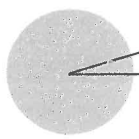


**SANATORIUM BOARD OF MANITOBA**

**Financial Statements**

**March 31, 2017**



June 19, 2017

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## INDEPENDENT AUDITORS' REPORT

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### To the Chair and Members of Sanatorium Board of Manitoba:

We have audited the accompanying financial statements of the Sanatorium Board of Manitoba, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows, and the schedules to the financial statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Board derives revenue from the general public in the form of donations and fundraising initiatives, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, assets or net assets.

#### *Qualified Opinion*

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Sanatorium Board of Manitoba as at March 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424

www.craigross.com

**SANATORIUM BOARD OF MANITOBA**

**Statement of Financial Position**


**March 31, 2017**

	2017			2016
	General Fund	Research Fund	Building Proceeds Fund	Total
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and short-term investments (Note 3)	\$ 116,436	\$ 138,794	\$ -	\$ 255,230
Accounts receivable (Note 4)	58,914	933	423	60,270
Prepaid expenses and supplies	26,841	-	-	26,841
	202,191	139,727	423	342,341
<b>INVESTMENTS (Note 5)</b>	-	496,866	669,393	1,166,259
<b>EQUIPMENT (Note 6)</b>	42,060	-	-	42,060
	\$ 244,251	\$ 636,593	\$ 669,816	\$ 1,550,660
				\$ 1,397,793
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>				
<b>CURRENT</b>				
Due to CIBC Wood Gundy (Note 7)	\$ -	\$ -	\$ 149,254	\$ 149,254
Accounts payable and accrued charges (Note 8)	133,988	-	-	133,988
Deferred revenue	74,340	-	-	74,340
Deferred capital grant (Note 10)	11,759	-	-	11,759
Inter-fund balance (Note 14)	377,733	59,349	(437,082)	-
	597,820	59,349	(287,828)	369,341
<b>NET ASSETS (DEFICIT)</b>	(353,569)	-	-	(353,569)
Unrestricted (deficit)	-	577,244	-	577,244
Donor designated	-	-	957,644	957,644
Internally restricted	(353,569)	577,244	957,644	1,181,319
	\$ 244,251	\$ 636,593	\$ 669,816	\$ 1,550,660
				\$ 1,397,793

**APPROVED BY THE BOARD:**



Director



Director

# SANATORIUM BOARD OF MANITOBA

## Statement of Operations

Year Ended March 31, 2017

	2017			2016
	General Fund	Research Fund	Building Proceeds Fund	Total
<b>REVENUES</b>				
Fundraising				
Christmas Seals	\$ 176,359	\$ -	\$ -	\$ 176,359
Research and Spring Appeal	37,438	-	-	37,438
Corporate, employee and other	345,303	-	-	345,303
Memorial donations	35,845	-	-	35,845
Molly Hirschburg Research Fund	2,675	-	-	2,675
	<b>597,620</b>	<b>-</b>	<b>-</b>	<b>597,620</b>
Tuberculosis contracted services	71,400	-	-	71,400
Occupational health surveys	-	-	-	-
Health initiatives and other recoveries	174,347	-	-	174,347
Interest income	-	-	4,539	4,539
Unrealized gain (loss) in fair value of investments	-	62,424	97,509	159,933
Investment income	-	23,900	29,487	53,387
	<b>843,367</b>	<b>86,324</b>	<b>131,535</b>	<b>1,061,226</b>
	<b>1,184,043</b>	<b>26,148</b>	<b>10,946</b>	<b>1,221,137</b>
<b>EXPENDITURES (Schedule 1)</b>				
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE UNDERNOTED ITEMS	(340,676)	60,176	120,589	(159,911)
(LOSS) GAIN ON DISPOSAL OF ASSETS	(418)	-	-	(418)
OTHER EXPENSES (Schedule 2)	-	-	-	-
BEQUESTS	276,721	-	-	276,721
	<b>(64,373)</b>	<b>60,176</b>	<b>120,589</b>	<b>116,392</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>820,737</b>	<b>820,737</b>	<b>820,737</b>	<b>820,737</b>

**SANATORIUM BOARD OF MANITOBA**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2017**

	2017			2016
	General Fund	Research Fund	Building Proceeds Fund	Total
BALANCE - BEGINNING OF THE YEAR	\$ (250,683)	\$ 504,068	\$ 811,542	\$ 1,064,927
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	(64,373)	60,176	120,589	116,392
INTERFUND TRANSFER (Note 14)	(38,513)	13,000	25,513	-
<b>BALANCE - END OF THE YEAR</b>	<b>\$ (353,569)</b>	<b>\$ 577,244</b>	<b>\$ 957,644</b>	<b>\$ 1,181,319</b>
				\$ 1,064,927

**SANATORIUM BOARD OF MANITOBA**  
**Statement of Cash Flows**

Year Ended March 31, 2017

	2017			2016
	General Fund	Research Fund	Building Proceeds Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Deficiency) excess of revenues over expenditures for the year	\$ (64,373)	\$ 60,176	\$ 120,589	\$ 116,392
Items not affecting cash and short-term deposits				
Amortization	5,325	-	-	5,325
Disposal of investment in RESPTrec®	-	-	-	22,884
Loss (gain) on disposal of capital assets	418	-	-	418
Unrealized (gain) loss in fair value of investments	-	(62,424)	(97,509)	(159,933)
	(58,630)	(2,248)	23,080	(37,798)
Changes in non-cash working capital items				
Decrease (increase) in accounts receivable	55,052	(212)	-	54,840
Decrease (increase) in prepaid expenses and supplies	12,465	-	-	12,465
(Decrease) increase in accounts payable	(153,964)	-	-	(153,964)
Increase (decrease) in deferred revenue	41,186	-	-	41,186
	(45,261)	(212)	-	(45,473)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds of sale of property and equipment	-	-	-	1,292,339
Proceeds of capital grant	14,698	-	-	-
Purchase of equipment	(14,698)	-	-	(14,698)
Redemption (purchase) of investments, net	-	92,566	-	92,566
	-	92,566	-	92,566
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Advances from (repayment of) CIBC Wood Gundy	-	-	149,254	(174,706)
	-	-	149,254	(174,706)
<b>INTERFUND TRANSFER (Note 14)</b>	198,010	47,309	(245,319)	-
<b>INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS DURING THE YEAR</b>	94,119	137,415	(72,985)	158,549
<b>CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR</b>	22,317	\$ 1,379	\$ 72,985	\$ 96,681
<b>CASH AND SHORT-TERM INVESTMENTS - END OF YEAR</b>	\$ 116,436	\$ 138,794	\$ -	\$ 255,230
	-	-	-	\$ 96,681

# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

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### 1. NATURE OF ACTIVITIES

The Sanatorium Board of Manitoba (the "Board") is a registered charity incorporated in the Province of Manitoba under The Sanatorium Board of Manitoba Act. It is exempt from income tax.

The Manitoba Lung Association is the operating unit of the Sanatorium Board of Manitoba.

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### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### Fund accounting

The Board follows the restricted fund method to account for its activities. The funds are as follows:

#### *General fund*

The General Fund accounts for the ongoing operating activities of the Board.

#### *Research fund*

Revenues and expenses related to research activities are reported in the Research Fund. A significant portion of the expenses relate to grants and fellowships. Restricted funds have been restricted by donors and are to be used for research and education in the prevention and management of various lung diseases.

#### *Building proceeds fund*

The fund was established in September 2015, when a portion of the proceeds from the sale of the land and building was transferred to this fund. The investment income is currently being used to finance the operating lease on the current premises. The future purpose of the fund will be established at a later date.

#### Cash and short-term investments

Cash and short-term investments consist of cash on deposit at a Canadian financial institution, cash on deposit with a broker and bonds with a maturity date of less than one year.

#### Equipment

Equipment is stated at cost less accumulated amortization. Amortization is provided using the following methods and rates:

	<u>Basis</u>	<u>Rates</u>
Furniture and equipment	Straight-line	10 years
Lung function equipment	Straight-line	5 years
Computer equipment	Straight-line	5 years

(continues)

# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

The Board follows the deferral method of accounting for revenue which includes donations and government grants. Unrestricted donations and grants are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Bequests are recognized as revenue when received. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred or the restrictions are met. Interest and investment income are recorded as revenue when earned.

#### Allocation of expenses

The Board provides several programs as part of their initiative to improve respiratory health. The costs of each program include amounts directly related to providing the program. The Board also incurs general support expenses that are common to the administration of the Board and each of its programs.

The Board allocates an allowance for general support expenses to individual projects proportionately based on sponsorship revenues expected to be received in this program.

#### Financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in shares of publicly traded companies and government and corporate bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets subsequently measured at amortized cost include cash and short-term investments, and accounts receivable. Financial liabilities subsequently measured at amortized cost include amounts due to CIBC Wood Gundy and accounts payable and accrued liabilities.

Unless otherwise stated in these financial statements, it is management's opinion that the Board is not exposed to significant interest or currency risk arising from these financial instruments

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

Significant areas requiring the use of management estimates relate to estimated allowance for doubtful accounts, useful life of the equipment and accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

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# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

### 3. CASH AND SHORT-TERM INVESTMENTS

	2017		2016
Cash on deposit	\$ 116,436	\$	22,317
Funds on deposit with CIBC Wood Gundy and bond with a maturity of less than one year	138,794		74,364
	\$ 255,230	\$	96,681

### 4. ACCOUNTS RECEIVABLE

	2017		2016
Province of Manitoba	\$ 39,987	\$	81,308
Government of Canada			
Radon services	7,500		4,899
G.S.T. rebate	9,187		6,842
Other	3,596		22,061
	\$ 60,270	\$	115,110

### 5. INVESTMENTS

	2017		2016
Investment in shares of publicly traded companies	\$ 1,066,985	\$	917,786
Government and corporate bonds, 2.58% to 5.625%, maturing November 2018 to March 2027	99,274		192,865
	\$ 1,166,259	\$	1,110,651

### 6. EQUIPMENT

	2017			2016
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 33,953	\$ 5,369	\$ 28,584	\$ 31,980
Lung function equipment	7,682	7,682	-	-
Computer equipment	38,322	24,846	13,476	4,064
	\$ 79,957	\$ 37,897	\$ 42,060	\$ 36,044

Amortization of equipment included in the schedule of expenditures amounts to \$8,265 (2016 - \$6,225).

# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

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### 7. DUE TO CIBC WOOD GUNDY

The Board has a margined investment account with CIBC Wood Gundy which allows it to borrow against the value of its investments held with them. The margin account bears interest at 3.45% and is secured by its investments held with CIBC Wood Gundy that have a carrying value of \$669,393.

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### 8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2017	2016
Canadian Lung Association	\$ -	\$ 7,935
Salaries, wages and benefits	37,445	43,938
Pre-retirement benefit (Note 9)	19,913	30,897
Suppliers	76,630	205,183
	<hr/> \$ 133,988	<hr/> \$ 287,953

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### 9. PRE-RETIREMENT BENEFIT

Employees who had attained ten years of service prior to 2007 and have reached the age of 55 are entitled to a pre-retirement benefit when they retire. The amount of the benefit is based on their years of service and level of compensation.

Based on management's best estimate, the future liability for this pre-retirement benefit is \$19,913.

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### 10. DEFERRED CAPITAL GRANT

	2017	2016
Balance - beginning of the year	\$ -	\$ -
Capital grant received	14,698	-
	<hr/> 14,698	<hr/> -
Amortization of capital grant	(2,939)	-
	<hr/> \$ 11,759	<hr/> \$ -

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### 11. PENSION PLAN

The Sanatorium Board of Manitoba is a participating employer in the Healthcare Employees Pension Plan – Manitoba, a multi-employer defined pension plan. The Board has insufficient information to be able to account for the plan as a defined benefit pension plan. The most recent actuarial valuation prepared as at December 31, 2015 by AON Hewitt, the Plan's actuary, reported a deficiency of the actuarial value of net assets over the actuarial present value of accrued pension benefits in the amount of \$91,185,000, as well as a solvency deficiency of \$2,320,015,000.

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# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

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### 12. RESIDUARY INTERESTS

The Board has a residuary interest in various estates or trusts which continue to be administered by executors and trustees, and for which no values have been recorded in these financial statements.

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### 13. CANADIAN INSTITUTE OF HEALTH RESEARCH GRANT

In 2017, the Board of Directors decided that the expense for the commitment to the Canadian Institute of Health Research be borne by the General Fund. In the past, this expense has been recorded as an expense of the Research Fund.

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### 14. INTERFUND TRANSFER

In 2017, the Board of Directors approved a transfer of \$ 55,000 to the Building Proceeds Fund and a transfer of \$13,000 to the Research Fund.

During the year, the Board has approved a transfer of investment income in the amount of \$29,487 (2016 - \$11,511) from the Building Proceeds fund to the General Fund to finance the rent for the leased premises.

Amounts owing between the General, Research and Building Proceeds Funds are non-interest bearing and have no fixed terms of repayment.

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### 15. COMMITMENTS

The Board has entered into an operating lease for office and storage space. The lease expires August 31, 2020. The basic minimum annual payments for the term of the lease are as follows:

2017/2018	\$55,125
2018/2019	\$56,190
2019/2020	\$56,190
2020/2021	\$23,412

In addition to the basic minimum payments, the Board is also obligated to pay a proportionate share of the operating costs of the building. The lease has an option to be renewed for an additional five years.

The Board also has an annual commitment to the Canadian Institute of Health Research to provide an annual grant for research. The annual commitment expires on June 30, 2018. The annual commitment is as follows:

2017/2018	\$30,000
2018/2019	\$ 7,500

(continues)

# SANATORIUM BOARD OF MANITOBA

## Notes to Financial Statements

Year Ended March 31, 2017

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### 15. COMMITMENTS *(continued)*

In the current year, the Board has entered into a contract to lease a photocopier. The basic payments of the lease over the next five years are as follows:

2017/2018	\$6,476
2018/2019	\$6,476
2019/2020	\$6,476
2020/2021	\$6,476
2021/2022	\$6,476

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### 16. FINANCIAL INSTRUMENTS

The Board is exposed to certain risks through its financial instruments and has a risk management framework to monitor, evaluate and manage the risk. The following analysis provides information about the Board's risk exposure and concentration as of March 31, 2017. There has been no significant change in the risks from prior year.

#### *Credit risk*

The Board is exposed to credit risk with respect to the accounts receivable and grants receivable. The grants were received soon after year end. The Board assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive. In the current year, there is \$2,940 in allowance for doubtful accounts (2016 - \$2,940).

#### *Other price risk*

The Board is exposed to other price risk with respect to the investment in publicly-traded securities in the equity market. The risk is that the shares fair value will fluctuate because of changes in market prices.

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# SANATORIUM BOARD OF MANITOBA

Schedule 1

## Schedule of Expenditures

Year Ended March 31, 2017

	2017	2016
<b>GENERAL FUND</b>		
Fundraising	\$ 327,976	\$ 518,624
Tuberculosis contracted services	34,013	57,733
Occupational health surveys	228	133,731
Health initiatives	199,399	260,998
Westman expense	3,003	6,648
National programs	31,459	28,291
Administrative support	587,965	351,469
	<b>\$ 1,184,043</b>	<b>\$ 1,357,494</b>
<b>RESEARCH FUND</b>		
Canadian Institute of Health Research ( <i>Note 13</i> )	\$ -	\$ 30,000
Canadian Lung Association Research	20,839	19,701
CIBC Wood Gundy investment fee	5,309	4,636
Grant - Manitoba Health Research Council	-	3,719
Margin account interest expense	-	4,052
	<b>\$ 26,148</b>	<b>\$ 62,108</b>
<b>BUILDING PROCEEDS FUND</b>		
CIBC Wood Gundy investment fee	\$ 6,407	\$ 1,007
Margin account interest expense	4,539	-
	<b>\$ 10,946</b>	<b>\$ 1,007</b>
	<b>\$ 1,221,137</b>	<b>\$ 1,420,609</b>

**SANATORIUM BOARD OF MANITOBA**

*Schedule 2*

**Schedule of Expenditures**

**Year Ended March 31, 2017**

	<b>2017</b>		<b>2016</b>
<b>OTHER EXPENSES</b>			
Disposal of investment in RESPTrec©	\$ -	\$	22,884
Moving expenses	-		15,511
	-		38,395