funding received	**3,315,022**	1,053,470
Balance, end of year	**$2,429,033**	$ 533,709

6. **Line of Credit**

	2012	2011
Demand capital line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65%.	**$ 1,857,760**	$1,500,088

The Royal Bank line of credit is secured by a Letter of Comfort from Manitoba Health.

7. Capital Lease Obligations

	2012	2011
Burntwood Community Health Resource Centre		
The obligation under the capital lease is at an interest rate of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of $16,681 (principal and interest)	**$ 180,916**	$ 362,348
Lease Payable – Nexcap; monthly payments of $ 1,149.66 including interest at 8.258 %. Due September 1, 2012	**$ -**	$ 7,277
Amount due within one year included in current liabilities	**(180,916)**	(181,518)
	$ -	$ 188,107

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

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

2013	$ 180,916
2014	$ -
2015	$ -
2016	$ -
2017	$ -

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2012	2011
Balance, beginning of year	**$ 121,285**	$ 166,583
Add amount received during year	**5,301**	26,099
Deduct: transfer re: Personal Care Home	**-**	(71,397)
Balance, end of year	**$ 126,586**	$ 121,285

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding received 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 funding received.

	2012	2011
Balance, beginning of year	**$ 35,755,807**	$37,388,293
Additional contributions received	**984,802**	636,296
Less amounts amortized to revenue	**(2,254,066)**	(2,268,782)
Balance, end of year	**$ 34,486,543**	$35,755,807

9. Net Assets Invested in Capital Assets

a) Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**$42,373,551**	$43,747,466
Amount financed by:		
Deferred contributions	**34,486,543**	35,755,807
Lines of credit	**1,857,760**	1,500,088
Capital leases	**180,916**	369,625
	$ 5,848,332	$ 6,121,946

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

	2012	2011
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	**$ 2,254,066**	$ 2,268,782
Amortization of capital assets	**(2,254,066)**	(2,268,782)
Less: reduction of Garden Hill asset amortization	**11,794**	-
	$ 11,794	$ -
Net changes in investment in capital assets		
Purchase of capital assets	**$ 1,340,122**	$1,650,878
Disposal of Garden Hill asset	**(471,765)**	-
Payment of capital lease obligation	**188,709**	183,608
Advances on line of credit	**(357,672)**	(288,748)
Manitoba Health – Capital asset funding	**(984,802)**	(636,296)
	(285,408)	909,442
	$ (273,614)	$ 909,442

10. Revenue from Manitoba Health

	2012	2011
Revenue as per Manitoba Health funding document	**$ 83,512,137**	$80,386,209
Add: HMO On Call Funding	-	86,866
HEPP Funding	**450,582**	-
Health Spending Account	**12,180**	11,079
NPTP One-time Funding	**5,300,000**	220,000
Wage standardization and market adjustment	-	102,735
Medical Education Reimbursement	**55,000**	-
MNU Northern Retention Allowance	**1,474,959**	1,282,170
Medical remuneration	**1,318,604**	2,103,616
Mobile Youth Crisis Program	**421,026**	1,687
Immunization funding	-	50,742
Community Support Wage Funding	**152,668**	-
MNU Nurses Signing Bonus	-	217,545
Reciprocal Revenue	**444,902**	-
Colonoscopy Funding	**35,000**	48,050
H1N1 Funding	-	3,402
Leap Year Wage Funding	**232,871**	-
Lab Supplies Funding	**502,000**	-
Drug Volume Pressures Funding	**24,900**	-
Volume Funding	**1,118,600**	-
Maternity Top Up	**173,039**	156,603
EMS Funding	-	50,000
RIS/PACS Reimbursement	-	11,440
	$11,716,331	$4,345,935
Deduct:		
Nelson House PCH funding – flow through	**$ (665,883)**	$ (671,884)
Capital Funding	**(160,536)**	(85,552)
Deferred Volume Funding	**(1,118,600)**	-
NPTP Receivable Allowance	**(5,257,747)**	-
Account Receivable Allowance	**(823,386)**	-
Interest funding (actual)	**(63,864)**	(23,094)
	$(8,090,016)	$ (780,530)
Total funding approved by Manitoba Health	**$87,138,452**	$83,951,614

11. Pension Plans

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

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010, indicates a deficiency actuarial value of net assets over actuarial present value of accrued pension benefits of $264,841,000 as well as a solvency deficiency of $927,089,000. Effective January 1, 2011, the contribution rates increased by 1.0% for the employer and effective April 1, 2012 by 0.8% for the employee. On April 1, 2013, the employer rate will increase by 0.1% and the employee rate by 0.3%. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $1,895,097 (2011 – $1,767,178) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability related to the Civil Service Superannuation Plan. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees. The Authority has chosen to continue to follow prior years practice of setting up a provision for this liability.

12. Pre-retirement Obligations

	2012	2011
Members of the Health Employees Pension Plan	**$ 2,593,000**	$2,481,971
Members of the Civil Service Superannuation Plan	**224,334**	201,197
	$ 2,817,334	$2,683,168

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan 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:

- have ten year 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 or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA'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, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

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

The Authority undertook an actuarial valuation of the accrued pre-retirement entitlements as of September 31, 2011. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (2011- 4.70%) and a rate of salary increase of 3.50% (2011 – 3.50%) plus age related merit/promotion scale with no provision for disability.

13. Obligations under Operating Leases

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

Year ended	**March 31,**	**2013**	**$432,841**
		2014	**$416,220**
		2015	**$305,580**
		2016	**$207,900**
		2017	**$207,900**

Aggregate future minimum operating payments total $ 1,570,441.

14. Manitoba Health Cash Advance

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

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

The Burntwood Regional Health Authority had received a further $1,500,000 cash advance during the fiscal year 2011. Repayment on this advance was at a rate of $200,000 per year for a period of 7 years commencing in fiscal year 2012 and ending in fiscal 2017. During the year it was determined by Manitoba Health that the entire advance would be repaid in the current year.

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

15. 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, 2012, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

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 permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

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

16. Inter Program Charges

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

17. Economic Dependence

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

18. Subsequent Event

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

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Auditors' Report

To the Board of Directors of
Churchill RHA Inc.

We have audited the accompanying financial statements of Churchill RHA Inc. (RHA), which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Churchill RHA Inc. as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Portage la Prairie, MB
May 24, 2012

Churchill RHA Inc.
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash and bank (note 1)	**$**	**-**	$	2,071,794
Accounts receivable (note 2)		**267,703**		278,018
Due from Manitoba Health (note 3)		**163,206**		173,703
Inventory (note 4)		**387,267**		381,247
Goods and Services Tax recoverable		**23,223**		13,484
Prepaid expenses		**70,567**		105,214
Employee vacation recoverable - Manitoba Health (note 5)		**282,239**		282,239
		1,194,205		3,305,699
Capital Assets (note 6)		**5,989,518**		2,921,591
Future Employee Pre-retirement Benefits Recoverable - Manitoba Health (note 5)		**197,540**		197,540
	$	**7,381,263**	$	6,424,830
Liabilities and Surplus (Deficiency) in Net Assets				
Current Liabilities				
Bank overdraft (note 1)	**$**	**1,185,477**	$	-
Accounts payable and accrued liabilities		**424,130**		715,869
Accounts payable - capital		**89,413**		34,424
Due to Manitoba Health (note 7)		**189,860**		507,560
Security and other deposits		**41,194**		41,765
Vacation, overtime, statutory holiday and wages payable		**857,763**		805,017
		2,787,837		2,104,635
Pre-retirement Entitlements (note 8)		**382,879**		366,922
Deferred Contributions (note 9)		**3,020,466**		3,018,781
		6,191,182		5,490,338
Surplus (Deficiency) in Net Assets				
Net assets invested in capital assets (note 10)		**83,297**		114,673
Externally restricted - separately funded programs (note 11)		**(181,102)**		(156,379)
Unrestricted		**1,287,886**		976,198
		1,190,081		934,492
Contingencies (note 12)				
	$	**7,381,263**	$	6,424,830

On behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill RHA Inc.
Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Manitoba Health funded programs		
General	**$ 7,771,841**	$ 7,510,469
Diagnostic Services	**896,356**	871,198
Dental Clinic	**137,760**	137,760
Community Services	**1,360,953**	1,299,131
Northern Patient Transportation Program	**1,513,670**	1,318,968
Land Ambulance	**335,157**	331,800
Home Care	**172,239**	171,720
Amortization of deferred contributions (note 9)	**375,638**	368,546
Offset income	**966,482**	940,824
	13,530,096	12,950,416
Separately funded programs		
Churchill Child and Family Services (schedule 1)	**525,335**	535,187
Receiving Home (schedule 2)	**368,903**	356,792
Nunavut Services (schedule 3)	**12,029**	16,690
Fetal Alcohol Spectrum Disorder, Families 'R' Us, Baby First and Healthy Baby programs (schedule 4)	**179,251**	185,200
	1,085,518	1,093,869
Ancillary income, net (schedule)	**71,094**	51,488
	1,156,612	1,145,357
	14,686,708	14,095,773
Expenses		
Manitoba Health funded programs (Schedule of expenses by type)		
Various department expenses	**8,086,394**	7,670,672
Diagnostic Services	**846,732**	808,289
Dental Clinic	**170,866**	166,915
Community Services	**1,066,940**	1,085,479
Addictions Program	**92,443**	94,561
Northern Patient Transportation Program	**1,826,368**	1,401,247
Land Ambulance	**408,739**	403,271
Home Care	**136,242**	137,481
Amortization	**403,941**	391,082
Directors' fees and expenses	**39,220**	36,724
Employee future benefits	**15,957**	38,191
Interest and bank charges	**37,176**	150
	13,131,018	12,234,062
Separately funded programs		
Churchill Child and Family Services (schedule 1)	**547,565**	535,187
Receiving Home (schedule 2)	**368,903**	356,792
Nunavut Services (schedule 3)	**12,029**	16,690
Fetal Alcohol Spectrum Disorder, Families 'R' Us, Baby First and Healthy Baby programs (schedule 4)	**181,744**	201,847
	1,110,241	1,110,516
	14,241,259	13,344,578
Excess of revenue over expenses before other expense	**445,449**	751,195
Other expense		
Surplus repayable to Manitoba Health	**(189,860)**	(508,037)
Excess of revenue over expenses for the year	**$ 255,589**	$ 243,158

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill RHA Inc.
Statement of Changes in Net Assets

For the year ended March 31				2012	2011
	Invested in Capital Assets	Separately Funded Programs	Unrestricted	Total	Total
Balance, beginning of year	$ 114,673	$ (156,379)	$ 976,198	$ 934,492	$ 691,334
Excess (deficiency) of revenue over expenses for the year	(28,303)	(24,723)	308,615	255,589	243,158
Net asset transfer (note 13)	(3,073)	-	3,073	-	-
Balance, end of year	$ 83,297	$ (181,102)	$ 1,287,886	$ 1,190,081	$ 934,492

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill RHA Inc.
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	**$ 255,589**	$ 243,158
Adjustments for		
Amortization of capital assets	**403,941**	391,082
Loss on disposal of capital assets	**453**	1,439
Amortization of deferred contributions	**(375,638)**	(368,546)
Deferred contribution reduction - disposed capital assets	**(3,042)**	(348)
Deferred contributions - expenses for future periods	**116,855**	86,410
	398,158	353,195
Net change in non-cash operating working capital		
Accounts receivable	**10,315**	(27,933)
Due from (to) Manitoba Health	**(307,203)**	21,855
Inventory	**(6,020)**	(1,318)
Goods and Service Tax recoverable	**(9,739)**	18,412
Prepaid expenses	**34,647**	(51,777)
Accounts payable and accrued liabilities	**(291,739)**	(21,987)
Security and other deposits	**(571)**	(7,234)
Vacation, overtime and statutory holiday pay payable	**52,746**	94,193
	(517,564)	24,211
Increase in pre-retirement entitlement	**15,957**	38,191
	(501,607)	62,402
	(103,449)	415,597
Cash Flows provided by (used in) Investing Activities		
Purchase of capital assets	**(3,475,363)**	(148,998)
Cash Flows provided by (used in) Financing Activities		
Payments on capital lease obligations	**-**	(23,797)
Receipt of contributions related to capital assets	**266,552**	174,067
Change in accounts payable - capital	**54,989**	(298)
	321,541	149,972
Increase (decrease) in cash, during the year	**(3,257,271)**	416,571
Cash and bank, beginning of year	**2,071,794**	1,655,223
Cash and bank (bank indebtedness), end of year	**$ (1,185,477)**	$ 2,071,794

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

March 31, 2012

Nature and Purpose of Organization

Churchill RHA Inc. (RHA) is a non-profit organization incorporated in 1996 without share capital under the Regional Health Authorities and Consequential Amendments Act of Manitoba. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies followed by the Churchill RHA Inc. are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Government funding.

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.

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 ancillary activities are recorded when the product is sold or when the service is rendered.

Management Estimates

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Inventory

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value. Included in the hospital expense line are inventory purchases of $517,677 (2011 - $556,200).

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital leases are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Leasehold service equipment	4 - 10 %
Major equipment	6.7 - 20 %
Equipment under capital leases	20 %
Computer equipment	20 %

Separately Funded Programs

Adjustments to prior years, if any, resulting from a final review by the funding agency are reported in the statement of operations in the year the funding agency completes their review.

Accrued Benefit Entitlements

Benefit entitlements, which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.

Retirement Entitlement Obligations

The RHA applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Capital Disclosures

The RHA considers its capital to be its unrestricted net assets, externally restricted net assets, deferred contributions related to capital assets and amounts invested in capital assets. The RHA's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide health services to the community. Annual budgets are developed and monitored to ensure the RHA's capital is maintained at an appropriate level. Debt is utilized for projects where specific approvals from Manitoba Health have been obtained in advance of borrowings. There are no externally imposed restrictions other than the information provided in note 11.

Financial Instruments

The RHA utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The RHA classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Manitoba Health (MH)	Loans and receivables	Amortized cost
Employee vacation recoverable - MH	Loans and receivables	Amortized cost
Future employee pre-retirement benefits recoverable - MH	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

Loans and receivables are carried at amortized cost, using the effective interest method, less any provision for impairment.

Other financial liabilities are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

March 31, 2012

1. Cash and Bank

The RHA has an operating line of credit authorized to a maximum of $1,000,000, which is due on demand and bears interest at the bank's prime rate plus 0.30%, calculated and payable monthly. It is secured by a line of credit agreement. Prime rate at March 31, 2012 was 3.00%.

The bank indebtedness amount at March 31, 2012 was $1,185,477, which included bank amounts of $2,028,996 and a line of credit for the OR Fire Separation project of $3,214,473. The cash and bank amount in 2011 included a bank indebtedness balance of $118,556 on the statement of financial position.

During February 2012, the OR Fire Separation capital project was completed. It was funded through a line of credit with the RBC Bank and at March 31, 2012, the balance in the line of credit was $3,214,473. Manitoba Health has not determined debt repayment terms as at March 31, 2012. Once these are confirmed, the debt will become part of a demand or instalment loan which will be included in the deferred contribution balance in future years as discussed in note 9.

2. Accounts Receivable

	2012	2011
General operating	**$ 194,483**	$ 157,606
Pharmacy and dental	**2,625**	2,625
Separately funded and working capital advance	**51,062**	102,791
Daycare	**17,521**	15,280
Other	**2,012**	(284)
	$ 267,703	$ 278,018

3. Due from Manitoba Health

	2012	2011
Approved capital funding	**$ 71,142**	$ 90,273
Other	**92,064**	83,430
	$ 163,206	$ 173,703

4. Inventory

	2012	2011
General supplies inventory	**$ 160,822**	$ 157,407
Pharmaceutical drugs and retail inventory	**226,445**	223,840
	$ 387,267	$ 381,247

5. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee pre-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 pre-retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

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 RHA's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount. This receivable is non-interest bearing as established by the Province of Manitoba.

6. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 1,145,179**	**$ 816,208**	$ 1,145,179	$ 787,579
Leasehold service equipment	**7,807,920**	**2,600,710**	4,444,215	2,343,495
Major equipment	**3,241,997**	**2,835,697**	3,187,362	2,782,405
Computer equipment	**319,854**	**272,817**	296,406	238,092
Equipment under capital lease	**4,510**	**4,510**	4,510	4,510
	$ 12,519,460	**$ 6,529,942**	$ 9,077,672	$ 6,156,081
Net book value		**$ 5,989,518**		$ 2,921,591

7. Due to Manitoba Health

In Globe Funding

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

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

	2012	2011
2010/2011 surplus repayable	**$ -**	$ 507,560
2011/2012 surplus repayable	**189,860**	-
	$ 189,860	$ 507,560

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 RHA 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 RHA. Any unapproved costs, not paid by Manitoba Health, are absorbed by the RHA.

8. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

	2012	2011
Members of the Health Employees Pension Plan	**$ 382,879**	$ 366,922

Accrued pre-retirement obligations are based on an actuarial valuation as at September 30, 2011. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan 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.

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

The significant actuarial assumptions adopted in measuring the RHA's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (2011 - 4.7%) and a rate of salary increase of 3.5% (2011 - 3.5%) plus age related merit / promotion scale with a provision for potential disability.

Funding of the pre-retirement obligation is recoverable from Manitoba Health and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health has been capped at the amount of the liability owing as at March 31, 2004 being $197,540 as discussed in note 5. Subsequent to March 31, 2004, the Province has included in its annual funding to the RHA, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The annual increase in obligation over the balance of the liability as at March 31, 2004 will be recognized as an expense in the statement of operations.

8. Pre-retirement Entitlements continued

b) Pension Plan

During the year, the RHA contributed $416,347 (2011 - $349,851) 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 of 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.

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 of December 31, 2010 indicates the plan is in a deficit. A change in the underlying actuarial assumptions could cause a change in actuarial value of accrued pension benefits and required service contributions. 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. Employer contribution rates were increased on January 1, 2011 to 7.8% of pensionable earnings up to a yearly maximum pensionable earnings limit ("YMPE") and 9.4% on earnings in excess of the YMPE. Contribution rates for employees remained unchanged at 6.8% and 8.4% respectively.

On April 1, 2012, employee contribution rates will increase to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of the YMPE. On April 1, 2013, both employer and employee contribution rates will increase to 7.9% of pensionable earnings up to YMPE and 9.5% on earnings in excess of YMPE.

9. Deferred Contributions

a) Expenses for Future Periods

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

	2012	2011
Balance, beginning of year	**$ 211,863**	$ -
Grant revenue received for separately funded programs	**1,456,808**	1,496,344
Less amounts recognized as revenue during the year	**(1,397,532)**	(1,411,385)
Add: excess of basic equipment funding	**57,579**	126,904
Balance, end of year	**$ 328,718**	$ 211,863

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows.

	2012	2011
Balance, beginning of year	**$ 2,806,918**	$ 3,127,199
Add deferred contributions received in the current year	**321,089**	175,518
Less deferred contribution reduction - disposals	**(3,042)**	(349)
Less amount amortized to revenue in the year	**(375,638)**	(368,546)
Excess of basic equipment funding	**(57,579)**	(126,904)
Balance, end of year	**$ 2,691,748**	$ 2,806,918
Total deferred contributions	**$ 3,020,466**	$ 3,018,781

9. Deferred Contributions continued

Included in deferred contributions relating to capital assets are the following loans.

		2012		2011
Royal Bank of Canada				
Demand loans payable, interest at prime plus 3.0%, principal and interest paid semi-monthly in the amount of $6,132.	**$**	**601,152**	$	772,607
Considered a liability of Manitoba Health		**(456,771)**		(654,051)
Bank indebtedness of Churchill RHA Inc. and included in cash and bank	**$**	**144,381**	$	118,556

The Province of Manitoba has agreed to fund the principal and interest payments on the balances to a maximum of $456,771 in 2012 ($654,051 - 2011). Any further Royal Bank of Canada debt (2012 - $144,381; 2011 - $118,556) is considered the liability of the RHA.

Manitoba Health has pre-approved the funding for the capital projects and has guaranteed funding for the projects. Because the Province has approved the funding, the demand loans are shown as a liability in the Provincial Government financial statements and as such the debt for the capital projects is not shown separately on the statement of financial position of Churchill RHA Inc.

10. Net Assets Invested in Capital Assets

Net assets invested in capital assets are determined as follows.

		2012		2011
Capital assets	**$**	**5,989,518**	$	2,921,591
Deferred contributions related to capital assets		**(2,691,748)**		(2,806,918)
Line of credit - OR Fire Separation project		**(3,214,473)**		-
	$	**83,297**	$	114,673

11. Externally Restricted - Separately Funded Programs

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2012	2011
Accumulated deficit - Churchill Child and Family Services (schedule 1)	**$ (69,051)**	$ (46,821)
Accumulated deficit - Receiving Home (schedule 2)	**(143,731)**	(143,731)
Accumulated surplus - Nunavut Services (schedule 3)	**70,827**	70,827
Accumulated deficit - Fetal Alcohol Spectrum Disorder, Families 'R' Us, Baby First and Healthy Baby Programs (schedule 4)	**(41,895)**	(39,402)
Accumulated surplus - Health Promotion	**2,748**	2,748
	$ (181,102)	$ (156,379)

12. Contingencies

The nature of the RHA's activities is such that there can be litigation or arbitration pending or in prospect at any time. With respect to claims at March 31, 2012, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims would not have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). 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 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, 2012.

13. Net Asset Transfer

The transfer of net assets from (to) the amount invested in capital assets from unrestricted net assets is determined as follows.

	2012	2011
Net book value of disposed capital assets	**$ 3,495**	$ 1,439
Capital asset additions	**(3,475,363)**	(148,998)
Transfer to expenses of future periods	**(57,579)**	(126,904)
Annual funding for capital assets purchases	**321,089**	175,518
Line of Credit - OR Fire Separation project	**3,214,473**	-
Capital lease debt payments	**-**	(23,796)
Deferred contribution reduction - disposed capital assets	**(3,042)**	(349)
	$ 3,073	$ (123,090)

14. Financial Risk Management

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

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

	2012	2011
Accounts receivable	**$ 267,703**	$ 278,018
Due from Manitoba Health	**163,206**	173,703
Employee vacation recoverable - Manitoba Health	**282,239**	282,239
Future employee pre-retirement benefits recoverable - Manitoba Health	**197,540**	197,540
	$ 910,688	$ 931,500

Accounts receivable: The RHA 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 RHA 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 Manitoba Health, employee vacation recoverable and pre-retirement obligations recoverable: The RHA 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 RHA 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.

14. Financial Risk Management continued

The RHA 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 RHA is not exposed to other price risk.

Fair value

The carrying values of cash and term investments, accounts receivable, amounts due from Manitoba Health, employee vacation recoverable and pre-retirement obligations recoverable, 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.

15. Subsequent Event

As of April 1, 2012, the RHA adopted Public Sector Accounting for Not-for-Profit Organizations.

Effective May 30, 2012 the Board of Directors has approved the amalgamation of Churchill RHA Inc. with the Winnipeg Regional Health Authority. The amalgamation of the Regional Health Authorities was part of the provincial budget announcement made on April 17, 2012. There is uncertainty of the amalgamation process for the finance and operations of Churchill RHA Inc. The RHA will await further direction from the Provincial Government regarding the amalgamation process.

16. Revenue from Manitoba Health

Revenue as per Manitoba Health final funding document	$ 12,095,797	
Deduct		
Capital interest	(22,576)	
Total funding approved by Manitoba Health	12,073,221	
Deduct		
Amounts recorded as deferred contributions	$ (197,280)	$ 11,875,941

Revenue from Manitoba Health - Statement of Operations		
Hospital	$ 7,771,841	
Diagnostic Services	896,356	
Dental Clinic	137,760	
Community Services	1,360,953	
Northern Patient Transportation Program	1,513,670	
Land Ambulance	335,157	
Home Care	172,239	
Less - other sources of income	$ (312,035)	$ 11,875,941

Churchill RHA Inc.
Schedule of Ancillary Income (Expense)

For the year ended March 31		2012		2011
Children's Centre, net (gross $312,014, 2011 - $317,516) (schedule 5)	**$**	**5,135**	$	(19,071)
Retail pharmacy, net (gross $691,700, 2011 - $704,561)		**64,969**		63,570
Gift shop and vending machine, net (gross $12,333, 2011 - $17,240)		**4,745**		4,868
Donations		**500**		-
Non-Manitoba Health funded specialists		**(4,255)**		2,121
	$	**71,094**	$	51,488

Churchill RHA Inc.
Schedule of Expenses by Type

Years ended March 31	2012	2011
Salaries and Benefits		
Salaries - other	**$ 4,146,318**	$ 3,961,335
Salaries - registered nurses	**1,527,891**	1,473,634
Benefits	**1,188,201**	1,129,634
Purchased services	**267,440**	232,921
Salaries - health care aides	**229,577**	213,284
Salaries - licensed practical nurses	**210,965**	236,792
Health and education tax	**132,100**	126,111
	7,702,492	7,373,711
Supplies		
Other supplies	**553,845**	545,363
Medical and surgical supplies	**131,265**	119,900
Drugs and medical gases	**129,528**	135,797
	814,638	801,060
Other Expenditures		
Client travel	**1,726,719**	1,309,214
Other expenses	**1,008,004**	1,022,958
Contracted health facilities	**525,619**	450,508
Amortization	**403,941**	391,082
Utilities	**332,578**	295,849
Staff travel	**283,327**	284,912
Equipment and related expenses	**262,180**	273,672
Interest on debt	**45,620**	8,863
Board honorariums	**25,900**	22,233
	4,613,888	4,059,291
Total expenses	**$ 13,131,018**	$ 12,234,062

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Auditors' Comments on Supplementary Financial Information

To the Board of Directors of
Churchill RHA Inc.

We have audited the financial statements of Churchill RHA Inc., which comprise the statement of financial position as at March 31, 2012, 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, and have issued our report thereon dated May 24, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The schedules of revenue and expenditures of the separately funded programs is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

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

Restriction on Distribution and Use

The supplementary information is prepared to assist Churchill RHA Inc. in understanding their specific funds. As a result, the supplementary information may not be suitable for other purposes. Our report is intended solely for Churchill RHA Inc. and should not be distributed to or used by parties other than Churchill RHA Inc.

BDO Canada LLP

Chartered Accountants

Portage la Prairie, MB
May 24, 2012

Churchill RHA Inc.
Schedule 1 - Churchill Child and Family Services
Schedule of Revenue and Expenditures

For the year ended March 31	2012	2011
Revenue		
Province of Manitoba	**$ 513,435**	$ 523,287
Preventative funds	**11,900**	11,900
	525,335	535,187
Expenditures		
Clothing	**906**	909
Incidentals and travel	**129,089**	123,720
Maintenance	**411,936**	408,209
Supplies	**5,634**	2,349
	547,565	535,187
Excess (deficiency) of revenue over expenditures	**(22,230)**	-
Deficit, beginning of year	**(46,821)**	(46,821)
Deficit, end of year	**$ (69,051)**	$ (46,821)

Churchill RHA Inc.
Schedule 2 - Receiving Home
Schedule of Revenue and Expenditures

For the year ended March 31	2012	2011
Revenue		
Province of Manitoba	**$ 368,903**	$ 356,792
Expenditures		
Activity supplies	**238**	288
Administration	**7,200**	7,200
Allowance and incidentals	**1,480**	1,660
Clothing	**666**	507
Delivery and express	**1,296**	2,223
Education	**482**	1,677
Employee benefits	**76,905**	70,340
Food	**9,335**	13,495
Foster care payments	**1,891**	(25)
Health and education tax	**5,226**	4,748
Other supplies	**2,168**	3,875
Printing, postage and stationery	**962**	588
Professional fees	**2,400**	2,400
Rent and municipal property taxes	**22,159**	21,274
Repairs and maintenance	**2,600**	16,130
Salaries and wages	**205,243**	183,985
Telephone	**2,694**	2,735
Utilities	**13,662**	14,384
Vehicle lease and maintenance	**12,296**	9,308
	368,903	356,792
Excess of revenue over expenditures	**-**	-
Deficit, beginning of year	**(143,731)**	(143,731)
Deficit, end of year	**$ (143,731)**	$ (143,731)

Churchill RHA Inc.
Schedule 3 - Nunavut Services
Schedule of Revenue and Expenditures

For the year ended March 31		2012		2011
Revenue				
Fees	**$**	**12,029**	$	16,690
Expenditures				
Delivery and express		**721**		6,036
Printing, postage and stationery		**1,115**		431
Rent		**9,425**		9,393
Telephone		**768**		830
		12,029		16,690
Excess of revenue over expenditures		**-**		-
Surplus, beginning of year		**70,827**		70,827
Surplus, end of year	**$**	**70,827**	$	70,827

Churchill RHA Inc.
Schedule 4 - Fetal Alcohol Spectrum Disorder, Families 'R' Us, Baby First and Healthy Baby
Schedule of Revenue and Expenditures

For the year ended March 31	Fetal Alcohol Spectrum Disorder	Families 'R' Us	Baby First	Healthy Baby	2012 Totals	2011 Totals
Revenue						
Fees	$ 6,273	$ 78,390	$ 89,000	$ 5,588	$ 179,251	$ 185,200
Expenditures						
Employee benefits	1,901	-	83,638	175	85,714	92,108
Health and education tax	72	-	1,544	56	1,672	1,756
Minor equipment purchases	747	-	-	-	747	764
Miscellaneous (recovery)	-	-	(200)	-	(200)	-
Rent	-	-	3,000	244	3,244	3,244
Salaries and wages	1,966	48,265	-	2,841	53,072	49,631
Supplies	63	17,788	531	1,670	20,052	37,424
Telephone	-	2,296	-	-	2,296	1,915
Training and education	-	-	1,043	-	1,043	4,135
Travel	1,524	11,978	-	602	14,104	10,870
	6,273	80,327	89,556	5,588	181,744	201,847
Excess (deficiency) of revenue over expenditures	-	(1,937)	(556)	-	(2,493)	(16,647)
Deficit, beginning of year	-	(20,165)	(7,603)	(11,634)	(39,402)	(22,755)
Deficit, end of year	$ -	$ (22,102)	$ (8,159)	$ (11,634)	$ (41,895)	$ (39,402)

Churchill RHA Inc.
Schedule 5 - Children's Centre
Schedule of Revenue and Expenditures

For the year ended March 31	**2012**	2011
Revenue		
Maintenance grant	**$ 153,037**	$ 135,333
Parent and province fees	**102,694**	103,470
Provincial grant	**44,654**	62,681
Meals	**11,477**	12,322
Local fundraising	**152**	3,710
	312,014	317,516
Expenditures		
Delivery and express	**324**	406
Employee benefits	**46,071**	46,002
Food	**12,422**	12,905
Health and education tax	**5,093**	5,571
Membership fees	**191**	211
Office administration	**(796)**	6,409
Printing, postage and stationery	**730**	556
Registration fees	**470**	2,971
Salaries and allowances	**231,250**	254,682
Supplies	**6,714**	5,396
Travel	**4,282**	1,478
Telephone	**128**	-
	306,879	336,587
Excess (deficiency) of revenue over expenditures	**5,135**	(19,071)
Deficiency (excess) transferred to unrestricted net assets	**(5,135)**	19,071
Surplus (deficit), end of year	**$ -**	$ -

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Winnipeg MB R3C 4L5 Canada

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 Regional Health Authority Inc.**, which comprise the consolidated statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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 Regional Health Authority Inc.** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash and term deposits	$	6,592,393	$	380,656
Accounts receivable		2,030,964		2,240,076
Due from Manitoba Health (Note 2)		1,627,817		6,659,467
Inventories		814,005		865,771
Prepaid expense		429,371		554,461
Vacation entitlements receivable (Note 3)		3,688,400		3,688,400
		15,182,950		14,388,831
Retirement obligations receivable (Note 11)		4,183,222		4,183,222
Other assets		113,263		95,309
Capital assets (Note 4)		56,880,690		50,187,331
	$	76,360,125	$	68,854,693
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	7,324,284	$	7,371,081
Accrued vacation entitlements (Note 3)		5,084,836		4,854,561
Current portion of long-term debt (Note 6)		60,417		57,641
		12,469,537		12,283,283
Accrued retirement obligations (Note 11)		8,104,720		7,888,727
Long-term debt (Note 6)		308,640		369,057
Deferred Contributions (Note 7)				
Expenses of future periods		2,261,605		2,158,617
Capital assets		53,707,186		47,238,390
		55,968,791		49,397,007
Commitments and contingencies (Note 10)				
Net Assets				
Investment in capital assets (Note 8)		2,804,430		2,522,243
Externally restricted (Note 13)		148,211		160,334
Internally restricted (Note 13)		687,920		699,427
Unrestricted - RHA		(4,316,986)		(4,803,744)
Unrestricted - Contract Facilities		184,862		338,359
		(491,563)		(1,083,381)
	$	76,360,125	$	68,854,693

Approved on behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Province of Manitoba		
Health (Note 9)	$ 121,741,454	$ 115,201,618
Other	349,427	320,435
Client Non-Insured	6,917,272	6,542,726
Interest	35,485	33,156
Offset and other income	3,232,206	3,115,432
Ancillary income	163,396	160,758
Amortization of deferred contributions	4,028,758	3,623,188
	136,467,998	128,997,313
Expenditures		
Acute care services	36,321,663	34,824,808
Amortization of capital assets	4,028,758	3,661,944
Ancillary operations operating expenditures	111,823	141,154
Chemotherapy	364,705	327,301
Community health	6,467,795	6,377,464
Home based care	20,002,960	19,234,459
Diagnostic services	8,929,876	8,836,804
Dialysis	2,053,995	1,662,638
Emergency response and transport	8,245,808	8,266,178
Long-term care services	27,883,626	27,119,119
Mental health services	5,673,490	5,418,665
Medical remuneration	9,420,270	9,387,714
Nurse recruitment and retention	114,310	92,900
Regional undistributed expenditures	5,970,090	5,148,764
Safety and renovations	244,511	466,829
	135,833,680	130,966,741
Excess (deficiency) of revenue over expenditures for the year	$ 634,318	$ (1,969,428)
Allocated as follows:		
Regional services	$ 789,209	$ (1,917,989)
Contracted services	(154,891)	(51,439)
	$ 634,318	$ (1,969,428)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31						2012	2011
	Investment in Capital Assets (Note 8)	Externally Restricted (Note 13)	Internally Restricted (Note 13)	Unrestricted - RHA	Unrestricted - Contract Facilities	Total	Total
Balance, beginning of year	$ 2,522,243	$ 699,427	$ 160,334	$ (4,803,744)	$ 338,359	$ (1,083,381)	$ 952,797
Reallocation of interest earned on donation and externally restricted funds	-	8,493	10,377	(18,870)	-	-	-
Change in externally restricted net assets	-	(20,000)	(22,500)	-	-	(42,500)	(66,750)
Excess (deficiency) of revenue over expenditures for the year	-	-	-	789,209	(154,891)	634,318	(1,969,428)
Net changes in investment in capital assets	282,187	-	-	(283,581)	1,394	-	-
Balance, end of year	$ 2,804,430	$ 687,920	$ 148,211	$ (4,316,986)	$ 184,862	$ (491,563)	$ (1,083,381)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 634,318	$ (1,969,428)
Adjustments for		
Amortization of capital assets	4,028,758	3,661,944
Amortization of deferred contributions related to capital assets	(4,028,758)	(3,623,188)
Deferred contributions - expenses of future periods		
Receipts	2,520,054	2,558,856
Expenditures	(2,417,066)	(2,529,197)
	737,306	(1,901,013)
Changes in non-cash working capital		
Accounts receivable	209,112	(746,675)
Due from Manitoba Health	5,031,650	(2,646,820)
Inventories	51,766	41,547
Prepaid expense	125,090	(124,461)
Accounts payable and accrued liabilities	(46,797)	511,264
Accrued vacation entitlements	230,275	237,093
	5,601,096	(2,728,052)
Accrued retirement obligations	215,993	1,079,909
	6,554,395	(3,549,156)
Cash Flows from Investing Activities		
Purchase of capital assets	(10,722,116)	(9,532,379)
Other assets	(17,954)	13,196
	(10,740,070)	(9,519,183)
Cash Flows from Financing Activities		
Repayment of long-term debt	(57,641)	(55,100)
Repayment of funds to Foundations	(22,500)	(38,750)
Receipt of deferred contributions related to capital assets	10,497,553	9,437,310
Payout of externally restricted net assets	(20,000)	(28,000)
	10,397,412	9,315,460
Net increase (decrease) in cash and term deposits	6,211,737	(3,752,879)
Cash and term deposits, beginning of year	380,656	4,133,535
Cash and term deposits, end of year	$ 6,592,393	$ 380,656
Supplementary Information		
Interest paid during the year	$ 16,941	$ 20,956

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

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

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health (MH). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MH with respect to the year ended March 31, 2012.

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

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

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

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

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

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

Revenue Recognition (continued)

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

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

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

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

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

Inventories

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

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.

Compensated Absences

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

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.

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.

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

Financial Instruments

The Authority utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from MH	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

Financial Instruments
(continued)

- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Allocated Expenditures

A number of general support expenses are not allocated to the five main health sectors of Acute Care, Long-term Care, Home Care, Community and Mental Health and Emergency Services. The following costs are included in Regional Undistributed expenditures: payroll, information technology, finance, human resources, executive administration, board, public relations, accreditation, spiritual care, scheduling, purchasing, risk management, community health assessment, infection control and H1N1 expenses. These costs are included in Regional Undistributed expenditures.

New Accounting Pronouncements

Effective April 1, 2012, the Health Authority adopted Public Sector Accounting standards for government not-for-profit organizations, which came into effect for year ends beginning on or after January 1, 2012.

1. Entity Definition and Basis of Financial Statements

Interlake Regional Health Authority Inc. was incorporated under the laws of the Province of Manitoba. The Authority commenced providing health care services on April 1, 1997 in the Interlake Region of Manitoba. 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.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed.

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. Any non-RHA funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Due from (to) Manitoba Health

	2012	2011
Retroactive salary and benefit increases	$ 1,123,607	$ 1,740,931
Inter-facility ambulance transfers	392,473	805,395
Other operations	325,373	3,497,430
Safety and security	29,326	348,453
Out of Globe - 2008/09	-	48,046
Out of Globe - 2009/10	-	174,548
Out of Globe - 2010/11	(17,662)	44,664
Out of Globe - 2011/12	(225,300)	-
	$ 1,627,817	$ 6,659,467

3. Accrued Vacation Entitlements

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

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

	2012	2011
Balance, beginning of year	$ 3,688,400	$ 3,688,400
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 3,688,400	$ 3,688,400

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

	2012	2011
Balance, beginning of year	$ 4,854,561	$ 4,617,468
Net increase (decrease) in accrued vacation entitlements	230,275	237,093
Balance, end of year	$ 5,084,836	$ 4,854,561

4. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 180,667	$ -	$ 180,667	$ -
Land improvements	370,102	370,102	370,102	370,102
Buildings	74,877,439	35,710,824	69,566,223	33,478,580
Ambulances	91,811	91,811	91,811	91,811
Equipment	21,834,336	15,852,104	20,223,683	14,739,712
Equipment - computers	2,195,519	1,553,734	1,722,717	1,362,036
Software Licenses	2,978,582	1,455,849	2,608,940	959,743
Construction in progress	9,386,658	-	6,425,172	-
	$111,915,114	$ 55,034,424	$101,189,315	$ 51,001,984
Cost less accumulated amortization		$ 56,880,690		$ 50,187,331

5. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate (3% at March 31, 2012) less 0.75% and is supported by an authorization letter from MH. As at March 31, 2012 the line of credit was unutilized.

6. Long-term Debt

	2012	2011
CMHC mortgage payable, bearing interest at 4.63% per annum, due September 1, 2017 and requiring monthly principal and interest payments of $6,338, secured by a first charge on land and building (Stonewood Place)	$ 369,057	$ 426,698
Current portion of long-term debt	60,417	57,641
	$ 308,640	$ 369,057

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:

2013	$ 60,417
2014	63,196
2015	66,158
2016	69,259
2017	72,505
Thereafter	37,522
	$ 369,057

7. Deferred Contributions

a) Expenses of future periods

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

	2012	2011
Balance, beginning of year	$ 2,158,617	$ 2,128,958
Additional amounts received during year	2,470,867	2,509,670
Funding for reserve for major repairs	49,187	49,186
Less expenditures	(2,417,066)	(2,529,197)
Balance, end of year	$ 2,261,605	$ 2,158,617

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.

	2012	2011
Balance, beginning of year	$ 47,238,390	$ 41,424,268
Additional contributions received, net	10,497,555	9,437,310
Less amounts amortized to revenue	(4,028,759)	(3,623,188)
Balance, end of year	$ 53,707,186	$ 47,238,390

8. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 56,880,690	$ 50,187,331
Amounts financed by		
Deferred contributions	53,707,186	47,238,390
Long-term debt	369,074	426,698
	$ 2,804,430	$ 2,522,243

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

	2012	2011
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 4,028,759	$ 3,623,188
Amortization of capital assets	(4,028,759)	(3,661,944)
	$ -	$ (38,756)
Net changes in investment in capital assets		
Purchase of capital assets	$ 10,722,116	$ 9,532,379
Amounts funded by		
MH funding	(10,188,101)	(9,372,825)
Donations	(309,469)	(64,485)
Repayment of long-term debt	57,641	55,100
	$ 282,187	$ 150,169

9. Revenue from Manitoba Health

		2012	2011
Revenue from MH			
Revenue as per MH's final funding document		**$108,976,412**	$105,023,768
Debt interest allocation		**(199,060)**	(223,631)
Funds for loans held by the Province of Manitoba		**(338,039)**	(821,836)
Reserve for major repairs funding		**(26,965)**	(26,965)
		108,412,348	103,951,336
Add:	Retroactive salary and benefit increases	**1,363,786**	1,964,574
	Leap Year Funding	**311,955**	-
	PCH staffing initiative funding	**863,604**	840,175
	Inter-facility ambulance transfers	**2,394,934**	2,600,667
	Nurse recruitment and retention	**114,310**	92,605
	Influenza and immunizations	**137,716**	99,177
	Early start and healthy child programs	**1,274,453**	1,128,316
	Early years research program	**-**	98,300
	Chronic disease prevention	**-**	91,651
	Selkirk emergency department positions	**-**	471,200
	Omnipharm support and maintenance	**-**	59,640
	Aboriginal health transition fund	**3,227**	38,230
	Colonoscopies funding	**225,650**	87,500
	Mental health positions funding	**-**	62,894
	Reclaiming Hope	**16,100**	17,950
	Community health assessment	**-**	24,000
	Risk factor complication assessments	**-**	27,900
	Eriksdale Wellness Centre Cancer Support	**-**	200,060
	Nurse Practitioner	**-**	30,336
	Other One - Time Funding	**6,257,235**	2,782,000
	08/09, 09/10 & 10/11 Med Remun YE settlement	**(96,506)**	-
	Reciprocal recovery	**219,653**	-
	2011 Flood funding	**71,192**	-
	Medical Officer of Health	**5,000**	-
	Supportive Housing - 10 new units Arborg	**36,400**	-
	Out-of-globe items and adjustments	**(186,610)**	54,453
	Drug Cap Fees increase	**9,883**	-
	Quick Care Clinic	**40,460**	-
	Procura Backfill	**117,674**	-
	Flood recovery response team	**28,670**	-
	Safety and renovations	**244,511**	478,654
	Funding deferred to next fiscal year	**(124,191)**	-
		$121,741,454	$115,201,618

10. 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, 2012, 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, 2012.

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

c) Lease Commitments

   Lease commitments exist at a variety of facilities with leases expiring at various dates up to August 31, 2017. For April 1, 2012 to March 31, 2013 the amount of the commitment is $208,973. The aggregate commitment to March 31, 2018 is $451,004.

11. Employee Future Benefits

a) Accrued retirement obligations

Accrued retirement obligations are based on an actuarial valuation as at September 31, 2011. Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

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

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

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.15% (4.7% in 2011) and a rate of salary increase of 3.5% (3.5% in 2011) 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:

	2012	2011
Balance, beginning of year	$ 7,888,727	$ 6,808,818
Net increase in pre-retirement entitlements	215,993	1,079,909
Balance, end of year	$ 8,104,720	$ 7,888,727

In the prior year, $864,505 of the net increase in pre-retirement entitlements relates to the initial recognition of the MSSP group of employees.

11. 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 7.8% of salary under $50,100 and 9.4% of salary over $50,100 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2010 indicates the Plan is in 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 Authority on behalf of its employees amounted to $4,375,806 (2011 - $3,776,878) and are included in the statement of operations.

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

12. 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.

13. Net Assets - Internal Restrictions and External Restrictions

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

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

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

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

Internal Restrictions

The Board of Directors has internally restricted $10,377 (2011 - $10,290) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $148,211 (2011 - $160,334). These are Board restricted community based health promotion projects and recruitment initiatives. The Authority is in compliance with these restrictions.

External Restrictions

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

14. 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:

	2012	2011
Accounts receivable	$ **2,030,964**	$ 2,240,076
Due from Manitoba Health	**1,627,817**	6,659,467
Vacation entitlements receivable	**3,688,400**	3,688,400
Retirement obligations receivable	**4,183,222**	4,183,222
	$ **11,530,403**	$ 16,771,165

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 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 MH, vacation entitlements receivable and retirement obligations receivable: 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.

14. Financial Risk Management (continued)

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

Fair Value

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

15. Subsequent Event

Effective May 30, 2012, a Regulation was registered in respect to the Regional Health Authorities Act, affecting the amalgamation of Interlake Regional Health Authority Inc. with the North Eastman Health Association Inc. to form a new authority named the Interlake-Eastern Regional Health Authority. The amalgamation of the Regional Health Authorities was part of the provincial budget announcement made on April 17, 2012, to reduce the number of Regional Health Authorities in Manitoba.

16. Allocated Expenditures

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

General Support Function	Allocated from General Support	Allocated to Health Sector: Acute	Long-term Care	Community
Maintenance	$ 3,496,292	$ 2,330,126	$ 1,166,166	$ -
Facility administrative support	1,439,104	924,242	514,862	-
District management	512,858	222,764	136,882	153,212
Clinical management	436,871	318,807	118,064	-
Education	383,231	175,988	135,101	72,142
Support services management	397,130	284,690	112,440	-
Total	$ 6,665,486	$ 4,256,617	$ 2,183,515	$ 225,354

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Auditor's Comments on Supplementary Financial Information

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

We have audited the consolidated financial statements of **Interlake Regional Health Authority Inc.** which comprise the consolidated statement of financial position as at March 31, 2012 and consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 22, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

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

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Schedule of Expenditures by Type

For the year ended March 31	2012	2011
Salaries and Benefits		
Salaries - other	$ 30,791,490	$ 29,460,562
Salaries - registered nurses	17,923,040	17,925,762
Salaries - health care aides	17,445,546	16,130,161
Benefits	14,097,305	13,497,497
Salaries - licensed practical nurses	6,691,847	6,527,860
Purchased services	2,953,824	2,795,350
Health and education tax	1,574,587	1,511,870
Total salaries and benefits	91,477,639	87,849,062
Supplies		
Other supplies	4,758,115	4,290,926
Medical and surgical supplies	3,081,232	2,837,609
Drugs and medical gases	2,094,776	2,239,685
Utilities	1,382,776	1,375,127
Total supplies	11,316,899	10,743,347
Other Expenditures		
Purchased services	11,280,619	10,643,515
Medical remuneration	9,076,895	9,022,015
Other expenses	5,641,670	5,832,205
Amortization	4,028,759	3,661,944
Staff travel	2,264,078	2,221,837
Contracted health facilities	359,104	382,023
Safety and security	244,511	466,829
Client travel	126,753	123,222
Interest	16,753	20,742
Total other expenditures	33,039,142	32,374,332
Total expenditures	$ 135,833,680	$ 130,966,741

KENDALL & PANDYA

Chartered Accountants

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

* Operating as professionnal corporations

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Board of Directors

Report on the Financial Statements

We have audited the statements of financial position of Nor-Man Regional Health Authority Inc., as at March 31, 2012 and 2011, and the statements of operations, changes in deferred contributions, and net assets, and cash flows for the years 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 Principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian 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 Nor-Man Regional Health Authority Inc. as at March 31, 2012, and 2011 and its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Flin Flon, MB
June 20, 2012

Kendall & Pandya
Chartered Accountants

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

ASSETS

	Notes	2012	2011
CURRENT ASSETS			
Cash		$ 8,059,768	$ -
Accounts receivable	2a	2,916,633	1,481,354
Due from Manitoba Health	2b	5,312,176	9,491,062
Inventories		572,270	485,505
Prepaid expenses		126,144	25,731
		16,986,991	11,483,652
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	26,830,059	30,191,879
		$46,471,422	$44,329,903

LIABILITIES

	Notes	2012	2011
CURRENT LIABILITIES			
Bank indebtedness		$ -	$ 7,112,534
Accounts payable		5,538,456	4,380,488
Accrued vacation benefit entitlements		4,399,260	4,149,792
Current portion of capital lease		66,893	53,764
Current portion of long-term debt		219,500	219,500
		10,224,109	15,916,078
LONG-TERM DEBT	10	1,854,090	2,073,590
CAPITAL LEASE	12	6,558	47,126
DUE TO MANITOBA HEALTH		-	6,120,000
DUE TO DSM – PRE-RETIREMENT OBLIGATION		453,254	423,540
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	4,535,100	4,375,482
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		2,616,916	2,176,881
Capital assets		22,424,316	25,928,700
NET ASSETS			
Invested in capital assets	4	3,746,911	3,546,209
Restricted		9,697	9,185
Unrestricted		600,471	(16,286,888)
		$46,471,422	$44,329,903

COMMITMENTS (Note 11)
CONTINGENCIES (Note 13)

Approved by the Board:

_______________________ _______________________

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012

	2012	2011
REVENUE		
Manitoba Health - Note 7	$ 93,706,330	$87,317,828
Non-insured income	4,270,526	3,866,132
Other income	1,664,427	1,496,052
Amortization of deferred contributions	3,949,323	3,373,573
Ancillary revenue	1,321,598	1,256,220
	104,912,204	97,309,805
EXPENSES		
Acute care	37,166,278	34,812,538
Long-term care	11,352,684	10,504,177
Medical remuneration	15,903,110	15,928,392
Community services co-ordination	579,419	601,469
Community based mental health	1,598,112	1,561,020
Community based health	3,985,628	3,852,085
Community based home care	4,639,913	5,555,627
Long-term care - Aging in Place	1,357,164	41,457
Land ambulance	2,968,996	2,645,882
Unallocated Regional health authority costs	7,809,327	6,167,825
Amortization of capital assets	3,957,508	3,366,130
Interest on capital lease	12,260	7,383
Northern Patient Transportation	9,698,342	8,835,813
Pre - retirement	796,894	778,868
Rosaire House Addictions Centre	763,574	740,986
Ancillary expenses	1,521,310	1,421,639
	104,110,519	96,821,291
EXCESS OF REVENUE OVER EXPENSES	$ 801,685	$ 488,514

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENTS OF CHANGES IN NET ASSETS AND DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2012

Statement of Changes in Net Assets

	Investment in Capital Assets	Restricted	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	$3,546,209	$ 9,185	$(16,286,888)	$(12,731,494)	$(13,220,008)
Deficit Elimination – Manitoba Health (Note 7)	-	-	16,286,888	16,286,888	-
Surplus from operations	200,702	512	600,471	801,685	488,514
Balance, end of year	$3,746,911	$ 9,697	$ 600,471	$ 4,357,079	$(12,731,494)

Statement of Changes in Deferred Contributions

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve for Major repairs and improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	$ 147,158	$298,928	$1,730,795	$2,176,881	$25,928,700
Contributions	8,160	-	-	8,160	446,409
Transfer of funds from donations for capital assets	-	(6,715)	-	(6,715)	6,715
Donations	-	67,508	-	67,508	-
Amortization - capital	-	-	-	-	(3,957,508)
Grants	-	-	371,082	371,0B2	-
Balance, End of year	$ 155,318	$359,721	$2,101,877	$2,616,916	$22,424,316

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2012

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 801,685	$ 488,514
Manitoba Health – Deficit Elimination	16,286,888	-
Items not affecting cash		
Amortization of capital assets	3,957,508	3,366,130
Amortization of deferred contributions	(3,949,323)	(3,373,573)
Change in non-cash working capital	(3,976,994)	(107,135)
Change in pre-retirement liability	159,618	(258,007)
	13,279,382	115,929
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(595,688)	(1,166,870)
Construction in progress (expenditures)	1,823,674	(1,381,744)
Increase (decrease) in long-term debt	(219,500)	(219,496)
Receipt of contributions relating to capital assets	444,939	2,384,537
Receipt of contributions relating to expenses of future periods	439,495	(39,533)
	1,892,920	(423,106)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,172,302	(307,177)
CASH (BANK INDEBTEDNESS), beginning of year	(7,112,534)	(6,805,357)
CASH (BANK INDEBTEDNESS), end of year	$ 8,059,768	$(7,112,534)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2012

NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast to Flin Flon in the northwest. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided requirements of the Income Tax Act are met.

ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not for profit organizations and reflect the following policies:

(a) CONTRIBUTED SERVICES

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY

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

(c) PRE-RETIREMENT ENTITLEMENT OBLIGATIONS

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

(d) REVENUE RECOGNITION

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

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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

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

(e) CAPITAL ASSETS

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

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

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

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

(f) 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.

(g) CAPITAL MANAGEMENT

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

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

The Entity met its externally imposed capital requirements.

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

(h) REVENUE FROM MANITOBA HEALTH

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

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health 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 Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

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

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

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

(i) FINANCIAL INSTRUMENTS

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

The Health Authority has designated its financial instrument's as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in the statement of operations and net assets for the current period.

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

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

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

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

Fair value of financial instruments
The fair value of bank indebtedness, accounts receivable, due from Manitoba Health (Note 2b), accounts payable, due to DSM, and accrued vacation benefit entitlements approximates their carrying values due to short-term maturity.

The carrying value of the due from Manitoba Health (Note 2c) approximates its fair value, as the annual interest accretion is funded.

(j) USE OF ESTIMATES/MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

1. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

2. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2012	2011
(a) Accounts Receivable		
Ambulance	$ 1,155,383	$ 507,021
Residents	500,402	747,536
Employees computer loans	131,392	93,795
Government of Canada	71,882	72,888
Sundry	1,159,573	88,330
	3,018,632	1,509,570
Less allowance for doubtful accounts	(101,999)	(28,216)
	$ 2,916,633	$ 1,481,354
(b) Due from Manitoba Health		
Out of Globe – 2008	$ -	$ 787,214
Out of Globe – 2009	-	1,526,672
Out of Globe – 2010	-	955,376
Out of Globe – 2011		1,389,206
Out of Globe – 2012	1,599,219	-
Ancillary Programs	-	24,950
2010 - 2011 Maternity Leave Top-Up	-	58,027
2011 - 2012 Maternity Leave Top-Up	79,866	-
Facility Support Settlement – 2009	123,570	123,570
Trades Settlement – 2009	-	12,671
Trades Settlement – 2010	-	63,018
Trades Market Adjustment – 2010	-	25,920
Trades Settlement – 2011	-	32,423
Trades Market Adjustment – 2011	-	5,758
Community Support Settlement – 2010	-	236,088
Community Support Adjustment – 2011	-	79,057
2009 – 2010 Extended Health Benefit	-	184,926
2010 – 2011 Extended Health Benefit	-	205,484
2011 – 2012 Extended Health Benefit	184,926	-
2011 – 2012 HEB Spending Account	45,005	9,084
2010 – 2011 HEPP Contribution Increase	314,252	65,853
PCH Staffing	113,249	106,051
Debt Servicing – 2010/2011	37,002	37,002
Debt Servicing – 2011/2012	(24,847)	-
Vacation benefit entitlements	2,839,934	2,839,934
Capital Projects – Cash Payments	-	238,612
2011 – 2012 NPTP payment	-	255,000
2009 – 2011 SK Health 13th Payment	-	229,166
	$ 5,312,176	$ 9,491,062
(c) Due from Manitoba Health		
Pre-retirement obligation entitlements	$ 2,654,372	$ 2,654,372

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

3. DEFERRED CONTRIBUTIONS

(a) Expenses of future periods

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

(ii) Donations
Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

(iii) Grants
Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

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

4. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2012	2011
Capital assets	$ 26,830,059	$ 30,191,879
Amounts financed by:		
Deferred contributions	(22,424,316)	(25,928,700)
Long-term debt	(658,832)	(716,970)
	$ 3,746,911	$ 3,546,209

5. CAPITAL ASSETS

2012	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 319,558	$ 279,502
Buildings	52,883,579	30,920,936	21,962,643
Computer equipment	396,250	263,226	133,024
Equipment	5,332,992	2,667,784	2,665,208
Construction in Progress	1,204,839	-	1,204,839
Energy Retro Fit Guarantee	584,843	-	584,843
	$61,001,563	$ 34,171,504	$ 26,830,059

2011	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 311,520	$ 287,540
Buildings	50,415,926	27,516,354	22,899,572
Computer equipment	1,304,764	1,218,417	86,347
Equipment	5,827,541	3,129,535	2,698,006
Construction in Progress	3,526,802	-	3,526,802
Energy Retro Fit Guarantee	693,612	-	693,612
	$62,367,705	$ 32,175,826	$ 30,191,879

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2012	2011
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$4,535,100	$4,375,482

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

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

The Authority undertook an actuarial valuation November 23, 2011 of the accrued retirement entitlements as at September 30, 2011. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (2011 – 4.9%) and a rate of salary increase of 3.5% (2011 – 3.5%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of $2,654,372.

7. REVENUE FROM MANITOBA HEALTH

Revenue as per Manitoba Health's (March 31 2012 Funding Document)		$ 108,737,749
Deduct:		
Payments on prior year receivables	(1,623,736)	
Capital Equipment funding	518,630	
Ancillary Program	57,772	
Recovery of LTD	(6,120,000)	
Ambulance	55,375	
Other	384,125	(6,727,834)
Add: Accruals approved by Manitoba Health:		
2011/2012 Medical Remuneration	1,599,219	
2011-2012 Maternity Leave Top-Up MNU	60,156	
2011-2012 Maternity Leave Top-Up CUPE	19,710	
2011-2012 HEB Health Spending Account	45,005	
HEPP Contribution Increase for 2011 - 2012	314,252	
MB Health for Debt Servicing	(24,865)	
2011 – 2012 PCH Staffing	113,249	2,126,726
Total Funding Approved by Manitoba Health		117,592,309
Deduct:		
Prior Years Deficit Elimination	16,286,888	
Medical remuneration allowance	7,542,238	
Amounts recorded as deferred contributions:		
Debt Servicing – Principal & Interest	48,693	
PCH Reserve	8,160	23,885,979
Revenue from Manitoba Health		$ 93,706,330

8. PENSION PLAN

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

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of 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, 2010, indicates a deficiency actuarial value of net assets over actuarial present value of accrued pension benefits of $264,841,000 as well as a solvency deficiency of $927,089,000. Effective January 1, 2011, the contribution rates increased by 1.0% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,579,217 (2011 - $2,167,282) and are included in the statement of operations.

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

9. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered Charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at $38,676 (2011 - $34,292).

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

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

Although this project is expenditure neutral, the asset and loan have been reflected in these financial statements to ensure payments to third parties are adequately reflected. An expected payout of September, 2021 is implicit in this project with interest at the rate of 6.3%.

11. COMMITMENTS

(a) The Authority has entered into a 5 year operating lease at $60,000 per annum and two 15 year operating leases totalling $211,200 per annum for buildings housing some of its operations. Annual lease payments over the next five years are as follows:

2013	$271,200
2014	$271,200
2015	$271,200
2016	$271,200
2017	$211,200

Aggregate future minimum operating lease payments total $2,172,000.

(b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The $2,978,080 principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

2013	$387,445
2014	$358,450
2015	$312,000
2016	$304,226
2017	$255,007

12. CAPITAL LEASE

The Authority has entered into a 6 year capital lease with the Royal Bank of Canada to purchase beds costing $294,532. Lease payments of $4,846 per month include interest at 5.74%. Lease principal payments over the next five years are as follows:

2013	$ 47,126
2014	$ -
2015	$ -
2016	$ -
2017	$ -

Aggregate future capital lease payments total $48,460 including $1,334 of imputed expenses.

13. 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, 2012, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

(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 permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan, and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

14. ECONOMIC DEPENDENCE

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

15. SUBSEQUENT EVENT

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

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

Management's Responsibility

To the Board of Directors of North Eastman Health Association 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 generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management 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 Finance 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 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 members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 22, 2012

Chief Executive Officer

Vice President Finance & Support Services

MNP

Independent Auditors' Report

To the Board of Directors of North Eastman Health Association Inc.:

We have audited the accompanying financial statements of North Eastman Health Association Inc., which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 North Eastman Health Association Inc. as at March 31, 2012 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

June 22, 2012

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

North Eastman Health Association Inc.
Statement of Financial Position
As at March 31, 2012

	2012	2011
Assets		
Current		
Cash	6,975,715	4,445,355
Accounts receivable *(Note 3)*	1,045,920	710,310
Due from Manitoba Health *(Note 4)*	629,154	927,412
Inventory *(Note 5)*	680,133	665,422
Prepaid expenses	71,543	134,429
Employee benefits recoverable *(Note 6)*	1,796,024	1,796,024
	11,198,489	8,678,952
Retirement obligations recoverable *(Note 6)*	1,729,643	1,729,643
Capital assets *(Note 7)*	35,177,989	31,113,061
Restricted cash *(Note 8)*	311,330	-
	48,417,451	41,521,656
Liabilities		
Current		
Accounts payable and accruals	3,385,405	2,392,041
Employee benefits payable *(Note 6)*	3,293,602	3,179,533
Current portion of long-term debt *(Note 9)*	97,252	93,015
	6,776,259	5,664,589
Accrued retirement obligations *(Note 6), (Note 16)*	3,559,356	3,384,985
Long-term debt *(Note 9)*	805,471	902,723
Deferred contributions *(Note 10)*	2,414,457	1,749,710
Deferred contributions related to capital assets *(Note 11)*	33,423,244	28,780,537
	46,978,787	40,482,544
Contingencies *(Note 14)*		
Net Assets		
Invested in capital assets *(Note 12)*	1,105,159	1,107,744
Externally restricted	234,160	237,748
Unrestricted	99,345	(306,380)
	1,438,664	1,039,112
	48,417,451	41,521,656

Approved on behalf of the Board of Directors

Director   **Director**

The accompanying notes are an integral part of these financial statements

	2012	2011
Revenue		
Manitoba Health income *(Note 13)*	**55,609,079**	53,548,502
Non-insured income	**3,477,200**	3,287,761
Offset and other income	**4,315,839**	3,549,700
Amortization of deferred contributions	**1,792,497**	1,691,880
Ancillary income	**240,835**	250,462
	65,435,450	62,328,305
Expenses		
Acute care services	**14,597,699**	14,040,902
Amortization of capital assets	**1,798,674**	1,707,347
Ancillary operations amortization	**63,219**	60,591
Ancillary operating expenditures	**178,203**	182,106
Community based home care services	**6,077,571**	6,529,057
Diagnostic services	**3,489,646**	3,138,273
Dialysis	**580,244**	474,676
Emergency medical services	**4,440,933**	4,061,420
Health promotion/prevention and primary care	**9,664,491**	8,728,188
Interest on long-term debt	**38,050**	38,059
Long-term care services	**17,219,031**	16,865,907
Medical remuneration	**3,277,557**	3,112,071
Northern patient transportation program	**207,114**	269,993
Regional undistributed expenditures	**3,403,466**	3,190,344
	65,035,898	62,398,934
Excess (deficiency) of revenues over expenses	**399,552**	(70,629)

The accompanying notes are an integral part of these financial statements

North Eastman Health Association Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2012

	Invested in capital assets (Note 12)	Externally restricted (Note 20)	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	1,107,744	237,748	(306,380)	1,039,112	1,109,741
Transfers from (to) unrestricted net assets	66,814	(3,588)	(63,226)	-	-
Excess (deficiency) of revenue over expenditures for the year	(69,399)	-	468,951	399,552	(70,629)
Balance, end of year	1,105,159	234,160	99,345	1,438,664	1,039,112

The accompanying notes are an integral part of these financial statements

North Eastman Health Association Inc.
Statement of Cash Flows
For the year ended March 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Excess (deficiency) of revenues over expenses	399,552	(70,629)
Amortization of capital assets	1,861,896	1,767,938
Amortization of deferred contributions related to future expenses	(1,368,263)	(1,011,042)
Amortization of deferred contributions related to capital assets	(1,792,497)	(1,691,880)
Net change in employee benefits	288,440	461,476
	(610,872)	(544,137)
Changes in working capital accounts		
Accounts receivable	(335,610)	(37,710)
Due from Manitoba Health	298,258	(344,274)
Inventory	(14,711)	53,138
Prepaid expenses	62,886	(7,860)
Accounts payable and accruals	993,364	523,595
	393,315	(357,248)
Financing activities		
Repayment of long-term debt	(93,015)	(105,542)
Receipt of deferred contributions related to capital assets	6,171,626	2,319,275
Receipt of deferred contributions	2,296,588	1,123,843
	8,375,199	3,337,576
Investing activity		
Purchase of capital assets	(5,926,824)	(2,749,037)
Increase in cash	2,841,690	231,291
Cash, beginning of year	4,445,355	4,214,064
Cash, end of year	7,287,045	4,445,355
Cash resources are composed of:		
Cash	6,975,715	4,445,355
Restricted cash	311,330	-
	7,287,045	4,445,355
Supplementary cash flow information		
Interest received	99,870	84,397
Interest paid	65,635	68,288

The accompanying notes are an integral part of these financial statements

1. Incorporation and commencement of operations

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north-eastern regions of Manitoba. The Association 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.

These financial statements include the following sites and services:

Beausejour District Ambulance
Beausejour Health Centre
Berens River Renal Health Centre
Bissett Ambulance
East-Gate Lodge
Kin Place Health Complex
Lac du Bonnet Ambulance
Lac du Bonnet Personal Care Home and Health Centre
Pinawa Ambulance
Pinawa Hospital
Pine Falls Ambulance
Pine Falls Health Complex
Reynolds Ambulance
Springfield Ambulance
Stony Plains Terrace
Whitemouth District Ambulance
Whitemouth District Health Centre

2. Significant accounting policies

These financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is generally determined on an average cost basis. Net realizable value is based on estimated selling cost.

Employee future benefits

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

Contributed services

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

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

Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Association 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, 2012.

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

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

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health 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 Association, or repaid to Manitoba Health.

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

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 Association, 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 Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

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

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 when earned.

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

2. **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. 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 facility's ability to provide services, its carrying amount is written down to its residual value.

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

	Rate
Land improvements	5% - 10%
Buildings	2% - 5%
Leasehold improvements	5%
Building service equipment	4% - 10%
Equipment	5% - 20%

As at March 31, 2012, no amortization has been recorded with regards to construction in progress as these assets have not yet been placed in service.

Compensated absences

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

Financial instruments

The Association utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash, restricted cash and accrued retirement obligations. Cash, restricted cash and accrued retirement obligations are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets. Loans and receivables include accounts receivable, due from Manitoba Health, employee benefits recoverable and retirement obligations recoverable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes accounts payable and accruals, employee benefits payable and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

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

Allocated expenditures

The Association allocates the majority of its general support expenditures to Regional undistributed expenditures on the statement of operations. These general support expenditures include: information technology, executive administration, board, public relations, scheduling, materials management, risk management, and community health assessment. The remaining support expenditures, including payroll, regional finance, human resources, occupational health, and spiritual care, are allocated to the health sector in which the majority of the services are provided.

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.

Long-lived assets are classified as held for sale when all of the following criteria are met:

- Management, having the authority to approve the action, commits the Organization to a plan to sell the asset;
- The asset is available for immediate sale in its present condition;
- The Organization has initiated an active program to locate a buyer;
- The sale is probable, and is expected to qualify for recognition as a completed sale within one year;
- The asset is being actively marketed for sale at a reasonable price relative to its fair value; and
- It is unlikely that the plan to sell the asset will be withdrawn or that significant changes will be made to the plan.

Use of estimates

In preparing the Association'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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. Employee benefits payable are stated based on estimates of age of retirement, salary increases, and interest rates. The amount due from Manitoba Health is estimated when collection is reasonably assured.

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.

Recent accounting pronouncements

Effective April 1, 2012, the Association adopted Public Sector Accounting standards for government not-for-profit organizations, which came into effect for year ends beginning on or after January 1, 2012.

3. Accounts receivable

	2012	2011
Ambulance	268,707	239,401
Goods and services tax rebate	399,844	276,252
Clients	84,700	68,649
Other	292,669	126,008
	1,045,920	710,310

4. Due (to) from Manitoba Health

	2012	2011
In-Globe funding	803,501	1,527,790
Approved capital funding	252,340	306,788
Out-of-Globe funding	(263,302)	(602,436)
MSSP Payroll and PCH drug program	(163,385)	(304,730)
	629,154	927,412

5. Inventory

	2012	2011
Inventory held for internal use	680,133	665,422

All inventory is held for internal use. There is no inventory held for sale. The cost of inventories recognized as an expense amounted to $3,275,373 (2011 – $3,070,270). There were no inventory write-downs in 2012.

6. **Employee benefits recoverable/payable**

The Association records a provision for accrued vacation entitlements and retirement obligations. Prior to March 31, 2004 changes in the liability related to vacation and retirement obligations 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 and retirement obligations 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 Authority's employees, the related vacation entitlement recoverable and retirement obligation recoverable is collected and re-established up to this maximum amount.

Analysis of the changes in the employee benefits payable and accrued retirement obligations are as follows:

	2012	*2011*
Employee benefits payable		
Balance, beginning of year	**3,179,533**	3,025,661
Net changes in employee benefits	**114,069**	153,872
Balance, end of year	**3,293,602**	3,179,533
Accrued retirement obligations payable		
Balance, beginning of year	**3,384,985**	3,077,381
Net changes in accrued retirement obligations	**174,371**	307,604
Balance, end of year	**3,559,356**	3,384,985

7. Capital assets

	Cost	**Accumulated amortization**	**2012 Net book value**
Land	**333,035**	**-**	**333,035**
Land improvements	**463,273**	**411,723**	**51,550**
Buildings	**44,393,006**	**19,607,139**	**24,785,867**
Leasehold improvements	**118,851**	**42,501**	**76,350**
Building service equipment	**2,114,206**	**405,135**	**1,709,071**
Equipment	**10,538,920**	**7,575,298**	**2,963,622**
Construction in progress	**5,258,494**	**-**	**5,258,494**
	63,219,785	**28,041,796**	**35,177,989**

	Cost	*Accumulated amortization*	*2011 Net book value*
Land	333,035	-	333,035
Land improvements	463,273	392,986	70,287
Buildings	43,264,678	18,403,697	24,860,981
Leasehold improvements	118,851	32,864	85,987
Building service equipment	1,608,019	296,349	1,311,670
Equipment	9,917,616	7,400,917	2,516,699
Construction in progress	1,934,402	-	1,934,402
	57,639,874	26,526,813	31,113,061

8. Restricted cash

Restricted cash consists of cash held in trust for hold backs for construction in progress.

9. Long-term debt

	2012	2011
CMHC Mortgage payable, at interest rate of 4.39% maturing January 1, 2020 and requiring monthly principal and interest payments of $7,587. Secured by property held in Beausejour.	**603,481**	666,700
CMHC Mortgage payable, at interest rate of 4.17% maturing June 1, 2020 and requiring monthly principal and interest payments of $3,573. Secured by property held in Lac du Bonnet.	**299,242**	329,038
	902,723	995,738
Less: Current portion of long-term debt	**97,252**	93,015
	805,471	902,723

Principal repayments on the long-term debt are estimated as follows:

2013	97,252
2014	101,412
2015	105,840
2016	108,000
2017 and thereafter	490,219
	902,723

10. Deferred contributions

Deferred contributions related to expenses of future periods represent the unspent externally restricted grants and donations for research and other purposes.

	2012	2011
Balance, beginning of year	**1,749,710**	1,865,270
Amounts received related to expenses of future periods	**2,296,588**	1,123,843
Amounts amortized to revenue	**(1,368,263)**	(1,011,042)
Funding amounts transferred to capital assets	**(263,578)**	(228,361)
Balance, end of year	**2,414,457**	1,749,710

11. Deferred contributions related to capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent 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.

	2012	*2011*
Balance, beginning of the year	**28,780,537**	27,924,781
Increase for Berens River construction	**3,271,189**	1,419,999
Increase for Powerview-Pine Falls construction	**292,621**	-
Increase for Lac du Bonnet EMS facility construction	**304,910**	-
Increase for Powerview-Pine Falls EMS facility construction	**837,833**	-
Increase for safety and security	**375,504**	-
Increase for specialized equipment and small projects	**382,434**	164,636
Additional contributions received/receivable	**707,135**	734,640
Amounts transferred from deferred contributions	**263,578**	228,361
Amounts amortized to revenue in the year	**(1,792,497)**	(1,691,880)
Balance, end of the year	**33,423,244**	28,780,537
Comprised of:		
Unspent	**383,020**	240,859
Spent	**33,040,224**	28,539,678
Balance, end of the year	**33,423,244**	28,780,537

In prior years, the Association entered into long-term loan agreements with various financial institutions to provide debt financing to the Association. 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 Association has incorporated long-term debt of $12,022,163 (2010 - $12,627,446) as part of its deferred contributions balance. This debt has maturity dates ranging from 2013 to 2025 and interest rates ranging from 1.625% to 8.0%.

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

2013	3,013,413
2014	2,276,016
2015	2,278,874
2016	2,249,458
2017	2,204,401

12. Investment in capital assets

Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**35,177,989**	31,113,061
Amounts financed by:		
Deferred contributions	**(33,040,224)**	(28,539,678)
Mortgages payable	**(902,723)**	(995,738)
Due to operating account	**(129,883)**	(469,901)
	1,105,159	1,107,744

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

	2012	2011
Excess of revenues over expenses		
Amortization of deferred contributions related to capital assets	**1,792,497**	1,691,880
Amortization of capital assets	**(1,861,896)**	(1,767,938)
	(69,399)	(76,058)
Net change in investment in capital assets		
Purchase of capital assets	**5,926,824**	2,749,037
Amounts funded by		
Deferred contributions	**(542,126)**	(683,161)
Due to operating fund	**(129,883)**	(400,116)
Deferred contributions - Berens River construction	**(3,144,699)**	(1,419,999)
Deferred contributions - Powerview-Pine Falls construction	**(76,948)**	-
Deferred contributions - Lac Du Bonnet EMS facility construction	**(304,910)**	-
Deferred contributions - Powerview-Pine Falls EMS facility construction	**(753,642)**	-
Deferred contributions - Safety and security	**(325,000)**	-
Deferred contributions - Specialized equipment and small projects	**(382,450)**	(24,435)
Transfers:		
Deferred contributions - expenses of future periods (net)	**(263,578)**	(228,361)
- unrestricted net assets	**63,226**	60,591
	66,814	53,556
	(2,585)	(22,502)

13. Manitoba Health income

	2012	2011
Revenue as per Manitoba Health's final funding document	**53,309,349**	49,483,857
Add: Public Health Programs	**946,846**	687,654
Nurse recruitment and retention	**49,311**	32,309
Other	**345,268**	6,721
MSSP payroll	**3,522,170**	3,997,109
PCH drug program	**437,343**	461,429
Deduct: Amounts related to prior year	**(1,196,145)**	(1,193,528)
Total funding approved by Manitoba Health	**57,414,142**	53,475,551
Add: Salary funding receivable - MGEU & MNU	**529,038**	679,173
Out-of-globe - capital	**252,340**	306,787
Other	**25,266**	399,375
Interfacility transfer	**196,388**	341,034
Deduct: Amounts payable:		
Out-of-globe -- capital	**(51,278)**	-
Wait list - funding	**(400)**	-
Medical remuneration	**(183,884)**	(336,188)
Deduct: Amounts recorded as deferred contributions	**(2,572,533)**	(1,289,082)
Out-of-globe - interest	**-**	(28,148)
	55,609,079	53,548,502

14. 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, 2012, management believes the Association has valid defences and 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 Association'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 reassessment 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, 2012.

c) The Association has entered into various operating leases for its operations. The minimum annual payments for the next five years are as follows:

2013	225,364
2014	228,615
2015	231,931
2016	126,580
2017	112,861

d) Credit facility - The Association has an approved operating line of credit with Sunova Credit Union to a maximum amount of $2,600,000 (2011 - $2,300,000). The line of credit bears interest at prime minus 0.625% and is secured by an authorization letter from Manitoba Health. The line of credit was unutilized at March 31, 2012.

15. Pension plan

Substantially all of the employees of the Association 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 years of the last eleven years prior to retirement, termination or death, that provides the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook Section 3461.

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.8% (2011 - 7.8%) of basic annual earnings up to the Canada Pension Plan ceiling plus 9.4% (2011 - 9.4%) of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2010, indicates that the Plan is in a deficit. The board of the Plan is evaluating what actions, if any, may be required to align the assets and liabilities, which may include contribution rate increases and/or benefit reductions.

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

Actual contributions to the Healthcare Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $2,328,385 (2011 - $2,000,726) and are included in the statement of operations

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

16. Accrued retirement obligations

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2012.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employees Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

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

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.15% (2011 - 4.7%) and a rate of salary increase of 3.5% (2011 - 3.5%) plus an 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 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.

17. Financial risk management

The Association is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Association'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 Association'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 that potentially subject the Association to credit risk consist principally of accounts receivable.

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

	2012	2011
Accounts receivable	**1,045,920**	710,310
Due from Manitoba Health	**629,154**	927,412
Employee benefits recoverable	**1,796,024**	1,796,024
Retirement obligations recoverable	**1,729,643**	1,729,643
	5,200,741	5,163,389

Accounts receivable: The Association is not exposed to significant credit risk as the receivables are spread among a large client base and geographic region and payment in full is typically collected when it is due. The Association 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 Manitoba Health and employee benefits and retirement obligation recoverable: The Association is not exposed to significant credit risk as the receivable is 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 Association is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products. Long-term debt bears a fixed rate of interest.

The Association 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, restricted cash, accounts receivable, due from Manitoba Health, employee benefits recoverable, retirement obligations recoverable, accounts payable and accruals, employee benefits payable and accrued retirement obligations approximate their fair value due to the relatively short periods to maturity of these items or because they are carried at fair value.

The estimated fair value of the long-term debt at fixed rates is $916,000 (2011 - $1,010,000) and is calculated by estimating the current value of the financial instruments, taking into account changes in market rates that have occurred since origination. Due to the use of subjective assumptions and uncertainties, the fair value should not be interpreted as being realizable in an immediate settlement of the instruments.

18. Allocated expenditures

General support expenditures of $965,911 (2011 - $877,844) have been allocated as follows:

	2012	*2011*
Acute care services	**607,726**	544,127
Long-term care services	**358,185**	333,717
	965,911	877,844

19. Economic dependence

The Association received approximately 85% (2011 - 86%) of its revenues 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.

20. Capital management

The Association's objective when managing capital is to safeguard the entity's ability to continue as a concern, so that it can continue to provide health care services to the community. The capital position of the Association is managed through its net assets, deferred contributions and long-term debt.

The Association relies mainly on government funding to finance its operations. The funds provided by government are allocated to the various programs based on the priorities identified by the Association's Board of Directors.

The Association also receives restricted contributions from government, private companies and individuals. Contributions received but not spent by the end of an accounting period are deferred and recognized in the appropriate period. During the year ended March 31, 2012, the Association complied with external restrictions imposed by its funders.

Externally restricted net assets shall only be expended on items and/or projects that are authorized jointly by the Board of Directors of the Association and the contributing organizations.

There have been no significant changes to the Association's capital management objectives, policies and processes in the period.

21. Subsequent event

Included in the Province of Manitoba's Budget 2012 was the proposal to reduce the number of Regional Health Authorities in Manitoba. On May 30, 2012, a regulation was registered in respect to the Regional Health Authorities Act stating that North Eastman Health Authority Inc. and Interlake Regional Health Authority Inc. will be amalgamated and a new authority shall be named "Interlake-Eastern Regional Health Authority."

To the Board of Directors of Parkland Regional Health Authority Inc.:

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 generally accepted accounting principles.

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 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 Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

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

____________________ Management ____________________ Management

Independent Auditors' Report

To the Members of Parkland Regional Health Authority Inc:

We have audited the accompanying financial statements of Parkland Regional Health Authority Inc., which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 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 consolidated financial position of Parkland Regional Health Authority Inc. as at March 31, 2012 and the results of their consolidated operations, changes in net assets and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

June 22, 2012

MNP LLP
Chartered Accountants

	Affiliates	*Devolved*	***2012***	*2011*
Assets				
Current				
Cash	1,453,295	4,476,246	**5,929,541**	3,110,584
Investments *(Note 3)*	-	-	**-**	161,367
Accounts receivable *(Note 4)*	144,246	1,416,405	**1,560,651**	1,430,543
Due from Manitoba Health *(Note 5)*	-	1,616,981	**1,616,981**	6,837,165
Inventory	111,056	1,297,613	**1,408,669**	1,376,844
Prepaid expenses	60,939	509,331	**570,270**	603,233
Inter-facility	(1,798,354)	1,798,354	**-**	-
	(28,818)	11,114,930	**11,086,112**	13,519,736
Capital assets *(Note 6)*	8,027,718	72,209,354	**80,237,072**	81,804,003
Trust assets	34,846	40,297	**75,143**	71,962
Manitoba Health receivable–benefits obligation *(Note 8)*	1,634,175	8,533,598	**10,167,773**	10,167,773
	9,667,921	91,898,179	**101,566,100**	105,563,474

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	Affiliates	*Devolved*	***2012***	***2011***
Liabilities				
Current				
Lines of credit *(Note 7)*	-	-	-	2,413,263
Accounts payable and accruals	958,573	7,087,865	**8,046,438**	8,927,250
Employee benefits payable *(Note 8)*	1,571,799	10,120,646	**11,692,445**	10,450,378
	2,530,372	17,208,511	**19,738,883**	21,790,891
Other long-term liabilities *(Note 8)*	-	510,044	**510,044**	496,017
Deferred benefits entitlement *(Note 8)*	565,497	3,789,093	**4,354,590**	5,234,685
Deferred contributions *(Note 9)*	7,915,081	72,929,183	**80,844,264**	82,730,897
Trust liabilities	34,846	40,297	**75,143**	71,962
	8,515,424	77,268,617	**85,784,041**	88,533,561
Net Assets				
Invested in capital assets *(Note 10)*	413,045	2,679,282	**3,092,327**	2,965,940
Internally restricted net assets	-	251,981	**251,981**	265,397
Unrestricted net assets	(1,790,920)	(5,510,212)	**(7,301,132)**	(7,992,315)
	(1,377,875)	(2,578,949)	**(3,956,824)**	(4,760,978)
	9,667,921	91,898,179	**101,566,100**	105,563,474

Approved on behalf of the Board

_______________________________ **Director** _______________________________ **Director**

Parkland Regional Health Authority Inc.
Consolidated Statement of Operations
For the year ended March 31, 2012

	Affiliates	*Devolved*	***2012***	*2011*
Revenue				
Manitoba Health operating income *(Note 11)*	14,405,679	111,755,810	**126,161,489**	122,945,048
Patient income	2,511,409	5,592,739	**8,104,148**	8,085,344
Other income	225,249	3,722,313	**3,947,562**	3,690,071
Amortization of deferred contributions	415,819	4,296,243	**4,712,062**	4,560,282
	17,558,156	125,367,105	**142,925,261**	139,280,745
Expenses				
Acute care	5,908,733	49,589,987	**55,498,720**	53,594,741
Long-term care	10,829,691	29,883,636	**40,713,327**	39,867,186
Community and mental health	-	11,685,664	**11,685,664**	11,783,603
Homecare	110,428	13,079,856	**13,190,284**	13,467,633
Emergency response and transport	-	5,942,163	**5,942,163**	5,858,594
Regional health costs *(Note 12)*	-	3,633,540	**3,633,540**	2,777,780
Medical remuneration – non global	-	5,390,383	**5,390,383**	5,652,409
Pre-retirement	169,355	836,446	**1,005,801**	1,597,157
Amortization of capital assets	460,103	4,656,652	**5,116,755**	4,959,597
	17,478,310	124,698,327	**142,176,637**	139,558,700
Excess (deficiency) of revenue over expenses	79,846	668,778	**748,624**	(277,955)

Parkland Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2012

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2012 Total***	*2011 Total*
Balance, beginning of year	2,965,940	265,397	(7,992,315)	**(4,760,978)**	(4,484,345)
Reclassification *(Note 17)*	-	-	(102,669)	**(102,669)**	1,322
Balance, as restated	2,965,940	265,397	(8,094,984)	**(4,863,647)**	(4,483,023)
Excess (deficiency) of revenue over expenses	(404,694)	-	1,153,318	**748,624**	(277,955)
Investment in capital assets	408,368	(94,719)	(313,649)	**-**	-
Internal transfers	(114,213)	81,303	32,910	**-**	-
Net assets acquired by amalgamation *(Note 18)*	236,926	-	(78,727)	**158,199**	-
Balance, end of year	3,092,327	251,981	(7,301,132)	**(3,956,824)**	(4,760,978)

Parkland Regional Health Authority Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2012

	Affiliates	*Devolved*	***2012***	*2011*
Cash provided by (used in)				
Operations				
Excess (deficiency) of revenue over expenses	79,846	668,778	**748,624**	(277,955)
Items not involving cash:				
Amortization of capital assets	460,103	4,656,652	**5,116,755**	4,959,597
Amortization of deferred contributions	(415,819)	(4,296,243)	**(4,712,062)**	(4,560,282)
	124,130	1,029,187	**1,153,317**	121,360
Changes in non-cash operating working capital				
Investments	-	161,367	**161,367**	2,318
Lines of credit	-	(2,413,263)	**(2,413,263)**	1,634,297
Due (to) from Manitoba Health	-	5,220,184	**5,220,184**	(4,243,242)
Other working capital	(293,769)	(181,817)	**(475,586)**	1,835,812
	(293,769)	2,786,471	**2,492,702**	(770,815)
Financing and Investing				
Purchase of capital assets	(445,947)	(2,877,611)	**(3,323,558)**	(3,947,368)
Disposal of capital assets	-	10,659	**10,659**	33,017
Deferred contributions	423,559	2,062,278	**2,485,837**	4,455,199
Interfacility	(351,358)	351,358	**-**	-
	(373,746)	(453,316)	**(827,062)**	540,848
Increase (decrease) in cash during the year	(543,385)	3,362,342	**2,818,957**	(108,607)
Cash, beginning of year	1,996,680	1,113,904	**3,110,584**	3,219,191
Cash, end of year	1,453,295	4,476,246	**5,929,541**	3,110,584

1. **Organization**

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

The financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, revenues and expenses of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Health Centre
Gilbert Plains Health Centre
Grandview Hospital District
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.
McCreary/Alonsa Health Centre
Ste. Rose Ambulance Service
Swan Valley Ambulance Service
Swan Valley Lodge
Swan Valley Health Centre
Swan River Valley Personal Care Home
Benito Health Centre
Waterhen Ambulance Service
Winnipegosis and District Ambulance Service

Affiliates:
Hôpital Général – Ste. Rose – General Hospital
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home Inc.
Dr. Gendreau Personal Care Home Inc.

2. Significant accounting policies *(continued)*

The Winnipegosis Ambulance Service devolved to the Parkland Regional Health Authority Inc. April 1, 2011.

The Parkland Regional Health Authority Inc. also receives funding from independent organizations, which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations, no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Capital assets

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

Buildings	20 to 40 years
Equipment	4 to 20 years

Long-lived assets

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

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Quoted market prices and prices for similar items are used to measure fair value of long-lived assets.

Benefits obligation

The Health Authority applies the accounting recommendations for employee future benefits contained in *Section 3461 of the Canadian Institute of Chartered Accountant's Handbook.* The pre-retirement benefits are determined by actuarial valuation.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies *(continued)*

Contributed services

A number of individuals donate significant amounts of time to the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Measurement uncertainty

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Estimates are made for amortization, based on the useful lives of capital assets, amounts due from Manitoba Health, revenue from Manitoba Health and In-Globe and Out-of-Globe funding that is not yet approved. Retirement obligations are based on actuarial valuations.

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.

Financial instruments

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash and lines of credit. These instruments are initially recognized at their fair value.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and current investments. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations. Total interest expense, calculated using the effective interest rate method, is recognized in operations.

Financial asset impairment:
The organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

2. Significant accounting policies *(continued)*

Recent accounting pronouncements

In October 2010, the Public Sector Accounting Board (PSAB) approved the incorporation of the "4400 series" of standards, which discusses the accounting for the unique circumstances of not-for-profit organizations (NFPO), from the CICA Handbook-Accounting into the CICA Public Sector Accounting Handbook ("PSA Handbook"). This set of standards will be appropriately modified to fit with public sector accounting standards. Effective for fiscal years beginning on or after January 1, 2012, all Government NFPOs will have the option to apply either the PSA Handbook with or without the NFPO standards. Earlier adoption is permitted. The Organization expects to adopt the PSA Handbook with the NFPO standards as part of the newly amalgamated Western Regional Health Authority for its consolidated financial statements dated March 31, 2013. The Organization has not yet determined the impact of the adoption of the new standards on its consolidated financial statements.

3. Investments

	2012	*2011*
Royal Bank money market funds earning an annual rate of .5%. Fair market value of fund is 102,607.	-	102,607
Royal Bank money market funds earning an annual rate of .5%. Fair market value of fund is 58,760.	-	58,760
	-	161,367

4. Accounts receivable

	2012	*2011*
Accrued interest	**153**	310
Ambulance	**288,991**	233,351
Ambulance - Health Canada First Nations Inuit Health	**239,114**	207,775
Dauphin General Hospital Foundation	**39,759**	59,115
Employee Education Advances	**33,789**	29,676
Manitoba Renal Program	**9,491**	18,212
National Industrial Communications	-	10,445
Other	**746,003**	624,500
QA Adjusting Company	-	23,778
Residents/Patients	**175,570**	197,843
Prevost Foundation Inc.	**27,781**	25,538
	1,560,651	1,430,543

5. Due from Manitoba Health

	2012	*2011*
Current year's Operating Funding	**1,159,214**	6,118,781
Out of Globe – 2011/2012	**(456,985)**	-
Out of Globe – 2010/2011	**(13,161)**	245,617
Out of Globe – 2009/2010	-	97,945
Out of Globe – 2008/2009	-	(415,875)
Approved Capital Funding	**598,742**	88,178
Ambulance Interfacility Transfers and Lifeflights	**329,171**	702,519
	1,616,981	6,837,165

In-Globe Funding

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

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health 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 Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

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

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

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

6. Capital assets

	Cost	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Land	636,513	-	636,513	636,513
Buildings	115,324,832	48,439,337	66,885,495	67,892,437
Equipment	42,115,730	30,186,676	11,929,054	12,091,676
Construction in progress	786,010	-	786,010	1,183,377
	158,863,085	78,626,013	80,237,072	81,804,003

7. Lines of Credit

The Authority has operating working lines of credit authorized at $5,900,000. These lines of credit bear interest at the bank's prime rate minus .50%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

8. Benefits obligation

The Health Authority recorded pre-retirement, accrued vacation, statutory holiday and overtime salary liability as benefits obligation. Funding for the entitlement as at March 31, 2004 is recoverable from Manitoba Health.

Accrued retirement entitlement

The Health Authority 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) 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 or

iv) terminates employment at any time due to permanent disability.

The Health Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement accrued prior to March 31, 2004 is recoverable from Manitoba Health on an Out-of-Globe basis in the year of payment.

Each year, the Health Authority updates an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (4.7% in 2011) and a rate of salary increase of 3.5% (3.5% in 2011) plus age related merit/promotion scale with nil disability.

8. Benefits obligation (continued)

Pension plan

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

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, together with the 6.8% (7.8% in 2011) of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8.4% (9.4% in 2011) thereafter, 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.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2010, indicates a solvency deficiency. If the funding deficiency reaches a certain level or persists, it may need to be eliminated through contribution rate increases, pensions benefit reductions or a combination of the two. The most recent statutory valuation of the Plan as at December 31, 2010 also indicated a solvency deficiency which is not required to be funded based on a solvency exemption received from the Manitoba Pension Commission in November of 2010.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $4,851,395 (2011 - $4,229,629) and are included in the statement of operations.

Other long-term liabilities consist of the accrued retirement entitlement due to Diagnostic Services of Manitoba.

9. Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets and/or future expenses.

	Donation	Unexpended	Expended	*2012*	*2011*
Balance, beginning of year	250,282	1,902,577	78,838,087	**80,990,946**	82,214,439
Reclassification	-	102,667	103,553	**206,220**	(1,322)
Capital asset additions	(377,206)	(215,593)	2,704,773	**2,111,974**	3,010,454
Capital asset disposals	-	-	-	**-**	(7,353)
Capital funding	-	450,216	174,346	**624,562**	231,549
Interest and donations	469,732	10,717	-	**480,449**	228,548
Amortization	-	-	(4,712,062)	**(4,712,062)**	(4,560,282)
Other operating expenses	(59,537)	(24,550)	-	**(84,087)**	(125,087)
Balance, end of year	283,271	2,226,034	77,108,697	**79,618,002**	80,990,946
Deferred revenue				**1,226,262**	739,951
Manitoba Health Long-term debt				**-**	1,000,000
				80,844,264	82,730,897

10. Invested in capital assets

	Affiliates	Devolved	*2012*	*2011*
Capital Assets	8,027,718	72,209,354	**80,237,072**	81,804,003
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(7,906,492)	(71,711,510)	**(79,618,002)**	(80,990,945)
Cash – capital	329,298	649,459	**978,757**	1,023,596
Temporary investments – capital	-	-	**-**	58,760
Accounts receivable – capital	235	270,443	**270,678**	314,686
Due from Manitoba Health – capital	-	598,742	**598,742**	88,178
Accounts payable – capital	-	(106,711)	**(106,711)**	(58,564)
Due from operating account	(37,714)	769,505	**731,791**	726,226
	413,045	2,679,282	**3,092,327**	2,965,940

11. Manitoba Health operating income		2012	2011
Revenue as per Manitoba Health's final funding document		**120,520,676**	116,245,605
Add:	One Time funding	**4,021,767**	-
	Salary and Benefit Settlements	**1,792,075**	3,670,104
	Long Term Care staffing guidelines	**190,046**	297,008
	Flood Recovery Funding	**32,147**	-
	Medical Remuneration Adjustments	**14,027**	60,000
	Reclaiming Hope Suicide Prevention Funding	**9,675**	7,257
	Releasing Time to Care	**3,884**	-
	Unified Referral Intake System	-	116,320
	Nurse Practitioner Funding	-	66,839
	Seniors Group Living	-	44,844
	Ostomy Program	-	25,000
	Provincial Data Network Funding	-	8,280
	Patient Safety Funding	-	5,041
	MSSP pre-retirement funding	**(785,556)**	785,556
		125,798,741	121,331,854
Add/Deduct:	Non-Global surplus receivable for 2011/12	**(392,608)**	258,778
	Non-Global Prior Year Adjustments	**(5,760)**	(10,935)
	Non-Global surplus receivable for 2008/09, 2009/10, 2010/11	**(642,061)**	-
Total funding approved by Manitoba Health		**124,758,312**	121,579,697
Add separately funded programs:			
	Emergency Services Billings	**2,337,408**	2,074,822
	Immunization Program	**115,842**	84,686
	Chronic Disease Prevention Initiative	**51,975**	47,423
	STARS Secondment Salary	**36,085**	-
	Procura Project Expense Recovery	**35,494**	-
	Board expenses and Other	**10,450**	6,228
	Risk Factor and Complication Assessment Funding	1,086	3,471
	Recruitment	-	1,851
	Community Health Needs Assessment	-	1,398
		127,346,652	123,799,576
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(712,031)**	(450,665)
	- Major repairs	**(37,495)**	(37,495)
	- Capital interest on loans reclassified to deferred contributions	**(399,666)**	(300,720)
	- Hemodialysis	**(35,971)**	(65,648)
Revenue from Manitoba Health		**126,161,489**	122,945,048

12. Regional Health Authority Inc. costs

	2012	2011
Corporate office salaries	**1,536,088**	1,344,637
Corporate office benefits	**287,974**	244,694
Expenses paid on behalf of facilities	**423,390**	363,362
Board expenses	**105,397**	96,206
Recruitment	**127,534**	96,957
Medical Remuneration - Global	**723,221**	227,714
Flood Costs	**28,429**	-
Community Health Needs Assessment	**-**	1,398
Other	**401,507**	402,812
	3,633,540	2,777,780

13. Financial Instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable and accruals, amounts due to (from) Manitoba Health and other long-term liabilities. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The carrying amounts of cash, accounts receivable, temporary investments, lines of credit, accounts payable and accruals, amounts due to (from) Manitoba Health and other long-term liabilities approximate their fair values due to the short-term maturities of these items. The carrying amounts of the organization's investments and loans approximate their fair values as the investments and loans have currently prevailing interest rates.

14. Allocation of expenses

The Parkland Regional Health Authority has allocated the following expenses:

	2012				2011			
	Acute	Long-term Care	Community	Total	Acute	Long-term Care	Community	Total
Education	38,487	37,287	23,909	99,683	32,637	31,419	20,324	84,380
Human Resources	307,402	271,418	187,356	766,176	311,105	271,915	192,697	775,717
Information Tech	1,091,446	483,242	335,774	1,910,462	790,784	450,749	313,241	1,554,774
Laundry Services	578,467	592,040	-	1,170,507	598,556	586,733	-	1,185,289
Quality Assurance	116,269	102,898	71,505	290,672	41,515	36,761	25,546	103,822
	2,132,071	1,486,885	618,544	4,237,500	1,774,597	1,377,577	551,808	3,703,982

15. Economic dependence

The Parkland Regional Health Authority Inc. received 88% of its total revenue for the year ended March 31, 2012 from Manitoba Health.

16. Comparative amounts

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

17. Reclassification

An adjustment was made by the Parkland Regional Health Authority Inc. to reclassify unrestricted net assets to capital deferred contributions when an investment held for the Ste. Rose Emergency Services building was redeemed to fund the construction of the new Ste. Rose Emergency Service building and other equipment.

18. Net assets acquired by amalgamation

The net assets of Winnipegosis Ambulance Service as of March 31, 2011 were incorporated into the Parkland Regional Health Authority Inc. on April 1, 2011.

19. Related party transactions

The Authority is responsible for the overall management of the health care services provided in the Parkland region. Programs for hospital and personal care home services are delivered in the region by the Health Authority. The Health Authority transacts business on a regular basis with organizations and agencies as described in Notes 5, 8, 9, 11, and 12.

20. Capital disclosures

The Authority considers its capital to be its net assets. The Authority's objectives when managing its capital are to safeguard its ability to operate as a going concern so it can continue to provide services to its residents. An Annual Health Plan including operating and capital budgets is developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

If the retainable surplus exceeds 2% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2012, the Authority was in a surplus position. For the affiliates, if the retainable surplus exceeds 1.5% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 1.5% is an obligation payable to Parkland Regional Health Authority.

21. Subsequent event

Included in the Province of Manitoba's Budget 2012 was the proposal to reduce the number of Regional Health Authorities in Manitoba. On May 30, 2012, a regulation was registered in respect to the Regional Health Authorities Act stating that the Parkland Regional Health Authority will be merging with the Brandon Regional Health Authority and Assiniboine Regional Health Authority.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Regional Health Authority – Central Manitoba Inc.

We have audited the accompanying consolidated financial statements of Regional Health Authority – Central Manitoba Inc., which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

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 generally accepted accounting principles, 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 aspects, the financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

June 22, 2012
Winnipeg, Manitoba

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Financial Position
March 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash and short term investments	$ 31,918,897	$ 28,630,351
Accounts receivable, net	2,162,548	1,803,928
Accounts receivable - Manitoba Health (Note 3)	1,109,394	-
Inventories	1,233,563	1,262,746
Prepaid expenses	937,432	475,090
Due from Manitoba Health - vacation entitlements	7,775,928	7,775,928
	45,137,762	39,948,043
NON-CURRENT		
Due from Manitoba Health - pre-retirement entitlements	9,106,000	9,106,000
Capital assets (Note 4)	82,144,223	80,060,467
Other assets	87,425	119,414
	$ 136,475,410	$ 129,233,924
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 13,936,641	$ 11,819,122
Accounts payable - Manitoba Health (Note 3)	-	1,068,119
Accrued vacation benefit entitlements	12,121,193	11,640,279
Current portion of long term debt (Note 6)	313,286	270,049
	26,371,120	24,797,569
NON-CURRENT		
Accrued pre-retirement benefit entitlements	13,933,100	13,419,415
Long term debt (Note 6)	1,937,693	2,096,227
	15,870,793	15,515,642
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	4,580,471	3,961,247
Capital assets	77,029,246	75,260,885
	81,609,717	79,222,132
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS		
Invested in capital assets (Note 8)	2,864,185	2,433,492
Contract facilities (Note 9)	310,221	207,307
Internally restricted (Note 10)	414,359	77,548
Unrestricted - Ancilliary (Note 11)	2,251,451	-
Unrestricted	6,783,564	6,980,234
	12,623,780	9,698,581
	$ 136,475,410	$ 129,233,924

APPROVED BY THE BOARD OF DIRECTORS

______________________ **Director**

______________________ **Director**

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
March 31, 2012

		2012		2011
REVENUE				
Manitoba Health (Note 13)	**$**	**196,167,438**	$	186,849,878
Other government departments		**73,810**		61,396
Non-global patient and resident income		**14,019,134**		13,647,063
Other income		**7,305,239**		6,356,256
Amortization of deferred contributions - expenses of future periods		**2,803,117**		2,688,664
Amortization of deferred contributions - capital and foundations		**4,340,421**		5,036,372
Interest and donations		**513,342**		322,544
Ancillary operations (Schedule 1a)		**2,788,155**		2,683,267
		228,010,656		217,645,440
EXPENSES				
Acute care services		**80,090,670**		76,649,954
Long term care services		**56,100,904**		53,484,808
Medical remuneration		**17,478,453**		16,022,615
Community based therapy services		**3,077,474**		2,728,417
Community based mental health services		**10,917,427**		10,269,558
Community based home care services		**19,495,637**		19,677,819
Community based health services		**7,206,948**		7,182,417
Land ambulance		**7,751,613**		7,325,964
Regional health authority undistributed		**14,027,175**		12,548,182
Interest on long term debt		**197,719**		281,327
Pre-retirement leave		**1,668,546**		1,936,111
Amortization of capital assets		**4,476,961**		5,226,112
Major repairs		**465,046**		392,677
Ancillary operations (Schedule 1a)		**2,150,504**		2,089,942
		225,105,077		215,815,903
EXCESS OF REVENUES OVER EXPENSES	**$**	**2,905,579**	$	1,829,537

ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
Capital and donations to foundations	**$**	**(601,586)**	$	(582,417)
Interest and donations		**513,342**		322,544
Ancillary operations (Schedule 1a)		**637,651**		593,325
Health care operations		**2,356,172**		1,496,085
TOTAL	**$**	**2,905,579**	$	1,829,537

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Changes in Net Assets
March 31, 2012

	Invested in Capital Assets (Note 8)	Contract Facilities (Note 9)	Internally Restricted (Note 10)	Unrestricted Ancilliary (Note 11)	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	**$ 2,433,492**	**$ 207,307**	**$ 77,548**	**$ -**	**$ 6,980,234**	**$ 9,698,581**	$ 7,969,044
Excess (deficiency) of revenue over expenses	**(236,779)**	**(100,072)**	**-**	**-**	**3,242,430**	**2,905,579**	1,829,537
Repayment of non-Manitoba Health funded long term debt	**295,298**	**(33,102)**	-	**-**	**(262,196)**	**-**	-
Investment in capital assets	**372,174**	**(191,700)**	**-**	**-**	**(180,474)**	**-**	-
Changes to internally restricted funds	-	**(9,428)**	**336,811**	**2,251,451**	**(2,559,214)**	**19,620**	(100,000)
Internal transfer	-	**437,216**	**-**	-	**(437,216)**	**-**	-
Balance, end of year	**$ 2,864,185**	**$ 310,221**	**$ 414,359**	**$ 2,251,451**	**$ 6,783,564**	**$ 12,623,780**	$ 9,698,581

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC
Consolidated Statement of Cash Flows
March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	**2,905,579**	$ 1,829,537
Items not affecting cash		
Amortization of capital assets	**4,596,677**	5,345,828
Gain on sale of asset	**(6,784)**	-
Amortization of deferred contributions related to expenses of future periods	**(2,995,147)**	(2,767,587)
Amortization of deferred contributions related to capital assets	**(4,359,898)**	(5,055,849)
Changes in non-cash operating working capital items	**(822,726)**	1,775,998
Increase in accrued vacation and pre-retirement entitlements	**994,599**	1,491,211
	312,301	2,619,138
FINANCING ACTIVITIES		
Principal payments on long term debt	**(295,298)**	(253,980)
Proceeds from issuance of new debt	**180,000**	119,151
Deferred contributions received related to expenses of future periods	**5,616,246**	3,387,317
Deferred contributions received related to capital assets	**4,126,386**	3,677,009
	9,627,334	6,929,497
INVESTING ACTIVITIES		
Purchase of capital assets	**(6,683,309)**	(4,253,084)
Change in other assets	**31,989**	83,171
Proceeds on sale of assets	**9,660**	-
Contribution to Eden Foundation	**(9,428)**	(100,000)
	(6,651,088)	(4,269,913)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**3,288,546**	5,278,722
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**28,630,351**	23,351,629
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 31,918,897**	$ 28,630,351
CASH AND SHORT TERM INVESTMENTS IS COMPRISED OF:		
Cash	**$ 20,942,845**	$ 17,404,787
Short-term investments	**10,976,052**	11,225,564
	$ 31,918,897	$ 28,630,351

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Notes to the Consolidated Financial Statements

March 31, 2012

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The Authority has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Authority for the year ended March 31, 2012. The Authority applies the requirements of Section 3861 of the CICA Handbook.

The consolidated financial statements have been prepared in accordance with the Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) Basis of presentation

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc..

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

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

b) Revenue recognition

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

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2012.

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

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

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

c) Contributed services

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

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

e) Capital assets

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

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

Buildings	2%
Major equipment	10% - 20%

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

f) Vacation pay

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

g) Pre-retirement entitlement obligations

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

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

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 3.4% (3.7% in 2011) and a rate of salary increase of 3.0% (3.5% in 2011) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation at March 31, 2004 in the amount of $9,106,000 has been set up as a non-current receivable from the Province. The amount recorded as a receivable from Manitoba Health for pre-retirement entitlements was initially determined based on the value of the corresponding actuarial liability for the pre-retirement entitlements as at March 31, 2004. Subsequent to March 31, 2004, Manitoba Health has included in its ongoing annual 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 Manitoba Health when the Authority requires the funding to discharge the related pre-retirement liabilities.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Significant estimates include the useful life of capital assets, the allowance for doubtful accounts and the pre-retirement entitlement obligation. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from it use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

j) Financial Instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments - Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Authority has classified the following financial assets as held for trading: cash and short term investments and other assets. These instruments are initially recognized at their fair value.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value including interest income are recognized immediately in the statement of operations.

Loans and receivables:

The Authority has classified the following financial assets as loans and receivables: accounts receivable, accounts receivable due from Manitoba Health, due from Manitoba Health - vacation entitlements and due from Manitoba Health - retirement entitlements. The accounts receivable and accounts receivable due from Manitoba Health are recognized at their fair value which is the same as their cost due to the current nature of the asset. The fair value of due from Manitoba Health vacation entitlements and due from Manitoba Health pre-retirement entitlement cannot be determined as there are no specific terms of repayment.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized into the statement of operations upon derecognition or impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments (continued)

Other financial liabilities:

The Authority has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, accounts payable - Manitoba Health, accrued vacation benefit entitlements, accrued pre-retirement benefit entitlements and long term debt. These liabilities are initially recognized at their fair value which approximates their cost due to the current nature of these liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

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

3. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH

Accounts Receivable (Payable) - Manitoba Health includes the following:

	2012	2011
Current year's operating funding		
Medical year end adjustments	**$ (1,714,328)**	$ (1,339,831)
MGEU Community Support contract increase	**-**	949,098
Inter Facility Transfers	**191,274**	467,429
Wage standardization Facility Support	**186,145**	186,145
Employer share health benefit (HEBB)	**220,000**	828,330
HEPP 1% Employer portion increase	**1,036,942**	224,732
PCH Staffing	**299,582**	340,577
Maternity leave top ups	**291,523**	226,116
Health Spending Account reimbursement	**246,109**	227,229
Additional wait-time procedures	**204,034**	68,600
EMS Flight Program secondment	**50,535**	-
Other programs	**51,740**	185,396
	1,063,557	2,363,821
Medical year end adjustments - 2008/2009	**-**	(1,761,692)
Medical year end adjustments - 2009/2010	**-**	(1,682,290)
Approved capital projects	**45,837**	12,042
	$ 1,109,394	$ (1,068,119)

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

In Globe Funding

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

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

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

Out of Globe Funding

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

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

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

4. CAPITAL ASSETS

		2012	
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 1,266,338**	**$ -**	**$ 1,266,338**
Buildings	**107,907,898**	**41,242,058**	**66,665,840**
Major equipment	**60,196,127**	**50,219,338**	**9,976,789**
Construction in progress	**4,235,256**	**-**	**4,235,256**
	$ 173,605,619	**$ 91,461,396**	**$ 82,144,223**

		2011	
	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,140,767	$ -	$ 1,140,767
Buildings	106,853,106	39,141,116	67,711,990
Major equipment	56,494,405	47,741,313	8,753,092
Construction in process	2,454,617	-	2,454,617
	$ 166,942,896	$ 86,882,429	$ 80,060,467

5. AVAILABLE CREDIT FACILITY

Manitoba Health has authorized the Authority to set up a credit facility with the Authority's financial institution for working operating requirements in the amount of $8,000,000, with an interest rate of prime minus .65%. The balance drawn at March 31, 2012 was nil (2011 - $nil).

6. LONG TERM DEBT

		2012		2011
CMHC mortgage payable in monthly blended installments of $14,795 bearing interest at 4.170% due June 1, 2020. Secured by land and building	**$**	**1,239,228**	$	1,362,617
CMHC mortgage payable in monthly blended installments of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and building		**27,081**		31,215
CMHC mortgage payable in monthly blended installments of $5,683 bearing interest at 5.42% due November 1, 2017. Secured by land and building		**332,608**		381,496
CMHC mortgage payable in monthly blended installments of $7,768 bearing interest at 10.0% due June 1, 2014. Secured by land and building		**187,524**		258,541
CMHC mortgage payable in monthly blended installments of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and building		**65,663**		70,995
Automobile loan payable in monthly blended installments of $872 bearing interest at 4.9% due October 1, 2013, secured by the vehicle.		**15,917**		25,353
Mortgage payable in monthly blended installments of $505 bearing interest at prime, due 2024, secured by land and building		**67,201**		71,058
Mortgage payable in monthly blended installments of $650 bearing interest at prime, due 2028, secured by land and building		**72,127**		77,539
Mortgage payable in monthly blended installments of $500 bearing interest at prime, due 2028, secured by land and building		**84,078**		87,462
Mortgage payable in monthly blended installments of $2,390 bearing interest at prime, due 2018, secured by land and building		**159,553**		-
		2,250,979		2,366,276
Less: current portion		**313,286**		270,049
	$	**1,937,693**	$	2,096,227

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

2013	$	313,286
2014		280,165
2015		244,421
2016		253,608
2017		262,829

7. 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.

	2012	2011
Balance, beginning of year	**$ 3,961,247**	$ 3,454,978
Additional contributions received	**5,259,106**	3,387,317
Amount transferred to capital assets	**(2,001,873)**	(113,461)
Major Repairs	**357,140**	-
Less amounts amortized to revenue	**(2,995,147)**	(2,767,587)
	$ 4,580,471	$ 3,961,247

b) Capital assets

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

	2012	2011
Balance, beginning of year	**$ 75,260,885**	$ 76,526,264
Additional contributions received	**4,126,386**	3,677,009
Amount transferred from expenses of future periods	**2,001,873**	113,461
Less amounts amortized to revenue	**(4,359,898)**	(5,055,849)
	$ 77,029,246	$ 75,260,885

8. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	**$ 82,144,223**	$ 80,060,467
Amounts financed by:		
Deferred contributions	**(77,029,246)**	(75,260,885)
Long term debt	**(2,250,979)**	
Working capital	**186**	186
	$ 2,864,185	$ 2,433,492

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

	2012	2011
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	**$ 4,359,898**	$ 5,055,849
Amortization of capital assets	**(4,596,677)**	(5,345,828)
	(236,779)	(289,979)
Repayment of non-Manitoba Health funded long term debt	**295,298**	253,980
Investment in capital assets	**6,666,098**	4,253,084
Amounts funded by deferred contributions	**(6,113,924)**	(3,790,470)
Amounts funded with debt	**(180,000)**	(119,151)
	372,174	343,463
	$ 430,693	$ 307,464

9. NET ASSETS - CONTRACT FACILITIES

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

The amounts are as follows:

		2012		2011
Internally restricted	$	**43,433**	$	43,433
Externally restricted		**12,069**		16,059
Unrestricted		**254,720**		147,815
	$	**310,221**	$	207,307

10. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $77,548 (2011 - $77,548) in net assets to be used for the purchase of specified capital assets.

The Authority has established a parking maintenance/operations reserve, paid for by employee deductions, who elect to use staff parking lots. The employee contributions pay for parking lot upkeep as well as operating costs such as electricity and snow removal. Yearly surpluses in deductions after costs are used to fund the reserve. The total of the accumulated reserve at March 31, 2012 is $336,811 (2011 - $nil).

11. NET ASSETS - UNRESTRICTED ANCILLARY

The Authority has separated Ancilliary Unrestricted Net Assets from Unrestricted Net Assets to account for the accumulated surplus resulting from operations of the retail pharmacy in Notre Dame. The retail pharmacy is fully funded by its own revenues. The total transferred to the unrestricted ancillary account is $2,251,451.

12. COMMITMENTS AND CONTINGENCIES

a) The Authority 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 Authority 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, 2012.

13. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2012	2011
Revenue as per final approved budget	**$ 188,836,418**	$ 182,807,251
Province of Manitoba loan principal	**(412,111)**	(623,801)
Amounts recorded as deferred contributions	**(70,627)**	(70,627)
	188,353,681	182,112,824
Current year's estimated out of globe amounts	**(30,738)**	(63,723)
One time funding - general	**515,921**	-
One time funding - contract settlements	**-**	1,710,172
One time funding - wait list	**2,461,734**	272,300
One time funding - leap year day	**451,391**	-
One time funding - EMS Inter-facility transfer	**1,337,135**	1,127,511
One time funding - medical remuneration	**(1,714,328)**	(1,326,831)
One time funding - maternity leave top up	**480,573**	350,582
One time funding - reciprocal recoveries	**429,294**	-
One time funding - personal care home staffing guideline	**1,180,641**	1,176,587
One time funding - HEPP 1% contribution	**866,125**	-
One time funding - HEBP employer portion health	**850,000**	828,330
One time funding - HEBP health spending account	**356,935**	211,762
One time funding - other	**629,074**	450,365
	$ 196,167,438	$ 186,849,878

14. RELATED PARTY AND ECONOMIC DEPENDENCE

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

15. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Authority 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 Authority and the organizations are individually immaterial to the Authority as a whole.

16. PENSION PLAN

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

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 7.6% of basic annual earnings up to the Canada Pension Plan ceiling and 9.2% of earning in excess of the ceiling, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee' contributions.

16. 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, 2010, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $264,841,000 (2009 - $220,968,000) as well as a solvency deficiency of $927,089,000 (2009- $867,619,000). Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $6,663,000 (2011 - $5,758,000) and are included in the statement of operations.

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

17. CAPITAL MANAGEMENT

The Authority defines its capital as the amounts included in the Net Asset balances.

The Authority'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 the region.

The Authority 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.

18. FUTURE ACCOUNTING CHANGES

In December 2010, the Accounting Standards Board (AcSB) issued a final standard which provides Government not-for-profit organization the following accounting framework options: Public Sector Accounting Standards (PSA) or Public Sector Accounting Standards (PSA) including PS 4200 to 4270. The Authority plans to adopt the PSA Standards including PS 4200 to 4270. These new standards will be applicable to the Authority for its fiscal year beginning April 1, 2012. The impact on the financial statements of the Authority has not yet been determined.

19. SUBSEQUENT EVENT

On April 17, 2012, the Province of Manitoba announced its intention to reduce the number of regional health authorities in Manitoba from 11 to 5. As a result, on May 30, 2012, the Authority merged with the former Southeastman Regional Health Authority to form a new entity temporarily known as Southern Regional Health Authority. There are no related costs in 2011-12 resulting from the merger and the financial impact in subsequent years has not yet been determined.

20. COMPARATIVE FIGURES

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

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC. **Schedule 1a**
Statement of Operations - Ancillary Operations
March 31, 2012

	Elderly Person's Housing (Schedule 1b)	Handivan	Retail Pharmacy	Other	Contract Facilities	**2012**	2011
REVENUE							
Outside sources	$ 1,031,071	$ 37,224	$ 1,243,471	$ 7,066	$ 257,814	**$ 2,576,646**	$ 2,584,866
Amortization of deferred contributions	200,560	6,886	-	-	4,063	**211,509**	98,401
	1,231,631	44,110	1,243,471	7,066	261,877	**2,788,155**	2,683,267
EXPENSES							
Operating	694,099	27,366	905,583	16,653	93,687	**1,737,388**	1,775,218
Amortization of capital assets	103,186	12,467	-	-	4,063	**119,716**	119,717
Interest on long term debt	101,368	-	-	-	-	**101,368**	116,084
Major repairs	192,032	-	-	-	-	**192,032**	78,923
	1,090,685	39,833	905,583	16,653	97,750	**2,150,504**	2,089,942
EXCESS OF REVENUE OVER EXPENSES	$ 140,946	$ 4,277	$ 337,888	$ (9,587)	$ 164,127	**$ 637,651**	$ 593,325

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC. **Schedule 1b**
Statement of Operations - Elderly Person's Housing
March 31, 2012

	Regency House	Rotary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	**2012**	2011
REVENUE							
Rental Income	$ 303,254	$ 185,417	$ 45,334	$ 132,769	$ 216,026	**$ 882,800**	$ 835,987
MHRC Subsidy	42,064	2,691	1,573	24,965	62,058	**133,351**	133,351
Amortization of deferred contributions	38,595	49,659	32,500	61,923	17,883	**200,560**	87,928
Other	4,788	4,250	1,260	1,500	3,122	**14,920**	14,031
	388,701	242,017	80,667	221,157	299,089	**1,231,631**	1,071,297
EXPENSES							
Purchased Services	22,572	22,572	10,032	15,048	7,475	**77,699**	69,836
Interdepartmental Services	18,100	19,300	4,900	5,800	24,350	**72,450**	69,174
Salaries and Benefits	-	-	-	-	22,117	**22,117**	21,494
Mortgage Interest	53,705	5,280	1,683	19,082	21,618	**101,368**	129,944
Property Taxes	26,069	11,139	6,239	17,784	18,073	**79,304**	106,729
Insurance	5,000	3,000	1,000	4,000	4,408	**17,408**	17,300
Major repairs	32,671	49,580	32,389	61,339	16,053	**192,032**	76,254
Maintenance	60,576	35,949	1,791	5,016	30,271	**133,603**	125,504
Reserve for Major Repairs	10,300	22,700	4,000	9,600	15,630	**62,230**	61,900
Electricity	46,103	13,449	11,693	23,945	41,309	**136,499**	140,389
Natural Gas	-	14,855	-	-	4,922	**19,777**	28,243
Water and Sewer	17,150	12,724	3,303	5,894	12,175	**51,246**	41,962
Professional Fees - Audit	800	800	800	800	820	**4,020**	4,000
Telephone	6,904	2,161	-	-	788	**9,853**	9,318
Supplies	2,907	2,430	19	318	2,219	**7,893**	5,336
Amortization of capital assets - Building	55,246	3,390	2,184	19,745	20,733	**101,298**	101,298
Amortization of capital assets - Equipment	1,888	-	-	-	-	**1,888**	3,319
	359,991	219,329	80,033	188,371	242,961	**1,090,685**	1,012,000
EXCESS OF REVENUE OVER EXPENSES	$ 28,709	$ 22,688	$ 634	$ 32,786	$ 56,128	**$ 140,946**	$ 59,297
ACCUMULATED SURPLUS / (DEFICIT)	$ (265,223)	$ 55,694	$ (63,486)	$ (90,939)	$ (75,647)	**$ (439,600)**	$ (541,058)

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC. **Schedule 2**
Statement of Financial Position - Segmented
March 31, 2012

	Devolved	Contract	**2012**	2011
ASSETS				
CURRENT				
Cash and short term investments	$ 28,973,080	$ 2,945,817	**$ 31,918,897**	$ 28,630,351
Accounts receivable, net	2,933,289	(770,741)	**2,162,548**	1,803,928
Accounts receivable - Manitoba Health	1,109,394	-	**1,109,394**	-
Inventories	1,143,505	90,058	**1,233,563**	1,262,746
Prepaid expenses	880,272	57,160	**937,432**	475,090
Due from \ - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	41,714,228	3,423,534	**45,137,762**	39,948,043
NON-CURRENT				
Due from MB Health - pre-retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	72,388,938	9,755,285	**82,144,223**	80,060,467
Other assets	-	87,425	**87,425**	119,414
	$ 121,948,166	$ 14,527,244	**$ 136,475,410**	$ 129,233,924
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 12,701,246	$ 1,235,395	**13,936,641**	$ 11,819,122
Accounts payable - Manitoba Health	-	-	**-**	1,068,119
Accrued vacation benefit entitlements	10,705,570	1,415,623	**12,121,193**	11,640,279
Current portion of long term debt	277,282	36,004	**313,286**	270,049
	23,684,098	2,687,022	**26,371,120**	24,797,569
NON-CURRENT				
Due to Contract Sites - pre-retirement entitlements	601,800	(601,800)	**-**	-
Accrued pre-retirement benefit entitlements	12,070,300	1,862,800	**13,933,100**	13,419,415
Long term debt	1,590,739	346,954	**1,937,693**	2,096,227
	14,262,839	1,607,954	**15,870,793**	15,515,642
DEFERRED CONTRIBUTIONS				
Expenses of future periods	4,030,938	549,533	**4,580,471**	3,961,247
Capital assets	68,729,810	8,299,436	**77,029,246**	75,260,885
	72,760,748	8,848,969	**81,609,717**	79,222,132
NET ASSETS				
Invested in capital assets	1,791,107	1,073,078	**2,864,185**	2,433,492
Internally restricted - contract	-	310,221	**310,221**	207,307
Internally restricted	414,359	-	**414,359**	77,548
Unrestricted - Ancilliary	2,251,451	-	**2,251,451**	-
Unrestricted	6,783,564	-	**6,783,564**	6,980,234
	11,240,481	1,383,299	**12,623,780**	9,698,581
	$ 121,948,166	$ 14,527,244	**$ 136,475,410**	$ 129,233,924

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC. **Schedule 3**
Statement of Operations - Segmented
March 31, 2012

	Devolved	Contract	**2012**	2011
REVENUE				
Manitoba Health	$171,985,463	$ 24,181,975	**$196,167,438**	$186,849,878
Other government departments	73,810	-	**73,810**	61,396
Non-global patient / resident income	10,014,506	4,004,628	**14,019,134**	13,647,063
Other income	6,264,613	1,040,626	**7,305,239**	6,356,256
Amortization of deferred contributions - operating	2,710,918	92,199	**2,803,117**	2,688,664
Amortization of deferred contributions - capital	3,835,992	504,429	**4,340,421**	5,036,372
Interest and donations	488,512	24,830	**513,342**	322,544
Ancillary operations	2,526,278	261,877	**2,788,155**	2,683,267
	197,900,092	30,110,564	**228,010,656**	217,645,440
EXPENSES				
Acute care services	$ 78,222,876	$ 1,867,794	**80,090,670**	$ 76,649,954
Long term care services	37,149,873	18,951,031	**56,100,904**	53,484,808
Medical remuneration	15,336,417	2,142,036	**17,478,453**	16,022,615
Community based therapy services	3,077,474	-	**3,077,474**	2,728,417
Community based mental health services	4,605,230	6,312,197	**10,917,427**	10,269,558
Community based home care services	19,495,637	-	**19,495,637**	19,677,819
Community based health services	7,060,268	146,680	**7,206,948**	7,182,417
Land ambulance	7,751,613	-	**7,751,613**	7,325,964
Regional health authority undistributed	14,027,175	-	**14,027,175**	12,548,182
Interest on long term debt	197,719	-	**197,719**	281,327
Pre-retirement leave	1,500,550	167,996	**1,668,546**	1,936,111
Amortization of capital assets	3,892,770	584,191	**4,476,961**	5,226,112
Major repairs	458,655	6,391	**465,046**	392,677
Ancillary operations	2,052,754	97,750	**2,150,504**	2,089,942
	194,829,011	30,276,066	**225,105,077**	215,815,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 3,071,081	$ (165,502)	**$ 2,905,579**	$ 1,829,537
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
Capital / donations to foundations	$ (515,433)	$ (86,153)	**$ (601,586)**	$ (582,417)
Interest and donations	488,512	24,830	**513,342**	322,544
Ancillary operations	473,524	164,127	**637,651**	593,325
Health care operations	2,624,478	(268,306)	**2,356,172**	1,496,085
TOTAL	$ 3,071,081	$ (165,502)	**$ 2,905,579**	$ 1,829,537

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Independent Auditor's Report

To the Board of Directors of Southern Regional Health Authority

We have audited the accompanying consolidated financial statements of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.**, which comprise the consolidated statement of financial position as at March 31, 2012, 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 21, 2012

South Eastman Health/Santé Sud-Est Inc.
Consolidated Statement of Financial Position

March 31			2012	2011
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Assets				
Current Assets				
Cash	$ 4,554,016	$ 797,102	$ 5,351,118	$ 6,861,196
Accounts receivable (Note 2)	3,576,893	136,622	3,713,515	1,376,519
Due from Manitoba Health (Note 4)	3,370,328	16,048	3,386,376	1,655,773
Inventories	1,372,159	96,898	1,469,057	1,629,287
Prepaid expense	672,756	20,713	693,469	723,107
Vacation entitlements receivable (Note 3)	2,165,279	488,270	2,653,549	2,653,549
	15,711,431	1,555,653	17,267,084	14,899,431
Retirement obligations receivable (Note 13)	1,898,575	458,577	2,357,152	2,357,152
Restricted assets (Note 5)	75,773	-	75,773	94,093
Capital assets (Note 6)	50,528,671	11,754,393	62,283,064	54,467,667
	$ 68,214,450	$ 13,768,623	$ 81,983,073	$ 71,818,343

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Eastman Health/Santé Sud-Est Inc.
Consolidated Statement of Financial Position

March 31			2012	2011
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 7)	$ -	$ -	$ -	$ 23,850
Accounts payable and accrued liabilities	6,616,082	674,698	7,290,780	5,737,292
Accrued vacation entitlements (Note 3)	3,588,559	786,796	4,375,355	4,170,932
Due to contract facilities (from Health Authority)	427,157	(427,157)	-	-
Unearned revenue	331,048	41,088	372,136	207,816
	10,962,846	1,075,425	12,038,271	10,139,890
Accrued retirement obligations (Note 13)	4,881,200	805,000	5,686,200	4,855,955
Deferred Contributions (Note 8)				
Expenses of future periods	680,279	282,862	963,141	730,176
Capital assets	49,315,264	11,514,554	60,829,818	53,699,579
	49,995,543	11,797,416	61,792,959	54,429,755
Commitments and contingencies (Note 12)				
Net Assets				
Investment in capital assets (Note 9)	1,213,407	239,839	1,453,246	768,088
Externally restricted - Contract Facilities	-	(149,057)	(149,057)	(224,096)
Externally restricted (Note 5)	75,773	-	75,773	94,093
Unrestricted	1,085,681	-	1,085,681	1,754,658
	2,374,861	90,782	2,465,643	2,392,743
	$ 68,214,450	$ 13,768,623	$ 81,983,073	$ 71,818,343

Approved on behalf of the Board of Directors:

_______________ Director

_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Eastman Health/Santé Sud-Est Inc.
Consolidated Statement of Operations

For the year ended March 31			2012	2011
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Revenue				
Province of Manitoba				
Health (Note 10)	$ 81,641,522	$ 10,070,804	$ 91,712,326	$ 84,694,887
Other	1,093,462	-	1,093,462	1,319,369
Government of Canada	-	77,562	77,562	77,562
Non-insured income	3,110,743	2,288,173	5,398,916	5,220,190
Other income and recovered services	1,605,415	370,788	1,976,203	2,090,806
Amortization of deferred contributions	2,727,887	495,266	3,223,153	2,954,539
	90,179,029	13,302,593	103,481,622	96,357,353
Expenditures				
Acute care services	30,271,071	-	30,271,071	28,193,191
Long-term care services	10,498,332	12,732,288	23,230,620	22,373,089
Community based home care services	17,904,138	-	17,904,138	15,879,433
Community based health services	7,021,753	-	7,021,753	6,935,711
Medical remuneration	6,363,463	-	6,363,463	6,289,294
Diagnostic services	4,253,867	-	4,253,867	4,080,293
Emergency Medical Services	4,464,688	-	4,464,688	4,069,321
Community based mental health services	3,516,542	-	3,516,542	2,985,572
Amortization of capital assets	2,727,887	495,266	3,223,153	2,954,539
Regional Health Authority costs	3,141,107	-	3,141,107	2,608,068
	90,162,848	13,227,554	103,390,402	96,368,511
Excess (deficiency) of revenue over expenditures for the year	$ 16,181	$ 75,039	$ 91,220	$ (11,158)
Allocated as follows				
Externally restricted	$ -	$ 75,039	$ 75,039	$ 61,398
Unrestricted	16,181	-	16,181	(72,556)
	$ 16,181	$ 75,039	$ 91,220	$ (11,158)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Eastman Health/Santé Sud-Est Inc.
Consolidated Statement of Changes in Net Assets

For the year ended March 31					2012	2011
	Investment in Capital Assets (Note 9)	Externally Restricted - Contract Facilities	Externally Restricted (Note 5)	Unrestricted	Total	Total
Balance, beginning of year	$ 768,088	$ (224,096)	$ 94,093	$ 1,754,658	$ 2,392,743	$ 2,415,290
Interest revenue	-	-	10,589	-	10,589	7,918
Expenditures during year	-	-	(28,909)	-	(28,909)	(19,307)
Excess (deficiency) of revenue over expenditures for the year	-	75,039	-	16,181	91,220	(11,158)
Net changes in investment in capital assets	685,158	-	-	(685,158)	-	-
Balance, end of year	$ 1,453,246	$ (149,057)	$ 75,773	$ 1,085,681	$ 2,465,643	$ 2,392,743

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Eastman Health/Santé Sud-Est Inc.
Consolidated Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 91,220	$ (11,158)
Net income of restricted net assets	10,589	7,918
Adjustments for		
Amortization of capital assets	3,223,153	2,954,539
Amortization of deferred contributions related to capital assets	(3,223,153)	(2,954,539)
Deferred contributions - expenses of future periods		
Receipts	866,461	306,795
Expenditures	(633,496)	(464,489)
	334,774	(160,934)
Changes in non-cash working capital		
Accounts receivable	(2,336,996)	250,118
Due from Manitoba Health	(1,730,603)	(1,572,628)
Inventories	160,230	(45,567)
Prepaid expense	29,638	(238,256)
Accounts payable and accrued liabilities	1,553,488	868,381
Accrued vacation entitlements	204,423	(197,510)
Unearned revenue	164,320	(292,846)
	(1,955,500)	(1,228,308)
Accrued retirement obligations	830,245	233,170
	(790,481)	(1,156,072)
Cash Flows from Investing Activities		
Increase in restricted assets	(10,589)	(7,918)
Purchase of capital assets	(11,038,550)	(4,583,918)
	(11,049,139)	(4,591,836)
Cash Flows from Financing Activities		
Receipt of deferred contributions related to capital assets	10,353,392	4,583,918
Net decrease in cash and cash equivalents	(1,486,228)	(1,163,990)
Cash and cash equivalents, beginning of year	6,837,346	8,001,336
Cash and cash equivalents, end of year	$ 5,351,118	$ 6,837,346
Represented by		
Cash	$ 5,351,118	$ 6,861,196
Bank indebtedness	-	(23,850)
	$ 5,351,118	$ 6,837,346

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Eastman Health/Santé Sud-Est Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2012

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

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

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health ("MH"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MH with respect to the year ended March 31, 2012.

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

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

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

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

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

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

Revenue Recognition (continued)

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

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

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

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

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

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method in all areas excluding materials management which is determined by the average cost method.

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.

Allocated Expenditures

The Authority allocates certain general administrative expenses to the seven service categories on a proportionate basis, based on the percentage of total expenditures for each category incurred during the year. General administrative expenses allocated include planning and development, risk management, pandemic planning, communications, human resources, information systems, finance, and materials management.

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.

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%
Buildings	2.5%
Building renovations and upgrades	5%
Leasehold improvements	10%
Equipment	
Building service equipment	5%
Major equipment	10%
Computer hardware and software	20%

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.

Financial Instruments

The Authority utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from MH	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Due to MH	Other financial liabilities	Amortized cost

Financial Instruments (continued)

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

New Accounting Pronouncements

Effective April 1, 2012, the Authority adopted Public Sector Accounting standards for government not-for-profit organizations which came into effect for year ends beginning on or after January 1, 2012.

1. Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. 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.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 5.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-MH funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Accounts Receivable

	2012	2011
Receivables from patients/EMS/Other	$ 487,845	$ 262,422
Receivables from residents	67,925	58,409
Goods and Services Tax	63,579	164,245
Due from related parties of Contract facilities	8,531	42,833
Capital funding receivable	1,987,604	602,421
Receivables from foundations	886,498	60,638
Other		
RHA	204,557	160,000
Contract facilities	6,976	25,551
	$ 3,713,515	$ 1,376,519

3. Accrued Vacation Entitlements

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

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

	2012	2011
Balance, beginning of year	$ 2,653,549	$ 2,653,549
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 2,653,549	$ 2,653,549

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

	2012	2011
Balance, beginning of year	$ 4,170,932	$ 4,368,442
Net increase (decrease) in accrued vacation entitlements	204,423	(197,510)
Balance, end of year	$ 4,375,355	$ 4,170,932

South Eastman Health/Santé Sud-Est Inc.
Notes to Consolidated Financial Statements

For the year ended March 31, 2012

4. Due from (to) Manitoba Health

		2012		2011
In-Globe				
Interfacility transfers - EMS	$	**136,976**	$	357,247
PCH staffing guidelines		**146,284**		143,314
Colonoscope volumes		**53,550**		177,800
Aboriginal Health		**-**		27,784
Doc of the day retro		**-**		63,006
URIS		**-**		93,587
MB Youth Suicide Prevention Strategy		**-**		14,400
08-09 MGEU Facility 0.4%		**-**		57,014
Trades Sector - Market Adjustment		**-**		11,601
MGEU Community union settlement		**-**		813,605
Reclaiming Hope		**16,120**		-
Villa Youville Old PCH		**5,788**		16,048
Employee Benefits - Employer Premiums				
HEPP 1% employer benefits		**414,244**		97,178
HEBP Employer Benefits		**-**		329,051
Maternity leave top up		**123,146**		90,068
Health Spending Account		**93,074**		77,627
Quick Care Clinic Operating Costs		**191,661**		-
Volume Funding		**2,500,000**		-
Other		**8,617**		-
Out-of-Globe				
Capital funding		**115,429**		142,021
Capital interest		**(27,721)**		35,655
Medical remuneration 2009/10		**-**		(586,814)
Medical remuneration 2010/11		**-**		(304,606)
Medical remuneration 2011/12		**(390,792)**		-
Other		**-**		187
	$	**3,386,376**	$	1,655,773

5. Restricted Net Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to the Authority. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Ste. Anne Hospital	Total
Balance, beginning of year	$ 72,805	$ 21,288	$ 94,093
Interest	8,193	2,396	10,589
Operating Expense Funding	(5,000)	-	(5,000)
Capital asset funding	(23,909)	-	(23,909)
Balance, end of year	$ 52,089	$ 23,684	$ 75,773

6. Capital Assets

	2012 Cost	2012 Accumulated Amortization	2011 Cost	2011 Accumulated Amortization
Land	$ 898,088	$ -	$ 768,088	$ -
Land improvements	462,265	11,557	-	-
Buildings & renovations	64,802,810	23,877,614	64,214,416	21,869,251
Leasehold Improvements	69,170	3,458	-	-
Equipment	13,446,061	6,392,981	12,284,844	5,193,206
Construction in progress	12,890,280	-	4,262,776	-
	$ 92,568,674	$ 30,285,610	$ 81,530,124	$ 27,062,457
Cost less accumulated amortization		$ 62,283,064		$ 54,467,667

7. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $3,600,000. The line of credit bears interest at Royal Bank prime rate less 0.80% (effective rate at March 31, 2012 - 2.20%) and is supported by an authorization letter from MH and assignment of fire insurance covering property of every description.

In addition, the contract facilities have approved operating lines of credit with various financial institutions for an aggregate of $380,000. The lines of credit bear interest at 3.25% to prime rate plus 1% (effective rate at March 31, 2012 - ranging from 3.25% - 4.75%) and are supported by authorization letters from MH and general security agreements.

8. Deferred Contributions

a) Expenses of future periods

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

	2012	2011
Balance, beginning of year	$ 730,176	$ 887,870
Additional amounts received during year	866,461	306,795
Less expenditures	(633,496)	(464,489)
Balance, end of year	$ 963,141	$ 730,176

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.

Changes in the deferred contribution balance are as follows:

	2012	2011
Balance, beginning of year	$ 53,699,579	$ 52,070,200
Additional contributions received, net	10,353,392	4,583,918
Less amounts amortized to revenue	(3,223,153)	(2,954,539)
Balance, end of year	$ 60,829,818	$ 53,699,579

For the year ended March 31, 2012

9. Investment in Capital Assets

	2012	2011
a) Investment in capital assets is calculated as follows:		
Capital assets	**$ 62,283,064**	$ 54,467,667
Amounts financed by deferred contributions	**60,829,818**	53,699,579
	$ 1,453,246	$ 768,088

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

	2012	2011
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 3,223,153**	$ 2,954,539
Amortization of capital assets	**(3,223,153)**	(2,954,539)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 11,038,550**	$ 4,583,918
Amounts funded		
MH funding	**(9,278,872)**	(4,403,875)
Donations	**(1,074,520)**	(180,043)
	$ 685,158	$ -

10. Revenue from Manitoba Health

		2012	2011
Revenue from MH			
Revenue as per MH's final funding document		$ 84,474,282	$ 81,959,658
Less:	Debt interest allocation	(166,733)	(239,163)
		84,307,549	81,720,495
Add:			
	PCH staffing guidelines	589,785	583,686
	EMS funding	902,665	772,507
	Basic equipment and major repair reserve	194,964	205,346
	HEBP employer benefits	335,961	329,051
	HEPP 1% ER pension	414,244	97,178
	Health spending account	160,803	84,785
	Third Party ER	-	120,000
	Flood Funding	125,064	-
	MGEU community retro	-	813,605
	MNU 2% Bonus	-	297,559
	Reciprocal Recoveries	217,880	-
	Primary Care Network	56,376	-
	Immunization program	132,670	102,601
	Agency Nurse Operating Costs	502,000	-
	Volumes One Time Funding	2,500,000	-
	Supplies One Time Funding	658,200	-
	Home Care One Time Funding	370,000	-
	Drug Volume Pressures One Time Funding	53,300	-
	Lab and Imaging Funding	139,000	-
	Quick Care Clinic Operating Costs	191,661	-
	Leap Year Operating Costs	253,246	-
	Aboriginal health	-	137,787
	Doc of the day retro	-	63,006
	Colonoscope volumes	315,000	288,750
	Trades Market	-	11,601
	Maternity leave top-up	274,684	146,694
	CDPI global funding	-	100,885
	Other in year adjustments - one-time funding	9,886	33,949
Deduct:	Medical remuneration	390,773	304,606
	Other in year adjustments	24,193	-
Total Funding Approved by MH		92,289,972	85,604,879
Deduct:	Amounts recorded as deferred contributions		
	-expenses of future periods	24,144	174,144
	- capital assets	376,056	733,968
	Prior year adjustment to accounts receivable	177,446	1,880
Revenue from MH		$ 91,712,326	$ 84,694,887

11. Allocated Expenditures

General administrative expenses of $3,855,289 (2011 - $3,474,099) have been allocated as follows:

	2012	2011
Acute care services	$ 1,472,807	$ 1,327,184
Long-tem care services	1,082,946	975,871
Community based home care services	693,086	624,557
Community based health services	303,225	273,244
Emergency Medical Services	173,271	156,139
Community based mental health services	129,954	117,104
	$ 3,855,289	$ 3,474,099

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, 2012, management believes the Authority 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 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, 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, 2012.

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

c) At March 31, 2012, minimum annual lease payments under operating leases for premises and equipment expiring at various dates up to 2022 are $808,486 to be adjusted annually for inflation.

13. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at September 30, 2011 with an adjustment of new entrants and benefit payments for the period from September 30, 2011 to March 31, 2012.

The Authority's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan 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:

- 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.

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.1% (4.7% in 2011) and a rate of salary of 3.0% (3.5% in 2011) 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 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:

	2012	2011
Balance, beginning of year	**$ 4,855,955**	$ 4,622,785
Net increase in pre-retirement entitlements	**830,245**	233,170
Balance, end of year	**$ 5,686,200**	$ 4,855,955

b) Pension plan

Substantially all of the employees of the Authority 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.

13. Employee Future Benefits (continued)

b) Pension plan (continued)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust 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 6.80% of salary, 8.40% for salaries greater than $50,100, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The employer contributions to the Plan are 7.80% of employee salary, 9.40% for employee salaries greater than $50,100.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010 indicates the Plan is in a deficit. The 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 Authority on behalf of its employees amounted to $3,054,858 (2011 - $2,695,264) and are included in the statement of operations.

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.

14. Capital Management

The Authority considers its capital to comprise its externally restricted and 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.

As a not-for-profit entity, the Authority's operations are reliant on revenue generated annually. The Authority has accumulated unrestricted funds over its history, which are included in the unrestricted net asset balance in the statement of changes in net assets. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the Authority at the Board's discretion subject to the restrictions of MH. There are external restrictions on the restricted net assets and the Authority has complied with these restrictions.

15. Financial Risk Management

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

Credit risk

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

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

	2012	2011
Accounts receivable	$ 3,713,515	$ 1,376,519
Due from Manitoba Health	3,386,376	1,655,773
Vacation entitlements receivable	2,653,549	2,653,549
Retirement obligations receivable	2,357,152	2,357,152
	$ 12,110,592	$ 8,042,993

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 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 Manitoba Heath, vacation entitlements receivable and retirement obligations receivable: 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 is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

15. Financial Risk Management (continued)

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 (bank indebtedness), accounts receivable, amounts due from (to) MH, vacation entitlements receivable and retirement obligations 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.

16. Comparative Figures

Certain comparative figures have been reclassified to provide better comparison with the current year's presentation. Excess of revenue over expenditures remains as previously reported.

17. Subsequent Events

Effective May 28, 2012, a Regulation was registered in respect to the Regional Health Authorities Act, affecting the amalgamation of South Eastman Health/Santé Sud-Est Inc. with Regional Health Authority - Central Manitoba Inc. to form a new authority named the Southern Regional Health Authority. The amalgamation of the Regional Health Authorities was part of the provincial budget announcement made on April 17, 2012 to reduce the number of Regional Health Authorities in Manitoba.

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Auditor's Comments on Supplementary Financial Information

To the Board of Directors of Southern Regional Health Authority:

We have audited the consolidated financial statements of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** which comprise the consolidated statement of financial position as at March 31, 2012 and consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 21, 2012 which contained an unmodified opinion on those consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The following supplementary schedule is presented for the purposes of additional financial information and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

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

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 21, 2012

South Eastman Health/Santé Sud-Est Inc.
Schedule 1 - Grants to Facilities and Agencies

For the year ended March 31		2012		2011
Mental Health Services				
Supported Housing Grant - Eden Health Care Services	$	**48,300**	$	48,300
Positive Living Program - Eden Health Care Services		**41,783**		41,783
Mental Health - Dawson Trail Opportunities		**20,135**		11,395
Mental Health - Residential Subsidies		**10,710**		10,310
Emergency Medical Services				
Town of Niverville		**4,000**		4,000
RM of Franklin - Dominion City First Response Group		**2,800**		2,800
Community Health Services				
Regional School Divisions - Early Steps Grant		**12,607**		12,607
Rat River Health Council - DeSalaberry Health Corner		**6,250**		25,000
Adult Day Care Program				
Niverville Seniors Service		**41,113**		34,990
Serving Seniors Inc.		**46,498**		39,573
LGD of Piney Resource Council Inc.		**17,898**		15,233
Les Blés d'or de Lorette Inc.		**31,584**		26,880
Vita & District Health Council Inc.		**27,686**		23,562
Healthy Child Coalition grants - Child Development		**23,230**		28,660
Children's Therapy Initiative		**60,977**		60,977
Services to Seniors				
Seine River Services for Senior		**40,386**		40,386
Woodhaven Manor		**27,455**		27,455
Blumenort Senior Citizens Housing		**27,455**		27,455
Rest Haven Nursing Home		**67,841**		67,841
Serving Seniors Inc.		**156,741**		156,741
Steinbach Housing Inc.		**112,827**		112,827
Les Blés d'or de Lorette Inc.		**12,742**		17,764
Chalet Malouin Inc.		**27,455**		27,455
Manoir St. Pierre		**27,455**		27,455
Niverville Senior Services		**40,386**		40,386
Niverville Credit Union Manor Meal Program		**27,455**		27,455
RM DeSalaberry - Seniors Resource Program		**40,386**		40,386
LGD of Piney Community Resource Council Inc.		**93,678**		93,678
Vita & District Resource Council Inc.		**62,992**		62,992
Villa Youville		**67,841**		65,866
St. Pierre Senior Services		**30,469**		30,469
Ritchot Senior Services		**24,511**		24,511
Franklin Senior Services (Dominion City)		**38,307**		38,307
Public Health Services				
Public Health - Chronic Disease Prevention Initiative		**1,000**		88,396
	$	**1,322,953**	$	1,403,895

INDEPENDENT AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Winnipeg Regional Health Authority** [the "Authority"], which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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, 2012 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 generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2012.

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

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 generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgments.

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

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

Arlene Wilgosh
President & Chief Executive Officer

Paul A. Kochan, FCA
Vice-President & Chief Financial Officer

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

	2012	2011
REVENUE		
Manitoba Health operating income	$ **2,294,399**	$ 2,182,631
Other income (Schedule 1)	**122,149**	123,219
Amortization of deferred contributions, capital	**66,136**	64,303
Recognition of deferred contributions, future expenses	**11,474**	25,877
	2,494,158	2,396,030
EXPENSES		
Direct operations	**2,075,241**	2,000,324
Interest	**676**	584
Amortization of capital assets	**71,758**	68,499
	2,147,675	2,069,407
FACILITY FUNDING		
Long-term care facility funding (Schedule 2)	**284,735**	271,579
Community health agency funding (Schedule 3)	**38,067**	35,737
Adult day care facility funding (Schedule 4)	**3,249**	3,157
Long-term care community therapy services	**735**	718
GRANT FUNDING		
Grants to facilities and agencies (Schedule 5)	**19,993**	18,741
	2,494,454	2,399,339
OPERATING DEFICIT	**(296)**	(3,309)
NON-INSURED SERVICES		
Non-insured services income	**63,598**	62,269
Non-insured services expenses	**61,514**	56,797
NON-INSURED SERVICES SURPLUS	**2,084**	5,472
SURPLUS FOR THE YEAR	$ **1,788**	$ 2,163

See accompanying notes

.... Board Chair

.... Treasurer

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

	2012	2011
ASSETS		
CURRENT		
Cash and cash equivalents	$ **80,417**	$ 31,399
Accounts receivable (Note 5)	**106,607**	112,260
Inventory (Note 6)	**30,083**	28,782
Prepaid expenses	**12,255**	13,406
Investments (Note 9)	**6,099**	7,182
Employee benefits recoverable from Manitoba Health (Note 7)	**78,675**	78,675
	314,136	271,704
CAPITAL ASSETS, NET (Notes 8 and 14)	**1,346,289**	1,209,136
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health (Note 22)	**82,302**	82,302
Investments (Note 9)	**44,592**	36,818
Specific purpose funds (Note 10)	**31,435**	29,737
Nurse recruitment and retention fund (Note 11)	**4,169**	3,512
	$ **1,822,923**	$ 1,633,209
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	$ **213,153**	$ 197,981
Demand loans (Note 13)	**-**	18,000
Employee benefits payable (Note 7)	**96,482**	94,907
Current portion of long-term debt (Note 14)	**47,201**	50,898
	356,836	361,786
LONG-TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long-term debt (Note 14)	**24,948**	27,918
Employee future benefits payable (Note 22)	**154,667**	147,723
Specific purpose funds (Note 10)	**31,435**	29,737
Deferred contributions (Note 16)	**1,199,734**	1,013,187
Nurse recruitment and retention fund (Note 11)	**4,169**	3,512
	1,414,953	1,222,077
COMMITMENTS AND CONTINGENCIES (Note 18)		
NET ASSETS	**51,134**	49,346
	$ **1,822,923**	$ 1,633,209

See accompanying notes

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

	2012				2011
	Investment in Capital Assets (Note 17)	**Unrestricted Net Assets**	**Internally Restricted Net Assets (Schedule 6)**	**Total**	Total
Balance, beginning of year	$ 80,978	$ (59,451)	$ 27,819	$ 49,346	$ 47,183
Surplus (deficit) for the year	(10,785)	11,760	813	1,788	2,163
Purchase of capital assets, net	26,299	(25,627)	(672)	-	-
Net asset restrictions	-	(890)	890	-	-
Balance, end of year	96,492	(74,208)	28,850	$ 51,134	$ 49,346

See accompanying notes

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

		2012		2011
OPERATING ACTIVITIES				
Surplus for the year	$	**1,788**	$	2,163
Items not affecting cash				
Amortization of capital assets		**79,740**		76,389
Amortization of deferred contributions related to capital assets		**(68,955)**		(67,157)
Recognition of deferred contributions related to future expenses		**(11,630)**		(25,920)
Net change in employee future benefits		**8,519**		6,982
		9,462		(7,543)
Changes in non-cash operating working capital balances		**20,676**		32,624
Deferred contributions received - future expenses		**48,602**		13,889
		78,740		38,970
FINANCING ACTIVITIES				
Deferred contributions received - capital assets		**218,530**		125,761
Demand loan repayments		**(18,000)**		(11,000)
Proceeds of long-term debt		**-**		15,254
Long-term debt repayments		**(6,667)**		(3,803)
		193,863		126,212
INVESTING ACTIVITIES				
Purchase of capital assets		**(216,894)**		(145,990)
(Increase) decrease in investments		**(6,691)**		620
		(223,585)		(145,370)
INCREASE		**49,018**		19,812
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**31,399**		11,587
CASH AND CASH EQUIVALENTS, END OF YEAR	$	**80,417**	$	31,399
Comprised of:				
Cash	$	**79,661**	$	28,031
Cash equivalents		**756**		3,368
Total	$	**80,417**	$	31,399
Supplementary Information:				
Interest paid	$	**6,550**	$	4,272

See accompanying notes

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority", "WRHA") was established under the Regional Health Authorities Act on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital ("the Community Hospitals") and the three non-devolved hospitals, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital ("the Other Hospitals"), and the Manitoba Adolescent Treatment Centre ("MATC"). In addition, the Authority also provides information technology services to all regional health authorities in Manitoba, Diagnostic Services of Manitoba, CancerCare Manitoba, the Addictions Foundation of Manitoba, as well as health-care providers and their colleges and associations through its operations of Manitoba eHealth. Volunteer Enterprises of the Health Sciences Centre Inc. ("VENT") operates services within the WRHA and their results are included in these financial statements. Long-term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies, as well as through a number of not-for-profit organizations. Note 21 provides details of the relationships that the Authority has with these related entities.

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

2. CHANGES IN ACCOUNTING POLICIES

The Authority has reviewed revisions to the Canadian Institute of Chartered Accountants ("CICA") Handbook. For the year ended March 31, 2012, there had not been any changes to the sections that relate to not-for-profit organizations and as such no impact on the financial statement presentation by the Authority.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

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

i. Direct Operations provided through:

- Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Manitoba eHealth services, Acute Care services (Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am sites), and Medical Remuneration.
- Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) The reporting entity (continued)

- Non-devolved Other Hospitals and MATC – by means of operating agreements.

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

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

b) Definition of controlled entity

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

As permitted by Canadian generally accepted accounting principles, the controlled Community Hospitals, Other Hospitals, MATC, VENT, and Manitoba eHealth have been consolidated into the Authority's financial statements due to the nature of the agreements in existence, while the controlled Seven Oaks General Hospital Foundation Inc. and St. Boniface General Auxiliary Inc. have not been consolidated since they are not directly involved in the delivery of health care services. Note 21 provides a financial summary of these controlled non-consolidated entities.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

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

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

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2012.

d) Cash and cash equivalents

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

e) Inventory

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

f) Capital assets

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

Buildings	2-10%
Furniture & equipment	5-33%
Computer hardware and software	10-33%
Leasehold improvements	over the life of the lease

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

g) Surplus retention and use policy

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

i) Internally restricted net assets

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

j) Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the facilities that it funds, minimizing credit risk. The Authority also has some credit risk associated with an interest rate swap. This risk is minimized by entering into an agreement with a major Canadian financial institution.

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: foreign exchange risk, interest rate 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.

The Authority's primary market risk exposure is interest rate risk. This interest rate risk is the risk arising from fluctuations in short-term interest rates and the volatility of those rates on the issuance of floating rate debt. The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings. The Authority has entered into an interest rate swap to manage a proportion of total debt that is subject to variable rates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Financial assets and liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Asset and Liability Account	Classification
Cash and cash equivalents	Held for trading
Specific purpose funds	Held for trading
Nurse recruitment and retention fund	Held for trading
Derivative instruments	Held for trading
Investments (bonds, money market securities, and GICs)	Held for trading
Investments (mortgage)	Loans and receivables
Accounts receivable	Loans and receivables
Employee benefits recoverable from Manitoba Health	Loans and receivables
Employee future benefits recoverable from Manitoba Health	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Demand loans	Other liabilities
Employee benefits payable	Other liabilities
Long-term debt	Other liabilities
Specific purpose funds	Other liabilities
Nurse recruitment and retention fund	Other liabilities

The carrying value of accounts receivable, employee benefits recoverable from Manitoba Health, employee future benefits recoverable from Manitoba Health, accounts payable and accrued liabilities and employee benefits payable approximates their fair value due to the short-term nature of these instruments. The carrying value of specific purpose funds and nurse recruitment and retention fund approximates their fair value due to the held for trading classification of the underlying investments.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading upon initial recognition. They are measured at fair value at the consolidated statement of financial position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Authority uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

k) Derivative financial instruments

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

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

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

The derivatives are measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations and in accounts receivable or accounts payable and accrued liabilities in the consolidated statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments

Bonds and money market securities are classified as held for trading and are stated at fair value. Unrealized gains and losses, representing the change in the difference between the fair value and the cost of these investments at the beginning and end of each year, are reflected in other income in the consolidated statement of operations. Fair value of investments is determined based on quoted market prices. The Authority recognizes their investments based on settlement dates.

m) Due to/from Manitoba Health

In Globe funding

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

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

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

Out of Globe funding

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Due to/from Manitoba Health (continued)

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

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

The Authority recognizes that the *CICA Handbook* Standards for Not-for-Profit Organizations are changing. As a result of these changes, the Authority has determined it is a Government Not-For-Profit Organization ("GNFPO"). This classification would be applicable to annual financial statements relating to fiscal years beginning on or after January 1, 2012. Under this classification, the standards under the Public Sector Accounting ("PSA") Handbook will be applicable.

In September 2010, the Public Sector Accounting Board ("PSAB") approved the inclusion of the 4400 series from the *CICA Handbook – Accounting* into the PSA Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards were renumbered Sections PS4200 to PS4270. PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with the PS4200 series of standards or the PSA Handbook without the PS4200 series of standards.

The Authority has elected to apply the PSA Handbook with the PS4200 series with a conversion date of April 1, 2012. The most significant impacts to the Authority's financial statements as a result of the conversion to the PSA Handbook with the PS4200 series include but are not limited to: valuation of employee future benefits, valuation of sick leave banks, and impacts resultant from changes in financial instruments. The Authority is in the process of quantifying the impact of these changes for the purposes of restating its financial statements for the fiscal year ended March 31, 2012.

(in thousands of dollars)

5. ACCOUNTS RECEIVABLE

	2012	2011
Manitoba Health - operating, capital and fee for service	$ 73,570	$ 86,975
Accounts receivable from other Province of Manitoba departments	406	491
Facility advances and receivables	1,599	1,028
Patient related and other	33,621	30,747
Allowance for doubtful accounts	(2,589)	(6,981)
	$ 106,607	$ 112,260

6. INVENTORY

	2012			2011
	Held for Sale	Held for Internal Use	Total	Total
Balance, beginning of year	$ 1,191	$ 27,591	$ 28,782	$ 43,771
Amount purchased in year	3,528	154,074	157,602	172,862
Amount expensed in year	(3,622)	(152,274)	(155,896)	(187,492)
Amount written down in year	(20)	(482)	(502)	(453)
Write-downs reversed in year	-	97	97	94
Balance, end of year	$ 1,077	$ 29,006	$ 30,083	$ 28,782

7. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004 changes in the liability related to employee benefits were recoverable from Manitoba Health. Manitoba Health advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

The employee benefits recoverable from Manitoba Health is as follows:

	2012	2011
Balance, beginning of year	$ 78,675	$ 78,675
Balance, end of year	$ 78,675	$ 78,675

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

	2012	2011
Balance, beginning of year	$ 94,907	$ 92,324
Increase in vacation/overtime/statutory holiday entitlements	1,575	2,583
Balance, end of year	$ 96,482	$ 94,907

(in thousands of dollars)

8. CAPITAL ASSETS

		2012	
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 18,307**	**$ -**	**$ 18,307**
Buildings	**1,179,548**	**(444,623)**	**734,925**
Furniture & equipment	**819,727**	**(677,585)**	**142,142**
Computer hardware and software	**138,731**	**(57,509)**	**81,222**
Leasehold improvements	**53,495**	**(14,444)**	**39,051**
Construction in progress	**330,642**	**-**	**330,642**
	$ 2,540,450	**$ (1,194,161)**	**$ 1,346,289**

		2011	
	Cost	Accumulated Amortization	Net Book Value
Land	$ 18,305	$ -	$ 18,305
Buildings	1,112,537	(420,467)	692,070
Furniture & equipment	785,907	(640,443)	145,464
Computer hardware and software	104,050	(48,558)	55,492
Leasehold improvements	49,243	(11,244)	37,999
Construction in progress	259,806	-	259,806
	$ 2,329,848	$ (1,120,712)	$ 1,209,136

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year was $2,299 (2011 - $1,288).

9. INVESTMENTS

	2012	2011
Money market investments	**$ 1,655**	$ 3,368
Government bonds	**34,791**	37,183
Corporate bonds	**32,554**	25,379
Guaranteed Investment Certificates (GICs)	**4,503**	2,405
Mortgage	**-**	537
	73,503	68,872
Less: amounts included with cash and cash equivalents	**(756)**	(3,368)
Less: amounts included with specific purpose funds	**(22,056)**	(21,504)
	50,691	44,000
Less: amounts maturing/redeemable within one year, included in current assets	**(6,099)**	(7,182)
	$ 44,592	$ 36,818

Investments are carried at fair value using quoted market prices, except for the mortgage, which is at amortized cost.

The mortgage of $nil (2011 - $537) was receivable from Parkade Inc., a corporation without share capital whose member is the same as that of the St. Boniface General Hospital. Interest was charged at the rate of 4.2% per annum and mortgage payments were $48 per month including principal and interest. The mortgage was repaid in full in 2012.

(in thousands of dollars)

9. INVESTMENTS (continued)

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

The Authority is exposed to the effects of future changes in the prevailing level of interest rates. Changes in the market interest rates have a direct effect on the fair value of the Authority's investments. The Authority mitigates the interest rate risk exposure of its Government and Corporate bonds and GICs by staggering maturity dates. As at March 31, 2012, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	$ 2,145	$ 2,868	$ 1,086	3.44%
2 to 5 years	18,172	20,071	3,158	3.96%
5 to 10 years	13,465	8,181	-	3.69%
Over 10 years	1,009	1,434	259	4.69%
	$ 34,791	$ 32,554	$ 4,503	

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

10. SPECIFIC PURPOSE FUNDS

Cash and cash equivalents and investments held for specific purposes include the following:

	2012	2011
Cash and cash equivalents	**$ 9,379**	$ 8,233
Investments, at fair value	**22,056**	21,504
	$ 31,435	$ 29,737

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

	2012	2011
Balance, beginning of year	**$ 29,737**	$ 31,612
Grants, bequests and donations	**18,180**	18,499
Investment income	**2,253**	606
Disbursements	**(18,735)**	(20,980)
Balance, end of year	**$ 31,435**	$ 29,737

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

(in thousands of dollars)

11. NURSE RECRUITMENT AND RETENTION FUND

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

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

	2012	2011
Cash and cash equivalents	$ 4,169	$ 3,512

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

	2012	2011
Balance, beginning of year	$ 3,512	$ 4,242
Additions to fund	3,600	2,477
Interest earned on investment	13	17
Fund expenditures	(2,956)	(3,224)
Balance, end of year	$ 4,169	$ 3,512

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Accounts payable and accrued liabilities	$ 161,069	$ 138,498
Accounts payable to Manitoba Health	7,382	9,139
Accrued salaries	40,755	48,671
Holdbacks on construction contracts	3,947	1,673
	$ 213,153	$ 197,981

13. DEMAND LOANS

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

(in thousands of dollars)

14. LONG-TERM DEBT

	2012	2011
1.085% Banker's Acceptance, maturing April 15, 2012 Health Sciences Centre Tecumseh Street Parkade Original Obligation $38,319, Fair value $35,635 (2011 - $36,927)	**$ 35,635**	$ 36,927
Prime minus 0.65% Mortgage payable, maturing December 31, 2013 Health Sciences Centre Kleysen Institute Original Obligation $13,999, Fair value $11,302 (2011 - $13,999)	**11,302**	13,999
7.38% Mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition & Food Services Original Obligation $18,976, Fair value $9,982 (2011 - $11,761)	**9,624**	10,755
5.8% Bank Loan, maturing September 30, 2014 Monthly principal and interest payments $87 St. Boniface General Hospital Atrium Original Obligation $12,400, Fair value $10,272 (2011 - $10,421)	**9,309**	9,803
0.802% Banker's Acceptance, maturing April 27, 2012 Health Sciences Centre Emily Street Parkade Original Obligation $7,256, Fair value $4,654 (2011 - $5,419)	**4,654**	5,419
Prime plus 0.25% Term Loan, maturing September 30, 2022 Monthly principal and interest payments $9 Grace General Hospital Ancillary Parking Lot Original Obligation $1,255, Fair value $1,098 (2011 - $1,203)	**1,098**	1,203
Prime Non-Revolving Term Credit Facility, no fixed maturity Riverview Health Centre Boilers Original Obligation $1,286, Fair value $406 (2011 - $540)	**406**	540
Prime plus 0.25% Term Loan, maturing September 1, 2015 Monthly principal and interest payments $4 Grace General Hospital Hospice Original Obligation $500, Fair value $121 (2011 - $170)	**121**	170
	72,149	78,816
Less amounts due within one year, included in current liabilities	**(47,201)**	(50,898)
	$ 24,948	$ 27,918

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

(in thousands of dollars)

14. LONG-TERM DEBT (continued)

The Health Sciences Centre Tecumseh Street Parkade Loan has been secured with the Tecumseh Street Parkade, which at March 31, 2012 had a net book value of $40,287 (2011 - $41,384). The Health Sciences Centre Emily Street Parkade Loan has been secured with the Emily Street Parkade which at March 31, 2012 had a net book value of $5,570 (2011 - $5,950). The assigned results of the HSC Parking Operations have also been secured against both of the parkade loans.

The Health Sciences Centre Kleysen Institute loan, which has been secured against an assignment of funding pledges, had at March 31, 2012 a net book value of $58,989 (2011 - $51,146). Principal repayments will match the timing of the receipt of the pledges. The Authority anticipates approximately $4,610 of repayment in the next year.

The 5.8% Bank Loan maturing on September 30, 2014 is secured by an assignment of existing and future leases and rents related to the St. Boniface General Hospital Atrium. In accordance with the terms of the loan agreement, the Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any building or land associated with the Atrium without the lender's consent.

The Grace General Hospital Ancillary Parking Lot Loan has been secured with the revenue from the Grace Ancillary parking lot. The Grace General Hospital Hospice Loan has been secured with the Hospice building which at March 31, 2012 had a net book value of $3,284 (2011 - $3,389).

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which at March 31, 2012 amount to $35,000 (2011 - $30,900). As at March 31, 2012, $nil is being utilized (2011 - $nil).

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

2012/13	$	47,201
2013/14		5,419
2014/15		11,969
2015/16		2,715
2016/17		1,739
Thereafter		3,106

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into interest rate swaps to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for each of the Emily Street Parkade and Tecumseh Street Parkade at the Health Sciences Centre. These interest rate swaps relate to banker's acceptances (listed in Note 14), which are automatically renewed monthly until the end of the swap agreement. The notional amount of the Emily swap at March 31, 2012 is $4,654 (2011 - $5,419), maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated as ($136) (2011 - ($13)), resulting in a derivative liability of $136 (2011 - $13).

The notional amount of the Tecumseh swap at March 31, 2012 is $35,635 (2011 - $36,927) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at ($734) (2011 - $385), resulting in a derivative liability of $734 (2011 - derivative asset of $385).

This derivative is measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations and in accounts payable and accrued liabilities in the consolidated statement of financial position.

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

(in thousands of dollars)

16. DEFERRED CONTRIBUTIONS

	2012	2011
Deferred contributions, future expenses	$ 69,080	$ 32,111
Deferred contributions, capital	1,130,654	981,076
Deferred contributions, total	$ 1,199,734	$ 1,013,187

a) Deferred contributions, future expenses

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

	2012	2011
Balance, beginning of year	$ 32,111	$ 44,153
Amount received during the year	48,602	13,889
Transferred to deferred contributions, capital	(3)	(11)
Less: amount recognized as revenue - programs	(11,474)	(25,877)
Less: amount recognized as revenue - non-insured services	(156)	(43)
Balance, end of year	$ 69,080	$ 32,111

b) Deferred contributions, capital

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

	2012	2011
Balance, beginning of year	$ 981,076	$ 922,461
Amount received during the year	218,530	125,761
Transferred from deferred contributions, future expenses	3	11
Less: amount amortized to revenue - programs	(66,136)	(64,303)
Less: amount amortized to revenue - non-insured services	(2,819)	(2,854)
Balance, end of year	$ 1,130,654	$ 981,076

(in thousands of dollars)

16. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

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

		2012		2011
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, Prime less 1.0% to Prime plus 0.50%	**$**	**86,338**	$	103,474
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre		**-**		25,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital		**35,815**		51,365
	$	**122,153**	$	179,839

At March 31, 2012 the value of the sinking fund assets and accumulated interest aggregated $35,815 (2011 - $54,216). Annual payments are made by the Authority/Manitoba Health from cash held in trust, which at March 31, 2012 was $nil (2011 - $2,112).

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

2012/13	$	3,510
2013/14		3,510
2014/15		3,485
2015/16		3,462
2016/17		2,084

(in thousands of dollars)

17. INVESTMENT IN CAPITAL ASSETS

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

	2012	2011
Capital assets	$ 1,346,289	$ 1,209,136
Amounts financed by:		
Deferred contributions	$ (1,130,654)	$ (981,076)
Loans and accounts payable	(119,143)	(147,082)
Investment in capital assets	$ 96,492	$ 80,978

Change in investment in capital assets is calculated as follows:

	2012	2011
a) Surplus (deficit) for the year		
Amortization of capital assets included in programs	$ (71,758)	$ (68,499)
Amortization of capital assets included in non-insured services	(7,982)	(7,890)
Amortization of deferred contributions related to capital assets included in programs	66,136	64,303
Amortization of deferred contributions related to capital assets included in non-insured services	2,819	2,854
	$ (10,785)	$ (9,232)
b) Purchase of capital assets	$ 216,894	$ 145,990
Amounts funded by:		
Capital contributions received during the year	(218,530)	(125,761)
Capital contributions transferred from future expenses	(3)	(11)
Change in capital contributions receivable, loans and accounts payable	27,938	(11,613)
	$ 26,299	$ 8,605
Change in investment in capital assets	$ 15,514	$ (627)

(in thousands of dollars)

18. COMMITMENTS AND CONTINGENCIES

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

b) At March 31, 2012, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2012/13	$	16,250
2013/14		15,078
2014/15		12,624
2015/16		12,299
2016/17		11,745

c) At March 31, 2012, the Authority had capital commitments of approximately $83,014 (2011 - $33,045) and equipment purchase commitments of approximately $7,533 (2011 - $8,503).

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

2012/13	$	8,520
2013/14		6,523
2014/15		5,282
2015/16		3,964
2016/17		1,227

19. HIROC

On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

20. ECONOMIC DEPENDENCE

The Authority received approximately 92% (2011 - 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.

(in thousands of dollars)

21. RELATED ENTITIES

The Authority provides community health services through operations directly owned by the Authority, as well as through other organizations and agencies via a variety of agreements (Notes 1 and 3a). Transactions between the related parties are recorded at the exchange amount. For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, MATC and VENT are controlled (Note 3b) and have been consolidated into the Authority's financial statements.

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

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

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

A financial summary of these entities is as follows:

		2012		2011
Financial Position				
Total assets	$	**2,068**	$	1,789
Total liabilities and deferred contributions		**191**		248
Total net assets	$	**1,877**	$	1,541
Results of Operations				
Total revenue	$	**1,607**	$	1,446
Total expenses		**1,063**		1,184
Surplus from operations	$	**544**	$	262
Cash Flows				
From operating activities	$	**368**	$	302
Used in financing and investing activities		**(135)**		(30)
Increase in cash	$	**233**	$	272

21. RELATED ENTITIES (continued)

a) Controlled entities (continued)

During the year, the entities listed contributed $571 (2011 - $327) to various facilities within the Authority. The Authority incurred expenses of $nil (2011 - $111) with the listed entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of $76 (2011 - $152) receivable from and $nil (2011 - $nil) payable to the entities above.

b) Significant influence

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

During the year, these entities contributed $6,895 (2011 - $4,348) to various facilities within the Authority. The Authority incurred expenses of $39 (2011 - $nil) with the above entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of $1,680 (2011 - $2,483) receivable from and $35 (2011 - $31) payable to the entities above.

c) Economic interest

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

During the year, these entities contributed $6,242 (2011 - $3,269) to various facilities within the Authority. The Authority incurred expenses of $9 (2011 - $nil) with these entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of $2,547 (2011 - $473) receivable from and $100 (2011 - $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. Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service. As at March 31, 2012, the Authority had aggregate amounts of $nil (2011 - $nil) receivable from and $27,013 (2011 - $17,821) payable to proprietary and non-proprietary personal care homes and community health agencies.

22. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

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

1. Four days of salary per year of service upon retirement if the employee meets one of the following conditions:
   i. has 10 years service* and has reached the age of 55
   ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service with the age of the employee
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

   *Non-union policy requires 5 years of service for staff not covered by a collective agreement.

2. One week of pay for each year of service up to 15 years of service and two weeks of additional pay for each five years past the 15 years of service up to 35 years of service upon retirement if the employee meets the following conditions:
   i. has 9 or more years of service
   ii. has reached the age of 55

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

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

(in thousands of dollars)

22. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2011, projected to March 31, 2012. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1% (2011 - 4.7%) and a rate of salary increase of 3.0% (2011 - 3.5%) plus age related merit/promotion scale with no provision for disability.

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

		2012		2011
Employee future benefits recoverable from Manitoba Health	$	**82,302**	$	82,302

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

Balance, beginning of year	$	**147,723**	$	143,324
Net increase in pre-retirement entitlements		**6,944**		4,399
Balance, end of year	$	**154,667**	$	147,723

b) Pension plan

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. The Authority is a Signatory Board and Settlor of the Plan and as such all of the relevant financial information is contained within the financial information of the Plan. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the Plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook* ("CICA") Section 3461.

22. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan (continued)

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation for funding purposes occurred on December 31, 2011, but the results of this valuation are not yet publicly available. As at December 31, 2010, the valuation determined that the Plan was not fully funded, a contribution rate increase was ratified by the Plan Settlors, and it continues to be gradually implemented. The Plan is required to have its next actuarial valuation for funding purposes on or before December 31, 2012. Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $74,662 (2011 - $65,968) and are included in the consolidated statement of operations.

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

Some employees are eligible for membership in the multi-employer City of Winnipeg Employees' Benefits Program, which includes the Civic Employees' Pension Plan. The Civic Employees' Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $1,243 (2011 - $1,142) for current year's contributions.

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 to this plan of $1,388 (2011 - $1,342).

23. CAPITAL DISCLOSURES

The Authority's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide health care services to the community. The capital position of the Authority is managed through its net assets, deferred contributions and loans.

The Authority relies mainly on government funding to finance its operations. The funds provided by the Government of Manitoba are allocated to the various programs based on the priorities identified by the Authority's Board of Directors.

During the year, the Board of Directors internally restricted $890 (2011 - $1,350) of unrestricted net assets to be used for future purchases. Internally restricted amounts are not available for other purposes without approval of the Board of Directors.

The Authority also receives restricted contributions from government, private companies and individuals. Contributions received but not spent by the end of an accounting period are deferred and recognized in the appropriate period. During the year ended March 31, 2012, the Authority complied with the external restrictions imposed by its funders.

The Authority has entered into borrowing facilities to finance the purchase of capital assets. These facilities contain financial covenants. For all borrowing facilities, the Authority is to ensure that the proceeds of external financing arranged to refinance project loans will be first utilized to repay relevant project loans. Additionally, for the Emily Street Parkade and Tecumseh Street Parkade Loans, the Authority is required to maintain a Debt Service Coverage ratio of not less than 110%. During the year ended March 31, 2012, the Authority complied with the financial covenants imposed by its financial institution.

24. SUBSEQUENT EVENTS

Included in the Province of Manitoba's Budget 2012 was the proposal to reduce the number of Regional Health Authorities in Manitoba. On May 30, 2012, a regulation was registered in respect to the Regional Health Authorities Act stating that Winnipeg Regional Health Authority and Churchill RHA Inc. are amalgamated and a new authority still named "Winnipeg Regional Health Authority" is established for the Winnipeg-Churchill Health Region.

25. COMPARATIVE FIGURES

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

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 1 - Other Income
For the year ended March 31
(in thousands of dollars)

		2012		2011
Separately funded primary health programs	$	**4,425**	$	4,724
Other government revenue		**11,774**		10,398
Patient and resident income		**34,286**		32,044
Radiology fee for service		**13,901**		13,782
Recoveries		**54,531**		49,560
Investment income		**1,999**		1,979
Miscellaneous income		**1,233**		10,732
Total	$	**122,149**	$	123,219

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

		2012		2011
Non-proprietary Personal Care Homes				
Actionmarguerite - St. Boniface (formerly Taché Centre)	$	**17,970**	$	16,729
Actionmarguerite - St. Vital (formerly Foyer Valade Inc.)		**7,167**		6,925
Bethania Mennonite Personal Care Home		**6,802**		6,505
Calvary Place Personal Care Home		**5,292**		5,098
Convalescent Home of Winnipeg		**3,546**		3,364
Donwood Manor Personal Care Home		**5,797**		5,606
Fred Douglas Lodge		**6,506**		6,382
Golden Links Lodge		**4,091**		4,015
Golden West Centennial Lodge		**5,156**		4,943
Holy Family Nursing Home		**13,133**		12,625
Lions Personal Care Centre		**5,196**		5,063
Luther Home		**3,901**		3,810
Meadowood Manor		**3,895**		3,818
Middlechurch Home of Winnipeg		**9,724**		9,350
Park Manor Personal Care Home		**4,673**		4,576
Pembina Place Mennonite Personal Care Home		**2,968**		2,883
Southeast Personal Care Home		**2,959**		75
Sharon Home		**9,641**		9,099
St. Joseph's Residence		**4,839**		4,655
West Park Manor		**6,556**		6,318
Supportive Housing		**8,070**		7,539
Faith Gardens Inc.		**15**		15
Miscellaneous Funding Adjustments		**1,658**		1,250
Total	$	**139,555**	$	130,643
Proprietary Personal Care Homes				
Central Park Lodge - Beacon Hill	$	**8,484**	$	8,318
Central Park Lodge - Charleswood Care Centre		**6,889**		6,725
Central Park Lodge - Heritage Lodge		**4,277**		4,081
Central Park Lodge - Kildonan Personal Care Home		**6,123**		6,066
Central Park Lodge - Maples Personal Care Home		**9,726**		9,384
Central Park Lodge - Parkview Place		**13,648**		13,418
Central Park Lodge - Poseidon Care Centre		**10,182**		9,942
Extendicare - Oakview Place		**10,847**		10,493
Extendicare - Tuxedo Villa		**9,131**		8,994
Golden Door Geriatric Centre		**3,547**		3,514
River East Personal Care Home		**5,806**		5,682
St. Norbert Nursing Home		**3,808**		3,734
Vista Park Lodge		**4,752**		4,643
Miscellaneous Funding Adjustments		**919**		582
Total	$	**98,139**	$	95,576
Rural Proprietary Personal Care Homes				
Central Park Lodge - Valley View	$	**4,091**	$	4,057
Extendicare - Hillcrest Place		**4,562**		4,455
Extendicare - Red River Place		**4,923**		4,840
St. Adolphe Personal Care Home		**2,025**		1,947
Tudor House Personal Care Home		**3,659**		3,581
Miscellaneous Funding Adjustments		**-**		1
Total	$	**19,260**	$	18,881
Residential Care				
St. Amant Centre	$	**27,781**	$	26,479
Total	$	**284,735**	$	271,579

The facility funding reported on this schedule reflects approximately 74% (2011 - 74%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2012, Drug Capitation Fees of $2,829 (2011 - $2,181) were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes.

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding
For the year ended March 31
(in thousands of dollars)

		2012		2011
Aboriginal Health & Wellness Centre	$	**1,292**	$	1,175
Centre de Santé		**2,603**		2,537
Hope Centre Health Care Incorporated		**1,047**		1,023
Klinic Incorporated		**6,848**		6,567
Main Street Project Inc.		**2,555**		1,871
MFL Occupational Health and Safety Inc.		**789**		778
Mount Carmel Clinic		**7,417**		7,348
Nine Circles Community Health Centre Inc.		**3,482**		3,463
Nor'West Co-op Community Health Centre, Inc.		**1,688**		1,463
Rehabilitation Centre for Children, Inc.		**2,750**		2,683
Sexuality Education Resource Centre Manitoba, Inc.		**1,103**		1,040
Women's Health Clinic, Inc.		**3,890**		3,228
Clinique Youville Clinic Inc.		**2,602**		2,560
Miscellaneous Funding Adjustments		**1**		1
Total	**$**	**38,067**	$	35,737

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Adult Day Care Facility Funding
For the year ended March 31, 2012
(in thousands of dollars)

	2012	2011
Convalescent Home of Winnipeg	$ **57**	$ 56
Fred Douglas Lodge	**210**	204
Golden Links Lodge	**96**	93
Golden West Lodge	**182**	176
Holy Family Nursing Home	**269**	262
Independent Living Resource Centre	**114**	111
Lions Personal Care Centre	**175**	174
Lions Place - Charleswood	**322**	313
Lions Place - Concordia	**207**	201
Lions Place - 610 Portage	**243**	236
Luther Home	**107**	103
Middlechurch Home of Winnipeg	**272**	264
Extendicare - Oakview Place	**159**	154
Park Manor Personal Care Home	**157**	153
Sharon Home	**86**	83
South YM/YWCA	**170**	165
Taché Centre	**421**	409
Miscellaneous Funding Adjustments	**2**	-
Total	$ **3,249**	$ 3,157

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

	2012	2011
Aboriginal Seniors Resource Centre	$ 172	$ 169
Age & Opportunity Centre Inc.	507	573
ALS House (Brummit Feasby)	415	408
Alzheimer's Society of Manitoba	93	93
Andrews Street Family Centre	40	23
Betelstadur Housing Co-op	7	7
Bethania Personal Care Home	9	12
Bethel Place	38	38
Bonivital Council for Seniors	40	39
Broadway Seniors Resource Council Inc.	40	39
Brooklands Pioneer Senior Citizens Club	25	-
Canadian Mental Health Association	1,303	982
Central Speech & Hearing Clinic Inc.	266	101
Charleswood Senior Centre	48	46
Chez Nous Inc.	20	19
City of Winnipeg - Emergency Services	5,609	5,529
Clubhouse of Winnipeg Inc.	420	412
CNIB	12	12
Columbus Manor	20	19
Community Therapy Services - Mental Health	219	217
Creative Retirement Manitoba	48	46
Donwood Manor	121	118
Doray Enterprises	-	332
Fort Garry Services Inc.	38	38
Foyer Vincent Inc.	20	19
Friends Housing Inc.	96	94
Good Neighbours Senior Centre Inc.	131	128
Gwen Secter Creative Living Centre	59	58
Hospice & Palliative Care Manitoba	84	83
Jewish Child and Family	41	36
Jocelyn House	291	285
Keewatin Inkster	97	95
KeKinan Centre Inc.	15	12
Kingsford Haus Co-op Ltd.	12	12
La Federation de Franco MB	25	24
L'Accueil Colombien Inc.	19	18
Lindenwood Manor	102	100
Lions Club	38	37
Manitoba Association of Multipurpose Senior Centres	8	4
Manitoba Brain Injury Program	51	-
Manitoba Cardiac Institute (Reh-fit)	766	754
Manitoba Eastern Star Chalet	12	12
Manitoba Housing Authority	355	348

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

	2012	2011
MacDonald Youth Services	**331**	324
McClure	**12**	12
Meals on Wheels of Winnipeg Inc.	**162**	159
Metropolitan Kiwanis Courts	**103**	101
Middlechurch Home of Winnipeg	**47**	47
Park Manor Personal Care Home	**83**	82
Pembina Active Living 55+	**25**	-
Pembina Place	**37**	37
Rainbow Resource Centre	**351**	305
River East Council for Seniors	**64**	62
Rose & Max Rady Jewish Community Centre	**18**	17
Ruperts Land Caregiver Services	**68**	57
S.S.C.O.P.E. Incorporated	**224**	102
Salvation Army	**253**	248
Salvation Army - Grace Hospital	**-**	500
Sara Riel Inc.	**970**	930
Seniors Home Help Inc.	**77**	75
Seneca House	**382**	374
Serena Manitoba Inc.	**12**	12
Seven Oaks Seniors Link	**40**	39
Seven Oaks Wellness Centre	**886**	836
Society for Manitobans with Disabilities	**1,518**	1,452
South Winnipeg Senior Resource Council Inc.	**64**	63
St. James/Assiniboia Senior Centre Inc.	**99**	97
Stay Young Centre	**18**	18
Transcona Council for Seniors	**48**	43
University of Manitoba	**1,973**	969
Villa Cabrini Inc.	**38**	38
Villa Nova	**12**	12
Villa Tache	**30**	30
Willow Centre	**12**	12
Winnipeg Housing Rehab Corp.	**19**	18
Wolseley Family Centre	**99**	97
YM/YWCA of Winnipeg	**186**	182
Total	**$ 19,993**	$ 18,741

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 6 - Internally Restricted Net Assets
For the year ended March 31
(in thousands of dollars)

	2012											2011
	Internally Restricted Net Assets											
	Laundry Capital Assets	Concordia Capital Assets	Deer Lodge Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Health Sciences Centre Internally Restricted	Riverview Internally Restricted	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total	Total
Balance, beginning of year	$ 1,972	$ 895	$ 149	$ 3,042	$ 255	$ 4,137	$ 1,947	$ 3,444	$ 5,390	$ 6,588	$ 27,819	$ 26,974
Surplus (deficit) for the year	-	-	-	-	-	11	-	176	627	(1)	813	$ 1,661
Purchase of capital assets, net	(152)	-	-	-	-	(520)	-	-	-	-	(672)	$ (2,165)
Net asset restrictions	812	-	-	-	-	469	37	-	(428)	-	890	$ 1,349
Balance, end of year	$ 2,632	$ 895	$ 149	$ 3,042	$ 255	$ 4,097	$ 1,984	$ 3,620	$ 5,589	$ 6,587	$ 28,850	$ 27,819

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Nature of Expense

For the year ended March 31

(unaudited)

(in thousands of dollars)

	2012	2011
REVENUE		
Manitoba Health operating income	$ 2,294,399	$ 2,182,631
Other income (Schedule 1)	122,149	123,219
Amortization of deferred contributions, capital	66,136	64,303
Recognition of deferred contributions, future expenses	11,474	25,877
	2,494,158	2,396,030
EXPENSES		
Salaries and wages	1,351,776	1,308,669
Medical remuneration	213,290	193,890
Printing, stationery and office supplies	6,529	6,269
Housekeeping, laundry and linen	19,957	19,097
Utilities, insurance and taxes	38,993	38,926
Food and dietary supplies	34,117	25,237
Medical and surgical supplies	125,551	121,618
Pharmaceutical supplies	56,218	55,783
Diagnostic supplies	24,966	23,863
Miscellaneous and other	50,185	69,354
Repairs and maintenance	66,780	62,579
Referred out services	66,025	56,822
Radiology fee for service costs	13,910	13,818
Interest	676	584
Amortization of capital assets	71,758	68,499
Employee future benefits	6,944	4,399
Non-acute care facility and grant funding	346,779	329,932
	2,494,454	2,399,339
OPERATING DEFICIT	(296)	(3,309)
NON-INSURED SERVICES		
Non-insured services income	63,598	62,269
Non-insured services expenses	61,514	56,797
NON-INSURED SERVICES SURPLUS	2,084	5,472
SURPLUS FOR THE YEAR	$ 1,788	$ 2,163

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

	2012	2011
REVENUE		
Manitoba Health operating income	$ **2,294,399**	$ 2,182,631
Other income (Schedule 1)	**122,149**	123,219
Amortization of deferred contributions, capital	**66,136**	64,303
Recognition of deferred contributions, future expenses	**11,474**	25,877
	2,494,158	2,396,030
EXPENSES		
Program costs		
Anaesthesia	**15,538**	14,819
Breast health	**2,703**	2,488
Cardiac sciences	**76,253**	72,299
Child health	**107,026**	104,391
Child, adolescent and mental health	**20,153**	19,785
Critical care	**62,802**	54,855
Diagnostic imaging	**65,824**	65,333
Diagnostic imaging - Radiology Fee for Service	**13,800**	13,747
Emergency	**90,728**	87,194
Family medicine	**39,941**	38,590
Genetics	**1,491**	1,357
Health Links	**6,634**	6,719
Laboratories	**84,852**	80,099
Medicine	**119,240**	110,558
Renal health	**59,346**	59,172
Mental health	**40,546**	40,165
Oncology	**5,211**	8,767
Oral health	**492**	499
Palliative care	**12,143**	9,541
Psychology	**4,394**	4,390
Rehab/Geriatrics	**62,756**	61,892
Surgery	**227,166**	219,269
Tele-health	**2,610**	2,457
Women's health	**51,194**	50,980
Long-term care	**63,632**	62,689
Residents and interns	**33,880**	32,944
Other diagnostic and therapeutic services	**47,168**	43,131
Pharmacy	**37,525**	35,566
Community based home care services	**205,614**	199,477
Community based mental health services	**21,927**	20,225
Community based primary health services	**39,822**	38,080
Separately funded primary health programs	**9,873**	9,528
	1,632,284	1,571,006

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

	2012	2011
Indirect service costs		
Corporate and support services	**75,751**	74,995
Clinical and non-clinical support services	**93,299**	92,865
Information services		
eHealth information services (Schedule A)	**75,369**	61,716
Other information services	**1,576**	938
Facility services	**158,288**	162,645
Marketed services	**98**	127
Research and education services	**9,670**	9,698
	414,051	402,984
Other costs		
Non-acute care facility and grant funding	**346,779**	329,932
Aboriginal services and strategies	**2,890**	2,417
Other costs	**19,072**	19,518
Employee future benefits	**6,944**	4,399
Interest	**676**	584
Amortization of capital assets	**71,758**	68,499
	448,119	425,349
	2,494,454	2,399,339
OPERATING DEFICIT	**(296)**	(3,309)
NON-INSURED SERVICES		
Non-insured services income	**63,598**	62,269
Non-insured services expenses	**61,514**	56,797
NON-INSURED SERVICES SURPLUS	**2,084**	5,472
OPERATING AND NON-INSURED SURPLUS	**$ 1,788**	$ 2,163

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
Schedule A - Manitoba eHealth Operating Results
For the year ended March 31
(unaudited)
(in thousands of dollars)

	2012	2011
REVENUE		
Manitoba Health operating income	**$ 61,798**	$ 53,181
Recoveries	**13,847**	10,932
	75,645	64,113
EXPENSES		
Salaries, wages, and employee benefits	**42,017**	37,439
Data communications	**2,240**	1,897
License fees	**2,821**	2,041
Hardware and software maintenance	**17,462**	11,847
Buildings and ground expense	**2,724**	2,633
Miscellaneous and other	**8,105**	5,860
	75,369	61,716
OPERATING SURPLUS	**276**	2,397
Manitoba Health operating income reduction	**(276)**	(2,397)
SURPLUS FOR THE YEAR	**$ -**	$ -

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

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 and Development, Community Health Assessment, Risk Management, Internal Audit, Finance and Accounting, Communications, Telecommunications, and Mail Service.

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

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

(in thousands of dollars)

ADMINISTRATIVE COSTS (continued)

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

	2012						2011					
	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	**$52,939**	**2.24%**	**$14,069**	**5.99%**	**$67,008**	**2.58%**	$54,323	2.39%	$14,797	6.59%	$69,120	2.77%
Recruitment and Human Resources	**22,825**	**0.97%**	**1,228**	**0.52%**	**24,053**	**0.93%**	22,469	0.99%	631	0.28%	23,100	0.92%
Patient Care Related	**18,402**	**0.78%**	**18**	**0.01%**	**18,420**	**0.71%**	15,155	0.66%	24	0.01%	15,179	0.61%
	$94,166	**3.99%**	**$15,315**	**6.52%**	**$109,481**	**4.22%**	$91,947	4.04%	$15,452	6.88%	$107,399	4.30%

The 2012 figures presented are based on preliminary data available at time of publication. Restatements were made to the 2011 figures to reflect the final data that was submitted after the publication date, and for the inclusion of Manitoba Telehealth (as per request from Manitoba Health). As a result, the total administrative costs were increased by $1,819 ($1,739 due to Manitoba Telehealth inclusion), with a corresponding increase to the overall administrative cost percentage of 0.01%.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of 3885136 Manitoba Association (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, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 25, 2012

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

	2012	2011
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 5,426,698**	$ 5,223,142
Residential charge	**1,755,313**	1,730,122
Amortization of deferred contributions - property	**277,043**	261,422
Investment income	**18,927**	14,794
Other income	**16,567**	13,398
	7,494,548	7,242,878
EXPENSES		
Salaries	**4,691,620**	4,604,320
Employee benefits	**906,155**	805,270
Payroll tax	**100,577**	98,581
Incontinence supplies	**51,635**	51,104
Medical and surgical supplies	**40,386**	37,333
Operating - Schedule	**897,392**	865,777
Physical plant - Schedule	**291,617**	281,290
Amortization	**277,043**	261,422
Administration - Schedule	**101,168**	78,415
Nursing - Schedule	**176,657**	181,017
	7,534,250	7,264,529
DEFICIENCY OF INCOME OVER EXPENSES FOR THE YEAR	**(39,702)**	(21,651)
Unrestricted net assets, beginning of year	**450,575**	472,226
Unrestricted net assets, end of year	**410,873**	450,575

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2012

		2012		2011
ASSETS				
CURRENT				
Cash	$	**523,750**	$	1,766,986
Accounts receivable		**373,345**		536,396
G.S.T. recoverable		**6,439**		5,135
Supplies		**16,751**		17,629
Prepaid expenses		**6,215**		6,137
Due from Manitoba Health - vacation pay		**228,184**		228,184
		1,154,684		2,560,467
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS		**391,848**		348,032
FIXED ASSETS (Note 3)		**6,565,795**		6,819,717
TRUST AND ACTIVITY FUND ASSETS		**156,249**		141,136
	$	**8,268,576**	$	9,869,352
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 4)	$	**669,944**	$	619,692
Due to Winnipeg Regional Health Authority		**73,867**		1,490,200
		743,811		2,109,892
PRE-RETIREMENT ENTITLEMENTS		**391,848**		348,032
DEFERRED CONTRIBUTIONS (Note 5)		**6,565,795**		6,819,717
TRUST AND ACTIVITY FUND LIABILITIES		**156,249**		141,136
		7,857,703		9,418,777
CONTINGENCY (Note 6)				
NET ASSETS				
Unrestricted		**410,873**		450,575
	$	**8,268,576**	$	9,869,352

APPROVED BY THE BOARD

. . . . Director

. . . . Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Deficiency of income over expenses for the year	$ **(39,702)**	$ (21,651)
Items not affecting cash		
Amortization	**277,043**	261,422
Amortization of deferred contributions - property	**(277,043)**	(261,422)
	(39,702)	(21,651)
Changes in non-cash operating working capital items		
Accounts receivable	**163,051**	297,176
G.S.T. recoverable	**(1,304)**	256
Supplies	**878**	1,098
Prepaid expenses	**(78)**	(302)
Due from Manitoba Health - pre-retirement entitlements	**(43,816)**	(30,926)
Accounts payable and accrued liabilities	**50,252**	2,918
Due to Winnipeg Regional Health Authority	**(1,416,333)**	(49,159)
Pre-retirement entitlements	**43,816**	30,926
	(1,243,236)	230,336
FINANCING ACTIVITY		
Deferred contributions received	**23,121**	43,781
INVESTING ACTIVITY		
Fixed asset purchases	**(23,121)**	(43,781)
NET (DECREASE) INCREASE IN CASH POSITION	**(1,243,236)**	230,336
CASH POSITION, BEGINNING OF YEAR	**1,766,986**	1,536,650
CASH POSITION, END OF YEAR	$ **523,750**	$ 1,766,986

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2012

1. DESCRIPTION OF ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Personal Care Home has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA ") permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook. The Personal Care Home applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 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.

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:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fixed assets (continued)

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 service and have reached the age of 55, or
- Qualify for the "eighty" rule which is calculated by adding the number of year's 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 year-end 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 estimated vacation pay at March 31, 2004 was accrued to enable an appropriate matching of expenses with income secured at that date. For the year ended March 31, 2005 and onwards Manitoba Health is no longer funding this liability and the change in the current year liability is recorded as a charge against current year operations. The receivable from Manitoba Health includes only the accrued liability to March 31, 2004.

e) Financial risk

Financial risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Personal Care Home does not use derivative instruments to reduce its exposure to interest rate risk.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial risk (continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. In addition, the Personal Care Home is exposed to credit risk from its residents. However, at year-end virtually all of the accounts receivable were due from government agencies, which minimizes the credit risk.

Fair value

The fair value of cash, accounts receivable, accounts payable and accrued liabilities, and due to Winnipeg Regional Health Authority approximate their carrying value due to their short-term maturity. The fair value of the current and long term asset future employee benefits recoverable from Manitoba Health and the long term liability pre-retirement entitlements payable could not be determined because there are no specific terms of repayment.

f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

g) *Financial assets and financial liabilities*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of such instruments. Settlement date accounting is used.

<u>Classifications</u>

Cash	Held for trading
Accounts receivable	Loans and receivables
Due from Manitoba Health – vacation pay and pre-retirement entitlements	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to Winnipeg Regional Health Authority	Other liabilities
Pre-retirement entitlements	Other liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and financial liabilities (continued)

Held for trading

Held for trading financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

h) Future accounting changes

In December 2010, the Accounting Standards Board issued a new accounting framework applicable to not-for-profit organizations in the private sector. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations in the private sector will have to choose between International Financial Reporting Standards and Accounting Standards for Not-for-Profit Organizations, whichever suits them best. The Personal Care Home currently plans to adopt Accounting Standards for Not-for-Profit Organizations for its fiscal year beginning on April 1, 2012; however, the impact of this transition has not yet been determined.

3. FIXED ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ **424,712**	$ **-**	$ **424,712**	$ 424,712
Building	**8,582,369**	**2,619,963**	**5,962,406**	6,158,608
Computer equipment and software	**60,969**	**60,969**	**-**	-
RDF equipment	**300,947**	**300,947**	**-**	-
Nursing equipment	**124,862**	**101,277**	**23,585**	25,345
Furniture	**644,362**	**497,970**	**146,392**	189,171
Major equipment	**138,574**	**129,874**	**8,700**	21,881
	$10,276,795	**$ 3,711,000**	**$ 6,565,795**	$ 6,819,717

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade	$ **199,662**	$ 132,077
Wages and employee benefits payable	**135,210**	147,455
Accrued vacation pay	**322,764**	331,116
Other	**-**	9,044
	$ **657,636**	$ 619,692

5. DEFERRED CONTRIBUTIONS – FIXED ASSETS

The deferred contributions balance at the beginning 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.

	2012	2011
Balance, beginning of year	**$ 6,819,717**	$ 7,037,358
Contributions received	**23,121**	43,781
Amortization	**(277,043)**	(261,422)
Balance, end of year	**$ 6,565,795**	$ 6,819,717

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.

7. PENSION PLAN (continued)

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 $374,859 (2011 - $327,261) and are included in the statement of operations.

8. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Residence, when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Capital management objectives, policies and procedures are unchanged since the preceding year.

9. COMPARATIVE FIGURES

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

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

	2012	2011
OPERATING EXPENSES		
Food	**$ 763,827**	$ 739,801
Other supplies and expenses	**60,498**	54,726
Purchased services	**73,067**	71,250
	$ 897,392	$ 865,777
PHYSICAL PLANT EXPENSES		
Heat, light and power	**$ 108,707**	$ 106,476
Insurance and property taxes	**94,457**	82,750
Repairs and maintenance	**49,714**	55,720
Water	**38,739**	36,344
	$ 291,617	$ 281,290
ADMINISTRATION EXPENSES		
Membership fees	**$ 3,149**	$ 4,336
Postage and delivery	**1,733**	1,405
Printing, stationery and office supplies	**25,696**	20,182
Professional fees	**57,022**	40,199
Sundry	**2,092**	2,370
Telephone and fax	**11,199**	9,369
Travel and education	**277**	554
	$ 101,168	$ 78,415
NURSING EXPENSES		
Oxygen	**$ 584**	$ 1,509
Department supplies	**60**	190
Travel - ambulance, stretcher, taxi	**17,881**	11,192
One on One care	**137,680**	147,930
Companion Regular	**17,315**	13,547
Minor equipment purchase	**3,137**	6,649
	$ 176,657	$ 181,017

KPMG

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Actionmarguerite (Saint-Boniface) Inc. and Actionmarguerite (Saint-Vital) Inc., which comprise the combined statements of financial position as at March 31, 2012 and March 31, 2011, the combined statements of operations and changes in fund balances and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

KPMG

Opinion

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

Other Matter

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

KPMG LLP

Chartered Accountants

June 22, 2012

Winnipeg, Canada

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

Combined Statements of Financial Position

As at March 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 5,735,660	$ 5,107,699
Construction holdback held in trust	-	9,638
Accounts receivable	260,634	159,405
Employee benefits recoverable from Winnipeg Regional Health Authority (note 2)	1,209,435	1,209,435
Receivable from Winnipeg Regional Health Authority (note 3)	2,234,986	1,617,886
Current portion of long-term receivables from Winnipeg Regional Health Authority (note 4)	53,107	-
Inventory	118,994	112,977
Prepaid expenses	178,767	209,518
	9,791,583	8,426,558
Residents' funds in trust (note 5)	49,652	49,712
Long-term receivables from Winnipeg Regional Health Authority (note 4)	437,912	-
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 2)	2,424,858	2,306,783
Capital assets (note 6)	18,535,275	18,340,975
Leasehold estate (note 7)	62,475	65,806
Other assets	1,000	1,000
	$ 31,302,755	$29,190,834

	2012	2011
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Bank indebtedness (note 8)	$ 128,645	$ 215,798
Accounts payable	433,838	683,000
Accrued liabilities	4,244,409	3,959,355
Advances from Winnipeg Regional Health Authority (note 9)	450,000	100,000
Bank loan (note 10)	102,533	123,413
Current portion of obligation under capital lease (note 11)	9,119	9,119
Current portion of long-term debt (note 12)	174,891	111,917
	5,543,435	5,202,602
Residents' funds in trust (note 5)	49,652	49,712
Future employee pre-retirement benefits payable (note 2)	2,806,076	2,688,001
Obligation under capital lease (note 11)	-	9,119
Long-term debt (note 12)	3,225,590	2,904,923
	6,081,318	5,651,755
	11,624,753	10,854,357
Deferred contributions for (note 13):		
Expenses of future periods	1,031,194	22,458
Capital assets	15,071,610	14,971,475
	16,102,804	14,993,933
Fund balances:		
Capital Fund (note 14)	955,813	689,955
Internally restricted fund (note 15)	2,619,385	2,652,589
	3,575,198	3,342,544
	$ 31,302,755	$ 29,190,834

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:

____

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Date June 25, 2012

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

Combined Statements of Operations and Changes in Fund Balances

Years ended March 31, 2012 and 2011

	Operating Fund	Ancillary Operations Fund	Internally Restricted Fund	Capital Fund	2012 Total	2011 Total
Revenue:						
Winnipeg Regional Health Authority	$26,214,514	$ -	$ -	$ -	$26,214,514	$25,077,605
Resident and service fees	7,864,232	-	-	-	7,864,232	7,813,151
	34,078,746	-	-	-	34,078,746	32,890,756
Amortization of deferred contributions (note 13)	-	-	-	913,370	913,370	858,429
Offset income:						
Cafeteria	171,173	-	-	-	171,173	177,793
Interest	4,549	-	70,526	-	75,075	65,609
Donations	18,180	-	43,678	-	61,858	92,504
Fundraisers	-	-	6,535	-	6,535	10,206
Parking	116,106	-	-	-	116,106	111,308
Shared services	-	-	-	-	-	-
Grants	10,666	-	-	-	10,666	20,100
Recoveries:						
General	373,062	-	-	-	373,062	334,216
Ancillary operations (note 13)	-	13,905	-	-	13,905	13,997
	693,736	13,905	120,739	-	828,380	825,733
	34,772,482	13,905	120,739	913,370	35,820,496	34,574,918
Expenses:						
Amortization	-	-	-	983,745	983,745	889,174
Salaries and wages	24,462,430	-	-	-	24,462,430	23,536,123
Employee benefits	5,378,239	-	-	-	5,378,239	4,916,642
Other supplies and expenses	717,101	-	6,072	-	723,173	691,126
Medical and surgical supplies	484,276	-	-	-	484,276	460,413
Drugs	8,796	-	-	-	8,796	11,576
Food costs	1,309,133	-	-	-	1,309,133	1,218,546
Utilities	643,375	-	-	-	643,375	725,739
Telephone and sundry	138,866	-	-	-	138,866	144,283
Travel	255,838	-	-	-	255,838	255,264
Professional and other fees	213,432	-	-	-	213,432	242,992
Advertising and public relations	16,453	-	-	-	16,453	11,470
Insurance	74,955	-	-	-	74,955	69,058
Equipment	362,834	-	-	-	362,834	329,266
Buildings and grounds	354,183	-	14,887	-	369,070	367,381
Interest	229,521	-	-	-	229,521	237,739
Ancillary operations	-	13,905	-	-	13,905	13,997
	34,649,432	13,905	20,959	983,745	35,668,041	34,120,786
Excess (deficiency) of revenue over expenses before the undernoted	123,050	-	99,780	(70,375)	152,455	454,132
Winnipeg Regional Health Authority prior year adjustments	-	-	80,199	-	80,199	-
Winnipeg Regional Health Authority future employee benefits recoverable (note 2)	118,075	-	-	-	118,075	28,567
Future employee pre-retirement benefits obligation (note 2)	(118,075)	-	-	-	(118,075)	(28,567)
Excess (deficiency) of revenue over expenses	123,050	-	179,979	(70,375)	232,654	454,132
Fund balances, beginning of year	-	-	2,652,589	689,955	3,342,544	2,888,413
Transfer to Capital Fund	(144,623)	-	(191,610)	336,233	-	-
Transfer of Personnal Care Home Program deficit	50,974	-	(50,974)	-	-	-
Transfer of Adult Day Program surplus	(4,907)	-	4,907	-	-	-
Transfer of Supportive Housing Program surplus	(24,494)	-	24,494	-	-	-
Fund balances, end of year	$ -	$ -	$2,619,385	$955,813	$ 3,575,198	$ 3,342,544

See accompanying notes to combined financial statements.

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

Combined Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 232,654	$ 454,131
Adjustments for:		
Amortization of capital assets	983,745	889,174
Amortization of deferred contributions related to capital assets	(913,370)	(858,429)
Change in the following:		
Construction holdback held in trust	9,638	(9,638)
Accounts receivable	(101,229)	(31,971)
Receivable from Winnipeg Regional Health Authority	(617,100)	24,068
Inventory	(6,017)	(695)
Prepaid expenses	30,751	(57,027)
Future employee pre-retirement benefits recoverable	(118,075)	(28,567)
Accounts payable	(249,162)	204,751
Accrued liabilities	285,054	641,447
Advances from Winnipeg Regional Health Authority	350,000	(498,411)
Future employee pre-retirement benefits payable	118,075	28,567
Deferred contributions received related to future periods	1,022,641	18,982
Deferred contributions recognized as revenue in the year	(13,905)	(13,997)
	1,013,700	762,385
Investing:		
Long-term receivables from Winnipeg Regional Health Authority	(491,019)	-
Increase in deferred contributions related to capital assets	1,013,505	695,893
Additions to capital assets	(1,174,714)	(906,400)
	(652,228)	(210,507)
Financing:		
Bank indebtedness	(87,153)	67,153
Repayments on bank loan	(20,880)	(20,880)
Repayments on obligation under capital lease	(9,119)	(9,119)
Proceeds from long-term financing	495,562	-
Repayments of long-term debt principal	(111,921)	(102,860)
	266,489	(65,706)
Increase in cash	627,961	486,172
Cash and cash equivalents, beginning of year	5,107,699	4,621,527
Cash and cash equivalents, end of year	$5,735,660	$5,107,699
Supplemental cash flow information:		
Cash and cash equivalents is comprised of the following:		
Cash	$3,830,472	$2,729,080
Cash equivalents	1,905,188	2,378,619
	$5,735,660	$5,107,699
Interest received	$ 70,551	$ 76,239
Interest paid	232,661	238,465

Excluded from the financing and investing activities is non-cash consideration relating to obligations under capital lease of nil (2011 - $27,357).

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements

Years ended March 31, 2012 and 2011

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

Saint-Boniface functions as a bilingual long-term care facility and also provides a respite program, Adult Day Program and provides care services for the Supportive Housing Program. Saint-Vital functions as a long-term care facility mandated by the Provincial Government to provide services to French speaking residents.

1. Significant accounting policies:

a) Basis of presentation:

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

(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. Fund balances comprise operating surplus. Withdrawals from the fund balances require the approval of the Member of the Corporations.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

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

(b) Fund accounting (continued):

All other assets, liabilities, revenues and expenses are reported in the Operating Fund.

(c) Revenue recognition:

The Corporations are funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with Service Purchase Agreements. The Service Purchase Agreements for the Adult Day Program and the Personal Care Home Program for the Corporations expired on March 31, 2012, however they continue to be in effect until new agreements are finalized.

As the care provider for the Supportive Housing Program at Chez Nous and Windsor Park Place, funding is received from the WRHA in accordance with a Service Purchase Agreement which will expire September 30, 2013. Operating grants are recorded as revenue in the period to which they relate.

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

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

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

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.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash and investments in term deposits with maturity of less than 90 days. These short term investments are recorded at cost which approximates current market value.

(e) Operating deficits or surpluses:

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

(f) Capital assets:

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

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

Asset	Rate
Land improvements	5%
Buildings	2%
Equipment and building service equipment and software licenses and fees	6 1/4% to 20%

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(g) Leasehold estate:

The value assigned 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:

Initially, all financial assets and liabilities must be recorded on the combined statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The Corporations designated cash and cash equivalents as held-for-trading; accounts receivable, receivable from WRHA and long-term receivable from WRHA, employee benefits and future employee pre-retirement benefits recoverable from WRHA as loans and receivables; other assets as available-for-sale; and bank indebtedness, accounts payable, accrued liabilities, advances from WRHA, bank loan and long-term debt as other liabilities. The Corporations do not have held-to-maturity financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the combined statement of operations as incurred.

The Corporations have adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments – Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments – Disclosures, and Section 3863,

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

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

(h) Financial instruments (continued):

Financial Instruments – Presentation, the Corporations have elected not to adopt these standards in the combined financial statements.

(i) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(j) Employee benefits:

The Corporations record a provision for employee benefits comprised of accrued vacation. A further provision for future employee 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. Funding for portions of these obligations remains outstanding as disclosed in note 2.

The cost of the Corporations' employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

(k) Income taxes:

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

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

2. **Employee benefits:**

(i) The Corporations maintain employee pre-retirement benefit plans for substantially all of their employees. The plans provide benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2012, based on an actuarial estimate, the pre-retirement benefit plans' obligations are estimated to be $2,806,076 (2011 - $2,688,001) for which the Corporations have recorded an accrued future employee pre-retirement benefits liability on the combined statements of financial position.

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 Corporations' future employee benefits payable include mortality and withdrawal rates, a discount rate of 4.10 percent (2011 – 4.70 percent), a rate of salary increase of 3.00 percent (2011 – 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

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 2012 was $118,075 (2011 – $28,567) and is recorded in the combined statements of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2012 aggregates $2,424,858 (2011 - $2,306,783) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grants provided to the Corporations. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Since 2010, including 2012, actual funding provided by WRHA has been 100 percent of actual pre-retirement benefits paid.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

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2. Employee benefits (continued):

(ii) 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, 2012 is $1,795,983 (2011 - $1,715,517).

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of $1,209,435 as included on the combined statements of financial position. The employee benefits recoverable from the WRHA are maintained at the value of the vacation benefits liability at March 31, 2004.

3. Receivable from Winnipeg Regional Health Authority:

	2012 Saint-Boniface	2012 Saint-Vital	2012 Combined	2011 Combined
Receivable:				
Prior years	$ 1,066,490	$ 413,971	$1,480,461	$ 518,097
Resident charges	-	28,868	28,868	168,233
Salaries and benefits	625,588	375,257	1,000,845	479,220
Employee pre-retirement benefits	209,113	20,187	229,300	187,414
Other	49,530	176,714	226,244	441,962
	1,950,721	1,014,997	2,965,718	1,794,926
Payable:				
Prior years	393,775	242,640	636,415	147,265
Resident charges - Resident fees	66,670	-	66,670	27,904
Interest	800	814	1,614	590
Other	16,700	9,333	26,033	557
	477,945	252,787	730,732	177,040
	$ 1,472,776	$ 762,210	$2,234,986	$1,617,886

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

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

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

	2012	2011
Sprinkler system upgrade (Saint-Boniface)	$ 335,283	$ -
Nurse call system upgrade (Saint-Boniface)	155,736	-
	491,019	-
Current portion	53,107	-
	$ 437,912	$ -

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

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporations and generally do not exceed $400 per resident.

6. Capital assets:

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

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

6. Capital assets (continued):

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

7. Leasehold estate:

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

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

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

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

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

7. Leasehold estate (continued):

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

8. Bank indebtedness:

At March 31, 2012, the Corporations had authorized lines of credit of $1,535,686 (2011 – 1,535,686) of which $128,645 (2011 – 138,645) was used to finance the following projects:

	2012		2011	
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Operating line of credit	$ 900,000	$ -	$ 900,000	$ -
38 bed addition (Saint-Vital)	200,000	128,645	200,000	138,645
Beharioural unit renovation (Saint-Boniface)	435,686	-	435,686	-
	$1,535,686	$ 128,645	$1,535,686	$ 138,645

The lines of credit bear interest at the bank's prime rate less 0.25 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand.

The line of credit for the 38 bed addition is secured by Fondation Actionmarguerite Foundation Inc., a corporation with the same Member as the Corporations.

9. Advances from Winnipeg Regional Health Authority:

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

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

10. Bank loan:

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

11. Obligation under capital lease:

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

12. Long-term debt:

	2012	2011
Long-term financing on nurse call system upgrade, payable in monthly principal payments of $1,340 plus interest at prime less 0.25%, due December 31, 2021	$ 160,279	$ -
Long-term financing on sprinkler system upgrade, payable in monthly principal payments of $2,794 plus interest at prime less 0.25%, due March 31, 2022	335,283	-
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	1,316,723	1,389,017
First mortgage on 1978 construction, payable in monthly blended payments of $13,375, due February 1, 2028. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,588,196	1,627,823
	3,400,481	3,016,840
Current portion	174,891	111,917
	$3,225,590	$2,904,923

Both 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.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

12. Long-term debt (continued):

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

2013	$ 174,891
2014	182,141
2015	193,853
2016	206,614
2017	220,522
Thereafter	2,422,460
	$3,400,481

13. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for resident programs and WRHA funding received at fiscal year end for fiscal 2013.

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

(b) Capital assets:

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

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

13. Deferred contributions (continued):

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

	2012	2011
Unamortized capital contributions used to purchase assets	$14,496,721	$14,419,690
Unspent contributions:		
Equipment reserve	456,092	460,156
Major repairs	104,762	77,706
Donations	14,035	13,923
	$15,071,610	$14,971,475

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 required monthly principal payments of $21,667 plus interest. At March 31, 2012, the outstanding principal balance on the note was $3,878,334 (2011 - $4,138,334). No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

14. Capital fund:

	2012	2011
Capital assets	$18,535,275	$18,340,975
Leasehold estate	62,475	65,806
	18,597,750	18,406,781
Amount financed by:		
Deferred contributions	(14,496,721)	(14,419,690)
Mortgages	(2,904,919)	(3,016,840)
Bank loan	(102,533)	(123,413)
Line of credit	(128,645)	(138,645)
Obligation under capital lease	(9,119)	(18,238)
	$ 955,813	$ 689,955

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

15. Internally Restricted Fund:

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

16. Related party transactions:

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

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

17. Employee pension plan:

During the year, the Corporations contributed $1,603,850 (2011 - $1,375,817) on behalf of its eligible employees who are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the 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, 2010, reported the plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits. This deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. Employer contribution rates increased on January 1, 2011 to 7.8% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4% on earnings in excess of the YMPE. On April 1, 2012 employee contribution rates increased to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of YMPE with further increase to 7.9% and 9.5%, respectively, on April 1, 2013 for both employer and employee contribution rates.

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

Notes to Combined Financial Statements (continued)

Years ended March 31, 2012 and 2011

18. Ladies Auxiliary:

The Ladies Auxiliary operates the gift shop at Saint-Boniface. The funds raised are used to enhance the residents' environment. The fund balance at March 31, 2012 is $47,908 (2011 - $60,010) and this amount is not included in the Corporations' combined financial statements.

19. Fair value:

The fair value of accounts receivable, receivable from WRHA, employee benefits recoverable from WRHA, bank indebtedness, accounts payable, accrued liabilities, advances from WRHA and bank loan approximate their carrying value due to their immediate or short-term nature.

The carry valuing of the long-term receivable from WRHA and the long-term financing loans approximate their fair value as the terms and conditions of the financial instruments are comparable to current market terms and conditions for similar items.

The fair value of the mortgages payable was not practical to determine due to the underlying terms and conditions.

The fair value of the future employee pre-retirement benefits recoverable from WRHA approximates its carrying value as the interest component is comparable to current market rates. The fair value of other assets, representing shares of a private entity, is not readily determinable because these shares are neither liquid nor are they traded in an active market.

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

Schedule of Combined Statements of Operations - Operating Fund

Years ended March 31, 2012 and 2011

	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2012 Total	2011 Total
Revenue:						
Winnipeg Regional Health Authority	$ 7,254,766	$ 17,811,858	$ 424,790	$ 723,100	$26,214,514	$25,077,605
Resident and service fees	2,661,033	4,798,556	37,999	366,644	7,864,232	7,813,151
	9,915,799	22,610,414	462,789	1,089,744	34,078,746	32,890,756
Offset income:						
Cafeteria	35,172	136,001	-	-	171,173	177,793
Interest	1,657	2,892	-	-	4,549	3,202
Donations	4,456	13,724	-	-	18,180	12,504
Fundraisers	-	-	-	-	-	-
Parking	38,312	74,936	-	2,858	116,106	111,308
Shared services	157,132	480,059	-	-	637,191	465,739
Grants	4,612	6,054	-	-	10,666	20,100
Recoveries:						
General	113,297	257,266	-	2,499	373,062	328,415
Ancillary operations	-	-	-	-	-	-
	354,638	970,932	-	5,357	1,330,927	1,119,061
	10,270,437	23,581,346	462,789	1,095,101	35,409,673	34,009,817
Expenses:						
Salaries and wages	7,392,400	16,773,882	229,033	704,306	25,099,621	24,001,863
Employee benefits	1,479,735	3,714,347	38,142	146,015	5,378,239	4,916,642
Other supplies and expenses	250,569	424,469	3,755	38,308	717,101	683,605
Medical and surgical supplies	118,984	365,292	-	-	484,276	460,413
Drugs	2,412	6,384	-	-	8,796	11,576
Food costs	362,655	745,980	30,429	170,069	1,309,133	1,218,546
Utilities	190,687	452,688	-	-	643,375	725,739
Telephone and sundry	48,234	80,063	2,292	8,277	138,866	144,283
Travel	48,206	64,618	142,492	522	255,838	255,264
Professional and other fees	73,947	126,298	11,739	1,448	213,432	242,992
Advertising and public relations	6,191	10,262	-	-	16,453	11,470
Insurance	28,460	46,495	-	-	74,955	69,056
Equipment	103,022	258,150	-	1,662	362,834	329,266
Buildings and grounds	159,453	194,730	-	-	354,183	367,381
Interest	3,140	226,381	-	-	229,521	237,739
Ancillary operations	-	-	-	-	-	-
	10,268,095	23,490,039	457,882	1,070,607	35,286,623	33,675,835
Excess of revenue over expenses before the undernoted	2,342	91,307	4,907	24,494	123,050	333,982
Winnipeg Regional Health Authority future employee benefits recoverable	50,016	68,059	-	-	118,075	28,567
Future employee pre-retirement benefits obligation	(50,016)	(68,059)	-	-	(118,075)	(28,567)
Excess of revenue over expenses	2,342	91,307	4,907	24,494	123,050	333,982
Transfer to Capital Fund	(13,465)	(131,158)	-	-	(144,623)	(379,892)
Program surplus (deficit)	$ (11,123)	$ (39,851)	$ 4,907	$ 24,494	$ (21,573)	$ (45,910)

Shared Services:
The Corporations have an agreement to share the cost of specific employee services based on the time spent on each program. Revenue and expenses related to shared services have been eliminated in the Combined Statement of Operations and Changes in Fund Balances.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** which comprise the statement of financial position as at March 31, 2012 and the statements of operations and changes in net assets (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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bethania Mennonite Personal Care Home Inc. as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 1, 2012

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

March 31		2012		2011
Assets				
Current Assets				
Restricted cash and investments (Note 2)	$	110,159	$	111,459
Accounts receivable (Note 3)		169,119		69,809
Due from related parties (Note 4)		234,290		136,292
Inventories		57,797		57,797
Prepaid expenses		13,139		21,009
Vacation entitlement receivable (Note 5)		497,632		497,632
		1,082,136		893,998
Retirement obligations asset (Note 12)		822,956		769,255
Capital assets (Note 6)		2,044,842		1,659,736
	$	3,949,934	$	3,322,989
Liabilities and Net Assets (Deficiency)				
Current Liabilities				
Bank indebtedness (Note 11)	$	387,747	$	366,763
Accounts payable and accrued liabilities (Note 7)		635,531		602,141
Accrued vacation entitlements (Note 5)		520,189		523,217
Due to related parties (Note 4)		23,652		77,179
Current portion of legal settlement		20,000		20,000
		1,587,119		1,589,300
Accrued retirement obligations (Note 12)		650,687		596,986
Long term portion of legal settlement		40,000		60,000
Deferred contributions (Note 8)		1,543,337		1,127,399
		3,821,143		3,373,685
Commitments and contingencies (Note 9)				
Net Assets (Deficiency)		128,791		(50,696)
	$	3,949,934	$	3,322,989

Approved on behalf of the Board:

_______________________ Director

_______________________ Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations and Changes in Net Assets (Deficiency)

For the year ended March 31	2012	2011
Revenue		
Winnipeg Regional Health Authority	$ 6,797,695	$ 6,504,039
Residential charges	2,525,630	2,566,120
Other income (Page 23)	102,036	87,004
	9,425,361	9,157,163
Expenses		
Accrued vacation pay increase (decrease)	(3,028)	40,224
Drugs and medical supplies	147,973	153,217
Employee benefits	1,224,867	1,186,437
Food	354,422	338,337
Health and education tax levy	130,802	128,217
Other supplies and expenses	741,408	639,262
Salaries	6,348,033	6,119,636
Utilities and taxes	260,084	268,218
	9,204,561	8,873,548
Excess of revenue over expenses before amortization	220,800	283,615
Amortization		
Deferred contributions (Note 8)	170,332	175,515
Capital assets (Note 6)	(211,645)	(215,581)
	(41,313)	(40,066)
Excess of revenue over expenses for the year	179,487	243,549
Net deficiency, beginning of year	(50,696)	(294,245)
Net assets (deficiency), end of year	$ 128,791	$ (50,696)

The accompanying summary of significant policies and 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		2012		2011
Cash Flows from Operating Activities				
Excess of revenue over expenses for the year	$	179,487	$	243,549
Adjustments for				
Amortization of capital assets		211,645		215,581
Change in pre-retirement entitlement receivable		53,701		(6,054)
Change in accrued pre-retirement entitlement		(53,701)		6,054
Net increase (decrease) in deferred contributions		415,938		(130,738)
		807,070		328,392
Changes in non-cash working capital (Note 10)		(231,302)		(208,297)
		575,768		120,095
Cash Flows from Investing Activities				
Purchase of capital assets (net of donations)		(596,752)		(20,749)
Net increase (decrease) in cash and cash equivalents during the year		(20,984)		99,346
Bank indebtedness, beginning of year		(366,763)		(466,109)
Bank indebtedness, end of year	$	(387,747)	$	(366,763)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

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, 2012.

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 - In July 2009 the WRHA agreed that the Home could retain 100% of surpluses for the next 5 years. After that time, the Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

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

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

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Inventories

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

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

Contributed Services

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

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%

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

Financial Instruments

The Home utilizes various financial instruments. 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 and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Restricted cash and investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Retirement obligations assets	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Accrued retirement obligation	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Restricted Cash

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

New Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes).

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

Bethania Mennonite Personal Care Home, Inc. (the "Home") is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Bethania is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Menronite 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, 2012 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Restricted Cash and Investments

	2012	2011
Restricted cash	$ 58,055	$ 46,911
Guaranteed Investment Certificates	52,104	64,548
	$ 110,159	$ 111,459

The fair value of cash on deposit is equal to its carrying value. The GICs have an effective interest rate of 5.12% (2011 - 4.42% to 5.12%) with the latest maturing in August 2011. The fair value of the GICs is based on the year end quoted market bid price.

3. Accounts Receivable

	2012	2011
Receivable from residents	$ 22,359	$ 27,882
Accrued interest receivable	1,127	1,699
Winnipeg Regional Health Authority	75,774	-
Other	40,759	23,764
GST rebate receivable	29,100	16,464
	$ 169,119	$ 69,809

For the year ended March 31, 2012

4. Due from (to) Related Parties

	2012	2011
285 Pembina Inc.	$ 7,871	$ 20,130
ArlingtonHaus Inc.	3,040	2,406
BethaniaHaus Inc.	3,036	2,125
KingsfordHaus Inc.	986	62
Autumn House	1,030	109
Pembina Place Mennonite Personal Care Home, Inc.	218,289	111,133
Kekinan Centre	38	327
	$ 234,290	$ 136,292

	2012	2011
Bethania Housing & Projects Inc.	$ (21,288)	$ (44,645)
Bethania Mennonite Memorial Foundation Inc.	(2,364)	(32,534)
	$ (23,652)	$ (77,179)

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:

	2012	2011
Salary reimbursement income	$ 468,322	$ 454,564
Salary reimbursement expense	184,750	152,347
Maintenance fee recovery	25,711	28,888

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:

	2012	2011
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:

	2012	2011
Balance, beginning of year	$ 523,217	$ 482,993
Net change in accrued vacation entitlements	(3,028)	40,224
Balance, end of year	$ 520,189	$ 523,217

For the year ended March 31, 2012

6. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**320,599**	340,263	309,422
Building	**5,173,169**	**3,716,270**	4,914,631	3,561,432
Computer equipment	**337,093**	**337,093**	337,093	337,093
Furniture, fixtures and equipment	**4,156,155**	**3,603,603**	3,817,942	3,557,973
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 10,022,407	**$ 7,977,565**	$ 9,425,656	$ 7,765,920
Cost less accumulated amortization		**$ 2,044,842**		$ 1,659,736

Amortization of capital assets for the year ended March 31, 2012 is $211,645 (2011 - $215,581).

7. Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	**$ 196,085**	$ 56,906
Accrued liabilities	**97,357**	49,993
Salaries and employee benefits payable	**342,089**	307,860
Winnipeg Regional Health Authority	**-**	187,382
	$ 635,531	$ 602,141

8. Deferred Contributions

Capital Assets

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

Changes in the deferred contribution balance are as follows:

	2012	2011
Balance, beginning of year	$ 998,586	$ 1,153,343
Funding for principal repayments on debenture	29,400	29,400
Transfer from replacement reserves	90,181	20,751
Long-term debt principal reductions	(34,311)	(29,393)
Proceeds from long term loans	504,466	-
Amounts amortized to revenue	(170,332)	(175,515)
Balance, end of year (carried forward)	1,417,990	998,586

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.

	2012	2011
Balance, beginning of year	50,753	22,400
Contributions - Winnipeg Regional Health Authority	25,900	25,900
Interest allocation	2,025	2,892
Transfer to deferred contributions - capital asset purchases	(47,413)	(439)
Balance, end of year (carried forward)	$ 31,265	$ 50,753

8. Deferred Contributions (continued)

	2012	2011
Capital assets (brought forward)	$ 1,417,990	$ 998,586
Unspent equipment funding (brought forward)	31,265	50,753
Unspent Major Repairs Funding Unspent major repairs funding related to equipment repairs represent the unspent amount of funding received for the replacement of equipment. Major repairs funding is not recorded as revenue in the statement of operations.		
Balance, beginning of year	66,084	71,930
Contributions - Winnipeg Regional Health Authority	57,192	14,424
Interest allocation	86	41
Transfer to deferred contributions - capital asset purchases	(42,768)	(20,311)
Balance, end of year	80,594	66,084
Insurance Reserve		
Balance, beginning of year	11,976	10,464
Contributions - Winnipeg Regional Health Authority	1,512	1,512
Balance, end of year	13,488	11,976
Total deferred contributions balance	$ 1,543,337	$ 1,127,399

8. Deferred Contributions (continued)

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

	2012	2011
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,904 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	$ 254,124	$ -
Royal Bank Loan - interest at 2 1/2%, requiring monthly principal and interest payments of $2,787 funded by the Winnipeg Regional Health Authority, maturing April 1, 2022	250,342	-
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	383,348	417,659
	$ 887,814	$ 417,659

9. Commitments and Contingencies

a) Bethania Mennonite Personal Care Home, Inc. has signed a borrowing resolution covering capital expenditures of $2,575,090 for Pembina Place Mennonite Personal Care Home Inc. The borrowing resolution is secured by a letter of comfort from Manitoba Health.

b) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2012, 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.

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, 2012. The Home is a named insured under the WRHA policy with HIROC.

10. Changes in Non-cash Working Capital

	2012	2011
Restricted cash and investments	$ 1,300	$ 127,935
Accounts receivable	(99,310)	598
Prepaid expenses	7,870	5,553
Due from (to) related parties	(151,524)	(59,798)
Accounts payable and accrued liabilities	33,390	(302,809)
Accrued vacation payable	(3,028)	40,224
Legal settlement payable	(20,000)	(20,000)
	$ (231,302)	$ (208,297)

11. Bank Indebtedness

The Home has a line of credit with The Royal Bank to a maximum of $500,000 which carries an interest rate of Royal Bank prime (effective rate at March 31, 2012 - 3%) . The line of credit is secured by a general assignment of accounts receivable.

12. Employee Future Benefits

a) Accrued retirement obligation

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

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

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

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

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuaria valuation of the pre-retirement leave benefit for accounting purposes as at March 31 2012. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1% (2011 - 4.7%) and a rate of salary increase of 3.0% (2011 - 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.

	2012	2011
Employee future benefits recoverable from		
Manitoba Health	$ **652,360**	$ 652,360
Winnipeg Regional Health Authority	**170,596**	116,895
	$ **822,956**	$ 769,255

12. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

		2012		2011
Balance, beginning of year	$	596,986	$	603,040
Net change in pre-retirement entitlements		53,701		(6,054)
Balance, end of year	$	650,687	$	596,986

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, 2010 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 $417,556 (2011 - $369,395) and are included in the statement of operations.

13. Funding of Future Employee Benefits

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

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

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

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

The Home 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 the Home's Audited Financial Statements.

14. Capital Management

The Home considers its capital to comprise its Net Deficiency balance. There have been no changes to what the organization considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

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 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:

	2012	2011
Accounts receivable and related party receivables	$ **403,409**	$ 206,101
Vacation entitlements receivable	**497,632**	497,632
Retirement obligations receivable	**822,956**	769,255
	$ **1,723,997**	$ 1,472,988

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

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

Market Risk

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

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

15. Financial Risk Management (continued)

Market Risk (continued)

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.

Fair Value

The carrying values of cash (bank indebtedness), accounts receivable, vacation entitlements receivable and retirement obligations 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.

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

For the year ended March 31		2012		2011
Other Income				
BethaniaHaus meal recoveries	$	10,822	$	12,062
Dietary recoveries		37,840		43,245
Shared service recoveries		33,161		31,697
Other recoveries and miscellaneous		20,213		-
	$	102,036	$	87,004

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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, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 13, 2012

Winnipeg, Canada

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 247,768	$ 690,430
Short-term investment	506,381	–
Accounts receivable	6,715	15,581
Receivable from Winnipeg Regional Health Authority (note 2)	57,604	31,186
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3[a])	125,848	125,848
Prepaid expenses	38,261	36,720
	982,577	899,765
Capital assets (note 6)	243,197	315,923
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 3(b)]	125,483	112,270
	$ 1,351,257	$ 1,327,958
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 3[a])	$ 279,913	$ 251,050
Future employee pre-retirement benefits payable (note 3[b])	163,624	150,411
Deferred contributions for (note 4):		
Future expense	161,022	141,638
Capital assets	219,872	309,017
	380,894	450,655
Fund balances:		
Unrestricted:		
Operations	93,626	93,112
Internally restricted	409,875	375,824
Capital fund	23,325	6,906
	526,826	475,842
Commitments (note 8)		
	$ 1,351,257	$ 1,327,958

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

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Date____________________________

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012, with comparative figures for 2011

	Operations	Ancillary Programs
Revenue:		
Winnipeg Regional Health Authority	$ 2,601,066	$ –
Other	97,398	4,823
Insurance recoveries	6,572	–
Amortization of deferred contributions related to capital assets [note 4(b)]	–	–
Interest and donations	–	–
Communication and Special Project	–	7,560
Healthy Baby Program	–	37,523
Intergenerational Community Outreach	–	6,196
Pathways	–	6,159
Manitoba in Motion	–	303
Nobody's Perfect Special Projects	–	17,340
Nobody's Perfect Program	–	90,814
On the Move	–	2,703
Public Health Agency Canada	–	–
Safeway	–	1,196
Seniors on the Move	–	234
Teen Clinic Volunteer Funding	–	2,224
Welcoming Communities	–	8,540
WPA/CED Project	–	–
Young Adult Type 1	–	3,505
	2,705,036	189,120
Expense:		
Amortization of capital assets	–	–
Salaries and benefits	2,213,546	86,978
Building, equipment and maintenance	383,829	–
Printing, stationery and telephone	47,613	–
Supplies and services	39,986	98,567
Clinical supplies	19,548	3,575
	2,704,522	189,120
Excess (deficiency) of revenue over expense before the undernoted	514	–
Winnipeg Regional Health Authority revenue (expense) (note 3):		
Future employee pre-retirement benefits	13,213	–
Future employee pre-retirement benefit expense	(13,213)	–
Excess (deficiency) of revenue over expense	514	–
Fund balances, beginning of year	93,112	–
Transfer to capital fund	–	–
Fund balances, end of year	$ 93,626	$ –

See accompanying notes to financial statements.

Internally Restricted	Capital Fund	2012 Total	2011 Total
$ –	$ –	$ 2,601,066	$ 2,561,218
–	–	102,221	165,512
–	–	6,572	5,767
–	108,145	108,145	107,442
63,037	–	63,037	37,239
–	–	7,560	8,488
–	–	37,523	37,390
–	–	6,196	5,538
–	–	6,159	1,967
–	–	303	1,061
–	–	17,340	4,632
–	–	90,814	80,504
–	–	2,703	1,254
–	–	–	138,212
–	–	1,196	364
–	–	234	–
–	–	2,224	2,171
–	–	8,540	5,621
–	–	–	8,040
–	–	3,505	5,849
63,037	108,145	3,065,338	3,178,269
–	113,503	113,503	109,628
–	–	2,300,524	2,433,509
–	–	383,829	367,429
–	–	47,613	65,888
7,209	–	145,762	177,222
–	–	23,123	37,930
7,209	113,503	3,014,354	3,191,606
55,828	(5,358)	50,984	(13,337)
–	–	13,213	35,880
–	–	(13,213)	(35,880)
55,828	(5,358)	50,984	(13,337)
375,824	6,906	475,842	489,179
(21,777)	21,777	–	–
$ 409,875	$ 23,325	$ 526,826	$ 475,842

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Operating activities:		
Excess (deficiency) of revenue over expense	$ 50,984	$ (13,337)
Add (deduct):		
Amortization of capital assets	113,503	109,628
Amortization of deferred contributions related to capital assets	(108,145)	(107,442)
Change in non-cash working capital balances:		
Accounts receivable	8,866	(107)
Receivable from Winnipeg Regional Health Authority	(26,418)	57,505
Prepaid expenses	(1,541)	2,254
Future employee pre-retirement benefits recoverable	(13,213)	(35,880)
Accounts payable and accrued liabilities	28,863	19,345
Future employee pre-retirement benefits payable	13,213	35,880
Deferred contributions received related to future expense	208,504	279,162
Deferred contributions recognized as revenue in the year	(189,120)	(307,305)
	85,496	39,703
Investing activities:		
Deferred contributions received or receivable related to capital assets	19,000	19,114
Additions to capital assets	(40,777)	(22,032)
Investment in GIC	(506,381)	–
	(528,158)	(2,918)
Increase (decrease) in cash	(442,622)	36,785
Cash, beginning of year	690,430	653,645
Cash, end of year	$ 247,768	$ 690,430
Supplementary cash flow information:		
Interest received	$ 12,363	$ 7,487

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2012

General:

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

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.

- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.

- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women’s health services; as well as a community health information line.

1. Significant accounting policies:

(a) Revenue recognition:

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

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

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

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

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

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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1. Significant accounting policies (continued):

(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, 2012.

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:

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

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

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

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

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

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(d) Financial instruments:

The corporation has designated cash and short-term investment as held-for-trading; accounts receivable, receivable from WRHA, employee benefits recoverable from WRHA and future employee pre-retirement benefits recoverable from WRHA as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The corporation does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The corporation has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the corporation has elected not to adopt these standards in its financial statements.

(e) Short-term investments:

Short-term investments comprise guaranteed investment certificate (GIC) and are stated at fair value. They are valued at month end quoted market prices.

(f) 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

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(g) 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 significant actuarial assumptions adopted in measuring the corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.1 percent (2011 - 4.7 percent), a rate of salary increase of 3.0 percent (2011 - 3.5 percent) plus an age-related merit/promotion scale with no provision for disability.

(h) 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.

(i) 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*.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Receivable from Winnipeg Regional Health Authority:

The details of receivable from WRHA are as follows:

	2012	2011
Enhanced health care benefit plan	$ 2,521	$ 17,464
Pre-retirement payout	7,138	7,138
Pension contribution increases	22,245	4,470
Other	25,700	2,114
	$ 57,604	$ 31,186

3. Employee benefit plans:

(a) Employee benefits:

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

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

(b) Future employee pre-retirement benefits:

The corporation maintains an employee pre-retirement benefit 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.

At March 31, 2012, based on an actuarial estimate, pre-retirement benefit plan obligations are estimated to be $163,624 (2011 - $150,411) for which the corporation has recorded a future employee pre-retirement benefits payable on the statement of financial position.

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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Employee benefit plans (continued):

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 2012 was $13,213 (2011 - $35,880) and is recorded as income in the statement of operations.

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 future employee pre-retirement benefits recoverable from WRHA at March 31, 2012 aggregates $125,483 (2011 - $112,270) 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 2012 was 100 percent (2011 - 100 percent) of actual pre-retirement benefits paid.

4. Deferred contributions:

(a) Future expense:

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

	2012	2011
Balance, beginning of year	$ 141,638	$ 169,781
Add amount received related to future periods	208,504	279,162
Less amount recognized as revenue in the year	(189,120)	(307,305)
Balance, end of year	$ 161,022	$ 141,638

The amount of deferred contributions recognized as revenue during the year is recorded in the statement of operations in ancillary programs.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Deferred contributions (continued):

(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.

		2012		2011
Balance, beginning of year	$	309,017	$	397,345
Additional contributions received or receivable		19,000		19,114
Less amounts amortized to revenue		(108,145)		(107,442)
Balance, end of year	$	219,872	$	309,017

During fiscal 2012, the corporation undertook server and computer equipment upgrades totaling $40,777 (2011 - $22,032) of which $10,000 (2011 - $19,114) was funded through basic equipment funding received from the WRHA. The balance of the cost was funded by the corporation.

5. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan (the Plan). As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the corporation contributed $140,297 (2011 - $128,769) on behalf of its employees.

The corporation’s liability under the Plan is limited to the contributions required during the year. The most recent actuarial valuation of the Plan as at December 31, 2010 reported the Plan had a solvency deficiency of $927,089,000. However, in November 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. On January 1, 2011, contribution rates were increased to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Capital assets:

				2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 197,235	$ 142,769	$ 54,466	$ 68,082
Computer equipment	293,436	239,401	54,035	27,678
Leasehold improvements	427,334	292,638	134,696	220,163
	$ 918,005	$ 674,808	$ 243,197	$ 315,923

7. Other information:

From Youville's inception in 1983 to March 31, 2012, the Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,499,026 to the Clinique Youville Clinic Inc. The Grey Nuns of Manitoba Inc. did not make any contributions during the year ended March 31, 2012 and 2011. There have been no contributions by Regina Grey Nuns since 1996.

8. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through August 2013 and January 2014, respectively, as per the following schedule:

2013	$ 192,912
2014	122,880

9. Fair value of financial instruments:

The fair value of accounts receivable, receivable from WRHA, employee benefits recoverable from WRHA and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

The fair value of the future employee pre-retirement benefits recoverable from WRHA approximates its carrying value as the interest component, as described in note 3, is comparable to current market rates.

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Independent Auditor's Report

To the Board of Directors of DONWOOD MANOR PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **DONWOOD MANOR PERSONAL CARE HOME INC.**, which comprise the statement of financial position as at March 31, 2012, 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 Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **DONWOOD MANOR PERSONAL CARE HOME INC.** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter
The budget figures presented have not been audited, and are presented for informational purposes only.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 29, 2012

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Accounts receivable (Note 2)	$	**26,353**	$	10,593
Due from WRHA (Note 7)		**419,863**		182,568
Prepaid expenses		**30,939**		43,871
Inventories		**48,590**		47,698
Due from related parties (Note 3)		**47,297**		56,681
Vacation entitlements receivable (Note 4)		**273,191**		273,191
		846,233		614,602
Retirement obligations assets (Note 12)		**530,431**		528,146
Restricted Cash and Deposits				
Expenses of future periods		**72,581**		57,878
Capital assets (Note 5)		**6,162,054**		6,293,468
	$	**7,611,299**	$	7,494,094
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 6)	$	**368,081**	$	179,745
Accounts payable and accruals		**318,745**		308,499
Due to related parties (Note 3)		**47,626**		-
Mortgage amortization grant received in advance		**4,274**		4,274
Accrued vacation entitlements (Note 4)		**396,255**		378,770
		1,134,981		871,288
Accrued retirement obligations (Note 12)		**530,422**		528,137
Deferred Contributions (Note 8)				
Expenses of future periods		**53,538**		56,100
Capital assets		**6,006,678**		6,196,302
		6,060,216		6,252,402
Commitments and contingencies (Note 10)				
Net assets (Page 5)		**(114,320)**		(157,733)
	$	**7,611,299**	$	7,494,094

Approved on behalf of the Governing Board

_______________________ Director

_______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2012		2011
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority (Note 11)	$ 5,527,267	$ 5,818,503	$ 5,567,411
Private charges	1,947,305	1,917,340	1,957,907
Amortization of deferred contributions related to capital assets (Note 9)	-	325,406	316,599
Recoveries	130,886	137,548	121,380
Interest income	-	2,422	919
	7,605,458	8,201,219	7,964,216
Expenditures			
Operating (Page 23)	7,605,458	7,813,624	7,665,424
Amortization of capital assets	-	325,406	316,599
	7,605,458	8,139,030	7,982,023
Excess (deficiency) of revenue over expenditures before other items	-	62,189	(17,807)
Other Items			
Change in accrued retirement obligations			
WRHA funding accrued	-	(2,285)	(18,541)
Liability for the year	-	2,285	18,541
WRHA prior year funding adjustment	-	(18,776)	-
	-	(18,776)	-
Excess (deficiency) of revenue over expenditures for year (Page 5)	$ -	$ 43,413	$ (17,807)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31					2012		2011
		Investment in Capital Assets (Note 9)		Unrestricted	Total		Total
Balance, beginning of year	$	97,166	$	(254,899)	$ (157,733)	$	(139,926)
Excess (deficiency) of revenue over expenditures for year (Page 4)		-		43,413	43,413		(17,807)
Net change in investment in capital assets (Note 9)		58,210		(58,210)	-		-
Balance, end of year (Page 3)	$	155,376	$	(269,696)	$ (114,320)	$	(157,733)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenditures for year	$	**43,413**	$	(17,807)
Amortization of capital assets		**325,406**		316,599
Amortization of deferred contributions related to capital assets		**(325,406)**		(316,599)
		43,413		(17,807)
Changes in non-cash working capital				
Accounts receivable		**(15,760)**		9,544
Prepaid expenses		**12,932**		(14,791)
Inventories		**(892)**		(19,096)
Due from / to related entities		**57,010**		(14,882)
Accounts payable and accrued liabilities		**10,246**		52,690
Advance from WRHA		**-**		(124,454)
Due from WRHA		**(237,295)**		126,336
Accrued vacation entitlements		**17,485**		3,797
		(156,274)		19,144
Retirement obligations receivable		**(2,285)**		(18,218)
Accrued retirement obligations		**2,285**		18,541
		-		323
		(112,861)		1,660
Cash Flows from Financing Activities				
WRHA funding - capital		**84,394**		87,120
Donwood Foundation funding - capital		**51,388**		-
Decrease (increase) in deferred contributions related to expenses of future periods		**(2,562)**		73
		133,220		87,193
Cash Flows from Investing Activities				
Purchase of capital assets		**(193,992)**		(87,120)
Increase (decrease) in restricted cash and deposits		**(14,703)**		10,679
		(208,695)		(76,441)
Net increase (decrease) in cash and cash equivalents		**(188,336)**		12,412
Bank indebtedness, beginning of year		**(179,745)**		(192,157)
Bank indebtedness, end of year	$	**(368,081)**	$	(179,745)
Supplementary Information				
Interest received	$	**769**	$	919

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

For the year ended March 31, 2012

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 Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with WRHA with respect to the year ended March 31, 2012.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Home's accounts as follows:

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

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

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 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.

Externally Restricted Net Assets (continued)

Korean Harstone Building Fund

On January 1, 1995 Winnipeg Presbytery turned over to the Directors for administration, funds in the amount of $12,212, representing funds received from the Korean United Church congregation. The fund received annual payments in the amount of $4,800, until the final payment of $804 on June 1, 2004. The agreed sale price of the property was $58,000. The interest earned in the Fund is to be reinvested (principal and interest) until otherwise directed by Winnipeg Presbytery. At Presbytery general meeting of December 14, 1999 the following motion was approved: "that as of December 15, 1999 Winnipeg Presbytery end the requirement of monthly payments from the Korean United Church given in consideration of the transfer of the Church at 905 Sargent Avenue to the Korean United Church Trustees." During the year 2000, $40,000 was loaned to the Korean United Church congregation, the loan is non-interest bearing, with monthly repayments of $238 commencing March 2001. In October 2007, an additional $12,400 was approved and the loan was extended to June 2019. All terms of the original loan remain the same.

During the year, the Board moved to combine the foregoing three funds (St. Andrew's Elgin Ave., Harstone and Korean Harstone Building Funds). This transaction will be completed in 2012 and the fund will be known as the Church Development Support Fund)

Rainbow Ministry Fund

On January 24, 1997, Rainbow Ministry transferred over to the Directors for administration, funds in the amount of $9,680 from Winnipeg Presbytery. In March 1998, an additional sum of $2,900 was received. Interest generated by the Fund is to be used to support the operating budget of the Rainbow Ministry. Some capital if necessary may be used for the operations, but such a transfer may be made only upon the request of the Rainbow Ministry Support Committee and the approval of the Winnipeg Presbytery as a whole. In 2006 a further $8,920 was added from proceeds from the sale of the Deer Lodge United Church property.

Financial Instruments

The Home utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Due from WRHA	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due (to) from related parties	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations assets	Loans and receivables	Amortized cost
Restricted cash and deposits	Held for trading	Fair value
Bank indebtedness	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Advance from WRHA	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

DONWOOD MANOR PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and the Public Sector Accounting Board (the "Boards") issued new standards for not-for-profit organizations ("NPOs"). For private sector NPOs, they have a choice of International Financial Reporting Standards or accounting standards for NPOs.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

1. Entity Definition

Donwood Manor Personal Care Home Inc. 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 WRHA through a service purchase agreement. The WRHA is responsible for the overall planning and integration of services to the region and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

Donwood Manor Personal Care Home Inc. is a member of the Donwood Group of companies which operate under the control of a common Board of Directors and provide long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is the Donwood Manor Foundation Inc. and its related entities, Valhalla Cove Inc. and Donwood Management Inc. by virtue of overlapping board membership and management.

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.

2. Accounts Receivable

	2012	2011
Receivable from residents	**$ 2,060**	$ (122)
Accounts receivable - other	**3,953**	3,953
Goods and Services Tax	**20,340**	6,762
	$ 26,353	$ 10,593

3. Related Party Transactions

		2012		2011
Due from related parties				
Donwood Manor EPH Inc.	**$**	**7,431**	$	23,302
Donwood South Inc.		**14,627**		5,587
Donwood Manor Foundation Inc.		**15,665**		23,604
Winnipeg Condominium Corporation No. 297		**247**		4,188
Valhalla Cove Inc.		**9,327**		-
	$	**47,297**	$	56,681
Due to related parties				
Donwood Manor Foundation Inc.	**$**	**(47,626)**	$	-

Amounts due from related parties are non-interest bearing with no specific terms of repayment. Administrative salaries are charged to Winnipeg Condominium Corporation No. 297 in the amount of $5,547 (2011 - $7,500). These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

The amount due to Donwood Manor Foundation Inc. of $47,626 is a loan payable that bears interest at 3.50% with terms of repayment including principal and interest for the next five years as follows:

2013	$	10,587
2014		10,587
2015		10,587
2016		10,587
2017		10,591

4. Accrued Vacation Entitlements

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

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

	2012	2011
Balance, beginning of year	**$ 273,191**	$ 273,191
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 273,191**	$ 273,191

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

	2012	2011
Balance, beginning of year	**$ 378,770**	$ 374,973
Net increase in accrued vacation entitlements	**17,485**	3,797
Balance, end of year	**$ 396,255**	$ 378,770

5. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 15,000**	**$ -**	$ 15,000	$ -
Buildings	**9,476,211**	**4,097,481**	9,476,211	3,862,076
Furniture and equipment	**1,935,137**	**1,166,813**	1,741,145	1,076,812
	$ 11,426,348	**$ 5,264,294**	$ 11,232,356	$ 4,938,888
Cost less accumulated amortization		**$ 6,162,054**		$ 6,293,468

6. Bank Indebtedness

The Home has an approved line of credit of $500,000 with the Royal Bank of Canada. This line of credit is secured by a general assignment of book debts and bears interest at prime.

7. Due (to) from WRHA

	2012	2011
2004/2005 funding adjustment	**$ (84,460)**	$ (84,460)
2005/2006 funding adjustment	**3,646**	3,646
2006/2007 funding adjustment	**(32,258)**	(32,258)
2007/2008 funding adjustment	**48,018**	48,018
2008/2009 funding adjustment	**(78,009)**	(78,009)
2009/2010 funding adjustment	**8,679**	8,679
2010/2011 funding adjustment	**69,572**	316,952
2011/2012 funding adjustment	**484,675**	-
	$ 419,863	$ 182,568

The reviews of fiscal years 2005 to 2011, as well as the current year, are not complete at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

8. 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.

	2012	2011
Balance, beginning of year	$ 56,100	$ 55,766
Add amount received during the year	24,799	24,799
Less expenditures for the period	(27,361)	(24,465)
Balance, end of year	$ 53,538	$ 56,100

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.

Changes in the deferred contribution balance are as follows:

	2012	2011
Balance, beginning of year	$ 6,196,302	$ 6,426,042
Additional contributions received		
WRHA	84,394	87,120
Foundation	51,388	-
Adjustment	-	(261)
Less amounts amortized to revenue	(325,406)	(316,599)
Balance, end of year	$ 6,006,678	$ 6,196,302

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**$ 6,162,054**	$ 6,293,468
Amounts financed by deferred contributions	**(6,006,678)**	(6,196,302)
	$ 155,376	$ 97,166

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

	2012	2011
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 325,406**	$ 316,599
Amortization of capital assets	**(325,406)**	(316,599)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	**$ 193,992**	$ 87,120
Other adjustment	**-**	261
Amounts funded by		
WRHA capital asset funding	**(84,394)**	(87,120)
Donwood Manor Foundation	**(51,388)**	-
	$ 58,210	$ 261

10. 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, 2012 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.

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, 2012.

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

11. Revenue from the WRHA

Revenue as per WRHA final funding document (adjusted)	**$ 5,093,651**
Add:	
Staffing increase hours of care	470,202
Health care benefits	74,866
Pension plan	61,846
Pre-retirement funding	55,139
Residential charges adjustment	29,965
Leap year funding	18,799
Median rate adjustment	10,414
Bed and mattresses	4,972
Fall protection	2,894
PIECES training	1,265
Influenza and pneumococcal immunization	304
Other	1,687
	732,353
Deduct	
Reserve major repairs	(3,621)
Interest payment	(2,380)
Insurance deductible	(1,500)
	(7,501)
Revenue from WRHA	**$ 5,818,503**

12. 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 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, 2012. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.10% (2011 - 4.70%) and a rate of salary increase of 3.00% (2011 - 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 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 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.

	2012	2011
Employee future benefits recoverable from		
Manitoba Health	**$ 372,737**	$ 372,737
WRHA	**157,694**	155,409
	$ 530,431	$ 528,146

12. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

		2012		2011
Balance, beginning of year	$	528,137	$	509,596
Net increase in pre-retirement entitlements		2,285		18,541
Balance, end of year	$	530,422	$	528,137

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")) 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, 2010 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 $391,190 (2011 - $352,310) and are included in the statement of operations.

13. Funding of Future Employee Benefits

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

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

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA. For the fiscal year ending March 31, 2012, the unfunded portion of future employee benefits amounts to approximately $(3,740).

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

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Donwood Manor PCH).

14. Capital Management

The Home considers its capital to comprise its Unrestricted Net Assets and Net Invested in Capital Assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

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

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

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.

15. Financial Risk Management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the 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:

		2012		2011
Accounts receivable	$	**26,353**	$	10,593
Due from the WRHA		**419,863**		182,568
Vacation entitlements receivable		**273,191**		273,191
Retirement obligations assets		**530,431**		528,146
	$	**1,249,838**	$	994,498

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

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

Market Risk

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

Interest rate risk 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.

Fair Value

The carrying values of cash (bank indebtedness), accounts receivable, amounts due from the WRHA, vacation entitlements receivable and retirement obligations receivable and accounts payable and accruals approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

DONWOOD MANOR PERSONAL CARE HOME INC.
Schedule of Supplementary Information

For the year ended March 31	2012	2012	2011
	Budget	**Actual**	Actual
Operating Costs			
Salaries			
Nursing services	$ 3,756,270	$ 3,796,622	$ 3,735,945
Special services	256,440	230,320	259,123
General services	1,375,944	1,402,017	1,376,536
Medical and surgical supplies and drugs	124,500	119,285	118,131
Special service - recreation therapy	8,000	7,610	8,072
Employee benefits			
Canada Pension Plan	215,000	228,774	226,181
Employee insurance	110,000	116,656	112,759
Pension	397,496	391,190	352,310
Payroll tax	110,000	116,938	117,139
Workers' Compensation	106,000	104,414	144,581
Dental	99,000	98,656	79,855
Group life	10,000	16,933	11,027
Pre-retirement leave	-	51,399	43,663
Disability and rehabilitation	102,000	106,455	105,280
Bonding and liability insurance	2,000	3,948	3,877
Membership fees			
Association and group purchasing fees	4,100	3,552	4,990
Advertising	6,000	4,264	5,302
Office			
Photocopy costs	9,000	8,774	8,098
Postage and courier	6,500	8,570	8,114
Printing and stationery	14,200	13,678	13,443
Telephone and fax	9,000	9,859	9,690
Other	-	8,901	8,993
Professional fees	26,500	22,557	24,769
Staff training and travel	13,500	8,735	15,226
Computer	31,402	42,053	21,100
Resident's travel	4,000	11,112	3,794
Bank charges and interest	7,000	8,889	5,133
Dietetics	322,000	354,695	347,803
Laundry and linen	96,500	90,130	97,310
Housekeeping	22,000	28,386	27,619
Physical plant			
Fuel	75,000	49,472	76,086
Water	45,000	44,473	42,908
Electricity	92,000	91,578	92,174
Property insurance	9,000	9,689	8,799
Property taxes	41,712	41,139	41,775
Maintenance - building, grounds and equipment	98,394	161,901	107,819
Total operating costs	$ 7,605,458	$ 7,813,624	$ 7,665,424

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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, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

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

KPMG LLP

Chartered Accountants

June 21, 2012

Winnipeg, Canada

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash (note 2)	$ 69,418	$ 17,037
Accounts receivable (note 3)	575,706	397,033
Inventories and prepaid expenses	31,448	31,464
Employee benefits recoverable from Winnipeg Regional Health Authority [note 12(iii)]	355,603	355,603
Short-term investments (note 4)	96,317	44,056
	1,128,492	845,193
Investments (note 4)	97,232	141,284
Receivable from related entities (note 5)	167,347	88,708
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 12(i)]	789,890	740,567
Capital assets (note 6)	4,306,691	4,390,053
	$ 6,489,652	$ 6,205,805
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 2)	$ 146,158	$ 76,187
Accounts payable and accrued liabilities	852,620	938,451
Payable to residents	21,861	16,820
Bank financing (note 7)	472,711	–
Current portion of long-term debt (note 8)	–	15,942
	1,493,350	1,047,400
Future employee pre-retirement benefits payable [note 12(i)]	762,908	713,585
Long-term debt (note 8)	–	269,133
Deferred contributions (note 9):		
Donations	18,658	11,827
Expenses of future periods	12,650	7,559
Capital assets	3,125,840	3,182,201
Equipment reserve	24,749	19,400
Reserve for major repairs	100,702	62,324
	3,282,599	3,283,311
Net assets:		
Unrestricted	242,655	(30,401)
Invested in capital assets (note 10)	708,140	922,777
	950,795	892,376
Commitment (note 13)		
	$ 6,489,652	$ 6,205,805

See accompanying notes to financial statements.

On behalf of the Board:

Eric Jensen, Chair - Board of Directors

Larry Beeston, Chair - Finance Committee

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 6,570,822	$ 6,403,984
Winnipeg Regional Health Authority - Adult Day Program	215,119	206,388
Resident charges	2,220,512	2,165,974
Participant charges - Adult Day Program	33,997	34,304
Donations and grants	21,463	13,904
Amortization of deferred contributions (note 9)	203,204	285,175
	9,265,117	9,109,729
Other income:		
Ancillary	3,909	5,129
Investment	4,537	9,389
Cafeteria	51,407	46,080
Other	31,610	92,748
	91,463	153,346
Total revenue	9,356,580	9,263,075
Expenses:		
Operating	8,826,683	8,894,750
Adult Day Program	252,555	244,114
Amortization of capital assets	218,923	205,549
	9,298,161	9,344,413
Excess (deficiency) of revenue over expenses before the undernoted	58,419	(81,338)
Future employee pre-retirement benefits [note 12(i)]	(49,323)	(28,369)
Funding for employee pre-retirement benefits payable [note 12(i)]	49,323	28,369
Excess (deficiency) of revenue over expenses	$ 58,419	$ (81,338)

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, 2012, with comparative figures for 2011

	Unrestricted	Invested in capital assets	2012 Total	2011 Total
Net assets, beginning of year	$ (30,401)	$ 922,777	$ 892,376	$ 973,714
Excess (deficiency) of revenue over expenses	76,421	(18,002)	58,419	(81,338)
Capital asset acquisitions	(5,574)	5,574	–	–
Transfer of net loan proceeds related to prior year capital asset additions	202,209	(202,209)	–	–
Net assets, end of year	$ 242,655	$ 708,140	$ 950,795	$ 892,376

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, 2012, with comparative figures for 2011

	2012	2011
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 58,419	$ (81,338)
Adjustments for:		
Amortization of capital assets	218,923	205,549
Amortization of deferred contributions related to capital assets	(202,283)	(189,811)
Change in the following:		
Restricted cash	(52,381)	52,037
Accounts receivable	(178,673)	98,047
Inventories and prepaid expenses	16	3,575
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(49,323)	(28,369)
Accounts payable and accrued liabilities	(85,831)	48,188
Payable to Winnipeg Regional Health Authority	–	(175,477)
Payable to residents	5,041	(193)
Future employee pre-retirement benefits payable	49,323	28,369
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	62,706	(42,785)
	(174,063)	(82,208)
Investing activities:		
Purchase of capital assets	(135,561)	(377,818)
(Increase) decrease in investments	(8,209)	76,879
Change in receivable from related entities:		
Fred Douglas Heritage House Inc.	(2,851)	250,548
Other	(75,788)	266,840
	(222,409)	216,449
Financing activities:		
Deferred contributions received for capital assets and equipment reserves	138,865	198,146
Proceeds from bank financing	580,000	–
Repayment of bank financing	(107,289)	–
Repayment of long-term debt	(285,075)	(192,145)
	326,501	6,001
Increase (decrease) in cash	(69,971)	140,242
Bank indebtedness, beginning of year	(76,187)	(216,429)
Bank indebtedness, end of year (note 2)	$ (146,158)	$ (76,187)
Supplementary cash flow information:		
Interest paid	$ 30,897	$ 27,543
Interest received	8,446	14,517

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Year ended March 31, 2012

General:

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

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. 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, 2012. In accordance with the original terms of the SPA, the current terms of the agreement have been automatically renewed for an additional 3 year 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.

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

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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1. Significant accounting policies (continued):

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits of the Division are the responsibility of Fred Douglas Society Inc. (the "Society"). Any operating surpluses of the Division are subject to review by the WRHA. The surplus the Society may retain is the greater of 50 percent of the Division's operating surplus and 2 percent of the Division's global budget as provided by the WRHA, in any fiscal year. The remaining operating surplus in any fiscal year is repayable to the WRHA.

(d) Financial instruments:

Initially, all financial assets and liabilities are recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net asset balances.

The Division designates cash, bank indebtedness, short-term investments and investments as held-for-trading; accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, receivable from related entities and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority, payable to residents and long-term debt as other liabilities. The Division has neither available-for-sale nor held-to-maturity instruments.

Fair value of investments is based on period end quoted market prices. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in investment income in the statement of operations. Investments of the Division are pooled with the investments from Fred Douglas Apartments, a Division of Fred Douglas Society Inc. The income on the investments is allocated to each division in proportion to the respective amounts invested by each division throughout the year.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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1. Significant accounting policies (continued):

The Division has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation.* In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures,* and Section 3863, *Financial Instruments - Presentation*, the Division has elected not to adopt these standards in the financial statements.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance 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 Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture, equipment and computer software	3 to 10 years

(f) Future employee pre-retirement benefits payable:

The cost of the Division's employee pre-retirement benefits payable 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 future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 4.1 percent (2011 - 4.7 percent), a rate of salary increase of 3.0 percent (2011 - 3.5 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Contributed services:

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

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(h) Income taxes:

Fred Douglas Society Inc. is exempt from tax under Section 149 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. Actual results could differ from those estimates.

2. Cash (bank indebtedness):

	2012	2011
Bank indebtedness - unrestricted	$ (146,158)	$ (76,187)
Restricted cash	69,418	17,037
	$ (76,740)	$ (59,150)

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 as well as cash held in trust for residents.

The Division has a demand revolving credit facility with a maximum limit of $500,000 (2011 - $500,000). The operating credit line bears interest at prime rate plus 1 percent (2011 - prime rate). The facility is secured by a general security agreement and a first charge collateral mortgage against property of Fred Douglas Society Inc. At March 31, 2012, the Division has utilized $116,011 (2011 - nil) of this facility.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Accounts receivable:

	2012	2011
Accounts receivable	$ 41,921	$ 14,008
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	245,630	199,943
MGEU contract increases	155,156	131,816
Hours of care increase	206,956	100,877
Group health benefit funding	35,229	71,081
Resident charges	(230,376)	(234,234)
Capital funding	12,103	79,582
Pension increase funding	65,987	12,290
Other	43,100	21,670
	$ 575,706	$ 397,033

4. Investments:

	2012		2011	
	Average effective yield	Fair value	Average effective yield	Fair value
Government investment certificates	4.16%	$ 141,286	4.23%	$ 185,340
Money market fund		52,263		–
		193,549		185,340
Current portion, shown as short-term investments		96,317		44,056
		$ 97,232		$ 141,284

The government investment certificates mature during fiscal years 2013 to 2014.

The allocation of investments between unrestricted and restricted is as follows:

	2012	2011
Unrestricted investments	$ 86,989	$ 83,317
Restricted investments	106,560	102,023
	$ 193,549	$ 185,340

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2012	2011
Fred Douglas Heritage House Inc.	$ 10,704	$ 7,853
Fred Douglas Foundation, Inc.	22,667	16,042
Fred Douglas Apartments	(19,930)	9,466
Fred Douglas Courts	150,314	52,022
6032281 Manitoba Association Inc.	3,592	3,325
	$ 167,347	$ 88,708

Fred Douglas Heritage House Inc. is an organization controlled by Fred Douglas Society Inc..

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Courts are divisions of Fred Douglas Society Inc.. 6032281 Manitoba Association Inc. is a wholly owned subsidiary of Fred Douglas Heritage House Inc.. The receivables from/payable to these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

6. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,751,074	5,916,071	3,835,003	3,980,756
Furniture, equipment and computer software	1,987,338	1,532,787	454,551	392,160
	$ 11,755,549	$ 7,448,858	$ 4,306,691	$ 4,390,053

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

7. Bank financing:

	2012	2011
2.59% mortgage, Assiniboine Credit Union, payable $3,095 monthly including principal and interest, maturing January 25, 2013	$ 266,739	$ –
Assiniboine Credit Union demand term loan, interest at 2.59%, payable $5,337 monthly including principal and interest, maturing January 25, 2013	205,972	–
	$ 472,711	$ –

The Assiniboine Credit Union mortgage and term loan are secured as disclosed in note 2 for the demand revolving credit facility.

8. Long-term debt:

	2012	2011
7.75% mortgage, Canada Mortgage and Housing Corporation	–	285,075
Current portion of long-term debt	–	15,942
	$ –	$ 269,133

9. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2012	2011
Balance, beginning of year	$ 11,827	$ 11,544
Contributions received	18,640	3,294
Amounts recognized as revenue in the year	(9,427)	(3,011)
Transfer to deferred contributions - capital assets	(2,382)	–
Balance, end of year	$ 18,658	$ 11,827

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

9. Deferred contributions (continued):

(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.

	2012	2011
Balance, beginning of year	$ 7,559	$ 11,275
Contributions received	6,012	1,512
Amounts recognized as revenue in the year	(921)	(5,228)
Balance, end of year	$ 12,650	$ 7,559

(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.

	2012	2011
Balance, beginning of year	$ 3,182,201	$ 3,192,096
Transfer from deferred contributions - donations	2,382	–
Transfer from deferred contributions - equipment reserve	18,451	5,570
Transfer from deferred contributions - major repairs reserve	12,406	–
Contributions received	112,683	174,346
Amounts amortized to revenue in the year	(202,283)	(189,811)
Balance, end of year	$ 3,125,840	$ 3,182,201

(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.

	2012	2011
Balance, beginning of year	$ 19,400	$ 1,170
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(18,451)	(5,570)
Balance, end of year	$ 24,749	$ 19,400

FRED DOUGLAS PERSONAL CARE HOME
A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

9. 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.

	2012	2011
Balance, beginning of year	$ 62,324	$ 101,676
Contributions received	50,784	50,784
Transfer to deferred contributions - capital assets	(12,406)	–
Amounts recognized as revenue in the year	–	(90,136)
Balance, end of year	$ 100,702	$ 62,324

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 4,306,691	$ 4,390,053
Deferred contributions – capital assets	(3,125,840)	(3,182,201)
Bank financing	(472,711)	–
Long-term debt	–	(285,075)
	$ 708,140	$ 922,777

11. Related party transactions:

During the year, the Division received $2,083 (2011 - $3,184) in funding for improvements and resident services from Fred Douglas Foundation, Inc..

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

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

12. Future employee benefits and employee benefits:

(i) The Division participates in an employee pre-retirement benefit 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.

At March 31, 2012, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $762,908 (2011 - $713,585) for which the Division has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

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 receivable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability for fiscal years 2007-2012, which includes an interest component. The increase recorded in fiscal 2012 was $49,323 (2011 - $28,369) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2012 aggregates $789,890 (2011 - $740,567) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Division. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 83 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2012 was 100 percent (2011 - 100 percent) of actual pre-retirement benefits paid.

In summary, information about the Division's employee pre-retirement benefit plan is as follows:

	2012	2011
Net benefit cost expensed in statement of operations:		
Benefits paid	$ 45,687	$ 43,561
Future employee pre-retirement benefits	49,323	28,369
WRHA additional funding for pre-retirement benefits paid	45,687	43,561
WRHA funding for change in pre-retirement benefits payable	49,323	28,369
Future employee pre-retirement benefits payable	762,908	713,585

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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12. Future employee benefits and employee benefits (continued):

(ii) All eligible employees of the Division are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Division contributed $422,230 (2011 - $387,832) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2010 reported that the plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits. This 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 increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings (YMPE) limit and 9.4 percent on earnings in excess of the 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, 2012 is $485,649 (2011 - $487,175).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $355,603 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

13. Commitment:

For fiscal 2013, the Division has a service purchase agreement for the adult day program for annual transportation service of approximately $100,000.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2012

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14. Fair value:

The fair value of accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities, bank financing and payable to residents approximate their carrying value due to the short term nature of these instruments.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of the receivable from related entities is not practical to determine due to its underlying terms and conditions.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Nursing services:		
Medical supplies and services	$ 42,180	$ 49,265
Resident transportation	30,690	26,475
Incontinence supplies	60,222	63,626
Nursing administration	16,560	16,560
	149,652	155,926
Resident services:		
Activities	10,631	9,019
Other	4,478	5,816
	15,109	14,835
General administration:		
Advertising	2,134	2,296
Audit and professional fees	67,361	144,290
Bad debt recovery	–	(23,371)
Bank charges and interest	6,935	4,013
Bonding and insurance	6,315	6,318
Data processing and communications	54,530	48,593
Delivery and courier	2,078	1,762
Equipment lease and maintenance	38,283	38,486
Meetings and miscellaneous	3,025	9,119
Licenses and membership fees	5,008	6,139
Postage	3,077	3,183
Printing, stationery and office supplies	10,714	11,473
Staff and resident events and appreciation	18,287	21,349
Travel	1,446	1,482
	219,193	275,132
Dietary:		
Food	304,350	285,822
Glassware and cutlery	2,723	2,691
Supplies	17,552	18,232
	324,625	306,745
Laundry:		
Supplies	8,433	9,039
Linen:		
Supplies and service	84,789	79,749
Housekeeping:		
Supplies	27,672	26,945
Carried forward	829,473	868,371

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Brought forward	$ 829,473	$ 868,371
Physical plant:		
Operations:		
Electricity	89,257	99,792
Natural gas	57,246	68,304
Insurance	11,105	11,354
Taxes	21,927	32,376
Water	60,335	68,151
Maintenance and repairs:		
Buildings and grounds	107,365	164,773
Equipment	25,993	30,432
Other	4,941	5,250
Bank loan interest	1,698	2,288
Interest on long-term debt and bank financing	24,366	22,268
	404,233	504,988
Salaries:		
Nursing	4,440,132	4,377,445
Administration	386,567	471,724
Resident services	255,283	252,137
Dietary	529,010	570,502
Support services	587,815	493,516
Employee benefits	1,404,465	1,324,606
Accrued vacation	(10,295)	31,461
	7,592,977	7,521,391
Total operating expenses	$ 8,826,683	$ 8,894,750

INDEPENDENT AUDITORS' REPORT

PKBW GROUP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS INC.

To the Board of Directors of
Holy Family Home, Inc. and
The Advisory Council of
Sisters Servants of Mary Immaculate

We have audited the accompanying combined financial statements of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund, which comprise the combined statement of financial position as at March 31, 2012, and the combined statements of operations, combined changes in net assets, and combined cash flow for the year then ended, and a combined summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management using basis of accounting described in Note 2(a).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these combined financial statements in accordance with the basis of accounting as described in Note 2(a), and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, these combined financial statements present fairly, in all material respects, the financial position of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2012, and its combined results of operations and cash flow for the year then ended in accordance with the basis of accounting described in Note 2(a).

Basis of Accounting and Restriction on Distribution
Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the management of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to report to the Winnipeg Regional Health Authority (WRHA). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund to comply with the requirements of its WRHA funding agreement, and should not be distributed to parties other than the management and owners of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund and the WRHA.

PKBW Group

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

Winnipeg, Manitoba
June 25, 2012

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2012 TOTAL	2011 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 446,378	685,343	1,131,721	1,127,270
Accounts receivable	190,560	1,425	191,985	174,078
Due from WRHA (Note 2(b))	1,557,553	-	1,557,553	1,143,362
Due from WRHA - Accrued vacation pay (Note 4)	719,492	-	719,492	719,492
Due from revenue/ plant fund	116,517	-	$ 116,517	$ -
Inventory	70,290	-	70,290	59,044
Prepaid expenses	10,592	-	10,592	9,744
	3,111,382	686,768	3,798,150	3,232,990
DUE FROM WRHA - PRE-RETIREMENT LEAVE (Note 4)	1,596,827	-	1,596,827	1,558,976
INVESTMENTS (Note 3)	-	183,587	183,587	183,587
CAPITAL ASSETS (Notes 2(c) and 5)	-	4,727,426	4,727,426	4,781,593
	$ 4,708,209	5,597,781	10,305,990	9,757,146

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2012 TOTAL	2011 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,733,755	20,180	1,753,935	1,755,009
Accrued vacation pay (Note 4)	1,037,113	-	1,037,113	1,004,661
Loan advances	-	183,955	183,955	-
Current portion of long-term debt (Note 6)	-	123,114	123,114	114,571
Due to revenue/ plant fund	-	116,517	116,517	-
Due to SSMI Works (Note 10)	520,244	553,604	1,073,848	317,895
	3,291,112	997,370	4,288,482	3,192,136
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	1,867,141	-	1,867,141	1,829,290
LONG-TERM DEBT (Note 6)	-	2,651,833	2,651,833	2,779,889
DEFERRED CONTRIBUTIONS				
Deferred capital contributions (Notes 2(f) and 7)	-	637,702	637,702	866,573
Deferred contributions for major building repairs (Note 2(f) and 8)	-	218,402	218,402	229,859
	-	856,104	856,104	1,096,432
NET ASSETS				
Internally restricted	16,707	-	16,707	37,653
Invested in capital assets	-	1,029,277	1,029,277	999,660
Unrestricted				
Unfunded employee future benefits (Note 4(d))	(587,935)	-	(587,935)	(555,483)
Unrestricted	121,184	63,197	184,381	377,569
	(450,044)	1,092,474	642,430	859,399
	$ 4,708,209	5,597,781	10,305,990	9,757,146

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2012

	2012	2011
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 11)	$ 13,401,503	12,779,695
Resident/ participant charges	4,647,351	4,616,982
	18,048,854	17,396,677
Offset income		
Dietary	140,527	132,684
Investment income (Note 9)	22,002	15,506
Amortization of deferred capital contributions (Note 7)	408,222	425,125
Recognition of deferred contributions for major building repairs (Note 8)	34,593	-
Miscellaneous	144,791	187,118
	750,135	760,433
	18,798,989	18,157,110
EXPENSES		
Salaries and benefits		
Nursing	10,720,334	10,335,296
Special	1,044,213	988,860
General	3,574,823	3,460,195
	15,339,370	14,784,351
Nursing services	416,999	405,191
Special services	36,253	30,074
General administration	447,210	408,172
Dietary	778,996	757,736
Laundry	224,260	223,648
Linen	38,137	27,330
Housekeeping	62,504	50,980
Physical plant	849,542	845,770
Debt structure and amortization	636,154	668,299
Pre-retirement leave	211,756	35,762
	19,041,181	18,237,313
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	(242,192)	(80,203)
OTHER ITEMS		
Unfunded employee future benefits (Note 4)	(32,452)	(6,809)
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	(274,644)	(87,012)
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 11)	269,160	267,587
Participant charges	35,203	34,124
Salaries and benefits	(136,915)	(129,353)
General administration	(158,244)	(165,470)
Dietary	(9,204)	(7,378)
	-	(490)
DEFICIENCY OF REVENUE OVER EXPENSES	$ (274,644)	(87,502)

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, 2012

2012

	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR,	$ (555,483)	328,432	49,137	(177,914)	37,653	999,660	859,399
Excess (deficiency) of revenue over expenses	(32,452)	(207,248)	14,060	(225,640)	(20,946)	(28,058)	(274,644)
Transfer from SSMI Works (Note 10)	-	-	-	-	-	57,675	57,675
BALANCE, END OF YEAR	$ (587,935)	121,184	63,197	(403,554)	16,707	1,029,277	642,430

2011

	UNRESTRICTED						
	HOLY FAMILY HOME, INC.						
	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	SSMI PLANT FUND	SUBTOTAL	INTERNALLY RESTRICTED (Schedule 1)	INVESTED IN CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	$ (548,674)	329,481	38,742	(180,451)	105,402	903,231	828,182
Excess (deficiency) of revenue over expenses	(6,809)	(1,049)	10,395	2,537	(67,749)	(22,290)	(87,502)
Transfer from SSMI Works (Note 10)	-	-	-	-	-	118,719	118,719
BALANCE, END OF YEAR	$ (555,483)	328,432	49,137	(177,914)	37,653	999,660	859,399

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$ (274,644)	(87,502)
Add non-cash item(s):		
Amortization of capital assets	436,279	447,415
Amortization of deferred capital contributions	(408,222)	(425,125)
Recognition of deferred contributions for major building repairs	(34,593)	-
	(281,180)	(65,212)
Change in non-cash working capital:		
Accounts receivable	(17,907)	(65,945)
Due from WRHA	(414,191)	351,405
Due from WRHA - Accrued vacation pay and pre-retirement leave	(37,851)	(114,390)
Inventory	(11,246)	14,837
Prepaid expenses	(848)	4,531
Accounts payable and accrued liabilities	(1,074)	(300,816)
Accrued vacation pay and pre-retirement leave	70,303	121,199
	(693,994)	(54,391)
INVESTING ACTIVITIES		
Purchase of capital assets - equipment and building improvements	(382,112)	(371,354)
FINANCING ACTIVITIES		
Long-term debt funding received	183,955	-
Long-term debt principal repayments	(119,513)	(111,815)
Additions (utilization) of externally restricted fund balances - reserves	(11,457)	23,136
Deferred capital contributions	213,944	343,504
Due to (from) related parties	755,953	317,895
Transfers from (to) related parties	57,675	118,719
	1,080,557	691,439
INCREASE IN CASH	4,451	265,694
CASH, BEGINNING OF YEAR	1,127,270	861,576
CASH, END OF YEAR	$ 1,131,721	1,127,270
ADDITIONAL INFORMATION:		
Interest received	$ 6,588	15,506
Interest paid	213,895	221,589

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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 capital assets less the related debt and the equity belonging to SSMI in Winnipeg, Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Framework

These combined financial statements are in accordance with Canadian generally accepted accounting principles except for the application of CICA Handbook Section 4450, paragraph 14 which requires an organization to either consolidate in its financial statements all entities under its control or provide disclosure in the notes to the financial statements of the total assets, liabilities, net assets, revenues, expenses, and cash flows from operating, financing, and investing activities reported in the period along with disclosure of details of any restrictions, by major category, on the resources of the controlled organizations and disclosure of the significant differences in accounting policies from those followed by the reporting organizations. These combined financial statements only report on the assets, liabilities, net assets, revenues, expenses and cash flows of Holy Family Home, Inc. and SSMI Plant Fund and do not include the total assets, liabilities, net assets, revenues, expenses and cash flows of all entities controlled by Sisters Servants of Mary Immaculate.

(b) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from WRHA and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to WRHA. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Capital Assets

Capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 years. Building renovations are amortized over the remaining useful life of the related building.

Assets under development or construction are not amortized until available for use.

(d) Deferred Contributions

Deferred contributions received for the funding and acquisition 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 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. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

(g) Future Accounting Policy Changes

The Accounting Standards Board of the CICA has issued new standards for non-profit organization's (NPO's) which will be effective for annual reporting periods that commence on or after January 1, 2012, although earlier standard adoption is permitted. These new standards will not have any significant impact on the results of operation or financial position of the organization. It is anticipated that the organization will adopt these new standards for its year ending March 31, 2013.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2012	Total 2011
Holy Family Home, Inc.	$ 446,378	-	446,378	608,009
SSMI Plant fund	650,178	-	650,178	472,989
Major building repairs reserve fund	34,814	183,587	218,401	229,859
Equipment amortization fund	351	-	351	-
	$ 1,131,721	183,587	1,315,308	1,310,857

The investments are part of a jointly held investment pool by SSMI with yields of 1.15% to 4.40% maturing between April 3, 2012 and July 18, 2015.

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2011	Vacation pay	$ 719,492	1,004,661	(285,169)
	Pre-retirement leave	1,558,976	1,829,290	(270,314)
		$ 2,278,468	2,833,951	(555,483)
March 31, 2012	Vacation pay	$ 719,492	1,037,113	(317,621)
	Pre-retirement leave	1,596,827	1,867,141	(270,314)
		$ 2,316,319	2,904,254	(587,935)

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 $32,452 (2011 - $6,809).

b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,596,827 (2011 - $1,558,976) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years 2006/2007 to 2010/2011. For the 2004/2005 and 2005/2006 fiscal years, Manitoba Health directed that healthcare facilities were not allowed to accrue as a receivable, the revenue equivalent to the change in the retirement entitlement obligation liability.

c) Pre-retirement Leave Payable

HFH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty. HFH has recorded an accrual based upon an actuarial valuation at March 31, 2012 of $1,867,141 (2011 - $1,829,290) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2012, HFH paid out retirement allowances to their employees in the amount of $211,756 (2011 - $35,762) in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2011/2012 was $nil (2011 - $nil).

d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which include Vacation Pay and Pre-retirement Leave) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the Service Purchase Agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat. Secondly, in keeping with the terms of the Service Purchase Agreement, future employee benefits should be recognized, both as a liability and as a receivable.

d) Unfunded Employee Future Benefits (continued)

The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable. HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements.

5. CAPITAL ASSETS

	2012		2011	
	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	1,317,213	1,616,588	1,284,077
Building - Phase II	3,957,077	2,685,069	3,957,077	2,607,240
Building - Phase V	1,621,247	951,602	1,621,247	881,113
Building - Phase VI	48,221	-	-	-
Building - Link	1,500,962	836,264	1,500,962	793,370
Building - Canopy	70,161	48,230	70,161	45,307
Building Improvements	911,433	163,895	676,534	107,591
Equipment	2,353,784	1,849,860	2,254,792	1,697,156
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Religious Mosaic and Icons	42,574	-	42,574	-
	$ 13,049,376	8,321,950	12,667,264	7,885,671
Net book value	$ 4,727,426		4,781,593	

6. LONG-TERM DEBT

	2012	2011
Toronto Dominion Bank due March 1st, 2014, prime plus 0.50%, repayable in monthly installments of $1,850 plus interest. Accrued interest $368 (2011 - $457).	$ 152,395	174,595
CMHC Mortgage due in 2021, 6.875%, repayable in monthly installments of $7,707 including principal and interest, secured by mortgage on Phase I land and building. Accrued interest $3,765 (2011 - $4,023).	666,395	666,395
CMHC Mortgage due in 2028, 10.00%, repayable in monthly installments of $20,630 including principal, interest and subsidy of $3,853 monthly, secured by mortgage on Phase II land and building. Accrued interest $16,766 (2011 - $17,125).	1,956,157	2,053,470
	2,774,947	2,894,460
Less: current portion	123,114	114,571
	$ 2,651,833	2,779,889

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

6. LONG-TERM DEBT (continued)

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2013	$ 123,114
	2014	239,932
	2015	119,363
	2016	129,862
	2017	141,319
	Thereafter	2,021,357
		$ 2,774,947

Total interest expensed in the statement of operations is $199,875 (2011 - $220,883).

7. DEFERRED CAPITAL CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2012 Total	2011 Total
BALANCE, BEGINNING OF YEAR	$ -	866,573	866,573	948,194
Add: Deferred contributions - WRHA	48,300	139,736	188,036	334,819
Funding adjustment	(8,685)	-	(8,685)	8,685
Transfer for Capital assets purchased	(39,264)	39,264	-	-
	351	1,045,573	1,045,924	1,291,698
Deduct: Amortization of deferred contributions	-	408,222	408,222	425,125
BALANCE, END OF YEAR	$ 351	637,351	637,702	866,573

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2012 Total	2011 Total
BALANCE, BEGINNING OF YEAR	$ 115,480	114,379	229,859	206,723
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
Deduct: Amortization of deferred contributions	-	34,593	34,593	-
BALANCE, END OF YEAR	$ 123,616	94,786	218,402	229,859

9. INVESTMENT INCOME

	2012	2011
Holy Family Home, Inc. investment income	$ 7,942	5,111
SSMI Plant Fund investment income	14,060	10,395
	$ 22,002	15,506

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

10. RELATED PARTY TRANSACTIONS

Holy Family Home, Inc. (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to various Sisters Servants of Mary Immaculate Works associated with HFH because they are all under common ownership and control of SSMI. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties. Any outstanding balances due to (from) the related parties are non-interest bearing, unsecured and due on demand.

During the current year the Sisters Servants of Mary Immaculate Advisory Council approved a transfer of net assets totaling $57,675 (2011 - $118,719) from Sisters Servants of Mary Immaculate Works to Sisters Servants of Mary Immaculate Plant Fund to fund equipment additions and building improvements.

11. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2012	2011
Total funds received during year	$12,863,684	12,102,083
Add:		
Year end adjustments receivable	847,839	1,146,077
Residential charges top-up	112,764	-
	13,824,287	13,248,160
Deduct:		
Loan funding deferred	130,488	111,816
Major reserves funding deferred	23,136	23,136
Residential charges claw back	-	65,926
	153,624	200,878
	$13,670,663	13,047,282
Funding broken down as follows:		
Resident Services	$13,401,503	12,779,695
Adult Day Care	269,160	267,587
	$13,670,663	13,047,282

12. USE OF ESTIMATES

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments

Financial instruments include cash, accounts receivable, accrued interest receivable, investments, accounts payable and accrued liabilities and long-term debt. The organization has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Fair value of financial instruments

The carrying value of cash, accounts receivable, accrued interest receivable, investments, accounts payable and accrued liabilities approximates fair market value due to their short-term nature.

Investments are recorded at adjusted cost base since the fair value of the investments are not readily determinable.

Long-term debt approximates carrying value as the loan with Toronto Dominion Bank is at a the organization's risk adjusted variable rate, and the loans with CMHC are funded by WRHA.

(c) 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.

(c) Liquidity risk (Continued)

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, 2012, the organization has a cash balance of $1,131,721.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the organization to credit risk and concentrations of credit risk consist principally of accounts receivable and amounts due from WRHA..

Management manages credit risk associated with accounts receivable and amounts due from WRHA by pursuing collections when they are due.

(e) 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.

(f) Capital Management

The organization's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The organization's capital consists of unrestricted net assets and net assets invested in capital assets. The organization's capital management policy is to:

(i) Maintain sufficient capital to meet its objectives through its net assets by managing cash, accounts receivable, and inventory in conjunction with expected capital needs.

(ii) Meet short-term capital needs with ongoing management of cash on hand and investments.

(iii) Meet long-term capital needs through growth of operations.

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

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
SCHEDULE OF NET ASSETS
YEAR ENDED MARCH 31, 2012

SCHEDULE 1

INTERNALLY RESTRICTED NET ASSETS

		UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2012 TOTAL	2011 TOTAL
BALANCE, BEGINNING OF YEAR	$	2,502	26,095	9,056	37,653	105,402
Deficiency of revenue over expenses from operations		-	(8,159)	(12,787)	(20,946)	(67,749)
Transfer		-	(3,731)	3,731	-	-
BALANCE, END OF YEAR	$	2,502	14,205	-	16,707	37,653

David Hildebrand
Certified General Accountant

INDEPENDENT AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporation
Winnipeg, Manitoba

I have audited the accompanying financial statements of Hope Centre Health Care Incorporation, which comprise the balance sheet as at March 31, 2012 and the statement of income and accumulated surplus for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Qualified Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of the Hope Centre Health Care Incorporation as at March 31, 2012, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Certified General Accountant

June 7, 2012
2 – 715 Lanark Street
Winnipeg, R3N 1M4

Hope Centre Health Care Incorporated
Balance Sheet
As at March 31, 2012

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	$ 51,428	$ 49,048
Accounts Receivable	232,780	195,056
Prepaid Expenses	2,636	2,572
Total Current Assets	286,844	246,676
Capital Assets (Note 2 & 3)	32,000	34,021
Total Assets	**$ 318,844**	**$ 280,697**
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 29,756	$ 28,326
Total Current Liabilities	29,756	28,326
EQUITY		
Investment in Capital Assets	32,000	34,021
Unrestricted	257,088	218,350
Total Owners' Equity	289,088	252,371
Total Liabilities and Surplus	**$ 318,844**	**$ 280,697**

Approved By:

______________________________ Director

______________________________ Director

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

Hope Centre Health Care Incorporated
Statement of Income and Accumulated Surplus
For the year ended March 31, 2012

	2012	2011
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 1,038,568	$ 1,031,316
Medical Receipts	7,006	7,776
Other	3,309	4,777
	1,048,883	1,043,869
EXPENSES		
Administration	88,212	86,503
Primary Health Care	834,372	790,302
Occupancy	89,582	99,280
	1,012,166	976,085
Excess of revenue over expenses for the year	36,717	67,784
Add: Adjustment to prior years' Income	-	-
	36,717	67,784
Accumulated surplus (deficiency), beginning of year	252,371	184,587
Accumulated surplus (deficiency), end of year	**$ 289,088**	**$ 252,371**

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

Hope Centre Health Care Incorporated
Statement of Cash Flows
For the year ended March 31, 2012

	2012	2011
Cash flows from operating activities		
Excess of revenue over expenses	$ 36,717	$ 67,784
Amortization	2,020	4,796
	38,737	72,580
Changes in other non-cash operating accounts	(36,357)	13,450
	2,380	86,030
Adjustment of prior years' income	-	(20,801)
Increase (decrease) In cash during the year	2,380	65,229
Cash beginning of year	49,048	(16,181)
Cash end of year	**$ 51,428**	**$ 49,048**

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

Hope Centre Health Care Incorporated
Schedule of Expenses
For the year ended March 31, 2012

	Budget 2,012	Actual 2012	Actual 2011
Administration			
Salaries and benefits	$ 72,280	$ 72,558	$ 72,558
Professional fees	15,000	7,478	5,655
Bank charges and interest	2,000	3,448	2,445
Advertising	-	1,154	-
Insurance - Liabilities	3,000	3,574	5,845
	$ 92,280	$ 88,212	$ 86,503
Primary Health Care			
Salaries - Physicians	$188,793	$ 238,784	$ 214,324
Salaries - Health Care	454,088	445,636	412,460
Professional Development	4,000	2,369	5,020
Benefits - Salaries	87,706	95,231	91,088
Auto Allowance	3,500	811	2,388
Program Supplies	18,700	27,355	41,133
Program Equipment	1,500	5,467	5,949
Public Relations	6,000	4,322	2,502
Communications	10,051	8,645	11,610
Postage	1,500	1,499	3,419
Professional Fees	-	4,253	409
	$775,838	$ 834,372	$ 790,302
Occupancy			
Cleaning - Janitorial	$ 14,000	$ 11,880	$ 10,050
Cleaning Supplies	4,050	3,426	3,109
Properties - Heat	4,800	6,080	5,580
Properties - Light	3,500	3,110	2,690
Properties - Water	1,800	1,985	2,600
Properties - Maintenance	19,000	15,354	18,397
Properties - Taxes	1,600	1,580	1,461
Hardware Supplies	1,500	-	-
Rental - 240 Powers St.	42,504	42,504	49,202
Alarm Monitoring	1,500	1,643	1,395
Amortization	-	2,020	4,796
	$ 94,254	$ 89,582	$ 99,280

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

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2012

1. Purpose of the Organization

Hope Centre Health Care Inc. is committed to the provision of a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God

and worthy of a competent standard of care, rendered with respect, dignity and compassion.

Hope Centre Health Care Inc. is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

2. Significant Accounting Policies

a) Basis of Accounting

- The deferred method of accounting is being used.

- Inventories are insignificant, thus all inventory is charged to operations in the current year of operations.

c) Capital Assets

Property, Plant and Equipment are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

Building	5%	Straight- line basis
Furniture and fixtures	20%	Straight- line basis
Equipment	30%	Straight- line basis

d) Manitoba Health funding

Manitoba Health provides funding to the organization based on their assessment of the organization's annual operating budgets and on approved capital expenditures. Periodically, Manitoba Health reviews actual operating results and processes adjustments to amounts previously provided. The organization accounts for these adjustments as a credit or charge to accumulated surplus.

e) Income Tax

The corporation is a not-for-profit organization and thus is exempt under the provisions of the Canada Revenue Agency.

Hope Centre Health Care Incorporated
Notes to the Financial Statements (Con't)
For the year ended March 31, 2012

3. Property Plant & Equipment

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2012	2011
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	73,213	-	-
Furniture and fixtures	50,898	50,898	-	-
Equipment	32,283	32,283	-	-
	$ 188,394	$ 156,394	$ 32,000	$ 32,000

4. Non-Pension Pre-retirement Leave Benefit

An actuarial report called the 'Mercer Valuation Report' has been issued. The report indicated that Hope Centre Health Care Inc. has an unrecorded actuarial valuation liability in the amount of $131,358 (2011 - $115,067).

5. Economic Dependence

The organization is dependent on support from Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

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, 2012 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 generally accepted accounting principles, 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 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.

Independent Auditors' Report - continued

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Klinic Incorporated as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 30, 2012

Chartered Accountants

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2012 Total	2011 Total
Revenues						
Grants and other revenue (Page 15)	$ 9,252,150	$ -	$ -	$ -	**$ 9,252,150**	$ 8,790,821
Donations	-	-	-	15,038	**15,038**	14,971
Interest	-	-	-	4,042	**4,042**	3,432
Amortization of deferred revenues	-	1,843	72,140	-	**73,983**	77,316
	9,252,150	1,843	72,140	19,080	**9,345,213**	8,886,540
Expenses						
Expenditures (Page 15)	9,224,492	-	-	-	**9,224,492**	8,792,734
Amortization	8,760	2,834	67,679	-	**79,273**	79,272
Special projects	-	-	-	1,663	**1,663**	3,289
	9,233,252	2,834	67,679	1,663	**9,305,428**	8,875,295
Excess (deficiency) of revenues over expenses from operations	18,898	(991)	4,461	17,417	**39,785**	11,245
Pre-retirement leave (Note 10)	(21,111)	-	-	-	**(21,111)**	(12,055)
Excess (deficiency) of revenues over expenses	$ (2,213)	$ (991)	$ 4,461	$ 17,417	**$ 18,674**	$ (810)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2012 **Total**	2011 Total
Fund balances, beginning of year	$ (1,282)	$ 18,373	$ 171,481	$ 364,451	**$ 553,023**	$ 553,833
Excess (deficiency) of revenues over expenses	(2,213)	(991)	4,461	17,417	**18,674**	(810)
Fund balances, end of year	$ (3,495)	$ 17,382	$ 175,942	$ 381,868	**$ 571,697**	$ 553,023

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Financial Position
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2012 Total	2011 Total
Assets						
Current						
Cash (Notes 3 and 4)	$ 1,538,807	$ -	$ -	$ 186,902	**$ 1,725,709**	$ 1,642,444
Cash in trust - external projects (Note 5)	47,614	-	-	-	**47,614**	62,889
Receivables (Note 6)	1,093,575	-	-	-	**1,093,575**	959,362
Prepaid expenses	7,384	-	-	-	**7,384**	9,964
	2,687,380	-	-	186,902	**2,874,282**	2,674,659
Interfund balances (Note 9)	(263,981)	-	69,015	194,966	**-**	-
Capital assets (Note 7)	8,760	45,021	972,608	-	**1,026,389**	1,105,662
	$ 2,432,159	$ 45,021	$ 1,041,623	$ 381,868	**$ 3,900,671**	$ 3,780,321
Liabilities						
Current						
Payables and accruals	$ 1,187,245	$ -	$ -	$ -	**$ 1,187,245**	$ 1,140,707
Deferred revenue (Note 8)	494,355	-	-	-	**494,355**	431,520
Funds in trust - external projects (Note 5)	47,614	-	-	-	**47,614**	62,889
	1,729,214	-	-	-	**1,729,214**	1,635,116
Deferred revenue (Note 8)	-	27,639	865,681	-	**893,320**	967,303
Pre-retirement leave (Note 10)	706,440	-	-	-	**706,440**	624,879
	2,435,654	27,639	865,681	-	**3,328,974**	3,227,298
Fund balances						
Invested in capital assets	-	17,382	106,927	-	**124,309**	120,839
Unrestricted - retainable	(3,495)	-	69,015	381,868	**447,388**	432,184
	(3,495)	17,382	175,942	381,868	**571,697**	553,023
	$ 2,432,159	$ 45,021	$ 1,041,623	$ 381,868	**$ 3,900,671**	$ 3,780,321

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2012 Total	2011 Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 6,886,219	$ -	$ -	$ -	**$ 6,886,219**	$ 6,534,398
Province of Manitoba	1,516,055	-	-	-	**1,516,055**	1,387,572
Government of Canada	250,591	-	-	-	**250,591**	201,704
University of Winnipeg	116,182	-	-	-	**116,182**	129,980
Workshops and honorariums	39,798	-	-	-	**39,798**	88,840
Fundraising	-	-	-	-	**-**	22
Donations	17,285	-	-	15,038	**32,323**	32,094
External projects	179,976	-	-	-	**179,976**	179,976
Interest	14,284	-	-	4,042	**18,326**	15,136
Other sources	397,573	-	-	-	**397,573**	375,839
Cash paid for:						
Human resources and benefits	(8,074,370)	-	-	-	**(8,074,370)**	(7,785,981)
Materials and services	(1,088,653)	-	-	(1,663)	**(1,090,316)**	(892,985)
External projects	(202,009)	-	-	-	**(202,009)**	(202,009)
Interest	(2,358)	-	-	-	**(2,358)**	(2,358)
	50,573	-	-	17,417	**67,990**	62,228
Cash flows from financing and investing activities						
Winnipeg Regional Health Authority contribution towards capital assets	-	-	-	-	**-**	10,000
Purchase of capital assets	-	-	-	-	**-**	(42,994)
Net cash used in financing and investing activities	-	-	-	-	**-**	(32,994)
Net increase in cash	50,573	-	-	17,417	**67,990**	29,234
Cash, beginning of year	1,533,596	-	-	171,737	**1,705,333**	1,676,099
Interfund adjustments	2,252	-	-	(2,252)	**-**	-
Cash, end of year (Note 4)	$ 1,586,421	$ -	$ -	$ 186,902	**$ 1,773,323**	$ 1,705,333

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Purpose of the organization

Klinic Incorporated (the organization) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling, public education and training for the Province of Manitoba.

The organization is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets (including computer equipment), liabilities, revenues and expenses related to the organization's activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets (excluding computer equipment).

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization's building at 545 Broadway, known as The Wilson House.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The organization follows the deferral method of accounting for contributions.

Unrestricted contributions 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.

Training fees and fundraising revenue are recognized as revenue in the appropriate fund when the event is held.

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased property and equipment are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer equipment	3 years	straight-line
Capital Asset Fund		
Building	20 years	straight-line
Furniture and equipment	20 years	straight line
Wilson House Fund		
Building	20 years	straight-line

e) Pre-retirement leave benefits

The cost of the organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 4.1% (2011 - 4.7%), a rate of salary increase of 3.0% (2011 - 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.

g) Allocation of expenses

The organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

h) Accounting estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

i) Financial instruments

The organization's financial instruments consist of cash, receivables, interfund balances, payables and accruals, funds in trust - external projects and pre-retirement leave.

The fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

The organization has available an operating line of credit with an authorized limit of $25,000 (2011 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2012 (2011 - $NIL).

4. Cash balances

	2012	2011
Operating Fund		
Cash and short-term investments	**$ 1,538,807**	$ 1,470,707
Cash in trust - external projects	**47,614**	62,889
	1,586,421	1,533,596
Donation Fund	**186,902**	171,737
	$ 1,773,323	$ 1,705,333

5. Cash in trust - external projects

Funds in trust for external projects is as follows:

	2012	2011
Manitoba Public Health Association	**$ 18,919**	$ 16,706
Downtown Parent Coalition	**12,421**	29,989
West Central Community Guide	**4,466**	4,466
Manitoba Network for Suicide Prevention	**3,765**	4,384
Wellness Committee	**3,293**	3,155
Pregnancy Prevention Media Campaign	**1,857**	1,857
Trauma Forum	**1,790**	1,790
Mothers Support Circle	**434**	434
Male Childhood Abuse Workshop	**669**	669
Partners in Caring	**-**	(561)
	$ 47,614	$ 62,889

6. Receivables

	2012	2011
Winnipeg Regional Health Authority	**$ 743,149**	$ 627,608
Other	**350,426**	331,754
	$ 1,093,575	$ 959,362

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7. Capital assets

2012

	Cost	Accumulated Amortization	**Net Book Value**
Operating Fund			
Computer equipment	$ 142,455	$ 133,695	**$ 8,760**
Capital Asset Fund			
Building	2,401,770	2,374,130	**27,640**
Furniture and equipment	295,328	277,947	**17,381**
	2,697,098	2,652,077	**45,021**
Wilson House Fund			
Land	160,500	-	**160,500**
Building	1,353,581	541,473	**812,108**
	1,514,081	541,473	**972,608**
	$ 4,353,634	$ 3,327,245	**$ 1,026,389**

2011

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 142,455	$ 124,935	$ 17,520
Capital Asset Fund			
Building	2,401,770	2,372,288	29,482
Furniture and equipment	295,328	276,955	18,373
	2,697,098	2,649,243	47,855
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	473,794	879,787
	1,514,081	473,794	1,040,287
	$ 4,353,634	$ 3,247,972	$ 1,105,662

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CHARTERED ACCOUNTANTS

8. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted funding that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2012	2011
Beginning balance	**$ 431,520**	$ 231,726
Less: amounts recognized as revenue during the year	**(169,984)**	(75,799)
Add: amounts received related to next year	**232,819**	275,593
	$ 494,355	$ 431,520

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

Beginning balance	**$ 29,482**	$ 31,325
Less: amounts recognized as revenue during the year	**(1,843)**	(1,843)
	$ 27,639	$ 29,482

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	**$ 937,821**	$ 1,009,961
Less: amounts recognized as revenue during the year	**(72,140)**	(72,140)
	$ 865,681	$ 937,821

Deferred revenue reported in the Capital Asset Fund and Wilson House Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

9. Interfund balances

The interfund balances are non interest bearing and have no fixed terms of repayment.

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10. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	**2012**	2011
Opening balance	**$ 624,879**	$ 584,097
Increase in obligation	**81,561**	40,782
Ending balance	**$ 706,440**	$ 624,879
Pre-retirement leave		
Increase in obligation	**$ (81,561)**	$ (40,782)
Increase in receivable	**60,450**	28,727
	$ (21,111)	$ (12,055)

11. Pension

Effective June 1, 2003, the organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, the organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $509,389 (2011 - $441,844) was expensed for the purpose of the Plan.

Prior to June 1, 2003 the organization had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

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12. Capital disclosures

The organization considers its capital to be the balance maintained in its Operating Fund Balance. Capital is invested under the direction of the Board of Directors. The primary objective of the organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The organization is not subject to any externally imposed requirements of its capital.

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.

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Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Teen Talk	Klinic Student Health Services	Rural Farm	Dream Catcher	GLBTT	Choices	Knowledge Exchange Network	2012 Total	2011 Total
Revenues										
Winnipeg Regional Health Authority										
Fixed payments	$ 6,632,124	$ 213,728	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,845,852	$ 5,927,857
Other funding	66,489	-	-	-	-	72,249	-	-	138,738	708,731
Province of Manitoba										
Manitoba Health	278,705	216,300	-	336,600	46,600	-	-	-	878,205	839,789
Healthy Child	-	262,004	-	-	-	-	140,545	-	402,549	342,537
Healthy Living	25,173	-	-	-	-	-	-	-	25,173	-
Education	-	15,000	-	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	84,024	-	-	-	-	-	-	-	84,024	87,500
Family Violence and Prevention Branch	3,500	-	-	-	-	-	-	-	3,500	-
Government of Canada										
Canada Drug Strategy	-	-	-	-	-	-	-	187,157	187,157	201,203
Public Health Agency Canada	-	50,061	-	-	-	-	-	-	50,061	-
Workers Compensation Board	55,000	-	-	-	-	-	-	-	55,000	55,000
Winnipeg Foundation	20,000	-	-	-	-	-	-	-	20,000	-
University of Winnipeg	-	-	130,706	-	-	-	-	-	130,706	130,706
Other	355,281	7,720	-	1,034	10	-	-	-	364,045	392,246
Workshops	34,270	-	-	-	-	-	-	-	34,270	35,396
Donations	2,382	-	-	654	50	-	-	-	3,086	43,130
Foundations	-	500	-	-	-	-	-	-	500	-
Interest	14,284	-	-	-	-	-	-	-	14,284	11,704
Fundraising	-	-	-	-	-	-	-	-	-	22
Total revenues	7,571,232	765,313	130,706	338,288	46,660	72,249	140,545	187,157	9,252,150	8,790,821
Expenditures										
Salaries	5,017,453	563,576	108,310	270,439	42,681	-	60,284	109,620	6,172,363	5,941,877
Medical remuneration	760,830	-	-	-	-	-	-	-	760,830	750,160
Benefits and payroll tax	1,044,849	114,971	21,397	52,791	9,922	-	10,924	9,870	1,264,724	1,133,366
Food and dietary supplies	29,531	649	-	1,052	1,491	-	-	-	32,723	27,732
Housekeeping	15,120	-	-	-	-	-	-	-	15,120	11,636
Medical supplies	32,901	-	938	-	154	-	-	-	33,993	41,642
Office supplies	136,781	24,327	-	12,620	2,065	-	1,207	16,026	193,026	179,914
Other	154,775	54,863	61	20,248	4,283	71,938	68,130	42,385	416,683	381,418
Professional fees	34,027	-	-	-	-	-	-	-	34,027	29,507
Rent	6,217	-	-	13,244	-	-	-	9,000	28,461	20,286
Repairs and maintenance	178,148	779	-	134	-	-	-	256	179,317	159,746
Pharmacy and drugs	2,348	-	-	-	-	311	-	-	2,659	13,712
Reproductive health supplies	14,954	6,148	-	-	-	-	-	-	21,102	31,243
Utilities and property taxes	63,538	-	-	-	-	-	-	-	63,538	64,764
Volunteer services	5,926	-	-	-	-	-	-	-	5,926	5,731
Total expenditures	7,497,398	765,313	130,706	370,528	60,596	72,249	140,545	187,157	9,224,492	8,792,734
Excess (deficiency) of revenues over expenditures from operations	$ 73,834	$ -	$ -	$ (32,240)	$ (13,936)	$ -	$ -	$ -	$ 27,658	$ (1,913)

See accompanying notes to the financial statements.

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RUNCHEY MIYAZAWA ABBOTT

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, 2012, 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 generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **LHC PERSONAL CARE HOME INC.** as at March 31, 2012, and (of) its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
June 14, 2012

310-70 Albert Street, Winnipeg, Manitoba R3B 1E7
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LHC PERSONAL CARE HOME INC.

STATEMENT OF FINANCIAL POSITION
March 31, 2012

		2012	2011
ASSETS			
CURRENT			
Cash	$	**152,481**	
Restricted cash - resident trust		**16,202**	20,342
Restricted cash - reserve fund		**173,753**	155,572
Accounts receivable (note 4)		**6,803**	2,070
Due from Winnipeg Regional Health Authority (note 5)		**29,873**	
Due from a related party (note 9)			22,799
Vacation entitlement receivable (note 6)		**138,650**	138,650
Prepaid expenses		**12,955**	10,720
		530,717	350,153
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 6)		**169,788**	159,015
CAPITAL ASSETS (note 7)		**8,913,872**	9,176,071
		9,614,377	9,685,239
LIABILITIES			
CURRENT			
Bank indebtedness (note 8)			48,511
Accounts payable and accrued liabilities		**72,412**	38,796
Resident trust payable		**16,202**	20,342
Accrued vacation payable		**354,216**	327,519
Due to Winnipeg Regional Health Authority (note 5)			22,536
Due to a related party (note 9)		**67,373**	
		510,203	457,704
COMMITMENTS AND CONTINGENCIES (note 10)			
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 6)		**190,335**	179,562
DEFERRED CONTRIBUTIONS (note 11)		**8,025,697**	8,269,716
DEFERRED FUNDS		**3,495**	2,998
		8,729,730	8,909,980
NET ASSETS			
NET ASSETS (page 4)		**884,647**	775,259
	$	**9,614,377**	9,685,239

Approved on behalf of the Board

Director

Director

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

LHC PERSONAL CARE HOME INC.

STATEMENT OF OPERATIONS
For the year ended March 31, 2012

		2012	2011
REVENUE			
Winnipeg Regional Health Authority	$	**5,228,817**	5,057,160
Resident charges		**1,959,069**	1,983,274
Other		**30,876**	27,421
		7,218,762	7,067,855
EXPENDITURES			
Electricity		**127,757**	120,466
Health and education levy		**98,354**	92,830
Insurance		**43,087**	42,594
Medical remuneration		**17,592**	17,592
Medical supplies and equipment		**130,233**	172,963
Natural gas		**70,990**	73,001
Operational supplies and services		**231,206**	257,464
Other employee benefits		**701,962**	632,705
Other nursing expenses		**8,196**	6,174
Plant maintenance		**112,207**	135,355
Professional fees		**17,602**	30,149
Property taxes		**91,719**	93,419
Purchased meals (note 9)		**832,917**	819,644
Purchased services (note 9)			43,199
Resident travel		**4,590**	7,993
Salaries		**4,475,922**	4,388,323
Water and waste		**42,597**	41,943
Workers Compensation premiums		**91,670**	115,156
		7,098,601	7,090,970
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS		**120,161**	(23,115)
OTHER ITEMS			
Amortization of deferred contributions		**320,364**	322,411
Amortization of capital assets		**(320,364)**	(315,544)
Change in retirement obligation		**(10,773)**	(50,492)
		(10,773)	(43,625)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$	**109,388**	(66,740)

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

LHC PERSONAL CARE HOME INC.

STATEMENT OF CHANGES IN NET ASSETS
March 31, 2012

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2012	TOTAL 2011
NET ASSETS, beginning of year	$ 1,066,211	(290,952)	775,259	841,999
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		109,388	109,388	(66,740)
PURCHASE OF CAPITAL ASSETS	58,165	(58,165)		
TRANSFER	(58,165)	58,165		
NET ASSETS, end of year	$ 1,066,211	(181,564)	884,647	775,259

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

LHC PERSONAL CARE HOME INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2012

		2012	2011
OPERATING ACTIVITIES			
Excess (deficiency) of revenue over expenditures for the year	$	**109,388**	(66,740)
Adjustments for			
Amortization of capital assets		**320,364**	315,544
Net decrease in resident trust		**4,140**	1,311
Net increase in reserve funds		**(18,181)**	(3,458)
Change in deferred contributions		**(244,019)**	(239,471)
Change in deferred funds		**497**	(254)
		172,189	6,932
Changes in non-cash working capital balances			
Accounts receivable		**(4,733)**	16,128
Prepaid expenses		**(2,235)**	227
Pre-retirement entitlement receivable		**(10,773)**	(50,492)
Accounts payable and accrued liabilities		**33,616**	(5,288)
Resident trust payable		**(4,140)**	(1,311)
Accrued vacation payable		**26,697**	54,468
Accrued pre-retirement entitlement		**10,773**	50,492
		221,394	71,156
INVESTING ACTIVITIES			
Purchase of capital assets		**(58,165)**	(17,655)
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		**(52,409)**	4,087
Due to (from) a related party		**90,172**	(28,444)
Repayment of demand loan			(50,677)
		37,763	(75,034)
NET INCREASE (DECREASE) IN CASH		**200,992**	(21,533)
CASH POSITION, beginning of year		**(48,511)**	(26,978)
CASH POSITION, end of year	$	**152,481**	(48,511)

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

1. ENTITY DEFINITION

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The organization is principally involved in providing licensed personal care services to 116 residents, operating under a service purchase agreement with the W.R.H.A. As the entity is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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

All financial assets and liabilities are required to initially be recognized at fair value. In addition, it is required that financial assets be classified as either "Held for trading", "Available for sale", "Held to maturity" or "Loans and receivables". Financial liabilities are to be classified as either "Held for trading" or "Other". After initial recognition, measurement of financial assets or liabilities is dependant on their classification. Financial assets or liabilities classified as "Held to maturity", "Loans and receivables" or "Other" are measured at amortized cost. Financial assets or liabilities classified as "Held for trading" are measured at fair value with gains or losses recognized in excess of revenue over expenditures. Financial assets classified as "Available for sale" are measured at fair value with gains or losses recognized in net assets.

The following is a summary of the accounting policy the organization has elected to apply to each of its categories of financial instruments:

Financial instrument	Category	Measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from a related party	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Pre-retirement entitlement receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Demand loan payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Resident trust payable	Other financial liabilities	Amortized cost
Accrued vacation payable	Other financial liabilities	Amortized cost
Due to WRHA	Other financial liabilities	Amortized cost
Due to a related party	Other financial liabilities	Amortized cost
Accrued pre-retirement entitlement	Other financial liabilities	Amortized cost

Transaction costs for financial instruments are expensed in the period incurred and recognized in excess of revenue over expenditures.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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

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

Buildings	- 2.5%
Furniture, fixtures and equipment	- 10%
Land improvements	- 10%

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

The Health Insurance Act and regulations hereto, the organization is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2012.

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

a) Deficits - The WRHA shall not be responsible for past or future deficits of the organization in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the organization other than those set forth in the service purchase agreement.

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

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

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

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

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

3. NEW ACCOUNTING PRONOUNCEMENT - Accounting Standards for Not-for-Profit Organizations (NPO)
In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs). Non-government (private sector) NPOs have a choice of International Financial Reporting Standards ("IFRS") or Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes).

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

4. ACCOUNTS RECEIVABLE

		2012	2011
Receivable from residents	$	**(325)**	(5,663)
Other		**7,128**	7,733
	$	**6,803**	2,070

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

5. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2012	2011
Bridge funding	$	**(405,000)**	(200,000)
Capital interest		**(3,685)**	(3,685)
Employer assistance program		**4,516**	
Employer pension increases		**54,342**	8,470
Extended health benefit plan increase		**6,823**	28,733
Flu immunization costs		**1,318**	588
Health spending account		**7,584**	6,617
Leap year residential charges		**27,413**	5,261
MNU maternity leave top up		**7,580**	8,634
Median adjustment		**12,659**	12,231
PIECES			1,265
Pre-retirement payout		**7,695**	7,695
Principle payment		**(144)**	
Residential charges		**24,205**	(38,270)
Staffing increase hours of care		**284,567**	139,925
	$	**29,873**	(22,536)

6. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WRHA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations are capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

7. CAPITAL ASSETS

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 189,282**		189,282	
Buildings	**12,324,767**	**3,695,375**	12,324,767	3,387,183
Furniture, fixtures and equipment	**1,156,507**	**1,066,360**	1,098,342	1,055,917
Land improvements	**17,289**	**12,238**	17,289	10,509
	13,687,845	**4,773,973**	13,629,680	4,453,609
Cost less accumulated amortization	**$ 8,913,872**		9,176,071	

Amortization of capital assets for the year ended March 31, 2012 is $320,364 (2011 - $315,544).

8. BANK INDEBTEDNESS

The organization has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand.

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

9. RELATED PARTY TRANSACTIONS

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services. Dietary is charged based on a rate per resident meal day.

The following table summarizes the organization's related party transactions:

		2012	2011
Maintenance	$		43,199
Dietary		**832,917**	819,644
	$	**832,917**	862,843

The transactions are in the normal course of operations and are recorded at the exchange amount.

The identified related parties are governed by a common Board of Directors.

At the end of the year, the amount due from (to) a related party is as follows:

		2012	2011
Lions Manor	$	**(67,373)**	22,799

The balances are non-interest bearing, due on demand and are unsecured.

At the end of the year, $40,866 (2011 - $23,069) of donations are being held as restricted funds by Lions Manor, a related party.

10. COMMITMENTS AND CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2012, no litigation is in process. With respect to potential claims at March 31, 2012, management believes the organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the organization's financial position.

11. DEFERRED CONTRIBUTIONS

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

		2012	2011
Balance, beginning of year	$	**8,114,143**	8,357,072
Contributions - Winnipeg Regional Health Authority			54,960
Transfers from equipment funding		**58,165**	24,522
Less amounts amortized to revenue		**(320,364)**	(322,411)
Balance, end of year	$	**7,851,944**	8,114,143

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.

		2012	2011
Balance, beginning of year	$	**59,087**	51,407
Contributions - Winnipeg Regional Health Authority		**7,680**	7,680
Balance, end of year	$	**66,767**	59,087

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.

		2012	2011
Balance, beginning of year	$	**96,486**	100,708
Contributions - Winnipeg Regional Health Authority		**68,665**	20,300
Purchases		**(58,165)**	(24,522)
Balance, end of year	$	**106,986**	96,486
Total deferred contributions balance	$	**8,025,697**	8,269,716

12. PENSION PLAN

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the Plan is fully funded. Contributions to the Plan made during the year by the organization on behalf of its employees amounted to $309,450 (2011 - $269,631) and are included in the statement of operations.

13. CAPITAL DISCLOSURE

The organization manages its capital to ensure that it will be able to continue as a going concern while still maintaining the necessary services to fulfill its mission. The organization monitors its net assets to ensure it maintains appropriate financial resources to allow for sustainability in its operations.

The organization is not subject to externally imposed capital requirements and the organization's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2011.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation. Excess of revenues over expenditures remains as previously reported.

May 28, 2012

MANAGEMENT'S RESPONSIBILITY

To the Directors of the
Luther Home Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

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

Craig & Ross, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Chief Executive Officer

Director of Finance

CRAIG & ROSS
CHARTERED ACCOUNTANTS

May 28, 2012

INDEPENDENT AUDITORS' REPORT

To the Directors of the
Luther Home Corporation:

We have audited the accompanying financial statements of Luther Home Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows, and supporting schedules 1 to 11 for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Luther Home Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig & Ross

Chartered Accountants

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www.craigross.com

LUTHER HOME CORPORATION

Statement of Financial Position

March 31, 2012

		2012		2011
ASSETS				
CURRENT				
Cash and marketable securities *(Note 3)*	$	**519,286**	$	676,822
Accounts receivable		**210,888**		104,803
Prepaid expenses		**38,034**		47,686
Inventory		**17,334**		16,546
		785,542		845,857
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 4)*		**492,014**		470,706
CAPITAL ASSETS *(Note 5)*		**6,145,848**		6,065,607
	$	**7,423,404**	$	7,382,170
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued expenses	$	**857,037**	$	795,385
Subsidy due to Manitoba Housing		**14,639**		90,582
Current portion of long-term debt *(Note 6)*		**84,474**		78,000
Accrued benefit entitlement		**327,076**		307,301
		1,283,226		1,271,268
Term loans due on demand *(Note 6)*		**671,071**		550,896
		1,954,297		1,822,164
LONG-TERM DEBT *(Note 6)*		**2,195,496**		2,283,115
DEFERRED CONTRIBUTIONS				
Capital assets		**799,994**		777,969
Subsidy surplus reserve		**75,889**		74,180
Replacement reserve *(Note 7)*		**174,662**		274,731
		5,200,338		5,232,159
NET ASSETS				
Investment in capital assets		**1,737,200**		1,553,457
Internally restricted - Memorial Fund (*Note 8*)		**33,041**		46,686
Unrestricted		**452,825**		549,868
		2,223,066		2,150,011
	$	**7,423,404**	$	7,382,170

APPROVED ON BEHALF OF THE BOARD

_______________________ *Director*

_______________________ *Director*

LUTHER HOME CORPORATION

Statement of Operations

Year Ended March 31, 2012

	2012	2011
REVENUE		
Long term care *(Schedule 1)*	**$ 5,812,678**	$ 5,617,788
1080 Powers *(Schedule 2)*	**496,101**	511,685
1084 Powers *(Schedule3)*	**321,980**	311,326
364 Leila *(Schedule 4)*	**444,959**	405,732
Adult Day Program *(Schedule 5)*	**123,914**	120,489
Home Care Program *(Schedule 6)*	**332,680**	332,679
Management Services *(Schedule 7)*	**15,770**	18,618
Memorial Fund *(Schedule 8)*	**21,964**	25,974
	7,570,046	7,344,291
EXPENSES		
Long term care *(Schedule 1)*	**5,786,584**	5,695,558
1080 Powers *(Schedule 2)*	**496,101**	511,685
1084 Powers *(Schedule 3)*	**217,552**	252,814
364 Leila *(Schedule 4)*	**448,023**	358,932
Adult Day Program *(Schedule 5)*	**124,219**	118,839
Home Care Program *(Schedule 6)*	**336,281**	326,512
Management Services *(Schedule 7)*	**32,846**	39,187
Memorial Fund *(Schedule 8)*	**35,609**	35,837
	7,477,215	7,339,364
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	**92,831**	4,927
OTHER		
Benefit bank value change - vacation	**(19,776)**	6,949
EXCESS OF REVENUE OVER EXPENSES	**$ 73,055**	$ 11,876

LUTHER HOME CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2012

	Invested in Capital Assets	Internally Restricted	Unrestricted	2012	2011
NET ASSETS - BEGINNING OF YEAR	**$ 1,553,457**	**$ 46,686**	**$ 549,868**	**$ 2,150,011**	$ 2,138,135
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(364,521)**	**(13,645)**	**451,221**	**73,055**	11,876
CAPITAL ASSET ADDITIONS	**344,858**	**-**	**(344,858)**	**-**	-
DEBT REPAYMENT	**203,406**	**-**	**(203,406)**	**-**	-
NET ASSETS - END OF YEAR	**$ 1,737,200**	**$ 33,041**	**$ 452,825**	**$ 2,223,066**	$ 2,150,011

LUTHER HOME CORPORATION

Statement of Cash Flow

Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	$ 73,055	$ 11,876
Adjustments for:		
Amortization of capital assets	264,618	236,542
Amortization of deferred contributions related to capital assets	(51,626)	(53,934)
	286,047	194,484
Adjustments for changes in non-cash working capital:		
Accounts receivable	(106,085)	76,657
Inventories	(788)	(615)
Prepaid expenses	9,652	5,538
Accounts payable and accrued expenses and Manitoba Housing	(14,291)	(311,512)
Accrued benefit entitlement	19,775	(23,139)
Changes in non-cash working capital	194,310	(58,587)
FINANCING ACTIVITIES		
Proceeds of term loans	242,435	222,934
Change in deferred contributions	(24,709)	(19,919)
Repayment of term loans	(122,260)	(106,460)
Repayment of long-term debt	(81,146)	(66,082)
Cash flow from financing activities	14,320	30,473
INVESTING ACTIVITIES		
Purchase of capital assets	(344,858)	(77,337)
Due from Winnipeg Regional Health Authority	(21,308)	(43,312)
Cash flow from investing activities	(366,166)	(120,649)
DECREASE IN CASH FLOW	(157,536)	(148,763)
CASH, BEGINNING OF YEAR	676,822	825,585
CASH, END OF YEAR	$ 519,286	$ 676,822

1. INCORPORATION AND OPERATIONS

Luther Home Corporation was incorporated on May 25, 1968 as a non-profit organization without share capital. The mission of the Corporation is to minister with love and compassion to the physical, mental, spiritual and social needs of persons requiring care within their facility and surrounding community.

Luther Home Corporation consists of four properties: 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street and 364 Leila Avenue.

The property at 1081 Andrews Street is a long term care facility. The property at 1080 Powers Street is a subsidized senior housing project. The property at 1084 Powers Street is a subsidized senior housing project. The property at 364 Leila Avenue is a group home for mentally challenged individuals.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, except as explained below, in order to comply with the Operating Agreement with the Manitoba Housing Renewal Corporation (MHRC).

The specific accounting policies that differ from the Canadian generally accepted accounting principles include the following:

(a) amortization for the building, furniture and equipment at 1080 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from MHRC. No amortization is charged on other capital assets. Donated capital assets are not amortized.

Other accounting policies that the financial statements have been prepared with that do not differ from Canadian generally accepted accounting principles are as follows:

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty (use of estimates)

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

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

Long-lived assets

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

The Organization performs impairment testing on long-lived assets held for use whenever changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Capital assets

Capital assets are recorded at cost, less any related grants. The cost for contributed capital assets is considered to be fair value at the date of contribution.

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

	Rate
Buildings – 1081 Andrews Street	20 and 50 years
Automotive – 1081 Andrews Street	8 years
Real time locating system – computer	4 years
Computer and system software – 1081 Andrews Street	4 years
Furniture, equipment and improvements – 1081 Andrews Street	10 and 20 years
Real time locating system	10 years
Buildings – 364 Leila	40 years
Furniture and fixtures – 364 Leila	10 years

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets *(continued)*

For 1084 Powers Street, amortization is provided on the building, furniture and equipment purchased from loans by Canada Mortgage and Housing Corporation (CMHC) at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Organization is registered as a non-profit organization, and as such, it is exempt from income taxes under Section 149 of the *Income Tax Act*.

Replacement reserve

In accordance with the guidelines established by MHRC, Winnipeg Regional Health Authority (WRHA) and CMHC, a replacement reserve liability has been established. The replacement reserve is funded from the Organization's operations through an annual allocation to the reserve. The amount to be allocated is the amount set out in the corresponding budget or another amount approved by the Organization.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized at the same rate as related assets are amortized.

Inventory

Inventory held for consumption in the production process of goods to be distributed are recognized at the lower of cost and current replacement cost. Cost is determined by the first-in, first-out method.

Accrued benefit entitlement

1081 Andrews Street has a contractual commitment to pay out to employees four days per year of service upon retirement if they comply with the following conditions:

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Internally restricted net assets

The Organization has restricted donations in the Memorial Fund. These funds may be designated for specific projects to enhance the care of residents of the Organization.

Financial instruments

Held for trading

The Organization has classified cash and marketable securities as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Loans and receivables

The Organization has classified accounts receivable and Due from WRHA as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

Other financial liabilities

The Organization has classified accounts payable and accrued liabilities, accrued benefit entitlement, term loans due on demand, and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

Comprehensive income

All gains and losses, including those arising from all financial instruments, have been recognized in operations for the year. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.

3. CASH AND MARKETABLE SECURITIES

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 2.3% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to restrictions.

	2012	2011
Cash and marketable securities, restricted	**$ 250,551**	$ 348,911
Cash and marketable securities, unrestricted	**268,735**	327,911
	$ 519,286	$ 676,822

4. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

	2012	2011
Vacation entitlement	**$ 133,100**	$ 133,100
Pre-retirement asset entitlement	**358,914**	337,606
	$ 492,014	$ 470,706

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the change in the pre-retirement obligation. For the period April 1, 2006 to March 31, 2011, the WRHA fully funded the change in the pre-retirement obligation.

5. CAPITAL ASSETS

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land – 1081 Andrews St.	**$ 51,952**	**$ -**	$ 51,952	$ -
Buildings – 1081 Andrews St.	**2,502,598**	**1,094,625**	2,502,598	1,026,296
Automotive – 1081 Andrews St.	**74,399**	**62,093**	74,399	58,628
Real time locating system – computer	**9,335**	**9,335**	9,335	8,403
Computer and system software – 1081 Andrews St.	**180,926**	**170,414**	180,926	159,972
Furniture, equipment and improvements – 1081 Andrews St.	**2,661,111**	**1,790,156**	2,556,957	1,688,597
Emergency generator	**234,066**	**-**	234,066	-
Boiler replacement	**266,314**	**-**	25,609	-
Real time locating system	**167,863**	**92,324**	167,863	75,538
Buildings – 364 Leila Ave	**229,430**	**85,976**	229,430	80,599
Furniture and fixtures – 364 Leila Ave.	**24,404**	**22,819**	24,404	22,171
Land, building and equipment – 1080 Powers St.	**2,889,843**	**447,445**	2,889,843	390,367
Land, building and equipment – 1084 Powers St.	**1,925,129**	**1,296,335**	1,925,129	1,296,336
	$ 11,217,370	**$ 2**	$ 10,872,511	$ 4,806,904
Net book value	**$ 6,145,848**		$ 6,065,607	

6. LONG-TERM DEBT

	2012	2011
Mortgage loan, with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387, including interest and secured by the land and building at 1080 Powers Street, due July 1, 2027	**$ 2,022,909**	$ 2,079,987
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	**257,060**	281,128
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	**152,733**	184,333
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	**191,334**	215,034
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $5,580, secured by assignment of proceeds of the contract with the WRHA for the building improvements, due September 1, 2013	**84,569**	151,529
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	**242,436**	-
	2,951,041	2,912,011
Less: Term loans due on demand	**671,071**	550,896
Less: Current portion of long-term debt	**84,474**	78,000
	$ 2,195,496	$ 2,283,115

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

2013	**$ 84,474**
2014	**93,000**
2015	**101,000**
2016	**109,000**
2017	**120,000**

7. REPLACEMENT RESERVE

<u>1081 Andrews Street</u>

Under the terms of the agreement with WRHA, the replacement reserve account was credited in the amount of $67,786 (2011 -$56,084). 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.

<u>1080 Powers Street</u>

Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of $15,000 (2011 - $15,000) annually until it accumulates $525,000 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by MHRC from time to time. The funds in the account may only be used as approved by MHRC. Withdrawals are credited to interest first and then principal.

8. INTERNALLY RESTRICTED -MEMORIAL FUND

During the year, the Board of Directors approved using the Memorial Fund to fund the deficiency of revenue of expenses of the operations of the Chaplaincy Services (Schedule 8) for the current year in the amount of $13,645.

9. PROVINCIAL HOME CARE

1084 Powers Street received $332,679 (2011 - $323,304) from the WRHA – Home Care Division during the year as a reimbursement of staff salaries and benefits paid.

10. RESIDENTIAL SUPPORT PROGRAM

364 Leila Avenue received $435,834 (2011 - $388,770) from Family Services during the year for residential services.

11. ECONOMIC DEPENDENCE

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of total revenue 70% (2011 – 70%) is from these organizations.

12. CAPITAL MANAGEMENT

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits for its residents.

The Organization considers its capital to be the balance maintained in net assets. The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization monitors capital on a quarterly basis, as well as annually, through the input of the Board of Directors, as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy was to protect the capital through maintaining low risk investments, as well as to minimize the deficiency of revenues over expenses.

13. COMPARATIVE FIGURES

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

LUTHER HOME CORPORATION

Schedule 1

Statement of Operations
Long-Term Care

Year Ended March 31, 2012

		2012		2011
REVENUE FROM RESIDENT SERVICES				
Winnipeg Regional Health Authority	$	**4,161,439**	$	4,050,625
Amortization of deferred contributions		**51,626**		53,934
Residential charges		**1,269,999**		1,200,461
		5,483,064		5,305,020
OFFSET REVENUES				
Dietetics		**129,895**		127,103
Interest		**7,991**		925
Parking		**8,710**		7,744
Project maintenance		**135,293**		98,537
Other		**47,725**		78,459
		329,614		312,768
		5,812,678		5,617,788
EXPENSES				
Administration		**77,980**		83,446
Allocation to replacement reserve		**68,794**		56,084
Amortization of capital assets		**183,797**		182,257
Food		**252,544**		257,525
Interest on long-term debt		**41,217**		41,090
Maintenance and repairs		**55,114**		73,778
Medical supplies		**87,172**		84,029
Other supplies and expenses		**148,567**		137,767
Purchased services		**23,832**		26,080
Salaries, benefits and payroll levy		**4,726,901**		4,614,553
Utilities		**120,666**		138,949
		5,786,584		5,695,558
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$**	**26,094**	$	(77,770)

LUTHER HOME CORPORATION

Schedule 2

Statement of Operations
1080 Powers St.

Year Ended March 31, 2012

	Budget 2012	Actual 2012	Actual 2011
REVENUES			
Manitoba Housing Renewal Corporation - subsidy	$ -	$ 274,992	$ 274,848
Rental revenue	220,000	201,465	214,604
Cablevision	-	14,973	14,400
Other	6,300	4,671	7,833
	226,300	496,101	511,685
EXPENSES			
Administration (Schedule 11)	17,100	27,600	13,620
Allocation to replacement reserve	15,000	15,000	15,000
Amortization of capital assets	-	52,553	48,112
Cable vision	-	15,034	13,232
Electricity	39,106	39,416	38,944
Insurance	3,500	3,317	3,348
Interest on long-term debt	-	204,094	208,535
Maintenance and repairs (Schedule 11)	58,950	72,742	75,410
Natural gas	28,266	12,919	18,621
Professional fees	-	2,408	3,000
Property taxes	-	20,936	19,498
Water	14,097	15,443	17,909
	176,019	481,462	475,229
EXCESS SUBSIDY DUE TO MANITOBA HOUSING RENEWAL CORPORATION	(50,281)	(14,639)	(36,456)
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -	$ -

LUTHER HOME CORPORATION

Schedule 3

Statement of Operations
1084 Powers St.

Year Ended March 31, 2012

	2012	2011
REVENUES		
Rental revenue	$ 311,049	$ 302,046
Other	10,931	9,280
	321,980	311,326
EXPENSES		
Administration	37,200	18,300
Allocation to replacement reserve	4,546	24,321
Cablevision	16,302	16,302
Electricity	21,648	20,388
Insurance	4,046	3,929
Interest on long term debt	5,752	7,570
Janitorial services	15,142	14,893
Maintenance and repairs	49,157	75,338
Natural gas	19,334	25,514
Other supplies and expenses	1,694	1,376
Professional fees	2,408	3,000
Property taxes	25,652	25,702
Security	1,690	1,728
Water	12,981	14,453
	217,552	252,814
EXCESS OF REVENUE OVER EXPENSES	$ 104,428	$ 58,512

LUTHER HOME CORPORATION

Schedule 4

Statement of Operations
364 Leila Ave.

Year Ended March 31, 2012

		2012		2011
REVENUES				
Province of Manitoba - residential support program	$	**404,591**	$	339,002
Province of Manitoba - residential support program - Extra staffing		**23,490**		49,768
Other		**16,878**		16,962
		444,959		405,732
EXPENSES				
Administration		**12,600**		6,180
Amortization of capital assets		**6,024**		6,173
Electricity		**3,849**		4,025
Food supplies		**21,167**		18,699
Insurance		**441**		437
Interest on long term debt		**2,304**		3,031
Janitorial services		**4,480**		4,270
Maintenance and repairs		**15,153**		8,573
Natural gas		**525**		775
Other supplies and expenses		**3,238**		5,668
Professional fees		**2,408**		3,000
Property taxes		**4,294**		4,335
Salaries, benefits and payroll levy		**366,572**		287,854
Telephone		**3,229**		3,905
Water		**1,739**		2,007
		448,023		358,932
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	**$**	**(3,064)**	$	46,800

LUTHER HOME CORPORATION

Schedule 5

Statement of Operations
Adult Day Program

Year Ended March 31, 2012

	2012	2011
REVENUES		
Winnipeg Regional Health Authority	$ **106,778**	$ 102,696
Participant charges	**17,136**	17,793
	123,914	120,489
EXPENSES		
Other supplies and expenses	**16,296**	14,091
Salaries, benefits and payroll levy	**57,421**	55,615
Travel	**50,502**	49,133
	124,219	118,839
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$ **(305)**	$ 1,650

LUTHER HOME CORPORATION

Schedule 6

Statement of Operations
Home Care Program

Year Ended March 31, 2012

		2012		2011
REVENUES				
Winnipeg Regional Health Authority	$	**332,680**	$	332,679
EXPENSES				
Other supplies and expenses		**14,400**		11,200
Salaries, benefits and payroll levy		**321,881**		315,312
		336,281		326,512
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	$	**(3,601)**	$	6,167

LUTHER HOME CORPORATION

Schedule 7

Statement of Operations
Management Services

Year Ended March 31, 2012

	2012	2011
REVENUE		
Other	**$ 15,770**	$ 18,618
EXPENSES		
Amortization of capital assets	**17,719**	19,120
Strategic planning	**-**	5,906
Miscellaneous	**3,065**	1,222
Scholarship	**998**	499
Staff appreciation	**10,042**	8,674
Tenant and staff gifts	**1,022**	3,578
40th anniversary	**-**	188
	32,846	39,187
DEFICIENCY OF REVENUE OVER EXPENSES	**$ (17,076)**	$ (20,569)

LUTHER HOME CORPORATION

Schedule 8

Statement of Operations
Memorial Fund

Year Ended March 31, 2012

	2012	2011
REVENUES		
General contributions	**$ 21,964**	$ 25,974
EXPENSES		
Miscellaneous	**6,107**	6,351
Salaries, benefits and payroll levy	**29,502**	29,486
	35,609	35,837
DEFICIENCY OF REVENUE OVER EXPENSES	**$ (13,645)**	$ (9,863)

LUTHER HOME CORPORATION

Schedule 9

Supplementary Information

Year Ended March 31, 2012

	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
REPLACEMENT RESERVE					
RESERVE FOR CAPITAL ASSETS					
Opening balance	$ 58,759	$ 197,928	$ -	$ -	$ 256,687
Current allocation	63,010	15,000	-	-	78,010
Interest earned	1,175	3,777	-	-	4,952
Current expenditures	(104,154)	(84,993)	-	-	(189,147)
Ending balance	18,790	131,712	-	-	150,502
RESERVE FOR MAJOR REPAIRS					
Opening balance	11,996	-	-	-	11,996
Current allocation	4,776	-	-	-	4,776
Interest earned	331	-	-	-	331
Current expenditures	-	-	-	-	-
Ending balance	17,103	-	-	-	17,103
RESERVE FOR INSURANCE DEDUCTIBLE					
Opening balance	6,048	-	-	-	6,048
Current allocation	1,008	-	-	-	1,008
Ending balance	7,056	-	-	-	7,056
TOTAL	$ 42,949	$ 131,712	$ -	$ -	$ 174,661
CAPITAL ASSETS AND ACCUMULATED DEPRECIATION					
CAPITAL ASSETS					
Opening balance	$ 5,803,704	$ 2,889,844	$ 1,925,129	$ 253,835	$ 10,872,512
Additions	344,855	-	-	-	344,855
Ending balance	6,148,559	2,889,844	1,925,129	253,835	11,217,367
ACCUMULATED DEPRECIATION					
Opening balance	3,017,428	390,368	1,296,335	102,770	4,806,901
Current year depreciation	201,516	57,078	-	6,024	264,618
Ending balance	3,218,944	447,446	1,296,335	108,794	5,071,519
NET BOOK VALUE	$ 2,929,615	$ 2,442,398	$ 628,794	$ 145,041	$ 6,145,848
SUBSIDY SURPLUS					
Opening balance	$ -	$ -	$ 74,179	$ -	$ 74,179
Interest earned	-	-	1,709	-	1,709
Ending balance	$ -	$ -	$ 75,888	$ -	$ 75,888
LONG-TERM DEBT					
Opening balance	$ 832,024	$ 2,079,987	$ -	$ -	$ 2,912,011
Additional loan	242,435	-	-	-	242,435
Principal payment	(146,328)	(57,078)		-	(203,406)
Ending balance	928,131	2,022,909	-	-	2,951,040
Less: Current portion and term loans due on demand	(696,821)	(58,723)	-	-	(755,544)
	$ 231,310	$ 1,964,186	$ -	$ -	$ 2,195,496

LUTHER HOME CORPORATION

Combined Statement of Revenues and Expenditures

Year Ended March 31, 2012

	2012										2011
	Other	Long-Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Adult Day Program	Home Care Program	Management Services	Memorial Fund *(Restricted)*	Total	Total
REVENUE											
Regional Health Authority	$ -	$ 4,161,439	$ -	$ -	$ -	$ 106,778	$ 332,680	$ -	$ -	$ 4,600,897	$ 4,429,916
Manitoba Housing Renewal Corporation	-	-	274,992	-	-	-	-	-	-	274,992	274,848
Residential support program	-	-	-	-	428,081	-	-	-	-	428,081	339,002
Rental	-	1,269,999	201,465	311,049	-	17,136				1,799,649	1,749,304
Amortization of deferred contributions	-	51,626	-	-	-	-	-	-	-	51,626	53,934
Other	-	329,614	19,644	10,931	16,878	-	-	15,770	21,964	414,801	441,203
	-	5,812,678	496,101	321,980	444,959	123,914	332,680	15,770	21,964	7,570,046	7,288,207
EXPENDITURES											
Allocation to replacement reserve		68,794	15,000	4,546	-	-	-	-	-	88,340	28,700
Amortization		183,797	52,553	-	6,024	-	-	17,719	-	260,093	236,542
Interest on long-term debt		41,217	204,094	5,752	2,304	-	-	-	-	253,367	257,195
Other		621,377	130,016	106,043	59,867	66,798	14,400	15,127	6,107	1,019,735	1,075,026
Purchased services		23,832	2,408	2,408	2,408	-	-	-	-	31,056	26,080
Utilities		120,666	92,030	83,661	10,848	-	-	-	-	307,205	338,784
Salaries, benefits and payroll levy		4,726,901	-	15,142	366,572	57,421	321,881	-	29,502	5,517,419	5,320,953
	-	5,786,584	496,101	217,552	448,023	124,219	336,281	32,846	35,609	7,477,215	7,283,280
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE BENEFIT BANK VALUE CHANGE	-	26,094	-	104,428	(3,064)	(305)	(3,601)	(17,076)	(13,645)	92,831	4,927
EMPLOYEE BENEFIT BANK VALUE CHANGE	(19,776)	-	-	-	-	-	-	-	-	(19,776)	6,949
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (19,776)	$ 26,094	$ -	$ 104,428	$ (3,064)	$ (305)	$ (3,601)	$ (17,076)	$ (13,645)	$ 73,055	$ 11,876

SIMON HALL CHARTERED ACCOUNTANT
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AUDITOR`S REPORT

TO THE DIRECTORS,
MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
Winnipeg, Manitoba.

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of MFL Occupational Health and Safety Centre, which comprise the statement of financial position as at March 31, 2012, and the statement of operations, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBIILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

SIMON HALL
CHARTERED ACCOUNTANT

May 21, 2012
Winnipeg, Manitoba

SIMON HALL CHARTEREED ACCOUNTANT
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WINNIPEG, MANITOBA. (204)943-9932 (F)
R3L 2T9

SUPPLEMENTARY AUDIT REPORT

This supplementary audit 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 2011/2012 by the MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. were adequate, having regard to the size of the Centre, to preserve and protect its assets;

b) The funds of the Centre, primarily derived from the Winnipeg Regional Health Authority, have, to the best of my knowledge, been applied for the purposes of the Centre following processes and procedures authorized by its Board.

c) My audit revealed no material irregularity or discrepancy in the administration of the Centre nor any matters that do not now have the attention of the Board.

SIMON HALL
CHARTERED ACCOUNTANT

May 21, 2012
Winnipeg, Manitoba

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2012

	Operating Fund $	Special Projects Fund $	**Total 2012 $**	Total 2011 $
CURRENT ASSETS:				
Cash (note 3)	155,816	-	**155,816**	126,749
Short term investments (note 4)	165,582	175,000	**340,582**	337,307
Accounts receivable (note 5)	114,797	-	**114,797**	109,246
Prepaid expenses	-	-	-	-
Total Current Assets	436,195	175,000	**611,195**	573,302
CAPITAL ASSETS: (note 6)	-	-	-	-
INVESTMENTS: (note 7)	-	-	-	-
TOTAL ASSETS	436,195	175,000	**611,195**	573,302
CURRENT LIABILITIES:				
Accounts payable & accrued liabilities (note 8)	190,586	-	**190,586**	169,502
Repayable to WRHA (note 9)	62,107	-	**62,107**	57,861
Deferred revenue (note 10)	18,371	-	**18,371**	21,036
Total Current Liabilities	271,064	-	**271,064**	248,399
DEFERRED CONTRIBUTIONS:				
Capital assets	-	-	-	-
Total Deferred Contrib.	-	-	-	-
CONTINGENT LIABILITIES: (note 11)				
FUND BALANCES:				
Internally restricted	-	175,000	**175,000**	175,000
Unrestricted	165,131	-	**165,131**	149,903
Total Fund Balances	165,131	175,000	**340,131**	324,903
TOTAL LIABILITIES & FUND BALANCES	436,195	175,000	**611,195**	573,302

APPROVED BY BOARD:

____________________ : Director ____________________ : Director

____________________ : Director

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2012

	Operating Fund $	Special Projects Fund $	**Total 2012 $**	Total 2011 $
REVENUES:				
WRHA: Medical Clinic	815,233	-	**815,233**	803,733
WRHA: recoveries	(25,776)	-	**(25,776)**	(10,922)
Interest & other	4,754	-	**4,754**	14,616
MB Labour & Immigration	92,749	-	**92,749**	98,750
Fundraising	23,886	-	**23,886**	13,508
WCB Health Projects	-	-	-	10,866
Deferred contribution for capital assets	-	-	-	770
Repayment of funding	-	-	-	-
United Way Projects	5,125	-	**5,125**	-
Deferred revenue in	3,465	-	**3,465**	-
Deferred revenue out	-	-	-	(8,898)
Total Revenues	919,436	-	**919,436**	922,423
EXPENDITURES:	904,208	-	**904,208**	884,425
EXCESS OF REVENUE OVER EXPENDITURES	15,228	-	**15,228**	37,998

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2012

	Operating Fund $	Special Projects Fund $	**Total 2012 $**	Total 2011 $
EXPENDITURES BREAKDOWN - OPERATING:				
Amortization on equip	-	-	**-**	770
Audit & accounting	9,448	-	**9,448**	10,828
Accreditation Fees	12,275	-	**12,275**	1,806
Computer software and services	6,215	-	**6,215**	6,356
Bank charges	169	-	**169**	-
Delivery	198	-	**198**	74
Employee benefits	88,697	-	**88,697**	81,045
Equipment rental & minor purchases	14,114	-	**14,114**	14,029
Fundraising	116	-	**116**	-
Insurance	4,722	-	**4,722**	5,646
Memberships	-	-	**-**	150
Legal	225	-	**225**	20
License fees	731	-	**731**	429
Meeting Expense	4,120	-	**4,120**	1,576
Miscellaneous	2,374	-	**2,374**	2,181
Newsletter	13,914	-	**13,914**	11,754
Printing/Stationery & Office Supplies	11,343	-	**11,343**	16,996
Postage	1,271	-	**1,271**	600
Pre-retirement	6,539	-	**6,539**	(1,030)
Publications	6,853	-	**6,853**	2,076
Public relations	6,251	-	**6,251**	1,691
Purchased services	19,301	-	**19,301**	27,260
Rent	70,509	-	**70,509**	70,509
Staff education & recruitment	1,345	-	**1,345**	4,181
Staff parking	5,831	-	**5,831**	5,239
Staff travel & exp.	3,582	-	**3,582**	4,784
Telephone	6,780	-	**6,780**	7,742
Video Project	12,644	-	**12,644**	-
Work place services	4,258	-	**4,258**	-
Wages & salaries	590,383	-	**590,383**	607,713
Total Operating Expenditures	904,208	-	**904,208**	884,425

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN FUND BALANCES

AS AT MARCH 31, 2012

	Operating Fund $	Special Projects Fund $	**Total 2012 $**	Total 2011 $
Fund balance, beginning of year	149,903	175,000	**324,903**	286,906
Surplus (deficiency) for the year	15,228	-	**15,228**	37,998
Interfund transfers	-	-	-	-
Closing fund balance	165,131	175,000	**340,131**	324,904

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2012

	2012 $	2011 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	15,228	37,998
Add: amortization	-	770
	15,228	38,768
Change in working capital:		
Accounts receivable	(5,551)	(9,850)
Short term investments	(3,275)	(4,946)
Prepaid expenses	-	-
Accounts payable & accrued liabilities	21,084	(15,430)
Repayable to WRHA	4,246	(74,320)
Deferred revenue	(2,665)	10,698
	13,839	(93,848)
Cash from (used for) operations	29,067	(55,080)
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	-	(768)
Cash from (used for) investing & financing	-	(768)
Increase (decrease) in cash for the year	29,067	(55,848)
Cash, beginning of year	126,749	182,597
Cash, end of year (note 3)	155,816	126,749

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

1. FORM OF ORGANIZATION

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. was incorporated as a non-share, non-profit organization under the Cooperatives Act of Manitoba and is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act. The purpose of the organization is to assist individuals and groups in Manitoba to improve workplace health and safety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations, which encompass the following principles:

i) Capital Assets

Capital asset acquisitions are accounted for on the following basis:

Purchases of computers, equipment and furniture are capitalized in the year of their purchase and are amortized over their useful life on a straight line basis over the following estimated number of years:

Computers	3 years
Office furniture	10 years
Equipment	10 years

Revenues received which are designated for capital purchases are deferred in the year of receipt and recognized annually at the same rate as the amortization on the related assets.

ii) Investments

Investments are recorded at lower of cost and market value.

iii) Recognition of Revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from Winnipeg Regional Health Authority is recognized when received or receivable; any subsequent settlement is shown as an adjustment to income in the year of adjustment.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

iv) Fund Accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabiities, revenues, and expense related to the Centre's capital assets.

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.

The Union Centre Building Investment fund reports on the assets, liabilities, revenues and expenses related to the Centre's investment in the Manitoba Federation of Labour Building at 275 Broadway in Winnipeg, Manitoba.

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

	2012	2011
	$	$
Operating	155,724	126,659
Shares	92	90
	155,816	126,749

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

4. SHORT TERM INVESTMENTS

	2012 $	2011 $
Daily interest account	340,582	337,307
Surplus shares	-	-
	340,582	337,307

5. ACCOUNTS RECEIVABLE

Trade receivables	112,753	107,220
Receiver General (GST)	2,044	2,026
	114,797	109,246

6. CAPITAL ASSETS

	Cost $	Accumulated Amortization $	Net Book Value 2012 $	Net Book Value 2011 $
Audio visual equipment	11,738	(11,738)	-	-
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,052	(29,052)	-	-
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(34,112)	-	-
Security system	574	(574)	-	-
Phone system	7,700	(7,700)	-	-
Total	247,846	(247,846)	-	-

7. INVESTMENT IN UNION CENTRE INC.

Union Centre Inc.

The M.F.L. - O.H.C. invested principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993 in the acquisition of the Union Centre. This totalled to $204,669. Subsequent to December 31, 1993 the investment was interest-free with no fixed repayment terms. The M.F.L. - O.H.C. is entitled to repayment of their investment plus interest accrued to December 31, 1993 upon the disposition of the Union Centre.

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2012 $	2011 $
Trade payables	43,783	31,804
Accrued liabilities	137,333	123,742
Trust liabilities	9,470	13,956
	190,586	169,502

9. REPAYABLE TO WRHA

Revenue in excess of expenditures:

2008/2009	-	21,530
2009/2010	25,409	25,409
2010/2011	10,922	10,922
2011/2012	25,776	-
	62,107	57,861

10. DEFERRED REVENUE

P.O.M.: Labour & Immigration	3,938	3,938
P.O.M.: Labour & Immigration-Video Project	5,433	8,898
WCB: Wings of Change	-	-
WRHA; Insurance reserve	9,000	8,200
	18,371	21,036

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

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	Travel/ Other	Total
	$	$	$	$
Executive Director - current	68,887	4,755	155	73,797
Health Educator	50,136	1,847	172	52,155
Occupational Health Specialist	52,365	4,644	-	57,009
Occupational Health Nurse	89,621	4,388	227	94,236
Occupational Health Nurse	62,756	4,454	307	67,517
Finance/Office Admin	67,917	4,502	15	72,434

13. COMPARATIVE FIGURES

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

14. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2012

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	Winnipeg Foundation	Manitoba Labour	**Total Fund 2012**	Total Fund 2011
	$	$	$	$	$	$
REVENUES:						
WRHA: Medical Clinic	815,233	-	-	-	**815,233**	803,733
: recoveries	(25,776)	-	-	-	**(25,776)**	(10,922)
Interest & other	-	4,754	-	-	**4,754**	14,616
MB Labour & Immigration	-	-	-	92,749	**92,749**	98,750
Fundraising	-	23,886	-	-	**23,886**	13,508
WCB Projects	-	-	-	-	**-**	10,866
Winnipeg Foundation	-	-	5,125	-	**5,125**	-
Deferred contributions for capital assets	-	-	-	-	**-**	770
Deferred revenue in	-	-	-	3,465	**3,465**	-
Deferred revenue out	-	-	-	-	**-**	(8,898)
Total Revenues	789,457	28,640	5,125	96,214	**919,436**	922,423
EXPENDITURES - OPERATING:						
Total Operating Expenditures	788,300	14,569	5,125	96,214	**904,208**	884,425
Surplus/ (deficit)	1,157	14,071	-	-	**15,228**	37,998

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONTINUED

FOR THE YEAR MARCH 31, 2012

OPERATING FUND EXPENDITURE BREAKDOWN

	WRHA	Donations & Other Programs	WPG Foundation	MB Labour	Total Operating Fund 2012	Total Operating Fund 2011
	$	$	$	$	**$**	$
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization	-	-	-	-	-	770
Accreditation fees	12,275	-	-	-	**12,275**	1,806
Auditing/accounting	9,448	-	-	-	**9,448**	10,828
Bank charges	169	-	-	-	**169**	-
Computer software & service	6,215	-	-	-	**6,215**	6,356
Delivery	198	-	-	-	**198**	74
Employee benefits	82,331	-	-	6,366	**88,697**	81,045
Equipment rental & minor purchases	14,114	-	-	-	**14,114**	14,029
Fundraising	-	116	-	-	**116**	-
Memberships	-	-	-	-	-	150
Intervention grant	-	-	-	-	-	-
Insurance	4,722	-	-	-	**4,722**	5,646
Legal	225	-	-	-	**225**	20
License fees	731	-	-	-	**731**	429
Meeting Expense	1,601	-	-	2,519	**4,120**	1,576
Miscellaneous	640	539	-	1,195	**2,374**	2,181
Newsletter	-	13,914	-	-	**13,914**	11,754
Office supplies/Printing/ Stationery	9,770	-	-	1,573	**11,343**	16,996
Postage	1,271	-	-	-	**1,271**	600
Pre-retirement	6,539	-	-	-	**6,539**	(1,030)
Publications	6,853	-	-	-	**6,853**	2,076
Public relations	1,126	-	5,125	-	**6,251**	1,691
Purchased services	2,145	-	-	17,156	**19,301**	27,260
Rent	70,509	-	-	-	**70,509**	70,509
Staff education & recruitment	830	-	-	515	**1,345**	4,181
Staff parking	5,831	-	-	-	**5,831**	5,239
Staff travel	1,701	-	-	1,881	**3,582**	4,784
Telephone	6,780	-	-	-	**6,780**	7,742
Video Project	-	-	-	12,644	**12,644**	-
Workplaces services	4,258	-	-	-	**4,258**	-
Wages & salaries	538,018	-	-	52,365	**590,383**	607,713
Total Operating Expenditures	788,300	14,569	5,125	96,214	**904,208**	884,425

"See Auditor's Report"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

WRHA FUNDED OPERATING PROGRAMS

	BUDGET 2012 $	**ACTUAL 2012 $**	ACTUAL 2011 $
REVENUES:			
WRHA: Medical Clinic	671,513	**815,233**	792,811
: recoveries	-	**(25,776)**	-
Deferred contributions for capital assets	-	**-**	770
Deferred revenue in	-	**-**	-
Deferred revenue out	-	**-**	-
Total Revenues	671,513	**789,457**	793,581
EXPENDITURES - OPERATING:			
Accreditation Fees	5,000	**12,275**	1,806
Amortization of equipment	-	**-**	770
Audit & accounting	9,500	**9,448**	10,828
Bank charges & interest	200	**169**	-
Computer software & services	6,215	**6,215**	6,356
Delivery	160	**198**	74
Employee benefits	81,832	**82,331**	71,115
Equipment rental & minor purchases	10,856	**14,114**	14,029
Memberships	250	**-**	150
Insurance	4,200	**4,722**	5,646
Legal	200	**225**	20
Licence fees	900	**731**	429
Meeting expenses	1,500	**1,601**	1,576
Miscellaneous	1,000	**640**	2,181
Pre-retirement expenses	-	**6,539**	(1,030)
Printing/stationery/office	8,000	**9,770**	8,425
Postage	1,000	**1,271**	600
Public relations	6,000	**1,126**	1,529
Publications	6,300	**6,853**	2,076
Purchased services	5,000	**2,145**	7,814
Rent	70,600	**70,509**	70,509
Staff education & recruitment	2,800	**830**	3,991
Staff parking	6,500	**5,831**	5,239
Staff travel & expenses	6,000	**1,701**	3,397
Telephone	7,500	**6,780**	7,742
Workplace services	-	**4,258**	-
Wages & salaries	430,000	**538,018**	553,575
Total Operating Expenditures	671,513	**788,300**	778,847
EXCESS OF REVENUE OVER EXPENDITURES	-	**1,157**	14,734

"See Auditor's Report and Accompanying Notes"

MFL OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

WORKERS COMPENSATION BOARD FUNDED OPERATING PROGRAMS

	Total 2012 $	Total 2011 $
REVENUES:		
WCB revenue	-	10,866
Deferred contribution		
Repayment of funding	-	-
Deferred revenue in	-	-
Deferred revenue out	-	-
Total Revenues	-	10,866
EXPENDITURES:		
Amortization of Equipment	-	-
Office supplies	-	3,050
Public relations	-	162
Wages	-	6
Total Operating Expenditures	-	3,218
Excess of Revenue Over Expenditures	-	7,648

"See Auditor's Report and Accompanying Notes"

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

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, 2012, and the statements of operations and changes in fund balances, other comprehensive excess of revenue and expenses and cumulative net unrealized gains and losses in available for sale financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 generally accepted accounting principles.

Independent Auditors' Report - continued

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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 31, 2012

Chartered Accountants

booke & partners CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statement of Operations

Year Ended March 31 — **2012** — 2011

	Operating Fund	Restricted Funds (Note 7)	Capital Fund	**2012 Total**	2011 Total
Revenues					
Grants	$3,638,800	$ 1,036	$ -	**$3,639,836**	$2,922,997
Per diem payments	1,090,612	-	-	**1,090,612**	1,050,900
Donations	-	30,548	-	**30,548**	46,396
Interest	2,764	4,817	-	**7,581**	10,897
Loan forgiveness	350	-	-	**350**	-
Gain on disposal of asset	4,286	-	-	**4,286**	-
Pension funding	8,793	-	-	**8,793**	-
Other	5	-	68,150	**68,155**	68,470
	4,745,610	36,401	68,150	**4,850,161**	4,099,660
Expenses					
Crisis and Detoxification Centre (Page 14)	1,512,707	-	17,867	**1,530,574**	1,452,330
I.P.D.A. (Page 15)	698,685	-	9,017	**707,702**	738,541
Mainstay - Residential Component (Page 16)	180,792	-	70,916	**251,708**	213,279
Mainstay - Client Services (Page 17)	682,346	-	9,275	**691,621**	631,674
Opportunities Ahead (Page 18)	135,125	-	1,417	**136,542**	130,055
Shelter (Page 19)	403,835	-	4,784	**408,619**	416,577
Project Break Away (Page 20)	295,654	-	4,932	**300,586**	330,960
After Hours Response (Page 21)	97,696	-	-	**97,696**	19,364
Outreach Mentor (Page 22)	75,113	-	1,199	**76,312**	77,096
The Winnipeg Street Health Report (Page 23)	-	-	-	**-**	49,941
The Bell Hotel (Page 24)	610,499	-	1,676	**612,175**	-
	4,692,452	-	121,083	**4,813,535**	4,059,817
Excess (deficiency) of revenues over expenses	$ 53,158	$ 36,401	$ (52,933)	**$ 36,626**	$ 39,843

See accompanying notes to the financial statements.

booke
& partners
CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Restricted Funds (Note 7)	Capital Fund	**2012 Total**	2011 Total
Fund balances, beginning of year	$ 141,608	$ 384,669	$ 82,400	**$ 608,677**	$ 566,802
Excess (deficiency) of revenues over expenses	53,158	36,401	(52,933)	**36,626**	39,843
Property and equipment additions	(89,905)	-	89,905	**-**	-
Net unrealized (loss) gain on available for sale financial assets (Page 5)	-	(2,180)	-	**(2,180)**	2,032
Interfund transfers (Note 7)	(14,207)	53,997	(39,790)	**-**	-
Fund balances, end of year	$ 90,654	$ 472,887	$ 79,582	**$ 643,123**	$ 608,677

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Statements of Other Comprehensive Excess of Revenues Over Expenses and Cumulative Net Unrealized Gains and Losses in Available for Sale Financial Assets

Year Ended March 31	**2012**	2011
Excess of revenues over expenses	$ **36,626**	$ 39,843
Net unrealized (loss) gain on available for sale financial assets	**(2,180)**	2,032
Other comprehensive excess of revenues over expenses	$ **34,446**	$ 41,875
Cumulative net unrealized gains on available for sale financial assets, beginning of year	$ **19,272**	$ 17,240
Changes in net unrealized (loss) gain on available for sale financial assets	**(2,180)**	2,032
Cumulative net unrealized gains on available for sale financial assets, end of year	$ **17,092**	$ 19,272

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash and term deposits	$ **179,659**	$ 306,739
Receivables (Note 3)	**388,850**	280,944
Prepaids	**39,916**	33,666
Funds held in trust (Note 4)	**5,689**	12,163
	614,114	633,512
Property and equipment (Note 5)	**765,920**	747,371
Restricted funds (Note 7)	**472,887**	384,669
	$ 1,852,921	$ 1,765,552

Liabilities		
Current		
Payables and accruals	$ **511,121**	$ 440,107
Current portion of long-term debt (Note 6)	**19,779**	18,420
Funds held in trust (Note 4)	**5,689**	12,163
	536,589	470,690
Long-term debt (Note 6)	**673,209**	686,185
	1,209,798	1,156,875
Fund Balances		
Unrestricted	**90,654**	141,608
Restricted (Note 7)	**472,887**	384,669
Invested in property and equipment	**79,582**	82,400
	643,123	608,677
	$ 1,852,921	$ 1,765,552

Contingency (Note 8)
Commitment (Note 9)

On behalf of the Board

_________________ Director _________________ Director

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Notes to the Financial Statements
March 31, 2012

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

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's property and equipment.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

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 received or receivable and collection is reasonably assured.

c) Investments

In April 2005, the Canadian Institute of Chartered Accountants introduced new Handbook Sections 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation. The organization adopted both of the sections for the fiscal years ended March 31, 2010 and later. As a result of adopting these new sections, the organization classified an equity investment as an available for sale financial asset, carried at market value at year end. Purchases and sales of investments are recognized using settlement date accounting. Changes in fair value are included in other comprehensive excess (deficiency) of revenues over expenses and recognized in the statement of operations when gains or losses are realized through dispositions.

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 less capital grants. Contributed property and equipment are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha Street building, as follows:

Building - 71 Martha Street		annual mortgage principal reduction
Buildings - 75 and 77 Martha Street	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

f) Financial instruments

The organization's financial instruments consist of cash and term deposits, receivables, funds held in trust, restricted funds, payables and accruals, and long - term debt. Unless otherwise stated in these financial statements, the fair value of the these financial assets and liabilities approximates their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

g) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

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3. Receivables

	2012	2011
Province of Manitoba	**$ 79,984**	$ 70,861
City of Winnipeg	**24,000**	24,000
City of Winnipeg Police Department	**114,720**	57,060
Manitoba Green Retrofit	**-**	23,474
National Homelessness Initiative	**14,962**	13,143
University of Winnipeg	**-**	8,845
Winnipeg Regional Health Authority (wage stabilization)	**26,307**	26,999
Winnipeg Regional Health Authority (additional funding)	**8,000**	34,385
Goods and Services Tax recoverable	**11,017**	15,573
Manitoba Housing	**20,000**	-
Mount Carmel Clinic	**30,000**	-
Aboriginal Health and Wellness Centre	**25,000**	-
Other	**34,860**	6,604
	$ 388,850	$ 280,944

4. Funds held in trust

In September 2000, the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused. Funds held on behalf of clients in 2012 was $958 (2011 - $7,998).

5. Property and equipment

	Cost	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha Street	554,295	196,246	**358,049**	376,316
Buildings - 75 and 77 Martha Street	421,563	206,359	**215,204**	221,976
Furniture and equipment	361,345	248,198	**113,147**	101,284
Vehicles	36,472	4,362	**32,110**	385
	$ 1,421,085	$ 655,165	**$ 765,920**	$ 747,371

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6. Long-term debt

	2012	2011
M.H.R.C. first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7 1/4% per annum, due April 1, 2028.	**$ 686,338**	$ 704,605
Manitoba Housing, economic stimulus forgivable loan, maturing November 1, 2021.	**6,650**	-
	692,988	704,605
Less: current portion	**(19,779)**	(18,420)
	$ 673,209	$ 686,185

The mortgage is secured by a general security agreement over the building.

Under the terms of the Financial Assistance Agreement, Manitoba Housing and Renewal Corporation has provided economic stimulus funding to Main Street Project, Inc. in the amount of $7,000 as a forgivable loan. The loan is to be amortized over 10 years from the date of the final advance. In the event the organization discontinues providing affordable housing prior to the maturity date, the unearned portion of the loan will become immediately due and payable.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2013	$ 19,779
2014	21,239
2015	22,807
2016	24,490
2017	26,298

7. Restricted funds

Externally Restricted Funds

	Insurance Reserve	Replacement Reserve	2012 Total	2011 Total
Balance, beginning of year	$ 9,070	$ 58,073	**$ 67,143**	$ 47,418
Excess of revenues over expenses	1,036	917	**1,953**	2,692
Transfer from Operating Fund	988	10,979	**11,967**	17,033
Balance, end of year	$ 11,094	$ 69,969	**$ 81,063**	$ 67,143

7. Restricted funds (continued)

Internally Restricted Funds

	Staff Development Fund	Donations Reserve	Legal Reserve	Capital Asset Reserve	**2012 Total**	2011 Total
Balance, beginning of year	$ 19,959	$ 297,567	$ -	$ -	**$ 317,526**	$ 292,661
Excess of revenues over expenses	189	34,259	-	-	**34,448**	52,159
Transfer (to) from Operating Fund	-	(7,970)	50,000	-	**42,030**	(29,326)
Interfund transfers	-	(90,000)	-	90,000	-	-
Net unrealized (loss) gain on available for sale financial assets	-	(2,180)	-	-	**(2,180)**	2,032
Balance, end of year	$ 20,148	$ 231,676	$ 50,000	$ 90,000	**$ 391,824**	$ 317,526
Externally and internally restricted funds balance, end of year					**$ 472,887**	$ 384,669

During the year, funds were transferred from the Operating Fund to the Replacement Reserve Fund for the purchase of property and equipment, from the Donations Reserve Fund to the Operating Fund in order to facilitate cash flow and from the Operating Fund to the Insurance Reserve fund for contributions received designated to the Insurance Reserve Fund.

Funds were also transferred from the Operating Fund to the Legal Reserve for the purpose of funding future legal costs and from the Donations Reserve Fund to the Capital Asset Reserve Fund for the purpose of funding future capital asset expenditures.

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the Board of Directors to subsidize staff training and retreat costs.

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purposes of funding future major repairs to the building.

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7. Restricted funds (continued)

Donations Reserve

The Donations Reserve comprises donations and related interest internally restricted by the Board of Directors. The funds in the reserve are designated for the needs of clients which are not budgeted.

Legal Reserve

The Legal Reserve comprises funds that have been internally restricted by the Board of Directors to cover potential future legal costs.

Capital Asset Fund

The Capital Asset Reserve comprises funds that have been internally restricted by the Board of Directors to cover potential future capital asset expenditures not including major repairs to the building.

8. Contingency - Winnipeg Regional Health Authority

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds.

Neither the likelihood nor the amount of recovery can be foreseen. Therefore, no provision has been made in the financial statements. Any surplus recovery will be accounted for as a charge to the surplus account in the year of recovery.

9. Commitment

The organization is committed to monthly lease payments of $3,253 for office space at 661 Main Street expiring April 1, 2016.

10. 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, $131,227 (2011 - $112,183) was expensed for the purpose of the Plan.

11. 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.

12. Statement of cash flows

A statement of cash flows has not been presented as management is of the opinion that it would not provide additional meaningful information.

13. Capital disclosures

The organization considers its capital to be the balances maintained in its unrestricted and restricted fund balances. Capital is managed under the direction of the Board of Directors. The primary objective of the organization is to manage its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The organization is subject to externally imposed requirements on its capital to fund replacement and insurance reserves.

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Main Street Project, Inc.
Schedule of Crisis and Detoxification Centre Program

Year Ended March 31	2012	2011
Revenues		
Grant		
Winnipeg Regional Health Authority	$ 1,419,298	$ 1,403,503
United Way	8,820	-
Interest	2,764	3,454
Miscellaneous	5	320
Pension funding	2,458	-
	1,433,345	1,407,277
Expenses		
Amortization	17,867	13,631
Board	349	1,074
Food	97,992	86,881
Insurance	4,756	5,852
Laundry	11,299	10,175
Medical supplies	10,918	10,775
Office	29,990	24,710
Professional fees	13,943	12,504
Program	6,065	9,318
Realty taxes	4,690	5,151
Rent	15,944	5,799
Repairs and maintenance	89,178	60,248
Staff training	20,468	8,727
Telephone	14,629	12,967
Transportation	1,929	4,353
Utilities	41,908	48,176
Van patrol - Downtown Biz	-	2,540
Wages and benefits	1,148,649	1,129,449
	1,530,574	1,452,330
Deficiency of revenues over expenses	$ (97,229)	$ (45,053)

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of Intoxicated Persons Detention Area (I.P.D.A.) Program

Year Ended March 31	2012	2011
Revenues		
Grants		
Winnipeg Regional Health Authority - allocation	$ 47,545	$ 77,336
Per diems		
City of Winnipeg Police Department	723,000	657,720
Pension funding	1,550	-
	772,095	735,056
Expenses		
Amortization	9,017	7,317
Board	534	536
Insurance	741	1,100
Medical supplies	4,385	6,195
Office	15,921	10,666
Professional fees	3,909	30,773
Realty taxes	1,766	2,034
Rent	7,716	2,817
Repairs, maintenance and replacement	27,535	14,060
Staff training	9,494	5,708
Telephone	3,051	2,423
Travel	570	6
Utilities	15,375	15,923
Wages and benefits	607,688	638,983
	707,702	738,541
Excess (deficiency) of revenues over expenses	$ 64,393	$ (3,485)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedule of Mainstay (Residential Component) Program

Year Ended March 31	2012	2011
Revenues		
Grants		
Winnipeg Regional Health Authority	$ **21,318**	$ 24,432
Winnipeg Regional Health Authority - allocation	**19,936**	13,301
Per diems		
Province of Manitoba	**119,868**	94,026
Other	**21,933**	13,686
Manitoba Housing subsidy	**68,150**	68,150
Manitoba Housing - loan forgiveness	**350**	-
Pension funding	**153**	-
	251,708	213,595
Expenses		
Administration	**28,852**	31,528
Amortization	**21,144**	19,263
Board	**242**	151
Insurance	**835**	864
Mortgage interest	**49,772**	50,909
Office	**3,041**	1,633
Professional fees	**4,853**	2,271
Property taxes	**6,950**	7,471
Repairs, maintenance and replacements	**93,295**	61,786
Telephone	**646**	304
Utilities	**42,078**	37,099
	251,708	213,279
Excess of revenues over expenses	$ -	$ 316

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of Mainstay (Client Services) Program

Year Ended March 31	2012	2011
Revenues		
Grants		
City of Winnipeg	**$ 96,000**	$ 82,800
United Way	**21,333**	-
Winnipeg Regional Health Authority	**245,880**	286,153
Winnipeg Regional Health Authority - allocation	**94,062**	11,465
Per diems		
University of Winnipeg	**-**	8,845
Province of Manitoba	**211,326**	266,109
Other	**14,485**	10,514
Gain on disposal of asset	**4,286**	-
Pension funding	**1,642**	-
	689,014	665,886
Expenses		
Amortization	**9,275**	6,628
Board	**555**	552
Food	**61,638**	54,152
Insurance	**3,841**	3,211
Laundry	**473**	527
Medical supplies	**5,484**	5,247
Office	**15,134**	11,110
Professional fees	**2,223**	4,925
Recruiting	**3,047**	1,720
Rent	**15,159**	5,575
Repairs, maintenance and replacements	**7,309**	3,884
Resident supplies and program	**1,982**	735
Telephone	**4,856**	5,500
Travel	**6,160**	3,815
Wages and benefits	**554,485**	524,093
	691,621	631,674
(Deficiency) excess of revenues over expenses	**$ (2,607)**	$ 34,212

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of Opportunities Ahead Program

Year Ended March 31	2012	2011
Revenues		
Grant		
Human Resources Development Canada	$ 120,828	$ 118,962
Pension funding	528	-
	121,356	118,962
Expenses		
Amortization	1,417	1,184
Food	-	165
Medical supplies	1,920	147
Office	479	-
Professional fees	351	412
Program	8,908	10,485
Staff training	2,454	2,126
Telephone	1,253	1,466
Transportation	1,107	624
Wages and benefits	118,653	113,446
	136,542	130,055
(Deficiency) of revenues over expenses	$ (15,186)	$ (11,093)

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of Shelter Program

Year Ended March 31	2012	2011
Revenues		
Grants		
Province of Manitoba	$ 356,800	$ 354,800
Winnipeg Regional Health Authority - allocation	46,760	65,580
United Way	656	-
Pension funding	651	-
	404,867	420,380
Expenses		
Amortization	4,784	4,184
Board	377	279
Food	2,817	1,488
Laundry	4	92
Medical supplies	1,936	1,459
Office	13,772	9,749
Professional fees	2,339	2,727
Recruiting	3,206	2,451
Rent	6,642	5,149
Repairs and maintenance	18,601	4,802
Telephone	1,552	1,558
Utilities	5,777	6,130
Wages and benefits	346,812	376,509
	408,619	416,577
(Deficiency) excess of revenues over expenses	$ (3,752)	$ 3,803

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedule of Project Break Away Program

Year Ended March 31	2012	2011
Revenues		
Grants		
United Way	$ 119,017	$ 140,350
City of Winnipeg	-	13,200
Winnipeg Regional Health Authority - allocation	22,452	22,885
Province of Manitoba	176,000	137,750
Pension funding	796	-
	318,265	314,185
Expenses		
Amortization	4,932	3,127
Board	196	103
Insurance	1,841	2,486
Office	8,384	6,638
Professional fees	981	1,355
Rent	16,762	10,680
Repairs, maintenance and replacements	2,203	2,440
Resident supplies and programs	377	1,965
Telephone	4,193	2,565
Utilities	429	-
Travel	6,707	4,179
Wages and benefits	253,581	295,422
	300,586	330,960
Excess (deficiency) of revenues over expenses	$ 17,679	$ (16,775)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Schedule of After Hours Response Program

Year Ended March 31	2012	2011
Revenues		
Grants		
Manitoba Green Retrofit	$ -	$ 46,474
Winnipeg Regional Health Authority	8,000	-
Mount Carmel Clinic	30,000	-
Manitoba Housing	20,000	-
Aboriginal Health and Wellness Centre	25,000	-
	83,000	46,474
Expenses		
Repairs and maintenance	796	-
Telephone	2,014	825
Travel	76	-
Wages and benefits	94,810	18,539
	97,696	19,364
(Deficiency) excess of revenues over expenses	$ (14,696)	$ 27,110

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of Outreach Mentor Program

Year Ended March 31	2012	2011
Revenues		
Grants		
Manitoba Housing	$ 102,000	$ 77,659
Pension funding	694	-
	102,694	77,659
Expenses		
Amortization	1,199	773
Office	1,911	1,697
Rent	3,137	3,410
Wages and benefits	70,065	71,216
	76,312	77,096
Excess of revenues over expenses	$ 26,382	$ 563

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of The Winnipeg Street Health Report

Year Ended March 31	2012	2011
Revenues		
Grants		
Winnipeg Homelessness and Housing Initiative	$ -	$ 45,335
Expenses		
Office	-	15,329
Professional fees	-	24,600
Wages and benefits	-	10,012
	-	49,941
Deficiency of revenues over expenses	$ -	$ (4,606)

See accompanying notes to the financial statements.

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Main Street Project, Inc.
Schedule of The Bell Hotel

Year Ended March 31	2012	2011
Revenues		
Grants		
Winnipeg Regional Health Authority	$ 637,095	$ -
Pension funding	321	-
	637,416	-
Expenses		
Amortization	1,676	-
Food	7,810	-
Medical supplies	1,070	-
Office	10,308	-
Repairs and maintenance	7,614	-
Staff training	7,591	-
Telephone	3,064	-
Travel	349	-
Wages and benefits	572,693	-
	612,175	-
Excess of revenues over expenses	$ 25,241	$ -

See accompanying notes to the financial statements.

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STEFANSON LEE ROMANIUK
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Middlechurch Home of Winnipeg Inc.

Report on the Non-consolidated Financial Statements

We have audited the accompanying non-consolidated financial statements of Middlechurch Home of Winnipeg Inc., which comprise the non-consolidated statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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.

Auditors' 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 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 evaluation 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 Middlechurch Home of Winnipeg Inc. As at March 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Stefanson Lee Romaniuk
Chartered Accountants

Winnipeg, Manitoba
May 24, 2012

*Services provided by:
Kenneth John Lee Chartered Accountant Inc.
Brent R. Stefanson Chartered Accountant Inc.
Phillip A. Romaniuk Chartered Accountant Inc.

1151 PORTAGE AVENUE, WINNIPEG, MANITOBA R3G 0S9 TELEPHONE 204/775-8975 FAX 783-4926

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Financial Position

March 31, 2012

		2012	2011
Assets			
Cash	$	332,287	595,871
Restricted cash (note 3)		318,629	354,868
Accounts receivable		24,095	31,794
Receivable from Winnipeg Regional Health Authority (note 4)		882,133	301,013
Vacation pay recoverable (note 12)		487,714	487,714
Prepaid expenses		43,666	43,134
Inventory		48,095	51,652
Current portion of long-term receivables (note 5)		66,564	41,205
Due from Residents' Trust Fund		1,825	-
		2,205,008	1,907,251
Long-term receivables (note 5)		418,278	236,646
Employee future pre-retirement benefits recoverable (note 11)		901,137	842,425
Property and equipment (note 6)		5,996,568	6,150,715
	$	9,520,991	9,137,037
Liabilities, Deferred Contributions and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	$	850,706	672,150
Vacation payable (note 12)		874,272	793,048
Due to Residents' Trust Fund		-	1,235
Current portion of long-term debt (note 8)		94,928	67,817
		1,819,906	1,534,250
Long-term debt (note 8)		613,229	460,150
Employee future pre-retirement benefits payable (note 11)		924,288	865,576
Deferred contributions (note 9)			
Expenses for future periods		54,549	42,857
Property and equipment		4,738,458	4,917,662
		8,150,430	7,820,495
Net assets			
Invested in property and equipment		1,031,051	1,025,707
Internally restricted			
Donation		231,154	272,948
Auxiliary		5,197	9,510
Unrestricted		103,159	8,377
		1,370,561	1,316,542
	$	9,520,991	9,137,037

APPROVED BY THE BOARD:

_______________________ **DIRECTOR**

_______________________ **DIRECTOR**

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations and Changes in Net Assets
for the year ended March 31, 2012

	Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2012 Total	2011 Total
Revenue					
Residential charges	$ -	-	3,387,368	3,387,368	3,232,481
Adult Day Program recoveries	-	-	31,651	31,651	29,816
	-	-	3,419,019	3,419,019	3,262,297
Winnipeg Regional Health Authority					
Baseline funding	26,800	-	9,569,121	9,595,921	9,521,189
Residential charges	-	-	198,232	198,232	-
Community service program	-	-	47,489	47,489	46,585
Employee future pre-retirement benefits	-	-	58,712	58,712	46,984
Adult Day Program	-	-	272,040	272,040	264,045
	26,800	-	10,145,594	10,172,394	9,878,803
Recoveries and other revenue	-	4,800	300,921	305,721	308,208
Amortization of deferred contributions related to property and equipment	506,802	-	-	506,802	511,232
Interest income	-	2,649	7,892	10,541	7,593
Donations	-	100,401	-	100,401	93,521
Auxiliary	-	2,732	-	2,732	6,054
Total revenue	533,602	110,582	13,873,426	14,517,610	14,067,708
Total expenses (Schedule 1)	606,465	78,482	13,845,485	14,530,432	14,101,602
Excess (Deficiency) of revenue over expenses, before the undernoted	(72,863)	32,100	27,941	(12,822)	(33,894)
Board approved expenditures from prior years surplus					(58,722)
Excess (deficiency) of revenue over expenses	(72,863)	32,100	27,941	(12,822)	(92,616)
Net assets, beginning of year	1,025,707	282,458	8,377	1,316,542	1,409,158
Transfer of funds for purchase of equipment	78,207	(78,207)	-	-	-
Adjustment to prior year surplus payable	-	-	66,841	66,841	
Net assets, end of year	$ 1,031,051	236,351	103,159	1,370,561	1,316,542

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows
for the year ended March 31, 2012

		2012	2011
Cash from operating activities			
Deficiency of revenue over expenses	$	(12,822)	(92,616)
Adjustments for non-cash items			
Amortization of capital assets		606,465	633,173
Amortization of deferred contributions		(506,802)	(511,232)
		86,841	29,325
Increase in deferred contributions relating to expenses for future periods, net		11,692	11,692
Change in the following			
Accounts receivable		7,699	(14,634)
Receivable from Winnipeg Regional Health Authority		(514,279)	459,240
Prepaid expenses		(532)	8,098
Inventory		3,557	(6,025)
Restricted cash		36,239	(73,197)
Employee future pre-retirement benefits recoverable		(58,712)	(46,984)
Accounts payable and accrued liabilities		178,556	(23,390)
Advances payable		-	(265,413)
Vacation payable		81,224	31,507
Due to residents' trust fund		(1,235)	1,235
Due from residents' trust fund		(1,825)	3,578
Employee future pre-retirement benefits payable		58,712	46,984
		(198,904)	132,691
Financing and investing activities			
Repayments on long-term debt		(80,063)	(96,890)
Change in long-term receivables		(206,991)	(140,090)
Contributions received related to property and equipment		327,597	276,456
Purchase of property and equipment		(452,318)	(278,793)
Repayment of surplus		-	-
Proceeds of long-term debt		260,254	211,656
		(151,521)	(27,661)
Increase (decrease) in cash		(263,584)	134,355
Cash position, beginning of year		595,871	461,516
Cash position, end of year	$	332,287	595,871

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2012

1. Nature of Operations:

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated, without share capital, under the laws of Manitoba on April 29, 1884. Middlechurch Home provides residential care services and as a registered charity, under the Income Tax Act, is exempt from income taxes.

2. Significant accounting policies:

a) Basis of presentation:

Middlechurch on the Red Inc.

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (MORI) by virtue of its ability to appoint three of the five members of it's Board of Directors and Middlechurch Home is the sponsor of MORI in operating a life-lease apartment complex.

MORI has not been consolidated in Middlechurch Home's financial statements. Financial statements of MORI are available upon request. A financial summary at March 31, 2012 and 2011 and for the years then ended are as follows:

	2012	2011
Financial position		
Total assets	$ 4,693,361	4,786,412
Total liabilities	$ 4,347,558	4,488,484
Total net assets	345,803	297,928
	$ 4,693,361	4,786,412
Results of operations:		
Total revenue	$ 341,550	319,885
Total expenses	293,675	297,634
Excess of revenue over expense	$ 47,875	22,251

MIDDLECHURCH HOME OF WINNIPEG INC.
Notes to Non-Consolidated Financial Statements
March 31, 2012

b) Revenue recognition:

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

Middlechurch Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. Middlechurch Home's Service Purchase Agreement with the WRHA continues in effect until March 31, 2015.

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

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

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

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

c) Inventory

Inventory, which consists mainly of medical supplies, is valued at cost, on a first-in first-out basis.

d) Property and equipment

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

Property and equipment are amortized on a straight-line basis using the following annual rates:

Land improvements	20 years
Buildings	30, 40 and 50 years
Computer equipment and furniture and equipment	5 - 10 years

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2012

e) Operating surplus or deficit

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of Middlechurch Home. Middlechurch Home may retain the greater of 50% of the annual operating surplus and 2% of the global budget indicated in the funding letter from WRHA for that year. The remaining operating surplus is repayable to the WRHA.

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.

g) Employee future pre-retirement benefits

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

The significant actuarial assumptions adopted in measuring Middlechurch Home's employee future pre-retirement benefits payable include mortality, withdrawal and disability rates, a discount rate of 4.1% (2011 - 4.7%), a rate of salary increase of 3.0% (2011 - 3.5%), plus an age-related merit/promotion scale.

h) Internally restricted net assets:

Internally restricted net assets represents transactions and contributions related to donations and auxiliary activities. All expenditures require approval of the Board of Directors.

i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

MIDDLECHURCH HOME OF WINNIPEG INC.
Notes to Non-Consolidated Financial Statements
March 31, 2012

3. Restricted cash:

		2012	2011
Restricted for capital asset replacement	$	50,087	46,252
Restricted for expenses for future periods		32,191	22,491
Internally restricted			
Donation		231,154	276,615
Auxiliary		5,197	9,510
	$	318,629	354,868

4. Receivable from Winnipeg Regional Health Authority:

		2012	2011
Employee retirement benefits	$	359,315	278,892
Salaries and other		665,252	429,628
Residential charges		198,232	-
		1,222,799	708,520
Less payables relating to			
Resident charges		(340,666)	(340,666)
Surplus repayment		-	(66,841)
	$	882,133	301,013

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

		2012	2011
Fire sprinkler system	$	58,504	78,005
Roof resurfacing		-	537
Roof replacement		178,144	199,309
Window replacement		248,194	-
		484,842	277,851
Less current portion		(66,564)	(41,205)
	$	418,278	236,646

6. Property and equipment:

		2012			2011
		Cost	Accumulated Amortization	Net	Net
Land	$	1	-	1	1
Land improvements					
Courtyard		593,617	556,764	36,853	69,030
Personal Care Home		819,984	819,984	-	41,000
Buildings					
Personal Care Home		13,912,102	8,682,090	5,230,012	5,325,227
Sewage Treatment Plant		663,575	331,318	332,257	354,407
Garage		50,612	27,837	22,775	25,306
Computer equipment and furniture		3,830,176	3,455,506	374,670	335,744
	$	19,870,067	13,873,499	5,996,568	6,150,715

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2012

7. Operating line of credit:

Middlechurch Home has a demand operating line of credit with a maximum limit of $350,000 and bears interest at bank prime rate. The security on the operating line of credit is the same as the security disclosed in note 9 on the term loans with the Royal Bank of Canada. The operating line of credit was not utilized at March 31, 2012 and 2011.

8. Long-term debt:

	2012	2011
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5.75%, maturing in 2018	$ 223,315	250,116
Royal Bank of Canada term loan, with monthly payments of $1,625 including interest at prime less 0.50%, maturing March 2013, supported by a letter of comfort from WRHA	58,504	78,005
Royal Bank of Canada term loan, with monthly payments of $3,310 plus interest at prime less 0.50%, maturing March 2012, supported by a letter of comfort from WHRA	-	537
Royal Bank of Canada term loan, with monthly payments of $1,764 plus interest at prime less 0.50%, maturing August 2013, supported by a letter of comfort from WHRA	178,144	199,309
Royal Bank of Canada term loan, with monthly payments of $2,158 plus interest at prime less 0.50% repayable in full September 2013, supported by a letter of comfort from WRHA.	248,194	-
	708,157	527,967
Less current portion	(94,928)	(67,817)
	$ 613,229	460,150

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

2013	$ 94,928
2014	449,957
2015	51,273
2016	33,623
2017	35,582
2018 and thereafter	42,794

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2012

9. Deferred contributions:

Expenses for future periods

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

		2012	2011
Balance, beginning of year	$	42,857	31,165
Additional contributions received		16,996	16,996
Less amount transferred to deferred contributions - property and equipment		(5,304)	(5,304)
	$	54,549	42,857

Property and equipment

Deferred contributions related to property and equipment represent the unspent and unamortized amount of donations and grants received for the purchase of property and equipment. The balance of unamortized capital contributions related to property and equipment consists of the following:

Unamortized capital contributions used to purchase property and equipment	$	4,688,371	4,885,638
Unspent contributions		50,087	32,024
	$	4,738,458	4,917,662

10. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

		2012	2011
Water charges	$	5,040	5,040
Insurance fees		4,649	4,626
Maintenance		9,880	10,881

Middlechurch Home exercises significant influence over The Middlechurch Home of Winnipeg Foundation Inc. (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of Middlechurch Home. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. During the year the Foundation donated $22,444 to Middlechurch Home to fund building maintenance. Net resources of the Foundation amount to $37,501 (2011 -$59,124) and are available, at the discretion of the Foundation's Board of Directors, to Middlechurch Home.

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2012

11. Employee benefits:

Middlechurch Home maintains an employee pre-retirement benefit plan for substantially all of its employees. The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable. As at March 31, 2012, the employee future pre-retirement benefits recoverable from WRHA aggregates $901,137 (2011 - $842,425) and has no specified payment terms.

All eligible employees of Middlechurch Home are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, Middlechurch Home is accounting for the plan as a defined contribution plan. During the year, Middlechurch Home contributed $681,144 (2011 - $574,618) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007 indicated that the plan was fully funded. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

12. Vacation pay:

The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by employees. The vacation liability at March 31, 2012 is $874,272 (2011 - $793,048). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714.

13. Fair value of financial assets and financial liabilities:

The carrying value of the long-term receivable from Winnipeg Regional Health Authority approximates its fair value as the terms and conditions of the receivable are comparable to current market terms and conditions for similar items.

The fair value of long-term debt approximates its carrying value. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to Middlechurch Home.

The fair value of the employee future pre-retirement benefits recoverable from Winnipeg Regional Health authority and employee future pre-retirement benefits payable approximate their carrying value as the interest component is comparable to current market rates.

The fair value of the Middlechurch Home's other financial assets and financial liabilities approximates carrying value due to their short term to maturity.

MIDDLECHURCH HOME OF WINNIPEG INC.

Schedule 1 - Schedule of Expenses
for the year ended March 31, 2012

		Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2012 Total	2011 Total
Expenses						
Salaries	$	-	38,673	9,529,702	9,568,375	9,417,264
Employee benefits		-	-	2,005,469	2,005,469	1,725,422
Manitoba Payroll tax		-	-	198,890	198,890	196,082
Employee future pre-retirement benefits		-	-	58,712	58,712	46,984
Medical supplies		-	-	33,924	33,924	37,266
Incontinent supplies		-	-	100,673	100,673	100,486
Purchased services		-	-	117,411	117,411	109,017
Other supplies and expenses		-	-	1,003,178	1,003,178	1,075,916
Shop and tavern		-	-	14,512	14,512	18,223
Professional fees		-	-	62,160	62,160	47,690
Plant maintenance		-	27,482	347,204	374,686	311,743
Cafeteria		-	-	41,958	41,958	45,789
Miscellaneous						
Donation account		-	11,462	-	11,462	14,948
Auxiliary account		-	865	-	865	2,451
Amortization of property and equipment		606,465	-	-	606,465	633,173
Interest on long-term debt		-	-	22,359	22,359	22,357
		606,465	78,482	13,536,152	14,221,099	13,804,811
Adult Day Program						
Salaries		-	-	93,602	93,602	87,948
Employee benefits		-	-	21,694	21,694	19,414
Manitoba Payroll Tax		-	-	1,999	1,999	1,883
Food		-	-	22,222	22,222	22,268
Transportation		-	-	135,269	135,269	132,009
Other supplies		-	-	34,547	34,547	33,269
		-	-	309,333	309,333	296,791
0	$	606,465	78,482	13,845,485	14,530,432	14,101,602

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Independent Auditor's Report

To the Members of MOUNT CARMEL CLINIC

We have audited the accompanying financial statements of **MOUNT CARMEL CLINIC**, which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 29, 2012

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash	$	**1,715,055**	$	898,854
Short-term investments		**2,150,722**		2,125,168
Accounts receivable (Note 2)		**177,871**		197,534
Due from WRHA (Note 3)		**372,592**		333,552
Inventories		**90,513**		82,500
Prepaid expenses		**20,325**		16,693
Vacation entitlements receivable (Note 4)		**381,653**		381,653
		4,908,731		4,035,954
Retirement obligation receivable (Note 13)		**498,157**		506,729
Capital assets (Note 5)		**3,154,827**		3,035,454
Due from Mount Carmel Clinic Foundation		**487,074**		490,309
	$	**9,048,789**	$	8,068,446
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**1,014,001**	$	751,399
Due to WRHA (Note 6)		**96,958**		29,859
Accrued vacation entitlements (Note 4)		**419,151**		436,680
Deferred revenue (Note 7)		**1,119,143**		1,225,094
		2,649,253		2,443,032
Accrued retirement obligations (Note 13)		**571,371**		587,370
Deferred Contributions (Note 8)				
Expenses of future periods		**413,949**		301,599
Capital assets		**2,356,854**		2,314,175
		5,991,427		5,646,176
Commitments and contingencies (Note 12)				
Net assets		**3,057,362**		2,422,270
	$	**9,048,789**	$	8,068,446

Approved on behalf of the Board of Directors:

________________________ Director

________________________ Director

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Winnipeg Regional Health Authority (Note 11)	**$ 7,383,840**	$ 7,232,940
Mental Health Commission of Canada	**1,218,995**	1,132,245
Pharmacy sales	**1,137,581**	1,167,920
Other	**706,138**	986,595
Province of Manitoba	**497,693**	506,377
United Way of Winnipeg	**133,844**	131,220
Amortization of deferred contributions	**128,934**	133,483
Dental revenue	**81,289**	71,963
Medical program	**75,650**	66,258
Investment income	**27,170**	15,761
Parent fees	**25,004**	24,790
Donations	**3,887**	4,230
	11,420,025	11,473,782
Expenditures		
Salaries	**7,288,484**	7,296,424
Employee benefits	**1,054,570**	991,121
Program supplies and other expenses	**965,841**	1,016,054
Drugs	**567,361**	612,233
Office supplies and expenses	**235,290**	212,811
Amortization of capital assets	**191,137**	174,754
Utilities	**152,196**	156,803
Travel, meetings and conferences	**122,633**	106,181
Maintenance and repairs	**122,609**	137,752
Other occupancy costs	**101,152**	109,402
Bank charges and interest	**16,347**	15,971
Charitable drug program (recovery)	**(25,260)**	77,961
	10,792,360	10,907,467
Excess of revenue over expenditures before other items	**627,665**	566,315
Other Items		
Change in accrued retirement obligations		
WRHA funding receivable repaid	**(8,572)**	(62,635)
Decrease in liability	**15,999**	72,316
Gain on disposal of capital assets	**-**	2,706
Write-off of capital assets	**-**	(52,862)
	7,427	(40,475)
Excess of revenue over expenditures for the year	**$ 635,092**	$ 525,840

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31

	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Investment In Capital Assets (Note 10)	2012 Total	2011 Total
Net assets, beginning of year	$ 1,194,010	$ (3,861)	$ 113,698	$ 413,380	$ 705,043	$ 2,422,270	$ 1,896,430
Excess (deficiency) of revenue over expenditures for the year	692,043	-	4,025	1,307	(62,283)	635,092	525,840
Interfund Transfers							
To fund acquisition of capital assets	-	-	-	(138,897)	138,897	-	-
Appropriation by the Board of Directors for future capital expenditures	(50,000)	-	-	50,000	-	-	-
Other	3,059	-	(3,059)	-	-	-	-
Net assets, end of year	$ 1,839,112	$ (3,861)	$ 114,664	$ 325,790	$ 781,657	$ 3,057,362	$ 2,422,270

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 635,092	$ 525,840
Amortization of capital assets	191,137	174,754
Amortization of deferred contributions	(128,934)	(133,483)
Write-off of capital assets	-	52,862
	697,295	619,973
Changes in non-cash working capital		
Accounts receivable	19,663	(58,538)
Due from WRHA	(39,040)	220,935
Inventories	(8,013)	(2,465)
Prepaid expenses	(3,632)	2,963
Accounts payable and accrued liabilities	262,602	(121,459)
Due to WRHA	67,099	(170,459)
Accrued vacation entitlements	(17,529)	51,800
Deferred revenue	(105,951)	173,522
	175,199	96,299
Retirement obligation assets	8,572	62,635
Accrued retirement obligations	(15,999)	(72,316)
	865,067	706,591
Cash Flows from Financing Activities		
Receipt of deferred contributions related to capital assets	171,613	29,796
Receipt of deferred contributions related to expenses of future periods	112,350	131,450
	283,963	161,246
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(310,510)	(208,970)
Net increase in short-term investments	(25,554)	(507,617)
Net change in amount due from Mount Carmel Clinic Foundation	3,235	(155,021)
	(332,829)	(871,608)
Net increase (decrease) in cash and cash equivalents	816,201	(3,771)
Cash and cash equivalents, beginning of year	898,854	902,625
Cash and cash equivalents, end of year	$ 1,715,055	$ 898,854
Supplementary Information		
Interest paid	$ 16,347	$ 15,971

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

For the year ended March 31, 2012

Fund Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants ("CICA") using the deferral method of accounting for contributions which include donations and government grants.

Revenue Recognition

The majority of the Clinic's funding is provided by the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2012.

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 when earned.

Inventories

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

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.

For the year ended March 31, 2012

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. Capital assets funded completely by grants are recorded in the statement of financial position. Amortization is provided on a straight-line basis over the assets' estimated useful lives as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years
Automobiles	7 years

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.

Financial Instruments

The Clinic classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from WRHA	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to WRHA	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Accrued retirement obligations	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

All transactions related to financial instruments are recorded on a settlement date basis. Transaction costs are expensed as incurred.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board and Public Sector Accounting Board ("Boards") issued new standards for not-for-profit organizations ("NPOs"). Government NPOs have a choice of Public Sector Accounting standards with the current series of NPO-specific standards added with some minor changes or Public Sector Accounting Standards. For private sector NPOs, they have a choice of International Financial Reporting Standards or accounting standards for NPOs.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

1. Entity Definition

Mount Carmel Clinic ("Clinic") is an inter-disciplinary community health centre committed to providing comprehensive health care to the community. Mount Carmel 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.

The Clinic considers its capital to be comprised of its Operating, Day Care, Donation and Capital Funds as well as its Net Assets Invested in Capital Assets. There have been no changes in what the Clinic considers to be its capital since the previous period.

As a not-for-profit entity, the Clinic's operations are reliant on revenues generated annually. The Clinic has accumulated unrestricted funds over its history, which are included in the Capital Fund balance in the Statement of Changes in Net Assets. A portion of the accumulated unrestricted funds is retained as working capital, which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the Clinic at the Board of Directors' discretion.

Operating Fund

The Operating Fund records the day-to-day operations of the Clinic.

Day Care Fund

The Day Care Fund records the day-to-day operations of the Anne Ross Day Nursery ("Day Care").

Donation Fund

The Donation Fund records donor receipts and interest on investments and disburses the funds based on specific instructions or Board of Directors' approval.

Capital Fund

The Capital Fund is used to fund the Clinic's internally restricted renovation projects and the purchase of equipment and furnishings.

Invested in Capital Assets

Invested in Capital Assets represents the Clinic's internally restricted net assets that are not available for other purposes because they have been invested in capital assets (Note 10).

2. Accounts Receivable

	2012	2011
Receivable from clinic services	**$ 146,808**	$ 150,153
Other receivables	**31,063**	47,381
	$ 177,871	$ 197,534

3. Due from WRHA

	2012	2011
2008/2009 funding adjustment	**$ 47,007**	$ 51,661
2009/2010 funding adjustment	**40,511**	73,364
2010/2011 funding adjustment	**109,953**	208,527
2011/2012 funding adjustment	**175,121**	-
	$ 372,592	$ 333,552

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 in the vacation entitlements receivable from Manitoba Health is as follows:

	2012	2011
Balance, beginning of year	**$ 381,653**	$ 381,653
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 381,653**	$ 381,653

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

Balance, beginning of year	**$ 436,680**	$ 384,880
Net increase (decrease) in accrued vacation entitlements	**(17,529)**	51,800
Balance, end of year	**$ 419,151**	$ 436,680

For the year ended March 31, 2012

5. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Landscaping	**$ 222,702**	**$ -**	$ 222,702	$ -
Buildings	**5,278,981**	**2,568,732**	5,050,709	2,441,020
Furniture, fixtures and equipment	**457,445**	**284,550**	435,018	242,211
Computer equipment	**105,433**	**56,452**	45,622	35,366
	$ 6,064,561	**$ 2,909,734**	$ 5,754,051	$ 2,718,597
Cost less accumulated amortization		**$ 3,154,827**		$ 3,035,454

6. Due to WRHA

Amounts due to WRHA are for medical remuneration.

7. Deferred Revenue

	2012	2011
Operating Fund		
Day Care subsidy advance	**$ 15,510**	$ 15,510
Day Care grant	**83,834**	164,400
Dental	**24,721**	24,721
Other	**199,871**	168,855
Parenting Student Program	**49,578**	46,366
Primary Health	**72,239**	36,021
FACT Coalition	**37,014**	40,139
Come in You're Welcome	**13,810**	99,617
Homelessness Initiative	**102,204**	90,648
Administration	**600**	-
	599,381	686,277
Donation Fund		
Sage House	**49,338**	41,717
Mount Carmel Clinic Foundation	**446,959**	475,041
Child Day Care Centre	**23,465**	22,059
	519,762	538,817
	$ 1,119,143	$ 1,225,094

8. Deferred Contributions

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2012	2011
Balance, beginning of year	$ **301,599**	$ 185,739
Add amounts received during year	**117,000**	126,650
Less amounts recognized as revenue or transferred to deferred contributions related to capital assets during year	**(9,450)**	(15,590)
Transfer from Day Care	**4,800**	4,800
Balance, end of year	$ **413,949**	$ 301,599

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.

	2012	2011
Balance, beginning of year	$ **2,314,175**	$ 2,402,272
Add amounts received during year	**171,613**	29,796
Transferred from deferred contributions related to expenses of future periods	**-**	15,590
Less amounts recognized as revenue during the year	**(128,934)**	(133,483)
Balance, end of year	$ **2,356,854**	$ 2,314,175

9. Operating Line of Credit

The Clinic has an operating line of credit for $275,000 which bears interest at the bank's prime rate of 3% at March 31, 2012. The balance in the line of credit at year end was $NIL ($NIL in 2011). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

10. Investment in Capital Assets

Investment in capital assets is calculated as follows:

		2012		2011
Capital assets, net book value	$	**3,154,827**	$	3,035,454
Less amounts financed by				
Deferred contributions		**2,356,854**		2,314,175
Advances from other funds (net of cash on deposit)		**16,316**		16,236
	$	**781,657**	$	705,043

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

		2012		2011
Deficiency of revenues over expenditures:				
Amortization of deferred contributions related to capital assets	$	**128,934**	$	133,483
Amortization of capital assets		**(191,137)**		(174,754)
Write-off of capital assets		**-**		(52,862)
Other items (net)		**(80)**		3,380
	$	**(62,283)**	$	(90,753)
Net changes in investment in capital assets:				
Purchase of capital assets	$	**310,510**	$	209,765
Disposal of capital assets		**-**		(795)
Amounts funded by deferred contributions		**(171,613)**		(45,386)
	$	**138,897**	$	163,584

11. Revenue from the WRHA

	2012	2011
Revenue as per WRHA final funding document (March 31, 2012 EFT)	$ 7,075,853	$ 6,953,592
Add		
Midwifery	36,295	23,580
Wound clinic security	26,014	25,294
Exam room renovations	-	6,000
Lab deficit	-	17,894
Out of Globe - Pre-retirement leave	82,428	86,519
MNU agreement	-	24,183
CUPE Agreement	5,130	11,393
Group health	32,244	41,301
Other employee benefits	38,488	11,696
Leap year funding	16,570	-
On-call funding	-	39,595
Community Development	21,540	4,329
Strengthening Families	143,265	-
Medical Abortions	1,365	1,365
Maternity leave top up	17,540	-
HIV prevention	2,500	-
Smoking cessation	3,400	-
Miscellaneous	-	1,798
	426,779	294,947
Add (Deduct)		
Medical remuneration	(96,879)	15,820
Total funding approved by WRHA	7,405,753	7,264,359
Add		
Day Care operations	81,087	81,231
Deduct		
Installation of VPN	(60,000)	-
Operational review	(25,000)	-
Archive system	(10,000)	-
Process review	-	(80,000)
Mental health worker	-	(24,650)
Reserve for major repairs	(7,000)	(7,000)
Deferred revenue - insurance deductible	(1,000)	(1,000)
	(103,000)	(112,650)
Revenue from WRHA	$ 7,383,840	$ 7,232,940

12. Commitments and Contingencies

The nature of the Clinic's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2012, management believes the Clinic has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Clinic's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012. The Clinic is a named insured under the WRHA policy with HIROC.

The Clinic leases equipment under the provisions of operating leases which expire up to June 2015. Commitments to expire are as follows for the years ending March 31:

2013	$	58,652
2014		12,563
2015		10,118
2016		1,993

13. 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

13. Employee Future Benefits (continued)

Accrued Retirement Entitlement (continued)

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2012. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.10% (4.7% in 2011) and a rate of salary increase of 3.0% (3.5% in 2011) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

The retirement obligation is receivable from the following organizations:

	2012	2011
Manitoba Health	**$ 387,859**	$ 387,859
Winnipeg Regional Health Authority	**110,298**	118,870
	$ 498,157	$ 506,729

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

	2012	2011
Balance, beginning of year	**$ 587,370**	$ 659,686
Net increase in pre-retirement entitlements	**(15,999)**	(72,316)
Balance, end of year	**$ 571,371**	$ 587,370

13. Employee Future Benefits (continued)

Pension Plan

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

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.80% of salary, 8.40% for salaries greater than $48,300, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010 indicates that the Plan is in deficit. The board of the Plan is evaluating what actions, if any, may be required to align the assets and liabilities, which may include contribution rate increases and/or benefit reductions. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to $359,047 ($319,505 in 2011) and are included in the statement of operations.

14. Economic Dependence

The volume of financial activity undertaken by the Clinic with its main funding bodies is of sufficient magnitude that the discontinuance of that funding would endanger the ability of the Clinic to continue as a going concern.

15. Financial Risk Management

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

Credit Risk

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

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

		2012		2011
Accounts receivable	$	**177,871**	$	197,534
Due from WRHA		**372,592**		333,552
Vacation entitlements receivable		**381,653**		381,653
Retirement obligations receivable		**498,157**		506,729
	$	**1,430,273**	$	1,419,468

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.

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.

15. Financial Risk Management (continued)

Market Risk (continued)

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Clinic is not exposed to significant interest rate risk since its cash and short-term investments are held in short-term or variable rate products.

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

Fair Value

The carrying values of cash, short-term investments, accounts receivable, amounts due from (to) WRHA, vacation entitlements receivable and retirement obligations receivable, amounts due from the Mount Carmel Clinic Foundation, accounts payable and accrued liabilities, accrued vacation entitlements payable, and accrued retirement obligations payable approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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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, 2012 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 generally accepted accounting principles, 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 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.

Independent Auditors' Report - continued

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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 28, 2012

Booke & Partners
Chartered Accountants

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statement of Financial Activities
Year Ended March 31

	Operating Fund	Capital Fund	Ed Mousseau Fund	2012 Total	2011 Total
Revenues					
Winnipeg Regional Health Authority	$3,672,084	$ -	$ -	**$3,672,084**	$3,600,295
AIDS Community Action Program	272,000	-	-	**272,000**	247,354
Grants	260,236	-	-	**260,236**	319,453
Interest income	22,902	-	1,707	**24,609**	25,038
Donations	16,825	-	-	**16,825**	11,246
Other	-	-	-	-	6,055
Amortization of deferred contributions	-	15,249	-	**15,249**	7,860
	4,244,047	15,249	1,707	**4,261,003**	4,217,301
Expenses					
Operating Fund (Page 13)	4,193,138	-	-	**4,193,138**	4,138,911
Amortization	-	34,648	-	**34,648**	27,397
Interest on capital lease	-	3,079	-	**3,079**	4,010
	4,193,138	37,727	-	**4,230,865**	4,170,318
Excess (deficiency) of revenues over expenses before under noted items	50,909	(22,478)	1,707	**30,138**	46,983
Winnipeg Regional Health Authority recovery (Note 11)	(33,105)	-		**(33,105)**	(45,417)
Pre-retirement leave (Note 12)					
Recovery	31,226	-	-	**31,226**	20,915
Expense	(32,578)	-	-	**(32,578)**	(23,356)
Excess (deficiency) of revenues over expenses	$ 16,452	$ (22,478)	$ 1,707	**$ (4,319)**	$ (875)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances
March 31 **2012** 2011

	Operating Fund	Invested in Capital Assets	Ed Mousseau Fund	**Total**	Total
Fund balance, beginning of year	$ 671,444	$ 81,227	$ 9,203	**$ 761,874**	$ 762,749
Excess (deficiency) of revenues over expenses	16,452	(22,478)	1,707	**(4,319)**	(875)
Transfer to Capital Fund	(20,639)	20,639	-	**-**	-
Fund balance, end of year	$ 667,257	$ 79,388	$ 10,910	**$ 757,555**	$ 761,874

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statement of Financial Position

March 31

	2012	2011
Assets		
Current		
Cash and short-term investments (Note 3)	$1,178,060	$1,413,185
Receivables	110,073	95,443
Due from Winnipeg Regional Health Authority	591,828	468,230
Prepaids	4,987	12,137
	1,884,948	1,988,995
Long-term investments	141,430	139,723
Capital assets (Note 4)	175,354	165,758
	$2,201,732	$2,294,476

	2012	2011
Liabilities		
Current		
Payables and accruals	$ 351,156	$ 516,261
Funds held in trust (Note 5)	6,686	7,077
Deferred contributions		
General operations (Note 6)	679,654	646,596
Current portion of obligation under capital lease (Note 7)	15,696	15,696
	1,053,192	1,185,630
Deferred contributions		
Related to capital assets (Note 8)	63,395	39,960
Restricted contributions (Note 10)	130,262	130,262
Pre-retirement leave (Note 12)	180,453	147,875
Obligation under capital lease (Note 7)	16,875	28,875
	1,444,177	1,532,602
Fund Balances		
Operating Fund	667,257	671,444
Capital Fund	79,388	81,227
Ed Mousseau Fund	10,910	9,203
	757,555	761,874
	$2,201,732	$2,294,476

Commitments (Note 13)

On behalf of the Board

______________________ Director ______________________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statement of Cash Flows
Year Ended March 31

	2012	2011
Cash derived from (applied to)		
Operating		
Deficiency of revenues over expenses	$ **(4,319)**	$ (875)
Amortization of capital assets	**34,648**	27,397
Amortization of deferred contributions	**(15,249)**	(7,860)
	15,080	18,662
Change in non-cash operating assets and liabilities (Note 9)	**(235,906)**	(107,529)
	(220,826)	(88,867)
Investing		
Purchase of capital assets	**(40,986)**	(117,053)
Financing		
Repayment of capital lease	**(12,000)**	(11,069)
Funding received to purchase capital assets	**38,687**	42,394
	26,687	31,325
Net decrease in cash	**(235,125)**	(174,595)
Cash and short-term investments, beginning of year	**1,413,185**	1,587,780
Cash and short-term investments, end of year	**$1,178,060**	$1,413,185

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2012

1. Nature of operations

Nine Circles Community Health Centre Inc. (the Organization) is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	5 years	straight-line
Computer equipment	4 years	straight-line
Computer software	4 years	straight-line
Leaseholds	Over the life of the lease	
Equipment under capital lease	10 years	straight-line

Amortization expense is reported in the Capital Fund.

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2. Significant accounting policies (cont.)

d) Investments

Short-term investments are classified as held-to-maturity financial assets. The short-term investments are comprised of non-redeemable Guaranteed Investment Certificates and are recorded at amortized cost.

Long-term investments are classified as held-for-trading financial assets. The long-term investments are comprised of money market funds and are recorded at market value based on bid prices at year end. Changes in fair value are the result of interest income and are recognized in the statement of financial activities when earned.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization's financial instruments consist of cash and short-term investments, receivables, long-term investments, payables and accruals, funds held in trust, pre-retirement leave and obligation under capital lease. The fair values of cash and short-term investments, receivables, payables and accruals, funds held in trust, pre-retirement leave and obligation under capital lease approximate their carrying values. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash and short-term investments

Cash and short-term investments consist of:

	2012	2011
Cash	**$ 389,881**	$ 438,356
Cash held in trust	**6,686**	6,829
Assiniboine Credit Union GIC, bearing interest at 2.05%, maturing and renewed annually on March 20th	**781,493**	-
Assiniboine Credit Union GIC, bearing interest at 1.65%, redeemed during the year	-	203,000
Assiniboine Credit Union GIC, bearing interest at 2.15%, redeemed during the year	-	765,000
	$1,178,060	$1,413,185

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3. Cash and short-term investments (cont.)

The cash balance is earmarked as follows:

	2012	2011
Operating cash	**$ 498,406**	$ 766,589
Externally restricted cash	**679,654**	646,596
	$1,178,060	$1,413,185

4. Capital assets

	Cost	**Accumulated Amortization**	**2012 Net Book Value**	2011 Net Book Value
Equipment	**$ 91,728**	**$ 56,886**	**$ 34,842**	$ 4,337
Computer equipment	**100,907**	**83,212**	**17,695**	28,927
Computer software	**37,568**	**34,718**	**2,850**	-
Leaseholds	**178,046**	**104,191**	**73,855**	79,633
Equipment under capital lease	**67,482**	**21,370**	**46,112**	52,861
	$ 475,731	**$ 300,377**	**$ 175,354**	$ 165,758

5. Funds held in trust

The Organization administers funds on behalf of the PHA Caucus of Manitoba.

6. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

The changes for the year in the deferred contributions balance are as follows:

	2012	2011
Beginning balance	**$ 646,596**	$ 849,664
Grant revenue recognized during the year	**(287,944)**	(361,857)
Contributions received during the year	**359,686**	158,789
Transfer to Capital Fund	**(38,684)**	-
Ending balance	**$ 679,654**	$ 646,596

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7. Obligation under capital lease

	2012	2011
Obligation under capital lease	$ 35,632	$ 50,711
Less: amount representing interest at 8.63%	3,061	6,140
	32,571	44,571
Less: current portion of obligation	15,696	15,696
	$ 16,875	$ 28,875

Approximate future minimum lease payments in the next three years are as follows:

2013	$ 15,696
2014	15,696
2015	4,240
	$ 35,632

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $63,395 (2011 - $39,960) 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

	2012	2011
Receivables	$ (14,630)	$ 13,022
Due from Winnipeg Regional Health Authority	(123,598)	54,723
Prepaids	7,150	(6,491)
Payables and accruals	(165,105)	19,335
Funds held in trust	(391)	(6,442)
Deferred contributions - general operations	28,090	(205,032)
Pre-retirement leave	32,578	23,356
	$ (235,906)	$ (107,529)

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. Winnipeg Regional Health Authority Recovery

The Organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds.

Neither the likelihood nor the amount of recovery can be foreseen. Therefore, no provision has been made in these financial statements. Any surplus recovery will be accounted for as a charge to the statement of financial activities in the year of recovery.

During the year, the Winnipeg Regional Health Authority recovered $33,105 (2011 - $45,417) of funding based on assessments of prior years.

12. Pre-retirement leave

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the Organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $32,578 (2011 - $23,356).

A portion of the pre-retirement benefits for the current year of $31,226 (2011 - $20,915) were funded by Winnipeg Regional Health Authority.

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13. Commitments

The Organization has entered into a lease agreement for its premises expiring on June 30, 2019 with an aggregate minimum annual rental of $238,255 to the period ending June 30, 2014 and an aggregate minimum annual rental of $249,881 for the period thereafter.

The Organization also leases various office equipment.

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

2013	$	247,970
2014		247,970
2015		253,909
2016		249,881
2017		249,881

14. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

15. Capital disclosures

The Organization considers its capital to be the balance maintained in its Operating Fund Balance. Capital is invested under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives.

Surpluses that result from Winnipeg Regional Health Authority (WRHA) funded programs are subject to an annual assessment by WRHA. At its discretion, WRHA may claw back funding that resulted in a surplus for the programs that they fund. The Organization is not subject to any other externally imposed requirements of its capital.

16. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects
Year Ended March 31

	2012	2011 (Note 16)
Salaries	**$2,089,043**	$2,111,452
Physician salaries and benefits	**747,454**	699,337
Employee benefits	**361,579**	334,115
Health and education tax	**57,753**	58,683
Medical	**31,114**	36,969
Purchased and professional services	**354,760**	268,873
Rent and insurance	**244,618**	244,450
Maintenance	**154,499**	142,609
Travel and course fees	**63,018**	87,993
General expenses	**202,876**	279,363
	4,306,714	4,263,844
Less: recoveries	**(113,576)**	(124,933)
	$4,193,138	$4,138,911

See accompanying notes to the financial statements.

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Nine Circles Community Health Centre Inc.
Schedule of Compensation of $50,000 and Over
Paid to Board Members, Officers and Employees
March 31, 2012

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Contents

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Independent Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the accompanying schedule of compensation of $50,000 and over paid to board members, officers and employees of Nine Circles Community Health Centre Inc. for the year ended March 31, 2012 as defined in Chapter P265 of the Public Sector Compensation Disclosure Act assented to November 19, 1996.

Management's Responsibility for the Schedule
Management is responsible for the preparation of the schedule in accordance with Chapter P265 of the Public Sector Compensation Disclosure Act assented to November 19, 1996, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

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

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

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

Independent Auditors' Report - continued

Opinion

In our opinion, the financial information in the schedule of compensation of $50,000 and over paid to board members, officers and employees of Nine Circles Community Health Centre Inc. for the year ended March 31, 2012 is prepared, in all material respects, in accordance with Chapter P265 of the Public Sector Compensation Disclosure Act assented to November 19, 1996.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that the schedule has been prepared based on the definition in Chapter P265 of the Public Sector Compensation Disclosure Act assented to November 19, 1996. This financial information has been prepared to assist Nine Circles Community Health Centre Inc. to comply with the requirements of Chapter P265 of the Public Sector Compensation Disclosure Act. As a result, this financial information may not be suitable for another purpose. Our report is intended solely for Nine Circles Community Health Centre Inc. and the Province of Manitoba and should not be distributed or used by parties other than Nine Circles Community Health Centre Inc. and the Province of Manitoba.

Winnipeg, Canada
May 28, 2012

Booke & Partners
Chartered Accountants

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Schedule of Compensation of $50,000 and Over
Paid to Board Members, Officers and Employees
Year Ended March 31, 2012

Employee Name	Position	Earnings
Baffoe, Marie	Long-Term Support	$ 62,048
Cameron-Munro, Lorraine	HIV Primary Care Nurse	$ 62,000
Carnochan, Tara	Manager of Health Promotion and Outreach	$ 70,130
Colavito-Palao, Rosa	Mental Health Therapist	$ 78,025
Driscoll, Chris	I.T. Advisor	$ 56,251
Sanelisiwe, Dube	Membership Coordinator	$ 55,041
Foy-Vachon, Rayne	Clinic Coordinator	$ 57,747
Gregan, Ida-Lynn	Physician	$ 132,435
Ireland, Laurie	Physician	$ 212,692
Kowal, Caroline	Physician	$ 77,735
Loeppky, Dennis	HIV Primary Care Nurse	$ 82,827
Lopko, Bernie	HIV Primary Care Nurse	$ 72,337
McIntyre, Beverly	Client Advocate	$ 66,352
McKay, Regina	Education and Information Coordinator	$ 59,915
McQuarrie, Shauna	Physician	$ 105,381
Payne, Michael	Executive Director	$ 95,662
Pindera, Carla	Clinical Manager	$ 90,734
Procyk, Roger	Outreach Worker	$ 66,352
Sorenson, Tina	Research and Evaluation Coordinator	$ 60,347
Tshite, Tshabasu	HIV Primary Care Nurse	$ 72,872
Umugwaneza, Consolation	HIV Primary Care Nurse	$ 75,543
Willems, David	Physician	$ 107,210

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& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Members of Nor' West Co-op Community Health Centre, Inc.

We have audited the accompanying financial statements of Nor' West Co-op Community Health Centre, Inc., which comprise the statement of financial position as at March 31, 2012 and the statements of revenues and expenditures and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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)

300-309 McDermot Avenue, Winnipeg, Manitoba R3A 1T3
Telephone: (204) 942-0300 Fax: (204) 957-5611 Website: **www.lazergrant.ca**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nor' West Co-op Community Health Centre, Inc. as at March 31, 2012, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Lazer Grant LLP

Winnipeg, MB
June 11, 2012

CHARTERED ACCOUNTANTS

Statement of Financial Position

March 31, 2012

		2012		2011
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**1,427,229**	$	1,381,983
Accounts receivable *(Note 4)*		**100,002**		163,942
Vacation entitlement receivable		**46,693**		46,693
Prepaid expenses		**2,260**		2,572
		1,576,184		1,595,190
CAPITAL ASSETS *(Note 5)*		**27,114**		34,923
RESTRICTED CASH		**103,500**		103,500
	$	**1,706,798**	$	1,733,613
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities *(Note 6)*	**$**	**305,790**	$	307,215
Vacation entitlement payable		**212,690**		192,337
Deferred revenue *(Note 7)*		**72,148**		136,046
		590,628		635,598
DEFERRED CONTRIBUTIONS *(Note 8)*		**23,449**		30,214
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 9)*		**165,277**		158,408
		779,354		824,220
NET ASSETS *(Note 10)*		**927,444**		909,393
	$	**1,706,798**	$	1,733,613

LEASE COMMITMENTS *(Note 12)*

ECONOMIC DEPENDENCE *(Note 13)*

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

Statement of Revenues and Expenditures

Year Ended March 31, 2012

	Health Centre (Schedule 1)	Early Learning & Child Care Centre (Schedule 2)	**2012**	2011
REVENUES	$ 3,611,183	$ 516,744	**$ 4,127,928**	$ 3,810,448
EXPENSES				
Accounting and computer fees	37,472	-	**37,472**	35,882
Administrative	96,158	19,874	**116,033**	114,620
Amortization	13,089	-	**13,089**	16,436
Bad debts	-	3,980	**3,980**	-
Evaluation fees	-	-	-	10,040
Information technologist	10,315	-	**10,315**	12,118
Medical supplies	24,913	-	**24,913**	25,393
Pre-retirement	3,897	2,972	**6,869**	18,522
Professional fees	93,933	-	**93,933**	81,716
Program	195,962	26,200	**222,162**	153,425
Rent	97,543	19,855	**117,398**	115,701
Repairs and maintenance	28,887	50	**28,937**	23,803
Salaries and benefits	2,952,459	417,095	**3,369,554**	3,049,423
Service contracts	9,833	-	**9,833**	8,324
Staff training	27,327	-	**27,327**	21,000
Travel	28,842	-	**28,842**	24,582
	3,620,630	490,026	**4,110,657**	3,710,985
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (9,447)	$ 26,718	**$ 17,271**	$ 99,463

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2012

	Membership	Invested in Capital Assets	Internally Restricted	Restricted Insight Mentor Program	Restricted Project Choices	Restricted Community Development	Restricted HANS Program	Surplus subject to WRHA audit	Family Violence Programs: Restricted IWCS	Family Violence Programs: Restricted Family Violence	Family Violence Programs: Restricted Women's Place	Unrestricted	2012	2011
HEALTH CENTRE														
NET ASSETS - BEGINNING OF YEAR	$2,006	($522)	$103,500	$32,086	-	$46,520	-	$107,155	$131,712	$188,174	($149,836)	$359,338	**$820,133**	$770,733
Membership	30	-	-	-	-	-	-	-		-	-	-	**30**	17
Co-operative tax credit 2010/2011	-	-	-	-	-	-	-	-	-	-	-	750	**750**	-
Contribution to Co-operative Development Fund 2010/2011	-	-	-	-	-	-	-	-	-	-	-		**-**	($1,000)
Excess (deficiency) of revenues over expenses	-	(1,045)	-	(39,748)	22,212	26,030	396	9,833	(10,694)	3,448	(54,703)	34,824	**(9,447)**	50,383
NET ASSETS - END OF THE YEAR	2,036	(1,567)	103,500	(7,662)	22,212	72,550	396	116,988	121,018	191,622	(204,539)	394,912	**811,466**	820,133
EARLY LEARNING & CHILD CARE CENTRE														
NET ASSETS - BEGINNING OF YEAR	170	5231	-	-	-	-	-	-	-	-	-	83,859	**89,260**	40,180
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	-	-	26,718	**26,718**	49,080
NET ASSETS - END OF THE YEAR	170	5,231	-	-	-	-	-	-	-	-	-	110,577	**115,978**	89,260
TOTAL NET ASSETS	$2,206	$3,664	$103,500	($7,662)	$22,212	$72,550	$396	$116,988	$121,018	$191,622	($204,539)	$505,489	**$927,444**	$909,393

1. PURPOSE OF ORGANIZATION

Nor' West Co-op Community Health Centre, Inc. (the "co-operative") works in partnership with the community to "promote people taking control of their health". The co-operative's mission is to engage its community in co-operative health and wellness in its geographic neighbourhoods and identified populations. The co-operative's underlying values are Respect, Innovation and Co-operation.

The co-operative was incorporated on November 23, 1972 without share capital. It is presently operated under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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.

Cash equivalents

Liquid investments with maturities of one year or less at date of purchase are classified as cash equivalents.

Fund accounting

The Health Centre fund reports the revenues and expenses related to the Co-operative's primary care, health promotion, counselling and foot care outreach programs.

The Early Learning & Child Care Centre fund reports the revenues and expenses related to the Co-operative's daycare centre.

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

In fiscal 1998, the co-operative's board of directors internally restricted resources amounting to $63,500. In fiscal 2001, the co-operative's board of directors internally restricted an additional $40,000. These amounts are to be used for purchasing a building for an additional Health Centre. 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
Computer software	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Leasehold improvements	5 years	straight-line method

The co-operative regularly reviews its capital assets to eliminate obsolete items.

One-half the normal rate of amortization is recorded in the year of acquisition.

Revenue recognition

1. The organization follows the deferral method of accounting for contributions.

2. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred.

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

4. Daycare fees are recognized as revenue when the services are rendered and are recorded on an accrual basis in the period to which they relate.

5. Interest income is recognized as revenue when earned.

3. FINANCIAL INSTRUMENTS

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 customers. In order to reduce its credit risk, the co-operative reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. 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 customers which minimizes concentration of credit risk.

Fair value

The co-operative's carrying value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The co-operative's carrying value of pre-retirement leave benefit obligation approximates its fair value as the obligation has been actuarially determined.

4. ACCOUNTS RECEIVABLE

	2012	2011
Health Centre		
Goods and services tax	**$ 15,553**	$ 12,741
Winnipeg Regional Health Authority	**16,413**	84,851
Grants	**37,727**	29,744
Other	**10,558**	11,009
Co-operative tax credit	**750**	-
	81,001	138,345
Early Learning Child Care Centre		
Day care fees	**$ 7,747**	$ 14,663
Day care government subsidy	**3,450**	2,664
Children with Disabilities Staffing grant	**4,104**	8,270
Day care pension reimbursement	**3,700**	-
	19,001	25,597
Grand total	**$ 100,002**	$ 163,942

5. CAPITAL ASSETS

	2012 Cost	2012 Accumulated amortization	2011 Cost	2011 Accumulated amortization
Computer equipment	**$ 52,169**	**$ 50,148**	$ 52,169	$ 48,114
Computer software	**16,646**	**16,646**	16,646	16,646
Furniture and fixtures	**79,233**	**74,628**	79,233	72,305
Leasehold improvements	**46,295**	**25,807**	41,016	17,076
	$ 194,343	**$ 167,229**	$ 189,064	$ 154,141
Net book value	**$ 27,114**		$ 34,923	

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Health Centre		
Winnipeg Regional Health Authority	**$ 62,368**	$ 82,782
Trade payables	**88,175**	81,750
Accrued audit fees	**9,402**	8,533
Salaries	**108,724**	110,411
Other	**5,733**	9,235
	274,402	292,711
Early Learning Child Care Centre		
Subsidy advances	**8,680**	8,680
Pension advance	**4,283**	-
Accrued salaries	**10,686**	-
Pension reimbursement	**1,739**	-
Other	**6,000**	5,824
	31,388	14,504
Grand total	**$ 305,790**	$ 307,215

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 related to the subsequent period. The changes in the deferred revenue balance are as follows:

	2012	2011
Beginning balance	$ 136,046	$ 120,404
Less: amounts recognized as revenue in the year	(133,168)	(111,430)
Add: amounts received related to the following year	69,270	127,072
	$ 72,148	$ 136,046

8. DEFERRED CONTRIBUTIONS

Contributions and grants directly related to the purchase of capital assets are deferred upon receipt. They are being recognized as revenue on the same basis as the amortization on the related capital assets. The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

	2012	2011
Beginning balance	$ 30,214	$ 25,816
Contributions	5,279	20,310
Amounts recognized as revenue	(12,044)	(15,912)
	$ 23,449	$ 30,214

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 2012, the Winnipeg Regional Health Authority agreed to provide pre-retirement funding of 100% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to $25,472 (2011 - NIL)

During fiscal year 2012, the benefit obligation earned by employees as at March 31, 2012 was actuarially determined to be $165,277 (2011 - $158,408). This has been reported as a liability on the Statement of Financial Position.

10. NET ASSETS

	2012	2011
Membership - Health	$ 2,036	$ 2,006
Membership - Daycare	170	170
Invested in capital assets	3,664	4,709
Internally restricted	103,500	103,500
Restricted - InSight Mentor Program	(7,662)	32,086
Restricted - Community Development	72,550	46,520
Restricted - Project Choices	22,212	-
Restricted- HANS Program	396	-
Restricted - surplus subject to WRHA audit	116,988	107,155
Restricted - Family Violence Programs- Family Violence	191,622	188,174
Restricted - Family Violence Programs- IWCS	121,018	131,712
Restricted - Family Violence Programs- Women's Place	(204,539)	(149,836)
Unrestricted - Health	394,912	359,338
Unrestricted - Daycare	110,577	83,859
	$ 927,444	$ 909,393

11. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of $203,316 (2011 - $174,983). The pension contributions are included in employee benefits of the applicable programs in the Statement of Revenues and Expenditures.

12. LEASE COMMITMENTS

The co-operative leases premises and equipment under operating lease agreements. Future minimum lease payments as at year end are as follows:

2013	$ 83,787
2014	1,763
	$ 85,550

13. 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.

14. STATEMENT OF CASH FLOW

A statement of cash flows has not been presented because it would not provide any additional meaningful information that is not readily determinable from information presented in the other financial statements.

	Primary Heath Care Program	InSight Mentor Program	Project Choices	Foot Care Program	Norwest on Keewatin South	Community Development Programs *(Schedule 3)*	Family Violence Programs *(Schedule 4)*	Families First	Public Health Agency	Families First	Capital assets	2012	2011
REVENUES													
Child & Family Services	-	-	$7,500	-	-	-	-	-	-	-	-	**$7,500**	-
Community Connections/Urban Green Team	-	-	-	-	-	12,566	-	-	-	-	-	**12,566**	15,498
Healthy Child Manitoba	-	223,200	121,124	-	-	-	-	104,350	-	-	-	**448,674**	485,754
Interest income	26,773	-	-	-	-	-	-	-	-	-	-	**26,773**	28,675
Legal Aid Manitoba	-	-	-	-	-	-	19,223		-	-	-	**19,223**	-
Local Investment Toward Employment (L.I.T.E)	-	-	-	-	-	5,000	-	-	-	-	-	**5,000**	10,000
Manitoba Arts Council	-	-	-	-	-	3,815	-	-	-	-	-	**3,815**	6,663
Manitoba Cooperative Association	-	-	-	-	-	3,750	-	-	-	-	-	**3,750**	3,750
Manitoba Family Services and Housing	-	-	-	-	-	229,954	639,500	-	-	-	-	**869,454**	888,300
Manitoba Health & Healthy Living	-	-	-	-	-	6,000	-	-	-	-	-	**6,000**	7,238
Manitoba Housing Authority	-	-	-	-	-	24,745	-	-	-	-	-	**24,745**	24,745
Manitoba Justice	-	-	-	-	-	24,000	-	-	-	-	-	**24,000**	24,000
Manitoba Labour and Immigration	-	-	-	-	-	64,774	-	-	-	-	-	**64,774**	62,330
Other	8,053	587	-	-	-	9,162	675	-	-	-	-	**18,477**	145,887
Public Health Agency of Canada	-	-	-	-	-	-	-	-	172,749	-	-	**172,749**	-
United Way	-	-	-	-	-	260,081	-	-	-	-	-	**260,081**	256,553
Winnipeg Regional Health Authority	1,145,549	-	-	266,202	275,620	-	-	-	-	-	-	**1,687,371**	1,463,313
Winnipeg Foundation	-	-	-	-	-	7,000	-	-	-	-	-	**7,000**	5,835
Amortization of deferred contributions	-	-	-	-	-	-	-	-	-	-	12,043	**12,043**	15,912
Deferred revenue	-	-	-	-	(33,737)	(12,075) -		(17,000)	-	-	-	**(62,812)**	(127,072)
	1,180,375	223,787	128,624	266,202	241,883	638,772	659,398	87,350	172,749	0	12,043	**3,611,183**	3,317,381
EXPENSES													
Accounting and computer fees	9,140	2,050	3,050	3,552	16	6,715	8,550	4,035	363	-	-	**37,471**	35,882
Administrative	19,927	10,175	5,416	6,276	372	22,874	22,095	3,494	5,361	-	-	**95,990**	90,938
Amortization	-	-	-	-	-	-	-	-	-	-	13,089	**13,089**	16,436
Evaluation fees	-	-	-	-	-	-	-	-	-	-	-	**-**	10,040
Information technologist	7,759	15	20	115	686	565	416	240	499	-	-	**10,316**	12,118
Medical supplies	12,042	-	-	7,855	5,016	-	-	-	-	-	-	**24,913**	25,393
Pre-Retirement expenses (includes payout)	-9,799	2,367	1,502	1,075	1,570	1,498	4,113	981	590	-	-	**3,897**	19,228
Professional fees	7,640	-	-	-	500	-	82,015	-	-	-	-	**90,155**	81,716
Program	42,346	3,798	41,844	16,907	5,334	41,728	9,344	12,604	22,057	-	-	**195,962**	137,482
Rent	61,740	1,241	1,842	-	-	-	32,585	-	135	-	-	**97,543**	94,924
Repairs and maintenance	20,620	900	-	-	-	5,842	1,524	-	-	-	-	**28,886**	22,412
Salaries and benefits	950,379	232,888	51,906	224,951	226,273	515,258	549,832	64,186	136,786	-	-	**2,952,459**	2,666,523
Service contracts	7,519	144	-	92	-	1,787	1,899	-	2170	-	-	**13,611**	8,324
Staff training	7,155	507	354	1,352	656	12,682	3,445	1,345	-	-	-	**27,496**	21,000
Staff travel	2,452	9,450	478	2,282	-	3,793	5,530	465	4392	-	-	**28,842**	24,582
	1,138,920	263,535	106,412	264,457	240,424	612,742	721,348	87,350	172,353	-	13,089	**3,620,630**	3,266,998
Excess (deficiency) of revenues over expenses	$41,455	($39,748)	$22,212	$1,745	$1,459	$26,030	($61,950)	-	$396	-	($1,046)	**($9,447)**	$50,383

Page 7[illegible]1

Early Learning & Child Care Centre *(Schedule 2)*

Year Ended March 31, 2012

		2012		2011
REVENUES				
Child Care fee	**$**	**164,245**	$	154,502
Child Care fee subsidies- Province of Manitoba		**81,732**		75,616
Children with Disabilities Staffing grant		**51,202**		53,648
Operating grant		**187,185**		183,982
Interest		**1,606**		1,472
Other sources		**7,792**		6,202
Training Grant		**7,690**		17,645
Manitoba Child Care Program Pension grant		**15,293**		-
		516,745		493,067
EXPENSES				
Administrative		**19,875**		23,682
Bad debts		**3,980**		-
Pre-retirement		**2,972**		(706)
Program		**26,200**		15,943
Rent		**19,855**		20,777
Repairs and maintenance		**50**		1,391
Salaries and benefits		**417,095**		382,900
		490,027		443,987
EXCESS OF REVENUES OVER EXPENSES	**$**	**26,718**	$	49,080

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.
COMMUNITY DEVELOPMENT PROGRAMS ***(Schedule 3)***
Year ended March 31, 2012

	Community Development	Summer Student	Immigrant Settlement	Gilbert Park Going Places	2012	2011
REVENUES						
Community Connections/Urban Green Team	-	$12,566	-	-	**$12,566**	$15,498
Co-Operative Development Inititative	-	-	-	-	**-**	18,000
Family Services & Housing	-	-	-	229,954	**229,954**	244,000
Local Investment Toward Employment (L.I.T.E)	5,000		-		**5,000**	10,000
Manitoba Arts Council	3,815	-	-	-	**3,815**	6,663
Manitoba Cooperative Association	3,750	-	-	-	**3,750**	3,750
Manitoba Justice (Light Houses)	24,000	-	-	-	**24,000**	24,000
Manitoba Housing Authority	24,745	-	-	-	**24,745**	24,745
Manitoba Labour & Immigration	-	-	64,774	-	**64,774**	62,330
Manitoba Health & Healthy Living	6,000	-	-		**6,000**	7,238
Other payment sources	5,173	348	408	3,233	**9,162**	15,957
United Way	260,081	-	-	-	**260,081**	256,553
Winnipeg Foundation	-	3,500	-	3,500	**7,000**	5,835
Deferred revenue	(7,500)	-	-	(4,575)	**(12,075)**	(20,207)
	325,064	16,414	65,182	232,112	**638,772**	674,362
EXPENSES						
Accounting and computer fees	15	-	3,650	3,050	**6,715**	5,854
Administrative	6,592	-	3,662	12,620	**22,874**	19,746
Information technologist	280	-	75	210	**565**	513
Pre-Retirement expenses	2,007	-	-	(509)	**1,498**	2,319
Program	18,264	322	12,603	10,539	**41,728**	53,735
Repairs and maintenance	2,324	-	-	3,518	**5,842**	7,931
Salaries and benefits	267,115	15,534	43,788	188,821	**515,258**	533,550
Service contracts	-	-	144	1,643	**1,787**	-
Staff training	10,204	169	352	1,957	**12,682**	4,422
Staff travel	2,200	389	908	296	**3,793**	2,069
	309,001	16,414	65,182	222,145	**612,742**	630,139
Excess of revenues over expenses	$16,063	-	-	$9,967	**$26,030**	$44,223

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.
FAMILY VIOLENCE PROGRAMS *(Schedule 4)*
Year ended March 31, 2012

	Family Violence	Immigrant Women's Counseling	Women's Place	2012	2011
REVENUES					
Family Services & Housing	$336,200	$209,100	$94,200	**$639,500**	$636,800
Legal Aid Manitoba	-	-	19,223	**19,223**	16,912
Other payment sources	-	125	550	**675**	516
	336,200	209,225	113,973	**659,398**	654,228
EXPENSES					
Accounting and computer fees	-	8,550	-	**8,550**	9,634
Administrative	-	22,095	-	**22,095**	23,360
Evaluation fees	-	-	-	**-**	2,000
Information technologist	-	416	-	**416**	342
Legal fees	-	-	82,015	**82,015**	76,171
Pre-Retirement expenses (includes payout)	3,648	1,150	(685)	**4,113**	5,203
Program	4,708	1,600	3,036	**9,344**	11,217
Rent	-	32,585	-	**32,585**	31,810
Repairs and maintenance	-	1,524	-	**1,524**	1,828
Salaries and benefits	324,396	144,900	80,536	**549,832**	499,161
Service contracts	-	1,899	-	**1,899**	1,228
Staff training	-	3,445	-	**3,445**	3,304
Staff travel	-	1,755	3,775	**5,530**	4,193
	332,752	219,919	168,677	**721,348**	669,451
Excess (deficiency) of revenues over expenses	$3,448	($10,694)	($54,704)	**($61,950)**	($15,223)

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, 2012, 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 Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Manitoba
May 28, 2012

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31	2012	2011
Assets		
Current Assets		
Cash	$ 321,167	$ 141,577
Short-term investments (Note 2)	269,251	263,455
Accounts receivable	9,121	90,985
Employee benefits recoverable (Note 3)	230,242	230,242
Inventory - supplies on hand	32,040	27,952
Prepaid expenses	17,504	31,519
Due from Winnipeg Regional Health Authority (Note 5)	474,786	320,958
	1,354,111	1,106,688
Deferred benefit entitlements (Note 3)	485,703	452,573
Capital assets (Note 4)	1,968,804	2,012,489
	$ 3,808,618	$ 3,571,750
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 427,435	$ 255,910
Accrued vacation entitlements (Note 3)	319,830	294,769
Trust liabilities	12,324	11,397
	759,589	562,076
Pre-retirement entitlement (Note 3)	452,966	419,836
Deferred Contributions		
Externally restricted (Schedule 1)	189,589	155,853
Capital assets (Schedule 2)	1,892,342	1,938,757
Donations (Schedule 3)	122,581	113,043
Reserve for insurance deductible (Schedule 4)	10,169	9,161
	2,214,681	2,216,814
Total liabilities and deferred contributions	3,427,236	3,198,726
Contingencies (Note 8)	-	-
Net assets, unrestricted	381,382	373,024
	$ 3,808,618	$ 3,571,750

Approved on behalf of the Board:

____________________ Chairperson ____________________ Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Changes in Net Assets

For the year ended March 31		2012		2011
Balance, beginning of year	$	373,024	$	372,396
Excess of revenue for the year		8,358		628
Balance, end of year	$	381,382	$	373,024

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31		2012		2011
Revenue				
Winnipeg Regional Health Authority (Note 7)	$	**4,262,087**	$	4,010,540
Residential charges		**1,578,158**		1,558,567
Amortization of deferred contributions related to capital assets		**115,570**		106,655
Adult day care program (Schedule 5)		**105,792**		102,367
Recoveries and offset income		**61,941**		178,879
Mortgage interest subsidy		**45,359**		45,359
Interest earned		**6,199**		5,423
Donations and other		**1,013**		1,571
		6,176,119		6,009,361
Expenditures				
Nursing personal care		**3,647,090**		3,504,193
Food services		**698,193**		698,476
General and administrative		**426,916**		407,378
Housekeeping		**251,907**		241,867
Plant maintenance		**245,819**		267,610
Recreation		**162,813**		141,909
Plant operation		**157,576**		173,730
Laundry and linen		**145,017**		136,014
Amortization		**124,872**		111,381
Adult day care program (Schedule 5)		**122,539**		109,093
In-service education		**69,936**		73,772
Social work		**32,842**		31,269
Interest on long-term debt		**29,453**		34,331
Donations and other		**976**		1,519
Benefit retroactive payments		**919**		24,435
		6,116,868		5,956,977
Excess of revenue over expenditures for the year before the undernoted		**59,251**		52,384
Pre-retirement payouts		**(17,763)**		(26,946)
Pre-retirement future benefits expenses (Note 3)		**(33,130)**		(24,810)
Excess of revenue for the year	$	**8,358**	$	628

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess of revenue for the year	$	8,358	$	628
Adjustments for				
Amortization of capital assets		124,872		111,381
Amortization of deferred contributions related to capital assets		(115,570)		(106,655)
		17,660		5,354
Changes in non-cash working capital balances				
Accounts receivable		81,864		(61,080)
Due from Winnipeg Regional Health Authority		(153,828)		59,271
Inventory - supplies on hand		(4,088)		(582)
Prepaid expenses		14,015		23,053
Deferred benefit entitlements		(33,130)		(24,810)
Accrued vacation entitlement		25,061		6,645
Pre-retirement entitlement		33,130		24,810
Advances from Winnipeg Regional Health Authority		-		(112,991)
Accounts payable and accrued expenses		171,524		(183,914)
Trust liabilities		927		(633)
		135,475		(270,231)
		153,135		(264,877)
Cash Flows from Financing Activities				
Deferred contributions - externally restricted		33,736		33,736
Deferred contributions - capital assets		(11)		976
Deferred contributions - donations		9,538		20,542
Reserve for insurance deductible		1,008		1,008
		44,271		56,262
Cash Flows from Investing Activities				
Purchase of capital assets and construction, net		(12,020)		-
(Increase) decrease in short-term investments		(5,796)		(5,215)
		(17,816)		(5,215)
Increase (decrease) in cash and cash equivalents		179,590		(213,830)
Cash and cash equivalents, beginning of year		141,577		355,407
Cash and cash equivalents, end of year	$	321,167	$	141,577

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

For the year ended March 31, 2012

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

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	50 years, straight-line basis
Equipment	10 years, straight-line basis

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.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities, and amounts due to (from) Winnipeg Regional Health Authority. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and due to (from) Winnipeg Regional Health Authority approximate their carrying values because of the short-term maturity of these instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The organization classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from WRHA	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to WRHA	Other financial liabilities	Amortized cost

Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations and changes in net assets.

Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other financial liabilities are carried at amortized cost, using the effective interest method.

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.

Employee Benefits (continued)

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 4.1% (4.7% in 2011), a rate of salary increase of 3.0% (3.5% in 2011) plus an age-related merit/promotion scale with no provision for disability.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or

2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

1. Nature and Purpose of 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.

2. Short-term Investments

	2012	2011
Steinbach Credit Union, regular savings, 2.20% (2.20% in 2011)	$ 269,251	$ 263,455

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, 2012 reports an obligation of $452,966 ($419,836 in 2011). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The incremental pre-retirement liability for fiscal 2012 of $33,130 ($24,810 in 2011) 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

			2012	2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 217,027	$ -	$ -
Buildings	3,496,602	1,867,660	1,628,942	1,696,476
Building addition				
Special Needs Unit	388,858	172,826	216,032	226,834
Equipment	1,009,347	885,517	123,830	89,179
Equipment				
Special Needs Unit	31,771	31,771	-	-
	$ 5,143,605	$ 3,174,801	$ 1,968,804	$ 2,012,489

5. Due (from) to Winnipeg Regional Health Authority Inc.

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is repayable to the WRHA. Those surpluses that are retained by the organization are subject to review by the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

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:

	2012	2011
2007 fiscal year end	$ (44,747)	$ (44,747)
2008 fiscal year end	(18,542)	(18,542)
2009 fiscal year end	42,460	42,460
2010 fiscal year end	(142,496)	(142,496)
2011 fiscal year end	(67,083)	(157,633)
2012 fiscal year end	(244,378)	-
Balance, end of year	$ (474,786)	(320,958)

6. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

7. Winnipeg Regional Health Authority Operating Income

	2012	2011
Budgeted Items	$ 3,999,107	$ 3,875,434
Current adjustments - Out of Globe	262,980	135,106
Balance, end of year	$ 4,262,087	$ 4,010,540

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, 2012.

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 $262,806 ($237,725 in 2011) 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, 2007 indicated a solvency deficiency of $61,050,000. The plan deficiency will be funded over five years commencing in 2008 out of the current contributions in each respective year. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Employer contribution rates were increased on January 1, 2011 to 7.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 9.4% on earnings in excess of the YMPE. Contribution rates for employees remained unchanged at 6.8% and 8.4% respectively.

On April 1, 2012 employee contribution rates will increase to 7.6% of pensionable earnings up to the YMPE and 9.2% on earnings in excess of the YMPE. On April 1, 2013, both employer and employee contribution rates will increase to 7.9% of pensionable earnings up to YMPE and 9.5% on earnings in excess of the YMPE.

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. Capital Management

The organization considers its capital to comprise its unrestricted net assets and net invested in capital assets balances. There have been no changes to what the organization considers to be its capital since the previous period.

The organization manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

13. Financial Risk Management

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

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:

	2012	2011
Accounts receivable	$ 9,121	$ 90,985
Due from WRHA	474,786	320,958
Vacation entitlements receivable	230,242	230,242
Retirement obligations receivable	485,703	452,573
	1,199,852	1,094,758

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.

13. Financial Risk Management (continued)

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

Market Risk

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The organization is not exposed to significant interest rate risk. Its investments are held in short-term or variable rate products.

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

The organization is not exposed to other price risk.

Fair Value

The carrying values of cash, short-term investments, accounts receivable, amounts due from WRHA, vacation entitlements receivable and retirement obligations receivable and accounts payable and accruals and trust 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.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2012		2011
Reserve for Major Repairs				
Balance, beginning of year	$	103,200	$	84,864
Current year funding		18,336		18,336
Balance, end of year	$	121,536	$	103,200
Equipment Replacements				
Balance, beginning of year	$	52,653	$	37,253
Current year funding		15,400		15,400
Balance, end of year	$	68,053	$	52,653
Total Deferred Contributions - Externally Restricted	$	189,589	$	155,853

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2012	2011
Balance, beginning of year	$ 1,938,757	$ 2,044,436
Current year funding	69,155	976
Prior year adjustment	-	-
Amortize to revenue	(115,570)	(106,655)
Balance, end of year	$ 1,892,342	$ 1,938,757

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2012		2011
Balance, beginning of year	$	113,043	$	92,501
Current year donations		10,764		21,993
Current year expenditures		(1,226)		(1,451)
Balance, end of year	$	122,581	$	113,043

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2012		2011
Balance, beginning of year	$	9,161	$	8,153
Current year funding		1,008		1,008
Balance, end of year	$	10,169	$	9,161

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31		2012		2011
Revenues				
Winnipeg Regional Health Authority	$	96,362	$	93,429
Participants		9,430		8,938
		105,792		102,367
Expenditures				
Salaries and benefits		49,673		45,126
Transportation		55,955		54,053
Meals		8,284		7,619
Supplies		7,764		1,378
Health and education levy		863		917
		122,539		109,093
Excess of expenditures for the year	$	(16,747)	$	(6,726)

Independent Auditors' Report

To the Board of Directors of Park Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of Park Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in unrestricted 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Park Manor Personal Care Home Inc. as at March 31, 2012 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

November 15, 2012

MNP LLP
Chartered Accountants

Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2012

	2012	*2011*
Assets		
Current		
Cash *(Note 3)*	**238,155**	468,405
Investments *(Note 4)*	**215,320**	226,088
Accounts receivable	**97,501**	188,159
Prepaid expenses	**35,434**	32,557
	586,410	915,209
Capital assets *(Note 5)*	**1,529,949**	1,609,140
Investments *(Note 6)*	**1,902,433**	1,823,621
Receivable from Winnipeg Regional Health Authority *(Note 7)*	**1,328,135**	1,096,567
Restricted cash - major repairs *(Note 8)*	**39,298**	38,941
	5,386,225	5,483,478
Liabilities		
Current		
Accounts payable and accruals	**1,759,754**	1,807,609
Residents' trust payable	**1,948**	12,772
Current portion of long-term debt *(Note 9)*	**30,200**	44,000
	1,791,902	1,864,381
Long-term debt *(Note 9)*	**154,191**	184,593
Deferred contributions *(Note 10)*	**1,411,861**	1,417,678
	3,357,954	3,466,652
Net Assets		
Unrestricted	**97,361**	183,965
Internally restricted *(Note 11)*	**1,930,910**	1,832,861
	2,028,271	2,016,826
	5,386,225	5,483,478

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2012

	2012	2011
Revenue		
Winnipeg Regional Health Authority	**4,681,587**	4,487,588
Residential charges	**1,687,725**	1,700,088
Amortization of deferred contributions	**123,720**	149,524
Housekeeping, maintenance, and admin recoveries	**40,000**	39,145
Adventist Care Foundation grant	**70,000**	-
Meal recoveries	**60,464**	65,909
	6,663,496	6,442,254
Expenses		
Amortization	**162,149**	154,584
Bad debt (recovery)	**-**	(10,000)
Dietary	**226,647**	223,088
Employee benefits	**957,864**	908,321
General expenses	**140,281**	108,552
Housekeeping	**37,482**	39,969
Interest on long-term debt	**10,289**	14,914
Local transport	**18,003**	9,060
Medical administration	**12,956**	12,956
Medical supplies	**114,865**	103,884
Physical plant	**222,633**	261,886
Pre-retirement leave	**81,856**	69,180
Salaries and wages	**4,784,440**	4,711,155
Therapeutic recreation	**4,202**	4,042
	6,773,667	6,611,591
Deficiency of revenues over expenses from general operations	**(110,171)**	(169,337)
Other Programs		
Adult Day Program (Schedule 1)	**18,289**	12,602
Support to Seniors in Group Living Program (Schedule 2)	**5,278**	20,423
	23,567	33,025
Deficiency of revenues over expenses before the following	**(86,604)**	(136,312)
Accrued future employee benefit income *(Note 13)*	**44,597**	143,330
Accrued future employee benefit expense *(Note 13)*	**(44,597)**	(143,330)
	-	-
Deficiency of revenues over expenses	**(86,604)**	(136,312)

The accompanying notes are an integral part of these financial statements

Park Manor
Personal Care Home Inc.
Statement of Changes in Net Assets
For the year ended March 31, 2012

	2012	*2011*
Net assets, beginning of year	**183,965**	320,277
Deficiency of revenues over expenses	**(86,604)**	(136,312)
Net assets, end of year	**97,361**	183,965

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Deficiency of revenues over expenses	(86,604)	(136,312)
Amortization of capital assets	162,149	154,584
	75,545	18,272
Changes in working capital accounts		
Accounts receivable	90,658	(157,615)
Prepaid expenses and deposits	(2,877)	20,038
Accounts payable and accruals	(47,855)	148,743
Residents' trust payable	(10,824)	9,912
Deferred contributions	(5,817)	50,048
	98,830	89,398
Financing activities		
Winnipeg Regional Health Authority funding adjustments	(231,568)	14,700
Repayments of long-term debt	(44,202)	(72,945)
Internally restricted net assets adjustments	98,049	44,574
	(177,721)	(13,671)
Investing activities		
Purchase of investments	(215,320)	(226,088)
Proceeds on disposal of investments	226,088	417,943
Purchase of capital assets	(82,958)	(138,890)
Purchase of long-term investments	(288,714)	(572,661)
Proceeds on disposal of long-term investments	209,902	216,538
	(151,002)	(303,158)
Decrease in cash resources	(229,893)	(227,431)
Cash resources, beginning of year	507,346	734,777
Cash resources, end of year	277,453	507,346
Cash resources are composed of:		
Cash	238,155	468,405
Restricted cash	39,298	38,941
	277,453	507,346

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

Park Manor Personal Care Home Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the presentation required by Manitoba Health/Winnipeg Regional Health Authority, and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. 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	20 years
Computer equipment	5 years
Equipment	10 years

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenue is recognized if the amount can be reasonably determined and collection is reasonably assured.

Measurement uncertainty (use of estimates)

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

Financial statement items subject to significant management judgment include; the completeness of legal liabilities, estimated useful lives and impairment of property and equipment and valuation of accounts receivable.

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

Long-lived assets

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

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

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

Financial instruments

Available-for-sale:

The Organization has classified investments as available for sale. These instruments are recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

Loans and receivables:

The Organization has classified receivable from Winnipeg Regional Health Authority, and accounts receivable as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the Statement of Operations upon impairment.

Other financial liabilities:

The Organization has classified accounts payable and accruals and long term debt as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the Statement of Operations upon derecognition.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Organization expects to adopt Part III of the Handbook as its new financial reporting standards.

The Organization has not yet determined the impact of the adoption of Part III of the Handbook on its financial statements.

3. Cash

Cash earned interest at 0.25% (2011 - 0.25%) at year-end. The Organization has an available line of operating credit to a maximum of $175,000 (2011 - $75,000). The operating line has interest charged monthly at the bank's prime rate and is secured by an overdraft lending agreement in the amount of $175,000 and the specific assignment of accounts receivable from Manitoba Health.

4. Investments

	2012	*2011*
CIBC non-redeemable GIC, earning interest at 4.41%, matured during the year	-	226,088
CIBC non-redeemable GIC, earning interest at 2.574%, maturing May 2012	**215,320**	-
	215,320	226,088

5. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	***2012*** **Net book value**
Land	28,266	-	-	28,266	-	**28,266**
Buildings	3,396,780	16,305	-	3,413,085	2,189,089	**1,223,995**
Computer equipment	17,302	21,583	-	38,885	20,891	**17,994**
Equipment	771,426	45,070	-	816,496	556,802	**259,693**
	4,213,774	82,957	-	4,296,731	2,766,782	**1,529,949**

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2011* Net book value
Land	28,266	-	-	28,266	-	28,266
Buildings	3,393,391	3,389	-	3,396,780	2,075,739	1,321,041
Computer equipment	17,302	-	-	17,302	15,850	1,452
Equipment	635,926	135,500	-	771,426	513,045	258,381
	4,074,885	138,889	-	4,213,774	2,604,634	1,609,140

6. Investments

	2012	2011
CIBC non-redeemable GIC, earning interest at 1.75%, maturing May 2012	-	209,902
CIBC non-redeemable GIC, earning interest at 1.09%, maturing August 2015	**205,448**	200,633
CIBC non-redeemable GIC, earning interest at 1.15%, maturing December 2015	**329,159**	323,545
CIBC non-redeemable GIC, earning interest at 1.75%, maturing September 2014	**270,085**	261,855
CIBC non-redeemable GIC, earning interest at 3.75%, due November 2013	**471,410**	448,761
CIBC non-redeemable GIC, earning interest at 4.00%, maturing May 2013	**179,206**	171,079
CIBC non-redeemable GIC, earning interest at 1.50%, due December 2014	**214,061**	207,846
CIBC non-redeemable GIC, earning interest at 2.80%, maturing August 2016	**233,064**	-
	1,902,433	1,823,621

7. Receivable from Winnipeg Regional Health Authority

Amounts receivable from the Winnipeg Regional Health Authority are non-interest bearing.

	2012	2011
Pre-retirement leave (Note 14)	**853,655**	809,057
Other receivables	**474,480**	287,362
	1,328,135	1,096,419

8. Restricted Cash - Major repairs

The Organization receives certain funding that is subject to restriction for the purposes of capital repairs. The Organization restricts cash for this purpose and does not expect to use these funds for the next twelve months therefore it has been classified as long term.

9. Long-term debt

	2012	2011
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017	**184,391**	228,593
Less: Current portion	**30,200**	44,000
	154,191	184,593

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

2013	30,200
2014	32,000
2015	33,900
2016	36,000
2017	38,100

10. 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 deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Changes for the year in the deferred contribution balance are as follows:

	Capital	*Operating*	***2012***	2011
Balance, beginning of year	1,412,831	4,847	**1,417,678**	1,367,630
Contributions received during the year				
Donations	6,298	-	**6,298**	11,338
Winnipeg Regional Health Authority				
- Principal repayment	44,064	-	**44,064**	73,968
- Basic equipment replacement	17,500	-	**17,500**	108,963
- Major repairs	4,296	-	**4,296**	4,295
- Safety and security - lump sum funding	44,737	-	**44,737**	-
- Insurance deductible	-	1,008	**1,008**	1,008
Recognized as revenue during the year	(123,720)	-	**(123,720)**	(149,524)
Balance, end of year	1,406,006	5,855	**1,411,861**	1,417,678

11. Restricted net assets

These net assets are restricted in the fact that they are not available for the general operations of the personal care home. The use of such assets is at the discretion of the board of directors.

Internally restricted net assets are comprised of:

	2012	2011
Special purpose reserve:		
Balance, beginning of year	**1,832,861**	1,788,287
Trust contributions	**98,049**	44,574
Balance, end of year	**1,930,910**	1,832,861

12. 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, market or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of primarily of accounts receivable due from the Manitoba Health/Winnipeg Regional Health Authority. The Organization believes that collection is reasonably assured.

13. Significant funding source

A significant portion of the personal care home's operating fund are received from the Winnipeg Regional Health Authority. The percentage of total revenues from the Winnipeg Regional Health Authority for the current year is 71.8% (2011 - 70.5%).

14. Pre-retirement leave

Under guidelines produced by the Winnipeg Regional Health Authority (WRHA), the WRHA will fund the Organization's vacation pay liability, recognized as accounts receivable in the amount of $232,434 as at March 31, 2004. For the March 31, 2012 fiscal year the Organization incurred employee future benefits and receivable from the WRHA for the same amount as directed by Manitoba Health and the WRHA.

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

	Future Liability	Accounts Receivable
2004-05	$319,838	$303,367
2005-06	$373,074	$328,650
2006-07	$413,647	$369,223
2007-08	$389,789	$345,365
2008-09	$436,072	$366,365
2009-10	$503,001	$433,294
2010-11	$646,331	$576,624
2011-12	$690,928	$621,221

15. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits for its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization manages the following as capital:

	2012	*2011*
Short term investments	**215,320**	226,088
Long term investments	**1,902,433**	1,823,621
Unrestricted net assets	**24,759**	183,965
	2,142,512	2,233,674

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy is to protect the capital through maintaining low risk investments, as well as to minimize the excess of expenses over revenues.

Park Manor Personal Care Home Inc.
Schedule 1 – Adult Day Program
For the year ended March 31, 2012

	2012	*2011*
Revenue		
Winnipeg Regional Health Authority	**157,488**	152,760
Participant fees	**13,139**	13,812
	170,627	166,572
Expenses		
Benefits	**9,279**	10,488
Health and education tax	**1,442**	1,243
Management fees	**1,040**	1,040
Meals	**8,696**	8,436
Salaries and wages	**66,043**	62,083
Supplies	**3,181**	2,219
Travel	**62,657**	68,461
	152,338	153,970
Excess (deficiency) of revenue over expenses	**18,289**	12,602

Park Manor Personal Care Home Inc.
Schedule 2 – Support for Seniors in Group Living Program
For the year ended March 31, 2012

	2012	*2011*
Revenue		
Winnipeg Regional Health Authority - Grant	**83,232**	81,600
Donations	**182**	525
	83,414	82,125
Expenses		
Benefits	**14,251**	9,657
Professional development	**764**	781
Salaries and wages	**59,973**	49,681
Supplies	**1,371**	497
Telephone	**1,446**	1,086
Travel	**331**	-
	78,136	61,702
Excess of revenue over expenses	**5,278**	20,423

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Independent Auditor's Report

To the Directors of PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the accompanying financial statements of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** which comprise the statement of financial position as at March 31, 2012 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 1, 2012

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash	$	29,656	$	65,327
Restricted cash		95,224		120,683
Accounts receivable (Note 2)		306,605		52,022
Inventories		7,574		7,574
Prepaid expenses		3,975		4,261
Vacation entitlement receivable (Note 3)		121,948		121,948
		564,982		371,815
Retirement obligations asset (Note 8)		203,517		186,500
Capital assets (Note 4)		127,840		113,662
	$	896,339	$	671,977
Liabilities and Net Deficiency				
Current Liabilities				
Accounts payable (Note 6)	$	671,552	$	436,954
Accrued vacation entitlements (Note 3)		185,490		177,483
		857,042		614,437
Accrued retirement obligation (Note 8)		203,517		186,500
Deferred contributions (Note 7)		223,462		226,686
		1,284,021		1,027,623
Net deficiency		(387,682)		(355,646)
	$	896,339	$	671,977

Approved on behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and 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	2012	2011
Revenue		
Winnipeg Regional Health Authority	$ 2,966,559	$ 2,898,440
Residential charges	964,780	946,344
Other income	4,097	3,908
	3,935,436	3,848,692
Expenses		
Drugs and medical supplies	74,804	73,055
Office and miscellaneous	14,942	15,295
Other supplies and expenses	53,924	62,549
Professional fees	12,236	14,239
Purchased services	660,667	589,878
Repairs and maintenance	27,617	14,863
Resident travel	6,038	6,880
Salaries and benefits	2,819,359	2,675,461
Service charges and fees	10,058	9,378
Shared building operation expenses (Note 9)	280,000	379,899
Telephone	7,728	6,742
Travel	99	453
	3,967,472	3,848,692
Excess (deficiency) of revenue over expenses before amortization	(32,036)	-
Amortization		
Deferred contributions (Note 7)	13,493	49,378
Capital assets (Note 4)	(13,493)	(49,378)
	-	-
Excess (deficiency) of revenue over expenses for the year	(32,036)	-
Net deficiency, beginning of year	(355,646)	(355,646)
Net deficiency, end of year	$ (387,682)	$ (355,646)

The accompanying summary of significant accounting policies and 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		2012		2011
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenses for the year	$	(32,036)	$	-
Adjustment for				
Amortization of capital assets		13,493		49,378
		(18,543)		49,378
Changes in non-cash working capital				
Accounts receivable		(254,583)		(26,105)
Vacation entitlement receivable		(17,017)		15,669
Prepaid expenses		286		533
Accounts payable		234,598		86,743
Vacation entitlement payable		25,024		(34,156)
		(30,235)		92,062
Cash Flows from Financing Activities				
Deferred contributions		(3,224)		(39,269)
Cash Flows from Investing Activities				
Purchase of capital assets		(27,671)		(9,999)
Net increase (decrease) in cash and cash equivalents		(61,130)		42,794
Cash and cash equivalents, beginning of year		186,010		143,216
Cash and cash equivalents, end of year	$	124,880	$	186,010
Represented by:				
Cash	$	29,656	$	65,327
Restricted cash		95,224		120,683
	$	124,880	$	186,010

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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 - In July 2009 the WRHA agreed that the Home could retain 100% of surpluses for the next 5 years. After that time, the Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

(c) In 2011, the WHRA agreed that the Home will receive additional one-time funding to reduce any current year deficit up to $75,000.

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.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2012

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.

Inventories

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

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

The Home utilizes various financial instruments. 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 and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and restricted cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Retirement obligation asset	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Accrued retirement obligation	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.

Financial Instruments (continued)

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves in accordance with the CMHC operating agreement.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

Capital Assets

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

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

Furniture, fixtures and equipment	10-20%
Leasehold improvements	10%

New Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes).

New Accounting Pronouncements (continued)

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

The organization is a not-for-profit organization and, as such, is exempt form income taxes under The Income Tax Act.

2. Accounts Receivable

	2012	2011
Receivable from residents	$ 11,940	$ 8,188
Winnipeg Regional Health Authority	275,789	37,281
GST rebate receivable	4,478	3,108
Other	14,398	3,445
	$ 306,605	$ 52,022

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:

	2012	2011
Balance, beginning of year	$ 121,948	$ 121,948
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 121,948	$ 121,948

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

	2012	2011
Balance, beginning of year	$ 177,483	$ 195,970
Net change in accrued vacation entitlements	8,007	(18,487)
Balance, end of year	$ 185,490	$ 177,483

4. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	$ 2,493,562	$ 2,477,195	$ 2,477,195	$ 2,477,195
Furniture, fixtures and equipment	526,087	414,614	514,783	401,121
	$ 3,019,649	$ 2,891,809	$ 2,991,978	$ 2,878,316
Cost less accumulated amortization		$ 127,840		$ 113,662

Amortization of capital assets for the year ended March 31, 2012 is $13,493 (2011 - $49,378).

5. Bank Overdraft

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 ($50,000 in 2011), available for operating needs. The overdraft facility bears interest at the bank's prime rate (Effective rate at March 31, 2012 - 3%), calculated and payable monthly.

6. Accounts Payable

	2012	2011
Trade accounts payable	$ 95,442	$ 74,050
Salaries and employee benefits payable	114,255	88,920
Due to related parties	461,855	273,984
	$ 671,552	$ 436,954

7. Deferred Contributions

Capital Assets

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

Changes in the deferred contribution balance are as follows:

	2012	2011
Balance, beginning of year	$ 113,662	$ 153,041
Additional contributions received		
Reserve equipment purchases	27,671	9,999
Less amounts amortized to revenue	(13,493)	(49,378)
Balance, end of year	127,840	113,662

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represent the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2012	2011
Balance, beginning of year	113,024	112,914
Additional contributions received		
Winnipeg Regional Health Authority	9,975	9,975
Interest received	294	134
Equipment purchases	(27,671)	(9,999)
Balance, end of year	95,622	113,024
Total deferred contributions	$ 223,462	$ 226,686

8. 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, 2012. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1% (2011 - 4.7%) and a rate of salary increase of 3% (2011 - 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.

	2012	2011
Employee future benefits recoverable from:		
Manitoba Health	$ 83,241	$ 83,241
Winnipeg Regional Health Authority	120,276	103,259
	$ 203,517	$ 186,500

8. Employee Future Benefits (continued)

a) Accrued retirement obligation (continued)

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

		2012		2011
Balance, beginning of year	$	186,500	$	202,169
Net change in pre-retirement entitlements		17,017		(15,669)
Balance, end of year	$	203,517	$	186,500

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, 2010 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 $158,440 (2011 - $137,283) and are included in the statement of operations.

9. Related Party Transactions

During the year the Home had the following transactions with related organizations:

		2012		2011
Salary reimbursements paid	$	**286,531**	$	240,867
Shared building operations expenses		**280,000**		379,899

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

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted a portion of building operation expenses for the year ended March 31, 2012.

Accounts payable includes $461,855 (2011 - $273,984) payable to related parties.

10. 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 8, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

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

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

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

The Home 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 the Home's Audited Financial Statements.

11. Capital Management

The Home considers its capital to comprise its Net Deficiency balance. There have been no changes to what the organization considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

12. Financial Risk Management

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

Credit risk

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

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

	2012	2011
Accounts receivable	$ **306,605**	$ 52,022
Vacation entitlements receivable	**121,948**	121,948
Retirement obligations receivable	**203,517**	186,500
	$ **632,070**	$ 360,470

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

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

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 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.

Fair Value

The carrying values of cash, accounts receivable, vacation entitlements receivable and retirement obligations 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.

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INDEPENDENT AUDITORS' REPORT

To the Member of St.Amant Inc.

We have audited the accompanying financial statements of St.Amant Inc., which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 12, 2012

Winnipeg, Canada

ST.AMANT INC.

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	Operating Fund		Capital Fund		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets:						
Cash	$ 217,581	$ 140,849	$ 94,761	$ 61,126	$ 312,342	$ 201,975
Funds held in trust for residents	419,718	403,389	-	-	419,718	403,389
Accounts receivable	4,503,471	4,634,731	-	-	4,503,471	4,634,731
Receivable from St. Amant Foundation Inc. (note 6)	411,638	-	(243,128)	-	168,510	-
Inventories	194,435	173,285	-	-	194,435	173,285
Prepaid expenses	279,047	237,340	-	-	279,047	237,340
Vacation pay recoverable from Winnipeg Regional Health Authority (note 8)	1,461,198	1,461,198	-	-	1,461,198	1,461,198
Inter-fund balances	281,250	561,750	(281,250)	(561,750)	-	-
	7,768,338	7,612,542	(429,617)	(500,624)	7,338,721	7,111,918
Capital assets (note 2)	-	-	18,686,129	18,487,352	18,686,129	18,487,352
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 8)	2,313,491	2,155,263	-	-	2,313,491	2,155,263
	10,081,829	9,767,805	18,256,512	17,986,728	28,338,341	27,754,533

	Operating Fund		Capital Fund		Total	
	2012	2011	2012	2011	2012	2011
Liabilities, Deferred Contributions and Fund Balances						
Current liabilities:						
Accounts payable and accrued liabilities	$ 2,719,526	$ 2,803,246	$ 1,580	$ 1,939	$ 2,721,106	$ 2,805,185
Employee vacation payable (note 8)	3,036,418	2,873,163	-	-	3,036,418	2,873,163
Funds held in trust for residents	419,718	403,389	-	-	419,718	403,389
Payable to St. Amant Foundation Inc. (note 6)	-	(19,064)	-	261,633	-	242,569
Advances (note 3)	377,480	377,480	-	-	377,480	377,480
Current portion of long-term debt (note 4)	-	-	3,341,996	7,278,068	3,341,996	7,278,068
	6,553,142	6,438,214	3,343,576	7,541,640	9,896,718	13,979,854
Future employee pre-retirement benefits payable (note 8)	2,591,979	2,433,751	-	-	2,591,979	2,433,751
Long-term debt (note 4)	-	-	4,582,224	252,312	4,582,224	252,312
Deferred contributions (note 5):						
Expenses of future periods	843,836	1,228,263	-	-	843,836	1,228,263
Capital assets	-	-	6,733,159	6,521,121	6,733,159	6,521,121
	843,836	1,228,263	6,733,159	6,521,121	7,576,995	7,749,384
Fund balances:						
Invested in capital assets	-	-	3,383,313	3,457,415	3,383,313	3,457,415
Internally restricted	552,077	552,077	-	-	552,077	552,077
Unrestricted	(459,205)	(884,500)	-	-	(459,205)	(884,500)
	92,872	(332,423)	3,383,313	3,457,415	3,476,185	3,124,992
Excess of appraised value over cost	-	-	214,240	214,240	214,240	214,240
	$ 10,081,829	$ 9,767,805	$ 18,256,512	$ 17,986,728	$ 28,338,341	$ 27,754,533

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date: June 28 /2012

ST.AMANT INC.

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2012, with comparative figures for 2011

	Winnipeg Regional Health Authority	Family Services	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2012	2011
Revenues:								
Family Services	$ 356,515	$ 31,562,201	$ 31,918,716	$ -	$ 31,918,716	$ -	$ 31,918,716	$ 30,061,085
Winnipeg Regional Health Authority	27,591,350	25,000	27,616,350	-	27,616,350	-	27,616,350	26,097,945
Manitoba Health	-	-	-	-	-	146,263	146,263	229,357
Government of Canada	4,671	546,071	550,742	-	550,742	-	550,742	540,842
School divisions	-	429,959	429,959	-	429,959	-	429,959	386,860
Fees	-	324,451	324,451	-	324,451	-	324,451	239,413
Grants	148,084	2,000	150,084	-	150,084	-	150,084	279,516
Recoveries	417,177	-	417,177	-	417,177	-	417,177	397,458
Investment income	23,918	-	23,918	-	23,918	1,613	25,531	16,178
St Amant Foundation Inc. donations (note 6)	264,463	63,587	328,050	-	328,050	24,911	352,961	217,099
Amortization of deferred contributions (note 5)	-	-	-	-	-	641,020	641,020	570,812
Gain on sale of capital assets	-	-	-	-	-	1,072	1,072	176,685
Other programs	168,066	93,126	261,192	-	261,192	-	261,192	282,450
	28,974,244	33,046,395	62,020,639	-	62,020,639	814,879	62,835,518	59,495,700
Expenses:								
Salaries and wages	21,841,309	21,642,629	43,483,938	-	43,483,938	-	43,483,938	41,539,929
Employee benefits	4,506,196	4,188,202	8,694,398	-	8,694,398	-	8,694,398	8,070,639
Purchased services	718,892	44,884	763,776	-	763,776	-	763,776	744,845
Supplies	1,122,280	328,609	1,450,889	-	1,450,889	-	1,450,889	1,556,846
Food	707,416	525,887	1,233,303	-	1,233,303	-	1,233,303	1,145,465
Utilities	530,556	207,712	738,268	-	738,268	-	738,268	771,546
Equipment	177,142	106,541	283,683	-	283,683	-	283,683	301,988
Property taxes	156,472	118,368	274,840	-	274,840	-	274,840	242,214
Repairs and maintenance	155,703	421,140	576,843	-	576,843	-	576,843	475,126
Interest on long-term debt	-	-	-	-	-	307,273	307,273	249,560
Amortization	-	-	-	-	-	1,882,296	1,882,296	2,123,325
Administration and facility cost allocation (note 7)	(2,558,837)	2,558,837	-	-	-	-	-	-
Other	844,938	1,947,710	2,792,648	-	2,792,648	2,170	2,794,818	2,651,641
	28,202,067	32,090,519	60,292,586	-	60,292,586	2,191,739	62,484,325	59,873,124
Excess (deficiency) of revenues over expenses for the year before the undernoted	772,177	955,876	1,728,053	-	1,728,053	(1,376,860)	351,193	(377,424)
Future employee pre-retirement benefits revenue (note 8)	158,228	-	158,228	-	158,228	-	158,228	211,795
Future employee pre-retirement benefits obligation (note 8)	(158,228)	-	(158,228)	-	(158,228)	-	(158,228)	(211,795)
Excess (deficiency) of revenues over expenses	772,177	955,876	1,728,053	-	1,728,053	(1,376,860)	351,193	(377,424)
Transfer to Capital Fund for purchased capital assets	(469,972)	(197,985)	(667,957)	-	(667,957)	667,957	-	-
Transfer to Capital Fund for principal repayment	(58,230)	(284,500)	(342,730)	-	(342,730)	342,730	-	-
Transfer to Capital Fund for interest	(31,962)	(260,109)	(292,071)	-	(292,071)	292,071	-	-
Net change in fund balances	212,013	213,282	425,295	-	425,295	(74,102)	351,193	(377,424)
Fund balances, beginning of year	-	-	(884,500)	552,077	(332,423)	3,457,415	3,124,992	3,502,416
Fund balances, end of year	-	-	$ (459,205)	$ 552,077	$ 92,872	$ 3,383,313	$ 3,476,185	$ 3,124,992

See accompanying notes to financial statements.

ST.AMANT INC.

Statement of Cash Flows

Year ended March 31, 2012 with comparative figures for 2011

	2012	2011
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ 351,193	$ (377,424)
Adjustments for:		
Amortization of capital assets	1,882,296	2,123,325
Amortization of deferred contributions	(641,020)	(570,812)
Gain on sale of capital assets	(1,072)	(176,685)
Change in the following:		
Accounts receivable	114,931	(281,709)
Inventories	(21,150)	6,004
Prepaid expenses	(41,707)	(31,059)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(158,228)	(211,795)
Receivable from/payable to St. Amant Foundation Inc.	(411,079)	1,391
Accounts payable and accrued liabilities	(67,750)	(971,782)
Employee vacation payable	163,255	135,561
Future employee pre-retirement benefits payable	158,228	211,795
Net decrease in deferred contributions related to expenses of future periods	(384,427)	(329,393)
	943,470	(472,583)
Investing activities:		
Purchase of capital assets	(2,081,073)	(1,102,016)
Proceeds on disposal of capital assets	1,072	315,499
	(2,080,001)	(786,517)
Financing activities:		
Increase in deferred contributions related to capital assets	853,058	930,016
Proceeds from long-term debt	1,469,584	1,807,761
Repayment of long-term debt	(1,075,744)	(1,165,267)
	1,246,898	1,572,510
Increase in cash	110,367	313,410
Cash (cheques issued in excess of cash on hand), beginning of year	201,975	(111,435)
Cash, end of year	$ 312,342	$ 201,975
Supplementary cash flow information:		
Interest paid	$ 307,273	$ 249,560
Interest received	25,531	16,178

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:

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Labour (Family Services). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2012. The Organization's Service Purchase Agreement (SPA) with the WRHA and Family Services continues in effect until March 31, 2012 and March 31, 2014, respectively.

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.

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.

1. Significant accounting policies (continued):

(b) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The Organization designated cash and funds held in trust for residents as held-for-trading; accounts receivable, receivable from St.Amant Foundation Inc., vacation pay recoverable from Winnipeg Regional Health Authority, and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, employee vacation payable, funds held in trust for residents, payable to St.Amant Foundation Inc., advances and long-term debt as other liabilities. The Organization does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The Organization has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the Organization has elected not to adopt these standards in the financial statements.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

1. Significant accounting policies (continued):

(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.

Land is stated at its appraised value as at January 13, 1972. Acquisitions subsequent to 1972 are stated at cost.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

(e) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation, for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

(f) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

(g) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of long-term debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

1. Significant accounting policies (continued):

(h) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(i) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the financial statements for donated services since no objective basis is available to measure the value of such services.

(j) Future employee pre-retirement benefits:

Future pre-retirement benefits are accrued as earned 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 accrued future pre-retirement benefit includes mortality and withdrawal rates, a discount rate of 4.10 percent (2011 - 4.70 percent) and a rate of salary increase of 3.00 percent (2011 – 3.50 percent) plus an age related merit/promotion scale with no provision for disability.

(k) 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. Capital assets:

	Cost or appraised value	Accumulated amortization	2012 Net Book Value	2011 Net Book Value
440 River Road:				
Land	$ 212,888	$ -	$ 212,888	$ 212,888
Land improvements	1,121,081	381,434	739,647	545,637
Buildings	17,569,101	11,500,802	6,068,299	6,529,208
Buildings service equipment	5,145,900	2,589,157	2,556,743	2,788,483
Furniture and equipment	6,229,619	5,791,576	438,043	637,762
Automotive	115,352	115,352	-	8,840
Software	1,320,062	1,038,787	281,275	294,189
	31,714,003	21,417,108	10,296,895	11,017,007
Community residences:				
Land	2,172,284	-	2,172,284	1,761,284
Land improvements	2,910	2,306	604	724
Buildings	7,333,311	2,028,824	5,304,487	5,326,918
Building service equipment	488,961	19,306	469,655	194,779
Furniture and equipment	1,526,102	1,249,710	276,392	90,099
Automotive	328,992	163,180	165,812	96,541
	11,852,560	3,463,326	8,389,234	7,470,345
	$ 43,566,563	$ 24,880,434	$ 18,686,129	$ 18,487,352

3. Advances:

The Organization has received working capital advances from Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

4. Long-term debt:

		2012		2011
Canada Mortgage and Housing Corporation (CMHC) - mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 15, 2015	$	252,313	$	309,937
National Bank of Canada, loans payable, due on demand, at interest rates ranging from bank prime rate less 0.5% to 6.1%, payable monthly at $25,211 principal only and $13,622 monthly including principal and interest, maturing at various dates through to September 2014 (if repayment not demanded by lender on the demand loan)		3,076,618		3,444,590
National Bank of Canada, loans payable, at interest rates ranging from 2.5% to 4.7%, payable $32,701 monthly including principal and interest, maturing at various dates through to February 2017		4,595,289		3,275,829
Province of Manitoba, promissory note, interest at 4.6%		-		500,024
		7,924,220		7,530,380
Current portion (including demand loans)		3,341,996		7,278,068
	$	4,582,224	$	252,312

The Organization's credit facility with the National Bank of Canada provides a maximum of $8,500,000 (2011 - $8,500,000) in demand loans to finance the acquisition or renovation of community homes by the Organization. The cumulative advances under this facility may not exceed the lower of $8,500,000 or 75 percent of the collective market value of the group homes securing the facility. At March 31, 2012, the Organization had utilized $6,029,217 (2011 - $4,973,761) of this facility. The credit facility also provides the Organization with access to an aggregate of $1,000,000 of demand loans for Manitoba Health approved borrowings.

The long-term debt with National Bank of Canada is secured by certain land and buildings owned by the Organization and for certain loans and letters of comfort from Manitoba Health. For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

The repayment of the Province of Manitoba promissory note, both principal and interest, has been guaranteed for the term of the note by the Province of Manitoba. Principal and interest payments for fiscal 2012 and 2011 have been funded directly by the Province of Manitoba. These financial statements do not reflect the related funding for and interest paid on the promissory note for fiscal 2012 and 2011.

4. Long-term debt (continued):

Principal repayments annually, with the demand loans included as a current obligation, are approximately as follows:

2013	$	3,341,996
2014		466,939
2015		530,806
2016		1,969,380
2017		1,615,099
	$	7,924,220

5. Deferred contributions:

(a) Expenses of future periods:

Deferred contribution related to expenses of future periods represents unspent externally restricted grants and donations.

		2012		2011
Balance, beginning of year	$	1,228,263	$	1,557,656
Additional contributions received		193,063		173,118
Less amounts recognized as revenue		(577,490)		(502,511)
Balance, end of year	$	843,836	$	1,228,263

5. 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.

	2012	2011
Balance, beginning of year	$ 6,521,121	$ 6,161,917
Additional contributions received	853,058	930,016
Less amounts amortized to revenue	(641,020)	(570,812)
Balance, end of year	$ 6,733,159	$ 6,521,121

	Grants	Accumulated amortization	2012 Net book value	2011 Net book value
Land improvements	$ 652,500	$ 136,965	$ 515,535	$ 440,917
Buildings	7,181,088	2,932,428	4,248,660	4,068,577
Buildings service equipment	1,301,051	623,620	677,431	740,296
Furniture and equipment	3,888,231	2,596,698	1,291,533	1,271,331
	$ 13,022,870	$ 6,289,711	$ 6,733,159	$ 6,521,121

6. Related party transactions and balances:

The Organization pays rent on eight community residences to St.Amant Foundation Inc. for $80,903 (2011 - $80,903). The Organization charged St.Amant Foundation Inc. $149,316 (2011 - $136,196) for costs related to the parking lot including $90,000 (2011 - $90,000) which was recorded in deferred contributions related to capital assets.

The following are contributions from St.Amant Foundation Inc. received or receivable for the fiscal year:

		2012		2011
Client services programs:				
Aboriginal Culture and Initiative Outreach	$	28,539	$	29,045
Community support		-		1,578
ABA program		209		5,534
River Road Place		32,923		27,530
St.Amant School		6,486		2,401
Community Residence Program		3,567		27,295
Daycare		11,522		7,639
Education and training:				
St.Amant Inc. conference		19,750		-
Research program		129,557		88,838
Other equipment and supplies		9,696		7,171
French Language Services		85,801		-
		328,050		197,031
Capital projects:				
River Road Place		110,246		85,534
	$	438,296	$	282,565

Of these contributions, $110,246 (2011 - $85,534) have been recorded in deferred contributions related to capital assets.

The receivable from St.Amant Foundation Inc. of $168,510 (2011 – payable to $242,569) is non-interest bearing, has no specified terms of repayment and is unsecured.

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

7. Allocation of expenses:

The Organization has incurred $4,492,223 (2011 - $4,091,136) of administration expenses and $5,660,544 (2011 - $5,406,921) of facility expenses in fiscal 2012 that are common to the administration of the WRHA and Family Services programs. These expenses are reflected in the WRHA programs expenses in the statement of operations. The Organization has allocated $2,119,896 (2011 - $1,992,426) and $438,943 (2011 - $421,507) of administration and facility expenses to the Family Services program, respectively. The aggregate of $2,558,839 (2011 - $2,413,933) allocated to the Family Services programs is recorded as a recovery in the WRHA programs and an expense in the Family Services programs within administration and facility cost allocation in the statement of operations.

8. Employee benefits recoverable and payable:

(a) Pre-retirement benefit plan:

The Organization maintains an employee pre-retirement benefit 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.

At March 31, 2012, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be $2,591,979 (2011 - $2,433,751) for which the Organization has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

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 2012 was $158,228 (2011 - $211,795) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2012 aggregates $2,313,491 (2011 - $2,155,263) and has no specified terms of repayment.

Additional information about the Organization's employee pre-retirement benefit plan is as follows:

	2012	2011
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 170,129	$ 122,211
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	158,228	211,795

8. Employee benefits recoverable and payable (continued):

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Organization. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by WRHA for 2012 was 100 percent (2011 - 100 percent) of actual pre-retirement benefits paid.

(b) Healthcare Employees Pension Plan:

Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Organization is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Organization contributed $2,787,410 (2011 - $2,401,824) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2010 reported that the plan had a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits. This 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 participating members. Contribution rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to a yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE.

(c) Vacation benefits:

The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2012 is $3,036,418 (2011 - $2,873,163), The funding received in each subsequent fiscal year from the WRHA includes the vacation payable recoverable from the WRHA of $1,461,198 as included on the statement of financial position. The vacation pay recoverable from the WRHA is maintained at the employee vacation payable at March 31, 2004.

9. Fair value:

The fair value of the following items is not determinable due to the underlying terms and conditions: receivable from/payable to St.Amant Foundation Inc., advances and mortgage payable to CMHC.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of loans payable to National Bank of Canada approximates their carrying value of $7,671,907 (2011 - $6,720,419). Fair value has been determined using future payments of principal and interest discounted at current rates.

The fair value of the remaining financial assets and liabilities approximates their carrying values due to their short term nature.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Joseph's Residence Inc.

We have audited the accompanying statement of financial position of St. Joseph's Residence Inc. as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Joseph's Residence Inc. as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba

May 28, 2012

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
As at March 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash and certificates of deposit	$ **265,065**	$ 673,792
Cash held in trust	**31,021**	40,175
Accounts receivable	**707,774**	512,040
Inventory	**23,089**	26,917
Prepaid expenses	**19,309**	17,817
Due from WRHA - vacation pay	**248,912**	248,912
	1,295,170	1,519,653
CAPITAL ASSETS (Note 3)	**2,104,506**	2,117,303
DUE FROM WRHA - PRE-RETIREMENT LEAVE	**654,090**	625,402
	$ **4,053,766**	$ 4,262,358
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **478,685**	$ 637,263
Accrued vacation pay	**353,113**	338,661
Funds held in trust	**38,338**	41,407
Current portion of long-term debt (Note 4)	**186,098**	181,336
	1,056,234	1,198,667
LONG-TERM DEBT (Note 4)	**476,509**	662,466
ACCRUED PRE-RETIREMENT LEAVE (Note 5)	**609,823**	581,135
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 9)	**21,672**	13,478
CAPITAL ASSETS (Note 10)	**1,311,036**	1,127,761
MAJOR REPAIRS (Note 11)	**3,560**	8,233
	3,478,834	3,591,740
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 12)	**328,199**	325,576
UNRESTRICTED	**246,733**	345,042
	574,932	670,618
	$ **4,053,766**	$ 4,262,358

APPROVED BY THE BOARD

.... Director

.... Director

ST. JOSEPH'S RESIDENCE INC.
Statement of Operations
Year Ended March 31, 2012

	2012	2011
REVENUE		
WRHA	$ 4,853,125	$ 4,674,048
Residential charges	1,645,939	1,609,416
Canada Mortgage and Housing Corporation (Note 6)	35,946	35,946
	6,535,010	6,319,410
Amortization of deferred contributions - capital assets	222,796	218,069
Recoveries - general	30,135	62,936
Cafeteria	13,863	11,293
Interest	14,904	14,091
Donations	48,954	51,663
	330,652	358,052
	6,865,662	6,677,462
EXPENSES		
Salaries and wages	4,663,870	4,515,051
Employee benefits	957,603	861,183
Plant operations and maintenance	287,868	286,928
Dietary	222,369	210,133
General services	241,337	198,380
Special services	44,853	38,556
Depreciation	223,038	218,069
Interest on long-term debt	25,723	30,402
Housekeeping, laundry and linen	107,888	108,773
Medical supplies	96,762	102,369
Health and education tax	102,272	96,300
	6,973,583	6,666,144
(DEFICIT) SURPLUS FROM WRHA FUNDED PROGRAMS	(107,921)	11,318
Income (loss) from ancillary operations	12,235	(4,444)
(DEFICIT) SURPLUS FOR THE YEAR	$ (95,686)	$ 6,874

ST. JOSEPH'S RESIDENCE INC.
Statement of Changes in Net Assets
Year Ended March 31, 2012

	2012			2011
	Invested in Capital Assets	Unrestricted	Total	Total
Balance beginning of year	$ 325,576	$ 345,042	$ 670,618	$ 693,744
(Deficit) surplus for the year	(5,381)	(90,305)	(95,686)	6,874
Investment in capital assets (Note 12)	8,004	(8,004)	-	-
Transfer to deferred contributions - Major repairs	-	-	-	(30,000)
Balance, end of year	$ 328,199	$ 246,733	$ 574,932	$ 670,618

ST. JOSEPH'S RESIDENCE INC.
Statement of Cash Flows
Year ended March 31, 2012

		2012		2011
OPERATING ACTIVITIES				
(Deficit) surplus for the year	$	**(95,686)**	$	6,874
Items not affecting cash				
Depreciation		**223,038**		218,069
Depreciation - ancillary operations		**5,139**		5,139
Amortization of deferred contributions - capital assets		**(222,796)**		(218,069)
Amortization of deferred contributions - major repairs		**(16,673)**		(92,101)
		(106,978)		(80,088)
Changes in non-cash working capital balances				
Accounts receivable		**(195,734)**		(24,853)
Inventory		**3,828**		(5,217)
Prepaid expenses		**(1,492)**		(1,834)
Due from WRHA - pre-retirement leave		**(28,688)**		4,354
Accounts payable and accrued liabilities		**(158,578)**		(98,987)
Accrued vacation pay		**14,452**		6,027
Accrued pre-retirement leave		**28,688**		(4,354)
		(444,502)		(204,952)
FINANCING ACTIVITIES				
Funds held in trust		**(3,069)**		11,994
Mortgage repayments		**(113,395)**		(108,848)
Term loan repayments		**(67,800)**		(67,800)
Additional deferred contributions received				
- expenses of future periods		**8,194**		2,292
- capital assets		**406,071**		276,250
- major repairs		**12,000**		12,000
		242,001		125,888
INVESTING ACTIVITIES				
Cash held in trust		**9,154**		(12,356)
Capital asset purchases		**(215,380)**		(107,988)
		(206,226)		(120,344)
NET DECREASE IN CASH AND CERTIFICATES OF DEPOSIT		**(408,727)**		(199,408)
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR		**673,792**		873,200
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$	**265,065**	$	673,792
Supplementary information				
Interest paid on Long-Term Debt	$	**25,723**	$	34,493

1. NATURE OF ORGANIZATION

St. Joseph's Residence Inc. is a not-for-profit corporation, which operates a personal care home. Effective February 13, 2003, the sponsorship of the Residence was transferred from the Sisters of the Order of St. Benedict to the Catholic Health Corporation of Manitoba (CHCM). The Residence is a registered charity under the Income Tax Act and accordingly is exempt from taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Residence has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook. The Residence applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Revenue recognition*

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

Under the Health Insurance Act and regulations thereto, the Residence is funded primarily by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Capital assets

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Building	50 years
Parking lot	20 years
Furniture and equipment	5, 10 years
Building service equipment	20 years

c) Vacation pay

The Residence records the accrued vacation pay entitlement liability. Funding for vacation pay entitlements by the WRHA has been capped at the amount owing for vacation entitlements as at March 31, 2004. Because the vacation entitlements up to March 31, 2004 will be funded, this amount has been recorded on the statement of financial position as a receivable from the WRHA.

d) Retirement entitlement obligation

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

i) have ten years service and have reached the age of 55, or

ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee, or

iii) retire at or after age 65; or

iv) terminate employment at any time due to permanent disability.

The Residence has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the retirement entitlement obligation is provided by the WRHA for certain employees. The related revenue and expense is recorded in the statement of operations for the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Residence's designation of such instruments.

Classification

Cash	Held for trading
Certificates of deposit	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA/Manitoba Health	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Accrued vacation pay	Other liabilities
Long term debt	Other liabilities

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method
The Residence uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

f) Provision for operating surplus settlement with WRHA

The Residence records the full amount of its operating surplus as calculated in accordance with the WRHA guidelines as a provision for settlement with WRHA. The actual amount of the settlement is determined after a review of the details by Manitoba Health and negotiation with the Residence. Any difference is recorded subsequently in the statement of operations in the year of settlement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Contributed services

Contributed services are recorded at their estimated fair value if the amount can be reasonably estimated.

h) Inventory

Inventories of supplies are valued at the lower of cost and net realizable value with the cost being determined on an average basis.

i) Fair value

The carrying value of the Residence's financial assets and liabilities reflect their fair values, unless otherwise disclosed. The carrying value of the term loans is reflective of fair value because of the floating nature of the interest rates. The carrying value of the mortgage is reflective of fair value as the fixed interest rate is similar to that which is available to the Residence currently.

j) New accounting framework

The Accounting Standards Board has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations controlled by the government will have to choose between Public Sector Accounting (PSA) Standards with or without the incorporation of not-for-profit accounting standards, whichever suits them best. The Residence currently plans to adopt the PSA standards with the not-for-profit inclusions for its fiscal year beginning on April 1, 2012, however, the impact of this transition has not yet been determined.

3. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 193,965**	**$ -**	**$ 193,965**	$ 193,965
Building	**3,028,773**	**1,855,915**	**1,172,858**	1,268,082
Parking lot	**86,781**	**42,764**	**44,017**	49,750
Furniture and equipment	**1,719,715**	**1,377,528**	**342,187**	357,327
Building service equipment	**314,773**	**110,173**	**204,600**	220,337
Contruction in process	**146,879**	**-**	**146,879**	27,842
	$ 5,490,886	**$ 3,386,380**	**$ 2,104,506**	$ 2,117,303

Depreciation expense during the year totalled $228,177 (2011 - $223,208) including $5,139 (2011 - $5,139) recorded in the ancillary operations.

4. LONG-TERM DEBT

		2012		2011
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	$	**391,749**	$	505,144
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,705, plus interest at prime minus 0.75% per annum, due October 31, 2014		**79,437**		111,897
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,945, plus interest at prime minus 0.75% per annum, due August 31, 2018		**191,421**		226,761
Total long-term debt		**662,607**		843,802
Current portion		**186,098**		181,336
	$	**476,509**	$	662,466

The mortgage with the Canada Mortgage and Housing Corporation is secured by a security agreement covering all land, buildings, furniture and equipment and assignment of all residential charges. The term loans are secured by a Letter of Comfort from Manitoba Health.

The principal repayments in each of the next five years are as follows:

	Mortgage	Term Loans	**Total**
2013	$ 118,298	$ 67,800	**$ 186,098**
2014	123,260	54,275	**177,535**
2015	128,430	35,340	**163,770**
2016	21,761	35,340	**17,101**
2017	-	35,340	**35,340**

5. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 2d). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 4.10% (2011 – 4.70%) and a rate of salary increase of 3.00% (2011 – 3.50%) plus age related merit/promotion scale with no adjustment for disability. Actual payments made during the year for the Residence's pre-retirement leave were $63,812 (2011 - $26,369).

6. CANADA MORTGAGE AND HOUSING PAYMENTS

The Residence has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 1.50% to enable the project to provide housing to low income individuals. The amount of assistance received in 2012 was $35,946 (2011 - $35,946).

7. RELATED ENTITIES

a) The Residence is dependent on the Winnipeg Regional Health Authority (WRHA) for the majority of the funding of its operations. The current net receivable due from WRHA is $546,604 (2011 - $336,135).

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2011 - $4,680) to the Friends of St. Joseph's Residence Inc., a related party, for accounting and administration services.

Friends of St. Joseph's Residence Inc. made donations to St. Joseph's Residence Inc. totalling $50,315 (2011 - $68,764).

At March 31, 2012, St. Joseph's Residence Inc. had a receivable from Friends of St. Joseph's Residence Inc. in the amount of $65,471 (2011 - $115,529).

8. INTEREST RATE AND CREDIT RISK

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Residence's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Residence's assets and liabilities.

The value of the Residence's assets is affected by short-term changes in nominal interest rate and equity markets. The term to maturity of the fixed income investments of the Residence are all before the end of the 2013 calendar year with coupon rates ranging between 1.82% and 5.10% (2011 – 0.40% and 5.10%). The fair market value of these fixed income securities as at March 31, 2012 is $265,013 (2011 – $346,398).

b) Credit Risk

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Residence has established credit and investment policies to mitigate this risk.

8. INTEREST RATE AND CREDIT RISK (continued)

b) Credit Risk (continued)

Credit risk is increased where a significant portion of the investment portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment policies.

The majority of the current year's accounts receivable balance consists of related party amounts and the remainder are resident receivables, which is consistent with the prior year, and are regarded as low credit risk balances.

9. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations and matched with the related expenses.

	2012	2011
Balance, beginning of year	**$ 13,478**	$ 11,186
Additional contributions	**8,194**	2,292
Balance, end of year	**$ 21,672**	$ 13,478

10. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2012				2011
	Purchased Capital Assets	**Future Capital Assets**	**Contributed Surplus**	**Total**	Total
Balance, beginning of year	$ 666,642	$ 209,836	$ 251,283	**$ 1,127,761**	$ 1,069,580
Contributions received:					
Capital asset purchases	207,368	17,500	-		
Debt repayment	181,203	-	-		
Amortization	(222,796)	-	-		
Balance, end of year	$ 832,417	$ 227,336	$ 251,283	**$ 1,311,036**	$ 1,127,761

11. DEFERRED CONTRIBUTIONS – MAJOR REPAIRS

Deferred contributions related to major repairs represent the unamortized amount and unspent funding received for major repairs. Amounts are recorded as revenue when applicable expenses are incurred. Changes in the deferred contributions balance are as follows:

	2012	2011
Balance, beginning of year	$ 8,233	$ 58,334
Additional contributions	12,000	12,000
Transfer from Unrestricted net assets	-	30,000
Expenditures during the year	(16,673)	(92,101)
Balance, end of year	$ 3,560	$ 8,233

12. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 2,104,506	$ 2,117,303
Cash – Future Capital Assets (Note 10)	227,336	209,836
Previously transferred to major repairs	(30,000)	(30,000)
Amounts financed by		
Deferred contributions	(1,311,036)	(1,127,761)
Mortgage payables	(391,749)	(505,144)
Term loans	(270,858)	(338,658)
	$ 328,199	$ 325,576

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

	2012	2011
Depreciation of capital assets included in operations	$ (228,177)	$ (223,208)
Amortization of deferred contributions related to capital assets included in operations	222,796	218,069
	$ (5,381)	$ (5,139)

Net change in invested in capital assets is as follows:

	2012	2011
Purchase of capital assets	$ 215,380	$ 107,988
Increase in deferred contributions	(388,571)	(258,750)
Repayment of term loan	67,800	67,800
Mortgage repayments	113,395	108,848
	$ 8,004	$ 25,886

13. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan - Manitoba (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. Variances between the actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The costs of the benefit plan are not individually allocated to the participating facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Employer contributions made to the plan during the year by the Residence amounted to $316,231 (2011 - $286,395) and are included in the statement of operations.

14. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Residence, when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures are unchanged since the prior year.

booke
& partners
CHARTERED ACCOUNTANTS

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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, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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.

Independent Auditors' Report - continued

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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 23, 2012

booke
& partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations and Changes in Net Assets

Year Ended March 31	2012	2011
Revenues (Page 12)	$ 1,949,570	$ 1,893,531
Expenditures (Page 12)	1,933,772	1,803,869
Excess of revenues over expenditures from operations	15,798	89,662
Pre-retirement leave increase (decrease) in recovery (Note 7)	8,210	(3,082)
Pre-retirement leave expense (Note 7)	(8,898)	(5,704)
Excess of revenues over expenditures	$ 15,110	$ 80,876

	Unrestricted	Internally Restricted	2012	2011
Balance, beginning of year	$ 200,541	$ 50,000	$ 250,541	$ 169,665
Excess of revenues over expenditures	15,110	-	15,110	80,876
Balance, end of year	$ 215,651	$ 50,000	$ 265,651	$ 250,541

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash and short term deposits	$ 668,118	$ 827,939
Receivables (Note 3)	175,335	111,716
Prepaids	16,801	22,369
	860,254	962,024
Capital assets (Note 4)	66,483	75,612
	$ 926,737	$ 1,037,636
Liabilities		
Current		
Payables and accruals (Note 5)	$ 222,702	$ 288,771
Deferred revenue (Note 6)	305,019	358,946
	527,721	647,717
Pre-retirement leave (Note 7)	95,744	86,846
Deferred contributions related to capital assets (Note 8)	37,621	52,532
	661,086	787,095
Net Assets		
Unrestricted	215,651	200,541
Internally restricted (Note 9)	50,000	50,000
	265,651	250,541
	$ 926,737	$ 1,037,636

Commitments (Note 10)

On behalf of the Board

______________________ Director ______________________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31	2012	2011
Cash flows from operating activities		
Cash received from:		
Winnipeg Regional Health Authority	**$ 1,104,820**	$ 1,095,320
Brandon Regional Health Authority	**-**	33,751
Province of Manitoba	**154,364**	120,598
Government of Canada	**327,879**	427,960
United Way	**127,276**	92,650
Foundations	**350**	99
Donations	**21,857**	2,390
Interest	**5,118**	1,601
Other sources	**82,507**	113,083
Cash paid for:		
Human resources and benefits	**(1,275,353)**	(1,222,208)
Materials and services	**(713,058)**	(438,951)
Interest	**(550)**	(724)
Net cash generated from operating activities	**(164,790)**	225,569
Cash flows used in financing and investing activities		
Purchase of capital assets	**(4,969)**	(10,691)
Net (decrease) increase in cash	**(159,821)**	214,878
Cash and short term deposits, beginning of year	**827,939**	613,061
Cash and short term deposits, end of year	**$ 668,118**	$ 827,939

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. (the Organization) is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The Organization is an incorporated not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing it's financial statements. The significant accounting policies used are as follows:

a) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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

b) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at annual rates estimated to write off the assets over their estimated useful lives as follows:

Computers	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	Over the life of the lease

c) Allocation of expenses

The Organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

d) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 4.1% (2011 - 4.7%), a rate of salary increase of 3.0% (2011 - 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization's financial instruments consist of cash and short term deposits, receivables, payables and accruals and pre-retirement leave. The fair value of the Organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Receivables

	2012	2011
Receivable from Winnipeg Regional Health Authority	$ **69,863**	$ 53,259
Grants receivable	**92,537**	54,795
Other receivables	**12,935**	3,662
	$ **175,335**	$ 111,716

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CHARTERED ACCOUNTANTS

4. Capital assets

	Cost	Accumulated Amortization	2012 Net Book Value
Winnipeg			
Computers	$ 82,921	$ 65,217	$ 17,704
Furniture and equipment	83,057	46,885	36,172
Brandon			
Computers	10,880	10,111	769
Furniture and equipment	663	653	10
Leasehold improvements	13,010	1,182	11,828
	$ 190,531	$ 124,048	$ 66,483

	Cost	Accumulated Amortization	2011 Net Book Value
Winnipeg			
Computers	$ 82,921	$ 60,791	$ 22,130
Furniture and equipment	78,088	37,842	40,246
Brandon			
Computers	10,880	9,919	961
Furniture and equipment	663	650	13
Leasehold improvements	13,010	748	12,262
	$ 185,562	$ 109,950	$ 75,612

5. Payables and accruals

	2012	2011
Vacation pay and salary accrual	$ 100,260	$ 72,216
Trade	122,442	216,555
	$ 222,702	$ 288,771

6. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	2012	2011
Balance, beginning of year	$ 358,946	$ 325,957
Less amount recognized as revenue in the year	(62,702)	(1,258)
Add amount received related to the following year	8,775	34,247
Balance, end of year	$ 305,019	$ 358,946

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CHARTERED ACCOUNTANTS

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	**2012**	2011
Opening balance	**$ 86,846**	$ 90,225
Increase (decrease) in obligation	**8,898**	(3,379)
	$ 95,744	$ 86,846
Pre-retirement leave		
Increase (decrease) in current year recovery	**$ 8,210**	$ (3,082)
Current year expense	**(8,898)**	(5,704)
	$ 688	$ (8,786)

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 $14,910 (2011 - $14,910).

9. Internally restricted net assets

Internally restricted net assets represent funds designated by the Board of Directors for the purpose of website redevelopment.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2012

10. Lease commitments

The Organization leases office space located at 595 Broadway Avenue. The Organization has a five year lease which expires September 30, 2014 and which obligates the Organization to make monthly rental payments of $2,500 plus GST until the lease expires.

The Organization has a five year lease for the Brandon office which expires November 30, 2014 and which obligates the Organization to make annual rental payments totaling $15,600.

The Organization leases office space at 226 Osborne Street North. The lease is for fifteen years and expires August 31, 2024. The annual rental lease payment is $36,800 with annual increases of $3,200.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the lease starting in year two of the lease term in the amount of approximately $4,000 per year, to be increased by 2% annually.

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, $58,652 (2011 - $43,544) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

12. Capital disclosures

The Organization considers its capital to be the balance maintained in its unrestricted net assets. Capital is invested under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The Organization is not subject to any externally imposed requirements of its capital.

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.

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CHARTERED ACCOUNTANTS

14. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Operations
Year Ended March 31

	General Operations	Improving Access	Our Daughters	OFTA	The 595 Prevention Team	2012 Total	2011 Total (Note 14)
Revenues							
Winnipeg Regional Health Authority							
Fixed payments	$ 863,210	$ -	$ 53,358	$ -	$ 20,000	$ 936,568	$ 922,632
Other funding	184,857	-	-	-	6,447	191,304	181,316
Capital grant (Note 8)	14,910	-	-	-	-	14,910	14,910
Government of Canada							
Health Canada	-	202,639	-	-	121,147	323,786	413,080
Province of Manitoba							
Manitoba Health	2,119	-	-	-	42,200	44,319	38,759
Manitoba Labour and Immigration	-	-	-	106,057	56,255	162,312	108,015
United Way							
Winnipeg	114,256	-	-	-	-	114,256	109,650
Brandon	13,020	-	-	-	-	13,020	13,000
Winnipeg Foundation	350	-	30,000	-	-	30,350	12,429
Cancer Care	700	-	-	-	-	700	12,890
Donations	21,857	-	-	-	-	21,857	2,390
Interest	5,118	-	-	-	-	5,118	1,601
Administrative fee recoveries and other	67,528	-	400	-	23,142	91,070	62,859
Total revenues	1,287,925	202,639	83,758	106,057	269,191	1,949,570	1,893,531
Expenditures							
Salaries	713,148	15,398	38,457	61,786	133,854	962,643	646,845
Contract fees	29,945	111,672	14,216	4,143	16,381	176,357	402,686
Honoraria	-	10,715	990	560	4,590	16,855	44,575
Benefits	120,041	5,951	7,519	10,222	9,126	152,859	114,550
Amortization	14,097	-	-	-	-	14,097	16,271
Annual General Meeting	264	-	-	-	-	264	145
Bank charges and interest	506	-	-	-	44	550	724
Board	-	-	-	-	-	-	302
Evaluation	147	14,000	-	4,500	-	18,647	7,870
Insurance	2,627	-	-	-	1,557	4,184	2,328
Membership and dues	2,268	-	-	-	25	2,293	3,599
Office supplies and services	47,467	16,531	1,102	1,940	14,776	81,816	142,874
Postage and delivery	6,110	35	-	5	172	6,322	4,426
Professional development	5,350	655	730	-	525	7,260	7,300
Professional fees	7,433	-	-	-	-	7,433	7,200
Project training costs	-	-	-	-	-	-	11,708
Program costs	78,156	21,832	12,546	15,744	30,889	159,167	66,645
Promotion	13,776	-	-	128	1,293	15,197	11,739
Occupancy	129,498	150	107	4,200	42,389	176,344	179,250
Other	2,767	-	-	-	-	2,767	4,574
Repairs and maintenance	38,786	2,150	-	1,200	1,458	43,594	38,666
Reproductive Health Outreach	-	-	-	-	-	-	17,949
STI Partner Notification	18,517	-	-	-	-	18,517	24,800
Travel	16,751	3,156	7,893	1,629	8,939	38,368	16,640
Telephone	24,473	394	198	-	3,173	28,238	30,203
Total expenditures	1,272,127	202,639	83,758	106,057	269,191	1,933,772	1,803,869
Excess of revenues over expenditures	$ 15,798	$ -	$ -	$ -	$ -	$ 15,798	$ 89,662

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Management's Responsibility

To the Board of Directors of Southeast Personal Care Home Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

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

MNP LLP is appointed by the members 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.

August 10, 2012

Director

Director

Independent Auditors' Report

To the Board of Directors of Southeast Personal Care Home Inc.:

We have audited the accompanying financial statements of Southeast Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2012 and March 31, 2011 and the statements of operations, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

We believe that the audit evidence we have obtained 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 Southeast Personal Care Home Inc. as at March 31, 2012 and March 31, 2011 and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

August 10, 2012

MNP LLP
Chartered Accountants

Southeast Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2012

	2012	2011
Assets		
Current		
Cash	155,522	1,234,914
Accounts receivable *(Note 3)*	613,868	38,374
Prepaid expenses	5,847	-
Construction in progress	-	19,740,437
Trust account	1,768	-
	777,005	21,013,725
Capital assets *(Note 4)*	22,060,887	-
	22,837,892	21,013,725
Liabilities		
Current		
Accounts payable and accruals *(Note 5)*	602,886	-
Holdback payable	20,771	-
Short term debt	-	1,784,062
Resident deposits	2,089	-
Current portion of long-term debt	514,280	425,000
	1,140,026	2,209,062
Advances from related party *(Note 6)*	2,230,265	2,230,265
Long-term debt *(Note 7)*	19,090,997	16,503,531
Deferred contributions related to capital assets *(Note 8)*	191,120	70,867
	22,652,408	21,013,725
Net Assets		
Unrestricted surplus	134,986	-
Invested in capital assets *(Note 9)*	50,498	-
	185,484	-
	22,837,892	21,013,725

Approved on behalf of the Board

Director

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, 2012

	2012	*2011*
Revenue		
Winnipeg Regional Health Authority *(Note 10)*	2,979,453	-
Revenue deferred for capital assets *(Note 8)*	(159,001)	-
Revenue recognized for amortization *(Note 8)*	38,748	-
Winnipeg Regional Health Authority mortgage funding *(Note 11)*	1,432,990	-
Aboriginal Affairs and Northern Development Canada	391,983	-
Residential charges	719,463	-
Recoveries	28,815	-
Parking fees	4,428	-
Interest income	73	-
	5,436,952	-
Expenses		
Advertising	5,889	-
Amortization	504,732	-
Computer	22,762	-
Dietary	166,747	-
Employee benefits	210,549	-
Equipment purchases	37,628	-
General expenses	33,065	-
Insurance	12,493	-
Interest on long-term debt	917,317	-
Laundry services	38,874	-
Local transport	26,627	-
Medical supplies	90,486	-
Membership fees	80	-
Professional fees	29,690	-
Property taxes	77,244	-
Purchased salaries	418,559	-
Repairs and maintenance	30,329	-
Salaries and benefits	2,388,396	-
Supplies	109,362	-
Telephone	16,219	-
Utilities	112,192	-
Waste removal	2,228	-
	5,251,468	-
Excess of revenues over expenses	185,484	-

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, 2012

	Unrestricted	*Invested in capital assets*	*2012*	*2011*
Excess of revenues over expenses	135,795	49,689	185,484	-
Capital assets purchased	(22,565,619)	22,565,619	-	-
Advances of long term debt	20,104,677	(20,104,677)	-	-
Funding received from related parties	2,230,265	(2,230,265)	-	-
Deferred revenue for capital assets	229,868	(229,868)	-	-
Net assets, end of year	134,986	50,498	185,484	-

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, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	185,484	-
Amortization	504,732	-
Amortization of revenue deferred for capital assets	(38,748)	-
	651,468	-
Changes in working capital accounts		
Accounts receivable	(575,494)	(38,374)
Prepaid expenses and deposits	(5,847)	-
Construction in progress	19,740,437	(19,669,570)
Trust account	(1,768)	-
Accounts payable and accruals	602,886	-
Holdback payable	20,771	-
Short term debt	(1,784,062)	1,784,062
Resident deposits	2,089	-
	18,650,480	(17,923,882)
Financing activities		
Advances from related party	-	2,230,265
Advances of current portion of long-term debt	3,176,146	16,928,531
Repayment of current portion of long-term debt	(499,400)	-
	2,676,746	19,158,796
Investing activities		
Purchase of capital assets	(22,565,619)	-
Deferred revenue for capital assets	159,001	-
Increase (decrease) in cash resources	(1,079,392)	1,234,914
Cash resources, beginning of year	1,234,914	-
Cash resources, end of year	155,522	1,234,914
Supplementary cash flow information		
Cash paid for interest	917,317	-

The accompanying notes are an integral part of these financial statements

1. Incorporation and commencement of operations

Southeast Personal Care Home Inc. "the Organization" was incorporated under the *Manitoba Corporations Act* in 2009. The Organization is principally involved in providing long-term care and related services to Aboriginal people.

The Organization has been established as a not-for-profit organization, incorporated without share capital and as such is exempt from income taxes. In order to maintain its status as a registered not-for-profit organization under the Income Tax Act, the Organization must meet certain requirements within the Act. In the opinion of management, the requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Two funds are maintained: Unrestricted Fund and Invested in Capital Asset Fund.

The Unrestricted Fund is used for the Organization's program delivery and administrative activities. This fund reports unrestricted resources.

The Invested in Capital Asset Fund reports on the assets, liabilities, revenues and expenditures related to the Organization's capital assets.

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include government grants.

The Organization is funded primarily by the Province of Manitoba, through the Winnipeg Regional Health Authority (WRHA). Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of an accounting period are accrued. Where a portion of grant relates to a future period, it is deferred and recognized in the subsequent period. The financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2012.

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

Residential charges and parking fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

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

In the year of acquisition, amortization is taken at 50% of the rate.

	Rate
Buildings	4 %
Computer equipment	55 %
Equipment	20 %

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

Financial instruments

Held for trading:

The Organization has classified cash and trust account as held for trading.

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Organization has designated cash and trust account on initial recognition as held for trading.

These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of operations.

Loans and receivables:

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

Other financial liabilities:

The Organization has classified accounts payable and accruals, holdback payable, resident deposits, long term debt and advances from related party as other financial liabilities. These liabilities are initially recognized at their fair value. All other related party transactions are initially measured at their exchange amount. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

Long-lived assets

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

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

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

Measurement uncertainty

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

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

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS).

The Organization is currently in the process of determining whether it meets the definition of a private sector not-for-profit organization, an other government organization or a government not-for-profit organization. If the Organization meets the definition of a government organization it will need to adopt Canadian public sector accounting standards, exclusive of sections PS 4200 - PS 4270, which are public sector accounting standards. If the Organization meets the definition of a government not-for-profit organization it will have to adopt Canadian public sector accounting standards but will have the option of adopting PS 4200 - PS 4270 specific to government not-for-profit organizations.

The Organization has not yet determined whether it will meet the definition of a government or private organization, which accounting standard framework will be adopted, or the impact of the adoption on its financial statements.

3. Accounts receivable

	2012	*2011*
Aboriginal Affairs and Northern Development Canada	287,738	-
GST receivable	23,848	38,374
Manitoba Finance - health and education levy receivable	26,455	-
Residential charges receivable	118,219	-
Winnipeg Regional Health Authority - out of globe	58,791	-
Winnipeg Regional Health Authority - other operating accruals	98,817	-
	613,868	38,374

4. Capital assets

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	2,181,716	-	2,181,716	-
Buildings	19,438,612	388,772	19,049,840	-
Computer equipment	122,461	33,677	88,784	-
Equipment	822,830	82,283	740,547	-
	22,565,619	504,732	22,060,887	-

5. Accounts payable and accruals

	2012	2011
Trade payables	82,096	-
Government Sales Tax payable	112	-
Provincial Sales Tax payable	13	-
Surplus repayable to Winnipeg Regional Health Authority	135,800	-
Accrued interest	2,313	-
Salary and benefits	237,462	-
Accrued liabilities	145,090	-
	602,886	-

6. Advances from related party

Advances from related party are from Southeast Resource Development Corp. for a contribution of land and cash as a requirement of the capital structure from Manitoba Health. The advances have been recorded at fair value as determined by an arm's length third party. The advances are unsecured, non-interest bearing and there are no terms of repayment.

7. **Long-term debt**

	2012	2011
Demand operating loan from TD Bank, payable in monthly instalments of $7,440 plus interest at 3%, due in 2052, secured by a Letter of Comfort from Manitoba Health	3,030,277	-
Mortgage payable, in monthly instalments of $35,417 plus interest at 5%, due in February 2051, secured by a promissory note	16,575,000	16,928,531
	19,605,277	16,928,531
Less: Current portion of long-term debt	514,280	425,000
	19,090,997	16,503,531

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

2013	514,280
2014	514,280
2015	514,280
2016	514,280
2017	514,280
	2,571,400

Funding for principle and interest payments for the Demand operating loan and the Mortgage payable is provided by Manitoba Health for the term of the loans.

8. **Deferred contributions related to capital assets**

	2012	2011
Balance, beginning of year	70,867	70,867
Received during the year	159,001	-
Recognized as revenue during the year	(38,748)	-
Balance, end of year	191,120	70,867

9. Invested in capital assets

	2012	2011
Invested in capital assets is calculated as follows:		
Net book value of capital assets	22,060,887	-
Amounts financed by long term debt	(19,605,277)	-
Amounts financed by related party	(2,230,265)	-
Deferred contributions related to capital assets	(191,120)	-
Mortgage funding	1,432,990	-
Interest on long-term debt	(917,317)	-
Long term debt repayments	(499,400)	-
	50,498	-
Changes in net assets invested in capital assets is calculated as follows:		
Purchase of capital assets	22,565,619	-
Amounts funded by long term debt	(20,104,677)	-
Amounts funded by related party	(2,230,265)	-
Deferred funding for capital assets	(229,868)	-
Revenue recognized for amortization	38,748	-
Mortgage funding received	1,432,990	-
Interest on long-term debt	(917,317)	-
Amortization of capital assets	(504,732)	-
	50,498	-

10. Winnipeg Regional Health Authority

	2012	2011
Operating revenue	3,000,000	-
Other year-end operating accruals	115,253	-
Surplus recovery	(135,800)	-
	2,979,453	-

11. Winnipeg Regional Health Authority mortgage funding

	2012	2011
Mortgage funding	1,444,352	-
Less: repayable portion to Manitoba Health	(11,362)	-
	1,432,990	-

12. Pension plan

The Organization maintains a defined benefit pension plan for its employees. All contributions are fully funded on a monthly basis and are included in salaries and benefits expenses. Funds are held "in trust" at HEB Manitoba. The plan is in compliance and is in good standing with the provisions of the Pension Benefit Standards Act and the Income Tax Act of Canada. Total contributions made to the plan for the year were $116,302.

13. Capital management

The Organization defines its capital as the amounts included in Net Asset balances.

The Organization'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 services to its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may reduce expenses.

14. 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 or credit risks arising from these financial instruments except as otherwise disclosed.

15. Economic dependence

The Organization's primary source of revenue is from the Winnipeg Regional Health Authority. The grant funding can be canceled if the Organization does not observe certain established guidelines. The Organization's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the funding guidelines. As at the date of these financial statements the Organization believes that it is in compliance with the guidelines.

16. Subsequent event

Subsequent to year end the Organization entered into Collective Agreements with the Manitoba Nurses Union and the Manitoba Government and General Employees' Union.

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BDO Canada LLP/s.r.l.
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Independent Auditor's Report

To the Board of Directors of THE CONVALESCENT HOME OF WINNIPEG

We have audited the accompanying financial statements of THE CONVALESCENT HOME OF WINNIPEG, which comprise the statement of financial position as at March 31, 2012, and the statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of THE CONVALESCENT HOME OF WINNIPEG as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

Our examination did not include a review of the the 2012 budget figures and, consequently, we do not express an opinion on these figures.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
July 19, 2012

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31	2012	2011
Assets		
Current Assets		
Accounts receivable (Note 2)	$ 408,844	$ 263,709
Prepaid expenses	13,015	10,069
Vacation entitlement receivable (Note 3)	171,526	171,526
Short-term investments (Note 5)	134,455	246,103
	727,840	691,407
Retirement obligations receivable (Note 12)	331,569	351,377
Restricted cash and investments (Note 4)	128,282	124,858
Capital assets (Note 6)	1,659,495	1,658,445
	$ 2,847,186	$ 2,826,087
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 7)	$ 327,729	$ 227,847
Accounts payable and accrued charges (Note 8)	561,397	454,883
Residents' Trust Fund	22,201	19,156
Accrued vacation entitlements (Note 3)	248,850	237,813
Total current liabilities before callable debt	1,160,177	939,699
Callable debt (Note 9)	58,448	93,848
Total current liabilities	1,218,625	1,033,547
Accrued retirement obligations (Note 12)	260,886	280,694
Contingencies and commitments (Note 13)		
Deferred Contributions (Note 10)		
Capital assets	1,034,174	1,067,611
Expenses of future periods	128,402	123,839
	1,162,576	1,191,450
Net assets	205,099	320,396
	$ 2,847,186	$ 2,826,087

Approved on behalf of the Board:

____________________________ Director

____________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Changes in Net Assets

For the year ended March 31			**2012**	2011
	Invested in Capital Assets	**Unrestricted**	**Total**	Total
Balance, beginning of year	**$ 496,986**	**$ (176,590)**	**$ 320,396**	$ 266,368
Excess (deficiency) of revenue over expenses for the year	**(46,383)**	**(68,914)**	**(115,297)**	54,028
Transfer to (from) unrestricted (Note 11)	**116,270**	**(116,270)**	**-**	-
Balance, end of year	**$ 566,873**	**$ (361,774)**	**$ 205,099**	$ 320,396

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

For the year ended March 31				2012	2011
	Budget	Operations	Capital	Total	Total
Revenue					
Winnipeg Regional Health Authority	$ 3,622,665	$ 3,581,935	$ -	$ 3,581,935	$ 3,622,665
Residential charges	1,590,216	1,594,127	-	1,594,127	1,535,546
Offset income	45,288	22,996	-	22,996	34,671
Unrealized gain on investments	34,512	(9,247)	-	(9,247)	12,395
Realized gain on investments	-	-	-	-	21,230
Amortization of deferred contributions related to capital assets	82,500	-	48,430	48,430	67,653
	5,375,181	5,189,811	48,430	5,238,241	5,294,160
Expenses					
Operating (per schedule)	5,291,986	5,236,627	-	5,236,627	5,130,012
Interest	22,800	22,098	-	22,098	22,890
Amortization of capital assets	88,200	-	94,813	94,813	87,230
	5,402,986	5,258,725	94,813	5,353,538	5,240,132
Excess (deficiency) of revenue over expenses before other items	(27,805)	(68,914)	(46,383)	(115,297)	54,028
Other Items					
Retirement obligation					
WRHA funding accrued (received)	-	(19,808)	-	(19,808)	19,459
Decrease (increase) in liability for the year	-	19,808	-	19,808	(19,459)
Excess (deficiency) of revenue over expenses for the year	$ (27,805)	$ (68,914)	$ (46,383)	$ (115,297)	$ 54,028

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31		2012		2011
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenses for the year	$	**(115,297)**	$	54,028
Adjustments for				
Amortization of capital assets		**94,813**		87,230
Change in retirement obligations receivable		**19,808**		(19,549)
Change in accrued retirement obligations		**(19,808)**		19,549
Net increase (decrease) in deferred contributions - capital assets		**(33,437)**		43,242
Net increase in deferred contributions - expenses of future periods		**4,563**		9,548
Changes in fair value of investments		**15,658**		(12,395)
		(33,700)		181,653
Changes in non-cash working capital (Note 14)		**(30,909)**		(20,326)
		(64,609)		161,327
Cash Flows from Financing Activities				
Advances of callable debt		**-**		97,986
Repayment of callable debt		**(35,400)**		(65,423)
Deferred contributions received		**-**		(72,106)
		(35,400)		(39,543)
Cash Flows from Investing Activities				
Purchase of capital assets		**(95,863)**		(118,355)
Net disposal of investments		**95,990**		20,381
		127		(97,974)
Net increase (decrease) in cash and cash equivalents		**(99,882)**		23,810
Bank indebtedness, beginning of year		**(227,847)**		(251,657)
Bank indebtedness, end of year	$	**(327,729)**	$	(227,847)
Supplementary Cash Flow Information				
Interest paid on a cash basis	$	**22,098**	$	22,890

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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 Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2012.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts as follows:

(a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement dated April 30, 2002.

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

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

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

Revenue Recognition (continued)

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

Major Repairs and Equipment Replacement Reserve

The Home has established a reserve to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Capital Assets

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

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

Building	2%
Computer equipment	33%
Computer software	33%
Furniture - sun room	20%
Furniture and equipment	20%

Employee Future Benefits

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

Contributed Services

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

For the year ended March 31, 2012

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest rate, foreign currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values (Note 16).

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Short-term investments	Held for trading	Fair value
Retirement obligations receivable	Loans and receivables	Amortized cost
Restricted cash and investments	Held for trading	Fair value
Bank indebtedness	Held for trading	Fair value
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Residents' trust fund	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Accrued retirement obligations	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

For the year ended March 31, 2012

Restricted Cash and Investments

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

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or

2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

For the year ended March 31, 2012

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.

These financial statements present the financial position and results of operations of The Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - The Benefit Fund ("The Benefit Fund"). The Benefit Fund is the recipient of gifts, devices or bequests of money and shall be administered for the benefit of all residents with respect to financing purchases outside the normal scope of the regular operation of The Convalescent Home of Winnipeg as may be authorized by the Board of Directors. The Board of Directors of The Convalescent Home of Winnipeg administers the Benefit Fund under a "Declaration of Trust" for all present and future Residents of The Home and to further the objects of The Home.

2. Accounts Receivable

	2012	2011
Winnipeg Regional Health Authority		
Pre-retirement leave	$ 124,266	$ 55,941
Funding Adjustment	21,586	-
HEPP 1%	27,139	-
Other	-	53,422
MNU and MNU related salary increases	-	25,258
Premises Security	56,360	-
2008/2009 wage accruals	42,177	69,294
2011/2012 wage accruals	65,792	-
	337,320	203,915
Net receivable from WRHA	337,320	203,915
Receivable from Residents	54,025	26,462
Other	3,650	3,650
Accrued interest	960	936
GST receivable	9,876	10,464
Benefit Fund receivable	15	17,992
Other receivables	2,998	290
	$ 408,844	$ 263,709

For the year ended March 31, 2012

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:

	2012	2011
Balance, beginning of year	$ 171,526	$ 171,526
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 171,526	$ 171,526

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

	2012	2011
Balance, beginning of year	$ 237,813	$ 237,600
Net increase in accrued vacation entitlements	11,037	213
Balance, end of year	$ 248,850	$ 237,813

4. Restricted Cash and Investments

	2012	2011
CIBC Savings Account	$ 19,624	$ -
Guaranteed Investment Savings		
Reserve for equipment replacement	43,027	53,868
Reserve for major repair	65,631	70,990
	$ 128,282	$ 124,858

The reserve for equipment replacement and reserve for major repair is made up of GIC's with interest payable between 0.80% and 1.00%.

5. Short-term Investments

	2012	2011
Mutual funds	$ 134,455	$ 246,103

Fair value is determined by the market value at the last trade date before year-end. The entity invests only in GIC's or mutual funds in order to minimize risk.

6. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	2,287,336	958,044	2,287,336	912,296
Computer equipment	171,732	157,645	168,545	148,674
Computer software	55,313	55,313	55,313	55,313
Furniture - sun room	133,481	82,071	83,741	62,911
Furniture and equipment	968,618	720,181	925,681	699,246
	$ 3,632,749	$ 1,973,254	$ 3,536,885	$ 1,878,440
Cost less accumulated amortization		$ 1,659,495		$ 1,658,445

7. Bank Indebtedness

	2012	2011
Credit facility agreement	$ 327,729	$ 227,847

The credit facility agreement is with the CIBC up to a maximum of $350,000, bears interest at the bank prime rate plus 0.50%.

8. Accounts Payable and Accrued Charges

	2012	2011
Winnipeg Regional Health Authority		
Loan funding variance	$ -	$ 35,405
Other	102,041	-
Advances	100,000	-
	202,041	35,405
Residential charges payable	132,996	268,021
Net payables to WRHA	335,037	303,426
Accounts payable - trade	139,425	62,917
Accrued property taxes	3,809	3,750
Accrued audit fees	10,500	13,200
Accrued salaries and other	72,626	71,590
	$ 561,397	$ 454,883

9. Callable Debt

	2012	2011
Loan payable to CIBC - Fire and safety loan, payable in semi-monthly instalments of $1,475 plus interest at bank prime plus 0.50%, callable on demand.	$ 58,448	$ 93,848

The CIBC loan payable is secured by a general security agreement consisting of all personal property of The Home now owned, and all personal property acquired in the future. The loan payable is also secured by a Inter-alia collateral mortgage security for $939,888 giving CIBC a third fixed charge over the property at 276 Hugo Street North, Winnipeg, Manitoba and a second fixed charge over the property at 663 Warsaw Avenue, Winnipeg, Manitoba.

10. Deferred Contributions

Capital Assets

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

	2012	2011
Balance, beginning of year	$ 1,067,611	$ 1,024,369
Contributions received		
WRHA	60,072	32,775
Insurance proceeds	-	12,837
Transfer from unspent equipment reserve	14,985	-
Transfer from unspent repairs reserve	-	10,000
Contributions spent on capital debt	(17,775)	(16,823)
Less amounts amortized to revenue	(48,430)	(67,653)
Funding for principal repayments on callable debt	-	97,986
Emergency generator loan principal reductions	(42,289)	(25,880)
Balance, end of year	$ 1,034,174	$ 1,067,611

Expenses of Future Periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

	2012	2011
Reserve for basic equipment		
Balance, beginning of year	$ 53,618	$ 38,918
Additions	14,700	14,700
Purchase of capital assets	(14,985)	-
Balance, end of year	53,333	53,618
Reserve for major repairs		
Balance, beginning of year	70,145	76,305
Additions	3,840	3,840
Purchase of capital assets	-	(10,000)
Balance, end of year	73,985	70,145

For the year ended March 31, 2012

10. Deferred Contributions (continued)

Reserve for insurance deductible		
Balance, beginning of year	**76**	(932)
Additions	**1,008**	1,008
Balance, end of year	**1,084**	76
Total expenses of future periods	**$ 128,402**	$ 123,839

11. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**$ 1,659,495**	$ 1,658,445
Amounts financed by		
Deferred contributions	**(1,034,174)**	(1,067,611)
Fire and safety loan payable	**(58,448)**	(93,848)
	$ 566,873	$ 496,986

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

	2012	2011
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 48,430**	67,653
Amortization of capital assets	**(94,813)**	$ (87,230)
	$ (46,383)	$ (19,577)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 95,865**	$ 118,355
Repayment of capital debt	**17,775**	16,823
Repayment of loan	**77,687**	65,423
Amounts funded by		
WRHA capital asset funding	**(60,072)**	(32,775)
Transfer from basic equipment reserve	**(14,985)**	-
Transfer from repairs reserve	**-**	(10,000)
Insurance proceeds	**-**	(12,837)
Emergency generator loan	**-**	(97,986)
	$ 116,270	$ 47,003

11. Investment in Capital Assets (continued)

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

		2012		2011
CIBC - emergency generator loan, payable in monthly instalments of $3,524 plus interest at bank prime plus 0.50%, callable on demand.	$	354,724	$	397,013
Canada Mortgage and Housing Corporation - 5 7/8%, maturing July 1, 2017, 50 year mortgage, payable in monthly instalments of $839 including principal and interest.		92,374		110,149
	$	447,098	$	507,162

12. Employee Future Benefits

Accrued Retirement Entitlement

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

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

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

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

iii) retires at or after age 65

iv) terminates employment at any time due to permanent disability

12. Employee Future Benefits (continued)

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2012. The significant actuarial assumptions adopted in measuring The Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.10% (4.7% in 2011) and a rate of salary increase of 3.0% (3.5% in 2011) 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.

	2012	2011
Employee future benefits recoverable from		
Manitoba Health	$ **235,519**	$ 235,519
Winnipeg Regional Health Authority	**96,050**	115,858
	$ **331,569**	$ 351,377

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

	2012	2011
Balance, beginning of year	$ **280,694**	$ 261,235
Net increase (decrease) in pre-retirement entitlements	**(19,808)**	19,459
Balance, end of year	$ **260,886**	$ 280,694

12. Employee Future Benefits (continued)

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 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, 2010 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 $218,096 ($211,784 in 2011) and are included in the statement of operations.

13. Contingencies and Commitments

(a) The nature of The Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2012, 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, 2012.

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

14. Changes in non-cash Working Capital

	2012	2011
Accounts receivable	$ **(145,135)**	$ 163,374
Restricted cash and investments	**(3,424)**	(9,224)
Prepaid expenses	**(2,946)**	(944)
Accrued vacation entitlements	**11,037**	213
Accounts payable and accrued charges	**106,514**	(176,786)
Residents' Trust Fund	**3,045**	3,041
	$ **(30,909)**	$ (20,326)

15. Capital Management

The Home considers its capital to comprise 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.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

16. Financial Instrument Risk Management

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

Credit Risk

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

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

	2012	2011
Accounts receivable	$ 408,844	$ 263,709
Vacation entitlements receivable	171,526	171,526
Retirement obligations receivable	331,569	351,377
	$ 911,939	$ 786,612

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

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

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.

16. Financial Instrument Risk Management (continued)

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.

Fair Value

The carrying values of accounts receivable, vacation entitlement receivable, short-term investments, retirement obligations receivable, restricted cash and investments, bank indebtedness, accounts payable and accrued charges, Residents' trust fund, accrued vacation entitlements and accrued retirement obligations 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. Comparative Figures

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

THE CONVALESCENT HOME OF WINNIPEG
Schedule of Operating Expenditures

For the year ended March 31		2012	2011
	Budget	**Actual**	Actual
Special Services			
Activity	$ 6,969	$ 8,049	$ 6,430
Medical administration	12,960	12,640	12,960
Dietary			
Dietary supplies	-	398	21,989
Food costs	4,200	7,054	92,377
Management fees			6,719
Purchased services	596,324	589,236	355,021
Drug, medical and surgical supplies	41,880	48,695	41,775
Advertising	720	1,036	725
Bank charges and exchange	4,875	7,432	4,819
Bad debts	-	-	8,489
I.T. system expenses	10,764	23,726	10,757
Employee Benefits			
Canada pension plan	137,427	136,224	131,886
Dental plan	18,331	19,093	18,237
Employment insurance	59,705	72,464	66,034
HEPP - Manitoba	227,404	218,096	211,784
LTD Contributions	63,910	57,599	63,955
Manitoba health and education tax	69,717	65,394	71,039
Other benefits	27,144	34,409	23,193
Pre-retirement leave	-	16,196	-
Purchased benefits	536,569	470,046	550,430
Workers' Compensation	70,198	86,172	68,975
Incontinent supplies	34,800	47,623	34,755
Memberships	2,094	673	2,093
Miscellaneous, security and other administration	30,196	90,744	30,367
Printing, stationery and office supplies	8,890	7,719	10,679
Professional Fees			
Audit and accounting	14,400	7,976	13,475
Labour relations	-	45	-
Legal	6,000	3,376	6,239
General	240	811	86
Service bureau fees	8,340	9,303	8,321
Telephone - long distance	720	49	878
(Carried forward)	$ 1,994,777	$ 2,042,278	$ 1,874,487

THE CONVALESCENT HOME OF WINNIPEG
Schedule of Operating Expenditures

For the year ended March 31	2012 Budget	2012 Actual	2011 Actual
(Brought forward)	$ 1,994,777	$ 2,042,278	$ 1,874,487
Travel			
Residents	34,199	32,490	34,100
Staff Administration	3,060	2,615	3,053
Housekeeping			
Management fees	-	-	(5,222)
Purchased services	231,900	229,200	139,027
Supplies	-	(198)	19,813
Laundry			
Laundry supplies	17,400	21,509	16,906
Linen supplies	4,000	-	3,115
Physical Premises			
Electricity	32,400	33,821	30,421
Insurance	5,280	5,175	5,223
Natural gas	30,000	30,983	27,475
Other	996	956	996
Rental/lease of equipment	24,411	26,441	24,162
Repairs and maintenance			
Buildings and grounds	23,778	25,724	15,267
Furniture and equipment	26,812	23,340	29,447
Service contracts	12,600	12,899	12,555
Taxes	15,000	15,176	10,976
Water	45,000	51,596	45,137
Salaries	2,784,373	2,679,004	2,838,624
Staff education	6,000	3,618	4,450
	$ 5,291,986	$ 5,236,627	$ 5,130,012

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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, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 The Salvation Army Golden West Centennial Lodge as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that The Salvation Army Golden West Centennial Lodge has a working capital deficiency and net asset deficiency, and is dependent on the continued support of the Winnipeg Regional Health Authority and The Salvation Army. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about The Salvation Army Golden West Centennial Lodge's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

June 19, 2012

Winnipeg, Canada

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

		2012		2011
Assets				
Current assets:				
Cash (note 4)	$	-	$	241,948
Accounts receivable		29,338		17,725
Receivable from Winnipeg Regional Health Authority		153,034		-
Receivable from The Salvation Army		-		120,000
Prepaid expenses		2,111		1,319
Inventory		15,235		18,179
Employee benefits recoverable from Winnipeg Regional Health Authority [note 8(b)]		271,682		271,682
		471,400		670,853
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 8(a)]		513,169		481,071
Capital assets (note 5)		2,902,471		2,953,719
Deferred grant receivable (note 6)		38,213		41,558
Trust assets - residents		17,634		16,329
	$	3,942,887	$	4,163,530
Liabilities, Deferred Contributions and Net Deficiency				
Current liabilities:				
Bank indebtedness (note 4)	$	2,845	$	-
Accounts payable and accrued liabilities [note 7(a)]		304,307		480,639
Accrued vacation payable		356,698		375,838
Advances from and amounts due to Winnipeg Regional Health Authority [note 7(b)]		-		161,250
Demand loans payable and current portion of long-term debt (note 10)		28,113		64,399
		691,963		1,082,126
Accrued pre-retirement benefits [note 8(a)]		552,638		520,540
Long-term debt (note 10)		272,031		300,144
Trust liability - residents		17,634		16,329
Deferred contributions (note 9)		2,709,341		2,703,041
Net deficiency:				
Invested in capital assets (note 11)		43,251		51,751
Internally restricted (note 12)		248,274		189,684
Unrestricted		(592,245)		(700,085)
		(300,720)		(458,650)
Continuity of operations (note 1)				
	$	3,942,887	$	4,163,530

See accompanying notes to financial statements.

On behalf of the ~~Board~~:

________________ Director ________________ Director

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE
Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	WRHA services	Adult day care	Other services	Total unrestricted	Internally restricted	Capital	2012 Total	2011 Total
Revenue:								
Winnipeg Regional Health Authority	$ 5,185,733	$ 182,047	$ –	$ 5,367,780	$ –	$ –	$ 5,367,780	$ 5,155,382
Participant fees	–	26,243	–	26,243	–	–	26,243	24,479
Residential charges	2,319,250	–	–	2,319,250	–	–	2,319,250	2,249,215
Contributed services (note 14)	–	–	–	–	–	–	–	10,800
Amortization of deferred contributions (note 9)	–	–	–	–	–	288,027	288,027	285,449
Dietary services	42,181	–	–	42,181	–	–	42,181	40,220
The Salvation Army Divisional Headquarters (note 14)	–	–	133,149	133,149	–	–	133,149	269,822
Donations	–	–	100	100	56,609	–	56,709	83,163
Fundraising	–	–	–	–	42,678	–	42,678	19,908
Other income	29,943	–	36,021	65,964	–	–	65,964	32,170
	7,577,107	208,290	169,270	7,954,667	99,287	288,027	8,341,981	8,170,608
Expenses:								
Administration (note 14)	104,064	–	70,000	174,064	–	–	174,064	178,476
Amortization (note 11)	–	–	–	–	–	296,527	296,527	293,949
Contributed services	–	–	94,216	94,216	–	–	94,216	72,850
Employee benefits	1,012,273	14,619	–	1,026,892	–	–	1,026,892	1,001,396
Interest on long-term debt (note 10)	21,304	–	–	21,304	–	–	21,304	27,458
Medical supplies	110,097	–	–	110,097	–	–	110,097	112,456
Operating expenses	495,826	107,812	–	603,638	–	–	603,638	543,643
Donations	–	–	–	–	27,409	–	27,409	28,467
Fundraising	–	–	–	–	13,288	–	13,288	22,227
Payroll tax	108,727	1,441	–	110,168	–	–	110,168	112,473
Physical plant	327,766	–	–	327,766	–	–	327,766	325,800
Pre-retirement leave costs [note 8(a)]	111,608	–	–	111,608	–	–	111,608	7,835
Salaries	5,199,344	67,730	–	5,267,074	–	–	5,267,074	5,394,881
	7,491,009	191,602	164,216	7,846,827	40,697	296,527	8,184,051	8,121,911
Excess (deficiency) of revenue over expenses	$ 86,098	$ 16,688	$ 5,054	$ 107,840	$ 58,590	$ (8,500)	$ 157,930	$ $48,697

See accompanying notes to financial statements.

2

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE
Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	Unrestricted	Internally restricted	Invested in capital assets	2012 Total	2011 Total
Balance, beginning of year	$ (700,085)	$ 189,684	$ 51,751	$ (458,650)	$ (507,347)
Excess (deficiency) of revenue over expenses	107,840	58,590	(8,500)	157,930	48,697
Balance, end of year	$ (592,245)	$ 248,274	$ 43,251	$ (300,720)	$ (458,650)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Operating activities:		
Excess of revenue over expenses	$ 157,930	$ 48,697
Items not affecting cash:		
Amortization of capital assets	296,527	293,949
Amortization of deferred contributions	(288,027)	(285,449)
	166,430	57,197
Changes in non-cash working capital balances:		
Accounts receivable	(11,613)	(7,160)
Receivable from The Salvation Army	–	(120,000)
Prepaid expenses	(792)	(70)
Inventory	2,944	6,008
Future employee pre-retirement benefits recoverable	(32,098)	(31,854)
Accrued pre-retirement benefits	32,098	31,854
Accrued vacation payable	(19,140)	4,918
Advances from and amounts due to Winnipeg Regional Health Authority	(314,284)	(79,194)
Accounts payable and accrued liabilities	(176,332)	23,711
	(352,787)	(114,590)
Financing activities:		
Grants received	3,345	3,127
Additional deferred contributions received	312,505	418,914
Repayments of long-term debt	(64,399)	(345,439)
	251,451	76,602
Investing activities:		
Capital asset purchases	(143,457)	(96,832)
Decrease in cash	(244,793)	(134,820)
Cash, beginning of year	241,948	376,768
Cash (bank indebtedness), end of year	$ (2,845)	$ 241,948
Supplementary cash flow information:		
Interest paid	$ 21,304	$ 27,463

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 Ministry Unit is a registered charitable organization, associated with The Salvation Army Territorial Headquarters ("THQ"), the primary charitable entity of the Territory. The Ministry Unit is a not-for-profit corporation established by the provincial statute and continued by *The Salvation Army Golden West Centennial Lodge Act* (the Act). The Lodge operates a long-term care facility and is governed by a board of management appointed by The Salvation Army in accordance with the Act. The Ministry Unit operates under the direction of The Salvation Army Prairie Divisional Headquarters ("DHQ"), which is located in Winnipeg, Manitoba and pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and licensed under the provisions of the Winnipeg Regional Health Authority ("WRHA").

The Salvation Army is an international Christian church. Its message is based on the Bible; its ministry is motivated by love for God and the needs of humanity. The mission of The Salvation Army is to share love of Jesus Christ, meet human needs and be a transforming influence in the communities of our world.

The Lodge is a not-for-profit organization under the *Income Tax Act* and accordingly is exempt from income taxes under Section 149.

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

1. **Continuity of operations:**

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Lodge will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the appropriateness of the use of the going concern assumption as at March 31, 2012. At March 31, 2012, the Lodge's current liabilities exceed its current assets by $220,563 (2011 - $411,273). The Lodge also has a net asset deficiency of $300,720 (2011 - $458,650) at March 31, 2012, mainly as a result of losses from operations in fiscal 2010 and fiscal years prior to fiscal 2008.

1. **Continuity of operations (continued):**

The ability of the Lodge to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the continued support of the Winnipeg Regional Health Authority and The Salvation Army and the Lodge achieving a break-even or surplus position in future years.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. **Significant accounting policies:**

The financial statements of the Lodge have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Revenue recognition:

The Lodge follows the deferral method of accounting for contributions which include government grants and donations, including donations received from THQ through the Capital Deposit Account.

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

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

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

2. Significant accounting policies (continued):

(b) 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 Lodge's ability to provide services, its carrying amount is written down to its residual value.

The Lodge capitalizes capital assets valued at $2,000 or more. Items of less than $2,000 in value generally are expensed in the year of acquisition.

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

Asset	Term
Buildings	50 years
Building expansion	30 years
Major equipment	10 years
Nurse call system	10 years
Roof expansion	10 years
Office furniture and equipment	5 - 10 years
Computer hardware and software	3 years

(c) Vacation pay:

The Lodge records the accrued vacation pay entitlement liability in the statement of financial position. Any change in the liability is recorded in the statement of operations.

(d) Contributed services:

Contributed services are recorded at their estimated fair value, except for volunteers. A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, volunteer services are not recognized in the financial statements.

2. Significant accounting policies (continued):

(e) 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 9).

(f) 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.

2. Significant accounting policies (continued):

(g) Internally restricted funds:

Internally restricted funds (note 12) represent the following:

(i) funds which have been received through donations and have been internally restricted by the Lodge's Board of Management; and

(ii) funds received from fundraising activities for specific programs within the Lodge. These funds can be utilized at the discretion of the Executive Director.

The Board of Management approves transfers of funds to internally restricted funds from the unrestricted net deficiency to cover the cost of accumulated expenditures that relate to the projects for which internal restrictions were established.

(h) Financial instruments:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

Cash and cash held for restricted purposes are designated as held-for-trading. Accounts receivable, employee benefits and future employee pre-retirement benefits recoverable from WRHA and deferred grant receivable are classified as loans and receivables. Accounts payable and accrued liabilities, advances from and amounts due to WRHA, accrued vacation payable, demand loans payable and long-term debt are classified as other liabilities. The Lodge has neither available-for-sale nor held-to-maturity instruments.

For held-for-trading financial assets, transaction costs are recorded in the statement of operations as incurred.

The Lodge has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the Lodge has elected not to adopt these standards in the financial statements.

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

(i) Allocation of fundraising/general administration expenses:

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

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. **Financial instruments:**

(a) Interest rate risk:

Interest rate risk is the risk to the Lodge's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Lodge does not use derivative instruments to reduce the risk.

(b) Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Lodge's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

(c) Fair value:

The fair value of accounts receivable, employee benefits recoverable from WRHA, accrued vacation payable, advances from and amounts due to WRHA, and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The fair value of the future employee benefits recoverable from WRHA is as described in note 8 (a).

The fair values of deferred grant receivable, demand loans payable, and long-term debt approximate their carrying values as their interest rates are comparable to market values.

4. Cash:

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

		2012		2011
Cash (bank indebtedness)	$	(34,691)	$	197,565
THQ general deposit account		18,046		5,053
THQ Capital Deposit Account (CDA)		9,479		39,330
DHQ property maintenance account		4,321		–
	$	(2,845)	$	241,948

Bank indebtedness represents cheques written in excess of cash on hand.

Funds held in the general deposit account are available for withdrawal on demand and may be used for the general operating needs of the Ministry Unit.

Funds held in the capital deposit account represent funds that are restricted for capital purposes (i.e. acquisition, repair, replacement of long-lived assets); however, these funds can be withdrawn for operating purposes with agreement of DHQ, provided the foreseeable capital needs of the Lodge have been met.

Funds held in property maintenance accounts represent funds that have been set aside by the Ministry Unit and are available for building repairs and maintenance, property and liability insurance and property taxes.

5. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	$ 55,159	$ –	$ 55,159	$ 55,159
Buildings	998,208	837,751	160,457	180,421
Building expansion	5,744,613	3,732,683	2,011,930	2,202,728
Major equipment	542,076	175,647	366,429	266,416
Nurse call system	165,264	22,041	143,223	148,733
Roof expansion	220,032	167,680	52,352	74,355
Office furniture and equipment	244,209	244,209	–	7,561
Computer hardware and software	45,162	34,063	11,099	18,346
Work-in-progress	101,822	–	101,822	–
	$ 8,116,545	$ 5,214,074	$ 2,902,471	$ 2,953,719

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.

6. Deferred grant receivable:

The Province of Manitoba has arranged for the Lodge to receive a grant of $86,350 to be amortized at 6 7/8 percent interest annually for 50 years (maturing 2020). The annual payment is $6,060 including principal and interest.

7. Current liabilities:

(a) Accounts payable and accrued liabilities consist of:

	2012	2011
Accounts payable	$ 128,287	$ 159,717
Accrued salaries and benefits	174,324	319,065
Accrued interest	1,696	1,857
	$ 304,307	$ 480,639

7. Current liabilities (continued):

(b) Advances from and amounts due to WRHA:

From time to time, the Lodge received advances from the WRHA for funding commitments. These advances are included in amounts due to the WRHA and are unsecured and non-interest bearing. In subsequent years, the advances owing the WRHA, are offset by the WRHA against funds paid for current funding commitments.

8. Employee benefits:

(a) Pre-retirement benefits:

The Lodge has undertaken an actuarial valuation as of March 31, 2012 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1 percent (2011 - 4.7 percent) and a rate of salary increase of 3.0 percent (2011 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 3.0 percent (2011 - 0 - 3.0 percent) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $111,608 (2011 - $7,835).

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 $513,169 at March 31, 2012 (2011 - $481,071) has no specified terms of repayment.

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

(b) Vacation pay:

Each year, the WRHA funds a portion of the vacation pay liability of the Lodge, which is limited to the amount established at March 31, 2004 of $271,682. This amount is included in employee benefits recoverable from WRHA on the statement of financial position.

9. 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 4).

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	Purchased capital assets	Future capital purchases and major repairs	2012 Total	2011 Total
Balance, beginning of year	$ 2,537,425	$ 165,616	$ 2,703,041	$ 2,569,577
Additional contributions received:				
Mortgage/loan payments (note 11)	64,392	–	64,392	345,439
Capital assets and major repairs	101,822	200,091	301,913	95,738
Other	–	–	–	3,905
	2,703,639	365,707	3,069,346	3,014,659
Transfers as a result of capital asset purchases	143,457	(143,457)	–	–
Major repairs	–	(71,978)	(71,978)	(26,169)
Amortization	(288,027)	–	(288,027)	(285,449)
Balance, end of year	$ 2,559,069	$ 150,272	$ 2,709,341	$ 2,703,041

Contributions received for capital assets and major repairs includes $59,699 (2010 - nil) received through the Salvation Army in 2012.

10. Long-term debt:

	2012	2011
Canada Mortgage and Housing Corporation, mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	$ 300,144	$ 326,420
Bank demand instalment loan, interest at prime less ½%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing April 2011	-	25,700
Bank demand instalment loan, interest at prime less ½%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	-	12,423
	300,144	364,543
Current portion	28,113	64,399
	$ 272,031	$ 300,144

Principal and interest payments are funded by the Province of Manitoba via the WRHA. Principal payments are recorded in deferred contributions (note 9).

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

2013	$ 28,113
2014	30,079
2015	32,183
2016	34,431
2017	36,841
	$ 161,647

During the year, interest expense relating to the debt funded amounted to $21,304 (2011 - $27,458).

11. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	$ 2,902,471	$ 2,953,719
Amounts financed by:		
Deferred contributions - purchased capital assets (note 9)	(2,559,076)	(2,537,425)
Long-term debt (note 10)	(300,144)	(364,543)
Balance, end of year	$ 43,251	$ 51,751

12. Internally restricted funds:

The internally restricted fund balance comprises the following:

	2012	2011
Donations	$ 207,876	$ 178,676
Programs	40,398	11,008
	$ 248,274	$ 189,684

13. Pension plan:

Substantially all of the employees of the Lodge are members of the Healthcare Employees Pension Plan (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

13. 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, 2010 reported the Plan had a solvency deficiency of $927,089,000. However, in November 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $358,494 (2011 - $325,695) and are included in employee benefits expense in the statement of operations.

Contributions rates increased on January 1, 2011 to 7.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 9.4 percent on earnings in excess of the YMPE.

14. Related party transactions:

During the year, the Lodge had the following transactions with The Salvation Army:

	2012	2011
Revenue:		
Grants from DHQ	$ 133,149	$ 132,437
Salvation Army funding for operations	–	120,000
Salvation Army funding for training	–	17,385
Salvation Army funding for signage	–	10,800
Deferred contributions:		
Salvation Army funding for equipment	59,699	–
Expense:		
Management support assessment paid to THQ	70,000	67,500

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. Management of capital:

The Ministry Unit defines its capital as the amounts included in its fund balances. The Ministry Unit's objectives in managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of services and benefits to its clients and its stakeholders, while carrying out the mandate of The Salvation Army.

Management continually monitors the impact of changes in economic conditions on its funding commitments.

16. Comparative figures:

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

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Independent Auditor's Report

To the Board of Directors of THE SHARON HOME, INC.

We have audited the accompanying financial statements of **THE SHARON HOME, INC.**, which comprise the statement of financial position as at March 31, 2012, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **THE SHARON HOME, INC.** as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 20, 2012

THE SHARON HOME, INC.
Statement of Financial Position

March 31		2012		2011
Assets				
Current Assets				
Cash	$	**40,032**	$	985,127
Accounts receivable (Note 3)		**584,050**		579,073
Due from Winnipeg Regional Health Authority (Note 4)		**1,957,532**		1,612,180
Prepaid expenses		**102,261**		109,070
Vacation entitlements receivable (Note 5)		**603,753**		603,753
		3,287,628		3,889,203
Loan receivable (Note 6)		**70,989**		70,989
Capital assets (Note 7)		**38,216,950**		39,509,086
Pre-retirement entitlements receivable (Note 8)		**1,364,321**		1,385,596
	$	**42,939,888**	$	44,854,874

Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 9)	$	**1,262,126**	$	1,562,126
Demand bank loans		**-**		9,943
Accounts payable (Note 10)		**913,229**		1,096,671
Accrued vacation entitlements (Note 5)		**731,473**		709,042
Current portion of mortgages payable (Note 11)		**1,102,500**		1,102,550
Current portion of notes payable (Note 12)		**921,670**		921,670
		4,930,998		5,402,002
Mortgage payable (Note 11)		**17,456,250**		18,558,700
Notes payable (Note 12)		**6,257,000**		7,178,670
Deferred contributions (Note 13)		**12,456,739**		11,497,297
Accrued pre-retirement obligations (Note 8)		**1,252,722**		1,273,997
		42,353,709		43,910,666
Contingencies (Note 14)				
Net Assets				
Invested in capital assets		**78,005**		256,227
Unrestricted		**508,174**		687,981
		586,179		944,208
	$	**42,939,888**	$	44,854,874

Approved on behalf of the Board:

____________________ Director

____________________ Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Changes in Net Assets

For the year ended March 31			2012	2011
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 256,227	$ 687,981	$ 944,208	$ 1,115,582
Deficiency of revenue over expenditures for the year	(178,222)	(179,807)	(358,029)	(171,374)
Balance, end of year	$ 78,005	$ 508,174	$ 586,179	$ 944,208

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Operations

For the year ended March 31	2012	2011
Revenue		
Winnipeg Regional Health Authority	$ 9,758,897	$ 9,236,753
Capital funding Winnipeg Regional Health Authority	58	583
Capital funding Manitoba Health	1,430,595	1,538,402
Future pre-retirement benefit revenue	(21,275)	87,837
Residential charges	3,890,572	3,950,833
Contributions from the Sharon Home Fund Inc.	55,418	50,595
Other income	50,107	45,804
Spiritual care	51,700	52,823
Adult Day Program (per schedule)	-	-
	15,216,072	14,963,630
Expenditures		
Administration	787,035	570,201
Employee benefits	2,117,666	1,967,877
Housekeeping	525,243	523,745
Information technology	30,919	54,790
Interest		
Short-term debt	58	583
Long-term debt	1,430,595	1,538,402
Interest and carrying charges on land for future improvement	55,418	50,595
Laundry and linen	357,990	337,360
Nutrition and food services	1,533,756	1,452,441
Plant maintenance	315,319	300,074
Plant operation	677,949	685,129
Resident care	7,156,495	7,048,448
Social work	55,906	69,871
Spiritual care	51,700	52,823
Staff development	21,671	24,228
Therapeutic recreation	274,451	270,000
Volunteer services	3,708	1,758
	15,395,879	14,948,325
Excess (deficiency) of revenue over expenditures before amortization	(179,807)	15,305
Amortization		
Deferred contributions (Note 13)	1,183,861	1,171,526
Capital assets	(1,362,083)	(1,358,205)
	(178,222)	(186,679)
Deficiency of revenue over expenditures for the year	$ (358,029)	$ (171,374)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (358,029)	$ (171,374)
Amortization of capital assets	1,362,083	1,358,205
Amortization of deferred contributions related to capital assets	(1,183,861)	(1,171,526)
	(179,807)	15,305
Changes in non-cash working capital		
Accounts receivable	(4,977)	(246,214)
Due from Winnipeg Regional Health Authority	(345,352)	(1,094,596)
Prepaid expenses	6,809	(11,360)
Accounts payable and accrued liabilities	(183,442)	28,543
Accrued vacation pay	22,431	32,821
Pre-retirement benefits recoverable	21,275	(87,837)
Accrued pre-retirement benefits	(21,275)	87,837
	(684,338)	(1,275,501)
Cash Flows from Financing Activities		
Change in bank indebtedness	(300,000)	(300,000)
Change in mortgages payable	(1,102,500)	(1,102,500)
Change in demand bank loans	(9,943)	(921,670)
Change in note payable	(921,670)	(39,360)
	(2,334,113)	(2,363,530)
Cash Flows from Investing Activities		
Purchase of capital assets	(69,947)	(191,485)
Deferred contributions received related to capital assets	2,143,303	2,343,341
	2,073,356	2,151,856
Net decrease in cash	(945,095)	(1,487,175)
Cash, beginning of year	985,127	2,472,302
Cash, end of year	$ 40,032	$ 985,127
Supplementary Information		
Interest paid	$ 1,430,653	$ 1,538,985

The accompanying summary of significant policies and notes are an integral part of these financial statements.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The Sharon Home, Inc. (the "Home") follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2012.

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

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over 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 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.

Received 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.

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004/2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. 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. Interest on the bank indebtedness (interim construction loan) to finance the construction project is capitalized to property under development.

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

Buildings	10 to 40 years
Equipment	3 to 10 years

Financial Instruments

The Home utilizes various financial instruments. 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 and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Pre-retirement entitlements receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Demand bank loans	Other financial liabilities	Amortized cost

For the year ended March 31, 2012

Financial Instruments (continued)

Accounts payable	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Due from WRHA	Loans and receivables	Amortized cost
Due to WRHA	Other financial liabilities	Amortized cost

Held-for-trading

Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

Loans and Receivables

Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other Financial Liabilities

Other financial liabilities are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncement

A recent accounting pronouncement that has been issued but is not yet effective, and has a potential implication for the Home, is as follows:

Financial Statements by Not-for-Profit Organizations

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or

2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes).

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

The Sharon Home, Inc. ("Home") was incorporated under the laws of Canada on March 23, 1914. The mission of the Home is 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 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.

2. Economic Dependence

The Home is economically dependent on funding from WRHA. If this funding were discontinued, it would affect the Home's ability to continue operations.

3. Accounts Receivable

	2012	2011
Receivable from residents	$ 27,457	$ 23,686
GST rebate receivable	6,238	5,568
The Sharon Home Fund Inc., related party	488,928	497,368
Other	61,427	52,451
	$ 584,050	$ 579,073

4. Due from (to) Winnipeg Regional Housing Authority

	2012	2011
2003/2004 funding adjustment	$ 6,479	$ 6,479
2004/2005 funding adjustment	(164,054)	(164,054)
2005/2006 funding adjustment	151,593	151,593
2006/2007 funding adjustment	(48,838)	(48,838)
2007/2008 funding adjustment	32,128	32,128
2008/2009 funding adjustment	89,039	101,283
2009/2010 funding adjustment	872,162	1,084,217
2010/2011 funding adjustment	108,619	449,372
2011/2012 funding adjustment	910,404	-
	$ 1,957,532	$ 1,612,180

4. Due from (to) Winnipeg Regional Housing Authority (continued)

The Home is subject to periodic review by WRHA. Operating surpluses or deficiencies may be repayable or recoverable as determined by WRHA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews. The reviews of the 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010 and 2010/2011 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

Included in the 2009/2010 funding adjustment from WRHA is $1,006,252 ($1,207,501 in 2011) relating to the portion of the outstanding debenture to the Province of Manitoba that remains for the Kanee Centre.

5. 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:

	2012	2011
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:

	2012	2011
Balance, beginning of year	$ **709,042**	$ 676,221
Net increase in accrued vacation entitlements	**22,431**	32,821
Balance, end of year	$ **731,473**	$ 709,042

6. Loan Receivable

The loan is non-interest bearing with no fixed terms of repayment and is collateralized by life insurance policies on a former employee.

7. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 786,418**	**$ -**	$ 786,418	$ -
Buildings	**40,253,242**	**5,479,834**	40,188,895	4,466,841
Equipment	**3,454,515**	**2,112,549**	3,455,534	1,770,078
Land held for future development	**1,315,158**	**-**	1,315,158	-
	$ 45,809,333	**$ 7,592,383**	$ 45,746,005	$ 6,236,919
Cost less accumulated amortization		**$ 38,216,950**		$ 39,509,086

8. 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

8. **Employee Future Benefits** (continued)

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2012. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1% (4.7% in 2011) and a rate of salary increase of 3.0% (3.5% in 2011) plus age related merit/promotion scale with no provision for disability.

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

Commencing in 2006/2007, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2012	2011
Employee future benefits recoverable from		
Manitoba Health	$ **967,427**	$ 967,427
Winnipeg Regional Health Authority	**396,894**	418,169
	$ **1,364,321**	$ 1,385,596

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2012	2011
Balance, beginning of the year	$ **1,273,997**	$ 1,186,160
Net increase in pre-retirement entitlements	**(21,275)**	87,837
Balance, end of year	$ **1,252,722**	$ 1,273,997

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.

8. Employee Future Benefits (continued)

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

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at March 31, 2010 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 $619,365 ($571,947 in 2011) and are included in the statement of operations.

9. Bank Indebtedness

	2012	2011
Credit facility agreement	$ 1,000,000	$ 1,000,000
Sponsor contribution loan	262,126	562,126
	$ 1,262,126	$ 1,562,126

The credit facility agreement is with the TD Bank up to a maximum of $1,000,000, bears interest at the bank prime rate (3% as of March 31, 2012). The credit facility is collateralized by a hypothecation of title covering the 11.27 acres of land held for future development. The interest on this loan is being funded by The Sharon Home Fund Inc.

The sponsor contribution loan bears interest at prime plus 1% (4% as of March 31, 2012) payable upon receipt of contributions from the capital campaign.

10. Accounts Payable

		2012		2011
Trade accounts payable	$	**337,744**	$	387,731
Accrued liabilities		**75,302**		76,753
Salaries and employee benefits payable		**500,183**		632,187
	$	**913,229**	$	1,096,671

11. Mortgage Payable

	2012	2011
Mortgage payable - Province of Manitoba - with interest at 5.20%, requiring monthly principal payments of $91,875, secured by the related property at the Simkin Centre, maturing in January 2029.	**$ 18,558,750**	$ 19,661,250
Current portion of mortgage payable	**1,102,500**	1,102,550
	$ 17,456,250	$ 18,558,700

Minimum principal repayments required under the terms of the mortgage payable over the next five years and for subsequent years thereafter are as follows:

2013	$ 1,102,500
2014	1,102,500
2015	1,102,500
2016	1,102,500
2017	1,102,500
Subsequent years	13,046,250
	$ 18,558,750

12. Notes Payable

	2012	2011
Province of Manitoba - with interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	**$ 3,593,750**	$ 4,312,500
Province of Manitoba - with interest at 5.05%, requiring monthly principal payments of $16,910 plus interest, maturing November 30, 2029.	**3,584,920**	3,787,840
	7,178,670	8,100,340
Current portion of notes payable	**921,670**	921,670
	$ 6,257,000	$ 7,178,670

The notes payable are secured by the related property at the Simkin Centre.

Minimum principal repayments required under the terms of the note payable over the next five years and for subsequent years thereafter are as follows:

2013	$ 921,670
2014	921,670
2015	921,670
2016	921,670
2017	921,670
Subsequent years	2,570,320
	$ 7,178,670

13. Deferred Contributions

Deferred contributions represent the unamortized and unspent amount of grants and funding received for the purchase of capital assets, equipment and major repairs. Changes in the deferred contribution balance reported are as follows:

	2012	2011
Balance, beginning of year	$ 11,497,297	$ 10,325,482
Contributions	2,143,303	2,343,341
Less amounts amortized to revenue	(1,183,861)	(1,171,526)
Balance, end of year	$ 12,456,739	$ 11,497,297

The balances as at March 31, 2012 and 2011 consist of the following:

	2012	2011
Deferred contributions relating to capital assets	$ 12,159,418	$ 11,233,424
Unspent funding for equipment	270,274	235,274
Unspent funding for major repairs	27,047	28,599
Balance, end of year	$ 12,456,739	$ 11,497,297

14. Contingencies

The nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to possible claims at March 31, 2012, 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, 2012.

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

For the year ended March 31, 2012

15. Related Entity

The Sharon Home, Inc. controls The Sharon Home Fund Inc. (the "Fund") by virtue of the fact that the majority of the board members are common to each board. The Fund is incorporated under the Corporations Act and is a registered charity under the Canada Income Tax Act.

The Fund was established to support and foster the operations of the The Sharon Home, Inc. The Fund supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets and results of the operations are not included in the financial statements of the Home. Separate financial statements of the Fund are available upon request. Financial summaries of the Fund as at March 31, 2012 and 2011 and for the years then ended are as follows:

	2012	2011
Financial Position		
Total assets	$ 1,959,625	$ 2,023,282
Total liabilities	$ 490,699	$ 497,369
Total fund balances	1,468,926	1,525,913
Balance, end of year	$ 1,959,625	$ 2,023,282

	2012	2011
Results of Operations		
Total revenue	$ 458,262	$ 536,288
Total expenses	(145,314)	(123,723)
Excess of revenue over expenses before the following:	312,948	412,565
Contributions to The Sharon Home, Inc.	(369,935)	(471,678)
Deficiency of revenue over expenses	$ (56,987)	$ (59,113)

	2012	2011
Cash Flows		
Cash provided by operating activities	$ (10,537)	$ 125,254
Cash used in investing activities	(14,177)	(11,261)
Increase (decrease) in cash	$ (24,714)	$ 113,993

15. Related Entity (continued)

During the fiscal year 2012, the Home charged the Fund on a cost recovery basis $145,066 ($123,723 in 2011) for administrative and special program expenditures. During the fiscal year 2012, the Fund contributed $55,418 ($50,595 in 2011) to the Home to fund the interest and carrying charges on the land held for future developments. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2012, included in accounts receivable is an amount of $488,928 ($497,368 in 2011) receivable from the Fund, of which $13,767 ($125,271 in 2011) is funding receivable from the Fund representing contributions received by the Fund under the Simkin Centre Phase II capital campaign. The contributions are recorded as deferred contributions (Note 13).

16. Resident Trust Funds

Included in the cash and accounts payable are funds held in trust for the Home's residents totalling $36,413 ($19,625 in 2011).

17. Restricted Cash

Cash in the amount of $297,321 ($263,873 in 2011) is restricted for capital asset purchases.

18. Capital Management

The Home considers its capital to comprise its Net Assets balance. There have been no changes to what the Home considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

19. Financial Risk Management

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

Credit Risk

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

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

	2012	2011
Accounts receivable	$ **584,050**	$ 579,073
Due from Winnipeg Regional Health Authority	**1,957,532**	1,612,180
Vacation entitlements receivable	**603,753**	603,753
Retirement obligations receivable	**1,364,321**	1,385,596
	$ **4,509,656**	$ 4,180,602

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 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.

21. Financial Risk Management (continued)

Market Risk (continued)

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.

Fair Value

The carrying values of cash (bank indebtedness), accounts receivable, amounts due from WRHA, vacation entitlements receivable and retirement obligations 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.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31		2012		2011
Revenue				
Province of Manitoba	$	**85,872**	$	83,016
Participants' fees		**12,283**		11,460
		98,155		94,476
Expenses				
Salaries - general		**38,102**		44,067
Other		**64,658**		64,965
		102,760		109,032
Deficiency of revenue over expenses		**(4,605)**		(14,556)
Deficiency receivable from WRHA		**4,605**		14,556
Ending balance	$	**-**	$	-

To the Board of Directors of West Park Manor Personal Care Home Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management 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, an independent firm of Chartered Accountants, is appointed by the members 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.

August 31, 2012

Executive Director

Independent Auditors' Report

To the Board of Directors of West Park Manor Personal Care Home Inc.:

We have audited the accompanying financial statements of West Park Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Park Manor Personal Care Home Inc. as at March 31, 2012 in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

August 31, 2012

MNP LLP
Chartered Accountants

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

MNP

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2012

	2012	2011
Assets		
Current		
Cash *(Note 3)*	7,695	191,173
Short term investments *(Note 4)*	1,908,762	2,143,526
Accounts receivable *(Note 5)*	35,630	35,709
Prepaid expenses and deposits	95,698	103,543
	2,047,785	2,473,951
Capital assets *(Note 6)*	1,633,938	1,540,149
Investments *(Note 7)*	348,633	341,797
Deferred charges - future employee benefits *(Note 8)*	691,884	680,106
Receivable from Winnipeg Regional Health Authority	810,648	484,958
	5,532,888	5,520,961
Liabilities		
Current		
Accounts payable and accruals	1,468,199	1,578,329
Trust funds payable	240,401	236,720
Current portion of long-term debt *(Note 9)*	132,000	504,000
	1,840,600	2,319,049
Long-term debt *(Note 9)*	1,124,546	757,433
Deferred contributions *(Note 10)*	777,782	705,594
Accrued future employee benefits	749,220	737,442
	4,492,148	4,519,518
Net Assets		
Unrestricted	277,742	259,623
Invested in capital	103,444	94,468
Internally restricted *(Note 11)*	659,554	647,352
	1,040,740	1,001,443
	5,532,888	5,520,961

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

	2012	2011
Revenues		
Residential charges	**2,980,383**	2,998,554
Winnipeg Regional Health Authority		
Operating	**4,311,144**	4,390,271
Bed grant	**11,712**	11,703
HEBP enhanced health care plan	**46,323**	44,903
Interest on approved borrowing	**73,440**	64,445
Year end adjustment *(Note 14)*	**77,433**	(39,267)
Medical salaries	**18,816**	18,816
Pre-retirement leave amortization	**88,013**	101,744
MNU related wages	**326,304**	363,708
Over-cost and misc WRHA accruals	**92,652**	34,978
Median rate adjustment per diem	**457,482**	455,904
Non median rate funding	**157,761**	153,256
CUPE related wages	**523,631**	380,928
3.6 HPRD and other revenue	**505,561**	479,503
Amortization of deferred operating contributions *(Note 10)*	**595**	-
Amortization of deferred capital contributions *(Note 10)*	**119,327**	119,214
	9,790,577	9,578,660
Expenses		
Amortization	**110,351**	189,828
Dietary services and supplies	**385,525**	364,465
Employee benefits	**1,410,154**	1,307,714
Employee benefits - pre-retirement leave	**88,013**	101,744
General administration	**99,378**	105,469
Health and safety	**42,546**	50,069
Housekeeping	**31,155**	30,779
Interest on long-term debt	**71,027**	72,406
Laundry	**33,464**	31,028
Medical salaries	**18,387**	18,320
Nursing services and supplies	**197,491**	199,372
Recreation and handicraft supplies	**14,517**	13,173
Repairs and maintenance	**93,203**	94,638
Salaries and wages	**6,902,612**	6,792,171
Utilities	**265,659**	286,982
	9,763,482	9,658,158
Excess (deficiency) before the following:	**27,095**	(79,498)
Accrued future employee benefit income *(Note 8)*	**(11,778)**	16,943
Accrued future employee benefit expense *(Note 8)*	**11,778**	(16,943)
Excess (deficiency) of revenues over expenses	**27,095**	(79,498)

The accompanying notes are an integral part of these financial statements

	Internally Restricted *(Note 11)*	Unrestricted	Invested in capital	2012 Total	2011 Total
Net assets, beginning of year	647,352	259,623	94,468	**1,001,443**	1,072,580
Deficiency of revenues over expenses	-	18,119	8,976	**27,095**	(79,498)
Change in internally resticted net amounts	12,202	-	-	**12,202**	8,361
Net assets, end of year	659,554	277,742	103,444	**1,040,740**	1,001,443

West Park Manor Personal Care Home Inc.
Statement of Cash Flows
For the year ended March 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Cash received from Government and tenants	**9,847,865**	9,696,313
Cash paid to suppliers	**(1,265,225)**	(1,083,089)
Cash paid to employees	**(8,419,166)**	(8,219,949)
Interest paid	**(71,027)**	(72,406)
	92,447	320,869
Financing activities		
Advances of long-term debt	**152,873**	159,796
Repayments of long-term debt	**(157,760)**	(166,274)
Increase in internally restricted net assets	**31,212**	25,385
Decrease in internally restricted net assets	**(19,010)**	(17,024)
Advances of receivable from Winnipeg Regional Health Authority	**(485,781)**	(282,294)
Repayments of receivable from Winnipeg Regional Health Authority	**168,235**	573,947
Contributions to trust funds payable	**34,553**	44,990
Withdrawals from trust funds payable	**(30,872)**	(31,046)
	(306,550)	307,480
Investing activities		
Purchases of capital assets	**(204,139)**	(304,085)
Increase (decrease) in cash resources	**(418,242)**	324,264
Cash resources, beginning of year	**2,334,699**	2,010,435
Cash resources, end of year	**1,916,457**	2,334,699
Cash resources are composed of:		
Cash	**7,695**	191,173
Short term investments	**1,908,762**	2,143,526
	1,916,457	2,334,699

The accompanying notes are an integral part of these financial statements

1. Purpose of the Organization

West Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Organization uses the deferral method of accounting for contributions. Restricted contributions are deferred and matched with the related expenses as incurred. Unrestricted contributions are recorded as revenue as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Capital assets

The organization capitalizes all individual assets and assets grouped in a similar kind with a cost over $2,000. Capital assets with a cost less than $2,000 may be capitalized if the Organization estimates the asset will have a long-term benefit.

Capital assets are recorded at cost. Amortization is recorded in the operating fund using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful life. The annual rates are as follows:

Buildings	40 years
Computer equipment	5 years
Equipment	16 years

Internally restricted funds

In accordance with guidelines established by Manitoba Health and/or Winnipeg Regional Health Authority, the Organization has established reserves for future expenditures as approved by Manitoba Health and/or Winnipeg Regional Health Authority.

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.

Measurement uncertainty (use of estimates)

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

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become unknown.

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

Long-lived assets

Long-lived assets consist of buildings, computer equipment and equipment with finite useful lives. Long-lived assets are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

Financial Instruments

Fair Value of financial instruments

The carrying amount of cash, accounts receivable, accounts payable and accruals, trust funds payable, and term loans approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's short term investments and investments are based on quoted market prices. Long-term debt is recorded at its amortized cost. The fair value of the Organization's fixed rate long-term debt is approximated by its carrying value, as there have been no significant changes in lending rates or other conditions.

Classification of financial instruments

The Organization has classified cash as held for trading. These assets are initially recognized at their fair value which is approximated by the instruments initial cost in a transaction between unrelated parties. Any gain or loss arising as a result of the difference between the exchange amount and fair value is recognized in the statement of operations.

The Organization has classified short-term investments and investments as available for sale. These instruments are initially recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Available for sale instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

The Organization has classified accounts receivable and receivable from Winnipeg Regional Health Authority as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the statement of operations upon impairment.

The Organization has classified accounts payable and accruals, trust fund payable and long-term debt due on demand as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition.

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

Recent accounting pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Organization has chosen to adopt Part III of the Handbook on its future financial statements.

3. **Cash**

Included in cash and short term investments are amounts due to reserve and trust accounts that are subject to certain restrictions.

Bank accounts earn interest at prime less 1.75%.

	2012	*2011*
Bank	**(9,784)**	173,694
Restricted cash - equipment and repairs	**17,479**	17,479
	7,695	191,173

4. **Short term investments**

	2012	*2011*
Money market mutual funds	**1,708,392**	1,693,526
Guaranteed investment certificate, earning interest at 1.50%, maturing August 14, 2012	**200,370**	200,000
Guaranteed investment certificate, matured during the year	-	250,000
	1,908,762	2,143,526

5. **Accounts receivable**

	2012	*2011*
Trade receivables	**8,862**	6,598
Government remittances receivable	**26,768**	29,111
	35,630	35,709

6. Capital assets

	Opening Cost	Additions	Closing Cost	Accumulated Amortization	*2012* Net book value
Land	**132,920**	**-**	**132,920**	**-**	**132,920**
Buildings	**2,548,553**	**181,247**	**2,729,800**	**1,616,550**	**1,113,250**
Equipment	**2,067,885**	**21,187**	**2,089,072**	**1,702,669**	**386,403**
Computer equipment	**53,318**	**1,705**	**55,023**	**53,658**	**1,365**
	4,802,676	**204,139**	**5,006,815**	**3,372,877**	**1,633,938**

	Opening Cost	Additions	Closing Cost	Accumulated Amortization	*2011* Net book value
Land	132,920	-	132,920	-	132,920
Buildings	2,388,758	159,795	2,548,553	1,548,305	1,000,248
Equipment	1,932,963	134,922	2,067,885	1,668,398	399,487
Computer equipment	43,950	9,368	53,318	45,824	7,494
	4,498,591	304,085	4,802,676	3,262,527	1,540,149

7. Investments

	2012	*2011*
Guaranteed investment certificate, earning interest at 2.50%, maturing April 1, 2013	**348,633**	341,797

8. Deferred charges - future employee benefits

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to pre-retirement leave benefits and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31, 2004 fiscal years are included in the Organization's global funding and were not recorded as a receivable, as Manitoba Health and/or WRHA had directed all health care facilities to record the future employee benefits liabilitiy but not the corresponding receivable. Each year since the 2009 fiscal year, Manitoba Health and WRHA agreed to provide funding for 100% of the retirement liability accrued during the year. For the March 31, 2012 fiscal year the Organization incurred an increase in employee future benefits of $11,778 (2011- a decrease of $16,493) and a payable for the same amount was recorded as an increase in expense and income as directed by Manitoba Health and the WRHA.

9. Long-term debt

	2012	*2011*
Term loan, repaid during the year	-	28,400
First mortgage payable in monthly instalments of $8,289 including interest at 7.75%, secured by land and buildings having a net book value of $452,036 (2011 - $496,875), due August 1, 2023.	**756,632**	796,712
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a general security agreement, due October 15, 2013.	**48,130**	78,550
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,119 plus interest, secured with a general security agreement, due December 15, 2013.	**50,776**	76,204
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $1,485 plus interest, secured with a general security agreement, due December 20, 2013.	**116,812**	134,633
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $1,301 plus interest, secured by a general security agreement, due Dec 9, 2013.	**131,323**	146,934
Term loan bearing interest-only at prime minus 0.50%, secured by a general security agreement	**152,873**	-
	1,256,546	1,261,433
Less: current portion	**132,000**	504,000
	1,124,546	757,433

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

2013	132,000
2014	303,000
2015	49,000
2016	53,000
2017	58,000

10. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital Fund	*Insurance*	*2012*	*2011*
Balance, beginning of year	691,215	14,379	**705,594**	578,600
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	155,900	-	**155,900**	160,658
- Equipment replacement	26,250	-	**26,250**	75,590
- Major repairs	7,944	-	**7,944**	7,944
- Insurance deductible	-	2,016	**2,016**	2,016
Recognized as revenue during the year	(119,327)	(595)	**(119,922)**	(119,214)
Balance, end of year	761,982	15,800	**777,782**	705,594

11. Internally restricted net assets

Non-operating income reserve	*2012*	*2011*
Balance, beginning of year	**619,119**	610,758
Interest	**29,620**	24,105
Other	**(14,324)**	(14,744)
Payments/expenditures	**(3,094)**	(1,000)
Balance, end of year	**631,321**	619,119
Reserve for major repairs	**28,233**	28,233
	659,554	647,352

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.

12. 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 or credit 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).

13. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or Winnipeg Regional Health Authority and its ability to continue viable operations is dependent upon maintaining this funding.

14. Year end adjustment

The yearend 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.

15. Commitments

The Organization has entered into various lease agreements with estimated minimum annual payments as follows:

2013	2,768
2014	2,768
2015	2,768
2016	231
	8,535

16. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits to its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization manages the following as capital:

	2012	*2011*
Short-term investments	**1,908,762**	2,143,526
Investments	**348,633**	341,797
Unrestricted net assets	**277,742**	259,623
	2,535,137	2,774,946

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy is to protect the capital through maintaining low risk investments, as well as to minimize the excess of revenues over expenses.

17. Comparative figures

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

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Independent Auditors' Report

To the Directors of
Women's Health Clinic Inc.

We have audited the accompanying financial statements of Women's Health Clinic Inc., which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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.

Independent Auditors' Report - continued

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Women's Health Clinic Inc. as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
June 5, 2012

Chartered Accountants

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Women's Health Clinic Inc.
Statement of Financial Activities
Year Ended March 31

	Operating Fund	Donation Fund	Capital Fund	2012 Total	2011 Total (Note 14)
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$3,915,605	$ -	$ -	**$3,915,605**	$3,241,198
Capital payments (Note 7)	-	-	16,583	**16,583**	16,525
United Way of Winnipeg	219,710	-	-	**219,710**	222,674
Province of Manitoba	570,045	-	-	**570,045**	607,701
Medical supplies	74,500	-	-	**74,500**	72,334
Miscellaneous	7,288	-	-	**7,288**	14,826
Investment income	-	3,655	-	**3,655**	3,752
The Winnipeg Foundation	9,171	-	-	**9,171**	-
Fee for service	363,013	-	-	**363,013**	396,618
Fundraising	-	29,989	-	**29,989**	37,329
Contributions (Note 7)	-	-	14,050	**14,050**	25,473
Rent	-	-	33,900	**33,900**	33,900
	5,159,332	33,644	64,533	**5,257,509**	4,672,330
Expenses					
Operating Fund (Page 13)	5,124,461	-	-	**5,124,461**	4,547,741
Donation Fund (Page 14)	-	24,603	-	**24,603**	25,028
Amortization	-	-	89,140	**89,140**	79,971
Interest on mortgage	-	-	14,305	**14,305**	14,418
	5,124,461	24,603	103,445	**5,252,509**	4,667,158
(Deficiency) excess of revenues over expenses before under noted items	34,871	9,041	(38,912)	**5,000**	5,172
Pre-retirement leave (Note 9)					
Current year recovery	34,072	-	-	**34,072**	36,728
Expense	(34,072)	-	-	**(34,072)**	(52,402)
(Deficiency) excess of revenues over expenses	$ 34,871	$ 9,041	$ (38,912)	**$ 5,000**	$ (10,502)

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Changes in Fund Balances

March 31	Operating Fund	Donation Fund	Capital Fund	**2012 Total**	2011 Total
Fund balance, beginning of year	$ 338,756	$ 177,721	$ (115,372)	**$ 401,105**	$ 411,607
(Deficiency) excess of revenues over expenses	34,871	9,041	(38,912)	**5,000**	(10,502)
Fund balance, end of year	$ 373,627	$ 186,762	$ (154,284)	**$ 406,105**	$ 401,105

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash (Note 3)	**$ 360,028**	$ 571,772
Receivables	**751,720**	530,505
Due from Winnipeg Regional Health Authority	**365,379**	357,068
Inventories	**27,547**	56,308
Prepaids	**14,509**	10,179
	1,519,183	1,525,832
Deferred project costs	**62,521**	47,915
Capital assets (Note 4)	**890,891**	867,015
	$2,472,595	$2,440,762

	2012	2011
Liabilities		
Current		
Payables and accruals	**$ 705,418**	$ 603,465
In Trust for Disabled Women's Network	**-**	256
Deferred revenue	**12,924**	11,943
Deferred contributions		
Related to Operating Fund (Note 5)	**349,387**	432,080
Demand loan (Note 6)	**414,280**	459,495
	1,482,009	1,507,239
Deferred contributions		
Related to capital assets (Note 7)	**266,123**	248,131
Pre-retirement leave (Note 9)	**318,358**	284,287
	2,066,490	2,039,657
Fund Balances		
Operating Fund	**373,627**	338,756
Donation Fund	**186,762**	177,721
Capital Fund	**(154,284)**	(115,372)
	406,105	401,105
	$2,472,595	$2,440,762

Commitment (Note 11)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Cash Flows

Year Ended March 31	2012	2011
Cash derived from (applied to)		
Operating		
Deficiency of revenues over expenses	**$ 5,000**	$ (10,502)
Amortization	**89,140**	79,971
Amortization of deferred contributions	**(30,633)**	(31,257)
	63,507	38,212
Change in non-cash operating assets and liabilities (Note 8)	**(165,645)**	(50,620)
	(102,138)	(12,408)
Investing		
Purchase of capital assets	**(113,016)**	(22,679)
Funding received to purchase capital assets	**48,625**	20,708
	(64,391)	(1,971)
Financing		
Repayment of demand loan	**(45,215)**	(45,102)
Net decrease in cash	**(211,744)**	(59,481)
Cash, beginning of year	**571,772**	631,253
Cash, end of year	**$ 360,028**	$ 571,772

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Women's Health Clinic Inc. (the Organization) is a Community Health Centre based on principles of feminism, equity and diversity. The Organization works towards promoting the health and well-being of women. The approach to health is to facilitate empowerment, choice and action.

The Organization was formed in 1981, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Donation Fund reports all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The Capital Fund reports the assets and liabilities, revenues and expenses related to the Organization's capital assets.

b) Revenue recognition

Women's Health Clinic Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions 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) Inventories

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

d) Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution.

2. Significant accounting policies (cont.)

e) Amortization

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Building and improvements	10 - 25 years	straight-line
Computers	5 years	straight-line
Furniture and fixtures	10 years	straight-line
Leasehold improvements		over the life of the lease
Security system	10 years	straight-line
Medical equipment	5 years	straight-line

Amortization expense is reported in the Capital Fund.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

The Organization's financial instruments consist of cash, receivables, due from Winnipeg Regional Health Authority, payables and accruals, demand loan, and pre-retirement leave. The fair values of these financial instruments approximate their carrying values. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

The Organization has a line of credit available in the amount of $25,000. As at March 31, 2012 the balance is $Nil (2011 - $Nil).

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Notes to the Financial Statements
March 31, 2012

4. Capital assets

	Cost	Accumulated Amortization	**2012 Net Book Value**	2011 Net Book Value
Land	$ 130,000	$ -	$ **130,000**	$ 130,000
Building and improvements	979,979	343,624	**636,355**	650,339
Computers	65,630	49,876	**15,754**	22,987
Furniture and fixtures	58,705	50,165	**8,540**	8,924
Leasehold improvements	3,553	711	**2,842**	3,198
Security system	46,719	34,743	**11,976**	16,647
Medical equipment	134,533	49,109	**85,424**	34,920
	$ 1,419,119	$ 528,228	$ **890,891**	$ 867,015

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2012	2011 (Note 14)
Winnipeg Regional Health Authority	$ **317,113**	$ 378,837
Healthy Baby	**-**	20,134
Winnipeg Foundation	**9,706**	18,877
Healthy Child Manitoba	**10,126**	10,126
Provincial Eating Disorder Prevention and Recovery Program	**8,361**	1,050
Madeline Boscoe Visionary Fund	**2,581**	1,556
CWHN	**1,500**	1,500
	$ **349,387**	$ 432,080

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6. Demand loan

	2012	2011
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 414,280**	$ 459,495

The Organization's land and building are pledged as security for the debt.

7. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $266,123 (2011 - $248,131) represent grants and donations for building, computers, furniture and fixtures and medical equipment. Deferred contributions are amortized on the statement of financial activities.

8. Change in non-cash operating assets and liabilities

	2012	2011
Receivables and due from Winnipeg Regional Health Authority	**$ (229,526)**	$ (122,848)
Inventories	**28,761**	(32,609)
Prepaids	**(4,330)**	1,305
Deferred project costs	**(14,606)**	(47,915)
Payables and accruals	**136,024**	153,642
In Trust for Disabled Women's Network	**(256)**	-
Deferred revenue and deferred contributions	**(81,712)**	(2,195)
	$ (165,645)	$ (50,620)

9. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the Organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $34,072 (2011 - $39,886).

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9. Pre-retirement leave benefits (cont.)

A portion of the pre-retirement benefits for the current year of $59,078 (2011 - $36,728) were funded by Winnipeg Regional Health Authority.

The pre-retirement leave obligation is as follows:

	2012	2011
WRHA funded employees	**$ 282,491**	$ 223,413
Non-WRHA funded employees	**35,867**	60,874
	$ 318,358	$ 284,287

10. Endowment Fund

In 2002 the Organization established an Endowment Fund to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Women's Health Clinic annually to support general operations. As of March 31, 2012, the Organization's contributions to the Endowment Fund totaled $88,610 (2011 - $88,610). The Endowment Fund also receives contributions from third parties. The market value of the Endowment Fund at March 31, 2012 is $173,718 (2011 - $161,915).

11. Commitment

The Organization has entered into a lease agreement for office space at 346 Portage Avenue, Winnipeg, Manitoba expiring on July 31, 2021 with an aggregate minimum annual rental of approximately $110,000 over the next five years exclusive of certain incremental occupancy costs.

12. Economic dependence

The volume of financial activity undertaken by Women's Health Clinic Inc. 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.

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13. Capital disclosures

The Organization considers its capital to be the balance maintained in its Operating Fund Balance. Capital is invested under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The Organization is not subject to any externally imposed requirements of its capital.

14. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

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Women's Health Clinic Inc.
Schedule of Operating Fund Expenses

Year Ended March 31	2012	2011
Salaries	**$3,216,656**	$2,982,481
Employee benefits	**503,061**	405,857
Purchased services	**446,577**	495,763
Community relations	**28,649**	29,355
Association membership fees	**1,182**	81
Insurance	**5,418**	5,312
Postage	**11,065**	2,517
Printing, stationery and office supplies	**147,266**	85,691
Professional fees	**15,017**	15,677
Accounting and computer fees	**14,342**	13,898
Staff recruitment	**882**	4,372
Staff training	**13,298**	14,813
Telephone	**48,959**	31,471
Other supplies	**76,164**	42,532
Medical and surgical supplies	**143,268**	139,629
Purchases of medical supplies inventories	**202,994**	68,257
Repairs and maintenance	**37,171**	37,129
Health education materials	**2,909**	3,321
Occupancy costs	**119,815**	96,441
Utilities	**66,622**	53,527
Volunteer services	**1,303**	2,393
Lectures and honorariums	**205**	-
Travel	**21,638**	17,224
	$5,124,461	$4,547,741

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31	2012	2011
Volunteer appreciation	$ 1,480	$ 1,959
Fundraising	23,069	14,963
Programs	54	3,075
Winnipeg Foundation "Women's Health Clinic Fund" (Note 10)	-	5,031
	$ 24,603	$ 25,028

See accompanying notes to the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rehabilitation Centre for Children, Inc.

We have audited the accompanying financial statements of Rehabilitation Centre for Children, Inc., which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rehabilitation Centre for Children, Inc. as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 31, 2012

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Operations
Year Ended March 31, 2012

	2012	2011 (Note 2)
REVENUE		
Patient services - Winnipeg Regional Health Authority	**$ 2,669,788**	$ 2,618,500
Sales of prosthetics/orthotics fees for service	**827,750**	1,142,541
Sales of prosthetics/orthotics - other revenue	**142,087**	137,514
Restricted funding		
Children's Rehabilitation Foundation Inc. (Note 11b)	**430,011**	379,300
Research revenue	**33,614**	21,862
MB FASD Centre	**79,740**	79,440
Stepping Out Saturdays	**209,693**	200,264
Sales of assistive devices	**69,857**	73,560
School therapy program	**1,923,838**	1,837,873
Provincial Outreach Therapy for Children program	**562,735**	578,815
Childrens' Therapy Initiative (Note 12)	**200,134**	187,334
Healthy Child program	**104,600**	64,300
Miscellaneous	**169,642**	127,005
	7,423,489	7,448,308
EXPENSES		
Salaries	**2,443,796**	2,380,666
Employee benefits and costs	**532,419**	521,229
Prosthetics and orthotics supplies	**186,446**	259,194
Special devices supplies	**193,437**	167,930
Other supplies and expenses	**212,976**	197,009
Restricted expenditures		
Children's Rehabilitation Foundation Inc.	**392,961**	350,580
Research expense	**32,998**	25,062
School therapy salaries and other costs	**1,884,317**	1,762,762
Provincial Outreach Therapy for Children salaries and other costs	**602,254**	583,903
Childrens' Therapy Initiative and other costs (Note 12)	**201,225**	137,017
Repairs and maintenance	**31,648**	52,438
Utilities, insurance and taxes	**61,899**	64,168
Purchased services	**83,622**	81,424
Family support network	**15,453**	-
MB FASD Centre	**144,240**	99,378
Stepping Out Saturdays	**154,039**	132,964
	7,173,730	6,815,724
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	**249,759**	632,584
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	**53,091**	54,793
Amortization of capital assets	**(63,051)**	(64,753)
Interest income	**34,263**	16,032
Funding adjustments relating to prior years	**(4,283)**	8,312
	20,020	14,384
EXCESS OF REVENUE OVER EXPENSES	**$ 269,779**	$ 646,968

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Financial Position
March 31, 2012

	2012	2011 (Note 2)
ASSETS		
CURRENT		
Cash and short-term investments	**$ 634,446**	$ 509,661
Investments in GIC	**1,745,058**	1,609,486
Accounts receivable (Note 4)	**931,432**	632,964
Inventory	**221,965**	237,526
Prepaid expenses	**9,725**	8,812
Due from WRHA - accrued vacation pay (Note 3g)	**155,997**	155,997
	3,698,623	3,154,446
Restricted cash	**21,676**	33,343
Due from WRHA - pre-retirement leave benefits (Note 3g)	**291,197**	276,743
Capital assets (Note 5)	**257,005**	305,053
	$ 4,268,501	$ 3,769,585
LIABILITIES		
CURRENT		
Accounts payable	**$ 443,767**	$ 311,050
Accrued vacation pay - WRHA	**222,303**	202,638
Accrued vacation pay - other funders	**64,877**	69,766
	730,947	583,454
Accrued pre-retirement leave benefits (Note 6)	**603,871**	586,564
Deferred contributions related to capital assets (Note 7)	**222,073**	260,464
Deferred contributions (Note 8)	**102,728**	-
	1,659,619	1,430,482
NET ASSETS (Note 12)		
Restricted POTC	**66,181**	105,700
Restricted Childrens' Therapy	**136,171**	137,262
Restricted School Therapy	**187,497**	147,976
Restricted Prosthetics and Orthotics	**110,071**	76,860
Restricted Stepping Out Saturdays	**264,650**	208,996
Equipment Reserve	**813,672**	704,315
Unrestricted	**1,030,640**	957,994
	2,608,882	2,339,103
	$ 4,268,501	$ 3,769,585

APPROVED BY THE BOARD

.... Director

.... Director

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2012

	2012								2011
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Equipment Reserve	Unrestricted	**Total**	Total
Balance, beginning of year as previously stated	$ 105,700	$ 137,262	$ 147,976	$ 76,860	$ 208,996	$ 704,315	$ 858,563	**$ 2,239,672**	$ 1,630,256
Prior year adjustment (Note 2)	-	-	-	-	-	-	99,431	**99,431**	61,879
Balance, beginning of year as restated	105,700	137,262	147,976	76,860	208,996	704,315	957,994	**2,339,103**	1,692,135
Excess of revenue over expenses (expenses over revenue)	(39,519)	(1,091)	39,521	133,211	55,654	9,357	72,646	**269,779**	646,968
Transfer to Equipment Reserve (Note 12)	-	-	-	(100,000)	-	100,000	-	**-**	-
Balance, end of year	$ 66,181	$ 136,171	$ 187,497	$ 110,071	$ 264,650	$ 813,672	$ 1,030,640	**$ 2,608,882**	$ 2,339,103

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2012

	2012	2011 (Note 2)
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 269,779**	$ 646,968
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**63,051**	64,753
Amortization of deferred contributions - capital assets	**(53,091)**	(54,793)
Amortization of deferred contributions - EMR	**(2,272)**	-
Employee future benefits	**17,629**	15,205
	295,096	672,133
Net change in non-cash working capital balances		
Accounts receivable	**(298,468)**	418,099
Inventory	**15,561**	(2,079)
Prepaid expenses	**(913)**	6,952
Accounts payable	**132,717**	89,781
	143,993	1,184,886
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	**14,700**	14,700
Increase in deferred contributions	**105,000**	-
Changes in cash restricted for purchases of capital assets	**11,667**	(7,947)
	131,367	6,753
INVESTING ACTIVITIES		
Purchase of capital assets	**(15,003)**	(7,212)
Investments in GIC	**(135,572)**	(1,309,486)
	(150,575)	(1,316,698)
NET INCREASE (DECREASE) IN CASH POSITION	**124,785**	(125,059)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**509,661**	634,720
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 634,446**	$ 509,661

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. PRIOR PERIOD ADJUSTMENT

During the year it was determined that in prior years the Centre had not been accruing a receivable or recording the related revenue for increases in the pre-retirement leave obligation that will be funded by the Winnipeg Regional Health Authority (WRHA). To account for the related funding that is to be received for past increases in the pre-retirement leave obligation, the net assets of the Centre as at April 1, 2011 have been increased by $99,431. Due from WRHA – pre-retirement leave benefits as at March 31, 2011 has also increased by $99,431. Of the adjustment, $37,552 relates to the fiscal year ended March 31, 2011 and has been reflected as an increase to revenue in that year. The remaining balance of $61,879 is applicable to years prior to April 1, 2010 and has been reflected as an increase to opening net assets as at April 1, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The Centre has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Centre for the year ended March 31, 2012. The Centre applies the requirements of Section 3861 of the CICA Handbook.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue

i) Funding from Winnipeg Regional Health Authority (WRHA)

The Centre is funded during the year by the WRHA for programs outlined in the WRHA/RCC Service Purchase Agreement. Based on this agreement the Centre is permitted to retain the greater of 50% of the WRHA global funded surplus or 2% of the WRHA annual global operating budget. Any amount in excess of the above would be repayable to the WRHA.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Revenue (continued)*

ii) *Other Funding Sources*

The Centre receives funding from other sources including Children's Rehabilitation Foundation Inc., Province of Manitoba Family Services and labour, Manitoba Health and school divisions for specified programs.

b) *Revenue recognition*

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

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

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

c) *Inventory*

Inventory is valued at the lower of cost or net realizable value. Cost is determined on the first in, first out basis. Net realizable value is the estimated selling price. Inventory expensed during the year amounted to $379,883 (2011 - $460,741).

d) *Capital assets*

Equipment acquired before April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution and recorded as restricted donations. Repairs and maintenance costs are charged to expense.

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

Building and building service equipment	20 years
Equipment and furniture	5 - 25 years
Information systems	5 – 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Cash and short-term investments

Cash and short-term investments include cash and highly liquid investments with an original maturity of three months or less at the date of acquisition.

f) Pre-retirement leave obligation

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

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

The Centre has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Any change in the accrual relating to pre-retirement leave benefits are recorded as an expense on the Statement of Operations.

g) 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Centre's designation of such instruments.

Classification	
Cash, restricted cash and short-term investments	Held for trading
Investments in GIC	Held for trading
Accounts receivable	Loans and receivables
Due from WRHA – accrued vacation pay	Loans and receivables
Due from WRHA – pre-retirement leave benefits	Loans and receivables
Accounts payable	Other liabilities
Accrued vacation pay	Other liabilities
Accrued pre-retirement leave benefits	Other liabilities

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned and interest accrued are included in interest income.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method. Given the nature of these assets the carrying value approximates fair value.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the nature of these liabilities the carrying value approximates fair value.

Effective interest method
The Centre uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates include allowance for doubtful accounts, inventory obsolescence, accrued employee future benefits and the useful life of capital assets. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Future accounting changes

The CICA has issued new accounting frameworks applicable to Canadian non-profit organizations effective for fiscal years beginning on or after January 1, 2012. In order to select the appropriate accounting framework, non-profit organizations need to determine whether they are a government not-for-profit organization or a not-for-profit organization in the private sector. The Centre has determined that they are a government not-for-profit organization and will use the Public Accounting Standards as well as continue to apply the Not-for-Profit accounting standards (PS 4200 to 4270). The impact of this transition has not yet been determined.

4. ACCOUNTS RECEIVABLE

	2012	2011
Patient services	$ 259,949	$ 146,642
School divisions	198,989	166,268
Manitoba Health - Patient services	205,646	164,263
Winnipeg Regional Health Authority - Operations	88,940	82,050
Due from Children's Rehabilitation Foundation Inc. (Note 11b)	115,403	56,987
SSCY capital campaign	50,000	-
GST Rebate	12,505	14,130
Other	-	2,624
	$ 931,432	$ 632,964

5. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 201,555	$ 201,555	$ -	$ 1,176
Equipment and furniture	629,292	448,766	180,526	195,276
Information systems	358,637	282,158	76,479	108,601
	$ 1,189,484	$ 932,479	$ 257,005	$ 305,053

6. ACCRUED PRE-RETIREMENT LEAVE BENEFITS

The WRHA undertook an actuarial valuation as at March 31, 2012 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 4.10% and a rate of salary increase of 3.0% plus age related merit/promotion scale and a factor ranging from 0 – 2.28% for disability. Actual payments made during the year for the Centre's pre-retirement leave benefits were $51,383 (2011 - $8,775).

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

		2012		2011
Balance, beginning of year	$	**260,464**	$	300,557
Plus: contributions received during the year		**14,700**		14,700
Less: current year amortization		**(53,091)**		(54,793)
	$	**222,073**	$	260,464

8. DEFERRED CONTRIBUTIONS

During the 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. Total contributions of $105,000 were received during the year of which $2,272 has been spent as of March 31, 2012 on qualifying purchases. Accordingly, $2,272 has been amortized into revenue, leaving an unamortized balance at March 31, 2012 of $102,728.

9. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. 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 $302,097 (2011 - $295,314) and are included in the statement of operations.

10. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Rehabilitation Centre for Children, Inc., when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Capital management objectives, policies and procedures are unchanged since the preceding year.

11. ECONOMIC DEPENDENCE AND RELATED ENTITIES

a) The Province of Manitoba and the WRHA provide a significant amount of the operating funding of the Centre. The statement of operations and Note 4 provide details of the transactions between the Centre and these entities.

b) The Children's Rehabilitation Foundation Inc. (the "Foundation"), in part supports the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The Foundation is not controlled by the Centre and therefore the financial statements of the Foundation have not been consolidated in these statements. During the year, the Foundation donated a total of $430,011 to the Centre in the form of cash and capital donations (2011 - $379,300).

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 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.

In addition, 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 $100,000 (2011 - $300,000) to an Equipment Reserve to support the capital needs of rehabilitation engineering.

Of the $1,030,640 of unrestricted net assets as at March 31, 2012, $72,646 was generated in the 2012 fiscal year and represents the current year's surplus. Of the 2012 surplus, $50,690 relates to programs funded by the WHRA and is subject to audit as per the Service Purchase Agreement detailed in Note 3 a) i). 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.

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:

	2012	2011
Gross funding received by the Centre	**$ 700,000**	$ 765,733
Disbursement to the third party	**(499,866)**	(578,399)
Revenue earned by the Centre	**200,134**	187,334
Expenses incurred by the Centre	**(201,225)**	(137,017)
Program surplus/deficit at the Centre	**$ (1,091)**	$ 50,317

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 during the fiscal year:

		2012
Funding sources:		
Winnipeg Foundation	$	12,056
Rehabilitation Centre for Children, Inc - Bridge financing		50,000
Children's Rehabilitation Foundation - Bridge financing		25,000
Investment		11,498
Total funding received	$	98,554
Campaign expenses	$	98,554

These expenses are not reflected in the Centre's statement of operations. Funds raised by the Campaign will be held by the Winnipeg Foundation on behalf of the partners and disbursed to the WRHA. Any expenses incurred by the Centre will be recovered from the WRHA through the 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.