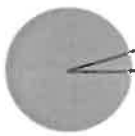


SANATORIUM BOARD OF MANITOBA

Financial Statements

Year Ended March 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of Sanatorium Board of Manitoba:

Qualified Opinion

We have audited the financial statements of the Sanatorium Board of Manitoba (the Board), which comprise the statement of financial position as at March 31, 2019, the statements of operations, changes in net assets (deficit), and cash flows, the schedule to the financial statements for the year then ended, and notes to the financial statement, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Board derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenues, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2019, current assets and net assets (deficit) as at March 31, 2019. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
June 24, 2019

SANATORIUM BOARD OF MANITOBA

Statement of Financial Position

March 31, 2019

	2019			2018	
	General Fund	Research Fund	Building Proceeds Fund	Total	Total
ASSETS					
CURRENT					
Cash and cash equivalents (Note 3)	\$ 127,429	\$ 14,820	\$ 3,171	\$ 145,420	\$ 143,637
Accounts receivable (Note 4)	50,736	-	-	50,736	71,253
Prepaid expenses and supplies	10,220	-	-	10,220	18,713
	188,385	14,820	3,171	206,376	233,603
INVESTMENTS (Note 5)	-	408,462	170,235	578,697	863,026
EQUIPMENT (Note 6)	32,948	-	-	32,948	37,700
	\$ 221,333	\$ 423,282	\$ 173,406	\$ 818,021	\$ 1,134,329
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT					
Due to CIBC Wood Gundy (Note 7)	-	-	-	-	48,890
Accounts payable and accrued charges (Note 8)	84,161	-	-	84,161	47,926
Deferred revenue	44,209	-	-	44,209	50,040
Deferred capital grant (Note 10)	5,879	-	-	5,879	8,224
Inter-fund balance (Note 13)	944,113	(187,656)	(756,457)	-	-
	1,078,362	(187,656)	(756,457)	134,249	155,080
NET ASSETS (DEFICIT)					
Unrestricted (deficit)	(857,029)	-	-	(857,029)	(555,772)
Donor designated	-	610,938	-	610,938	590,514
Internally restricted	-	-	929,863	929,863	944,507
	(857,029)	610,938	929,863	683,772	979,249
	\$ 221,333	\$ 423,282	\$ 173,406	\$ 818,021	\$ 1,134,329

APPROVED BY THE BOARD:

 Director

 Director

SANATORIUM BOARD OF MANITOBA

Statement of Operations

Year Ended March 31, 2019

	2019			2018
	General Fund	Research Fund	Building Proceeds Fund	Total
REVENUES				
Fundraising				
Christmas Seals	\$ 129,206	\$ -	\$ -	\$ 129,206
Other direct appeals	2,913	-	-	2,913
Corporate, employee and other	246,750	-	-	246,750
Memorial donations	30,520	-	-	30,520
	409,389	-	-	409,389
Tuberculosis contracted services	118,938	-	-	118,938
Health initiatives and other recoveries	233,047	-	-	233,047
Interest income	-	-	2,062	2,062
Realized gain (loss) on the sale of investments	-	4,125	(10,845)	(6,720)
Unrealized gain (loss) in fair value of investments	-	1,448	172	1,620
Investment income	-	19,288	16,480	35,768
	761,374	24,861	7,869	794,104
	1,109,643	4,437	6,034	1,120,114
EXPENDITURES (Schedule)				
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE REQUESTS	(348,269)	20,424	1,835	(326,010)
REQUESTS	30,533	-	-	30,533
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ (317,736)	\$ 20,424	\$ 1,835	\$ (295,477)
				\$ (202,070)

SANATORIUM BOARD OF MANITOBA

Statement of Changes in Net Assets (Deficit)

Year Ended March 31, 2019

	2019			2018
	General Fund	Research Fund	Building Proceeds Fund	Total
BALANCE - BEGINNING OF THE YEAR	\$ (555,772)	\$ 590,514	\$ 944,507	\$ 979,249
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	(317,736)	20,424	1,835	(295,477)
INTERFUND TRANSFER (Note 13)	16,479	-	(16,479)	-
BALANCE - END OF THE YEAR	\$ (857,029)	\$ 610,938	\$ 929,863	\$ 683,772
				\$ 979,249

SANATORIUM BOARD OF MANITOBA

Statement of Cash Flows

Year Ended March 31, 2019

	2019			2018
	General Fund	Research Fund	Building Proceeds Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
(Deficiency) excess of revenues over expenditures for the year	\$ (317,736)	\$ 20,424	\$ 1,835	\$ (295,477)
Items not affecting cash and cash equivalent				
Amortization	5,180	-	-	3,916
Unrealized (gain) loss in fair value of investments	-	(1,448)	(172)	23,273
	(312,556)	18,976	1,663	(291,917)
Changes in non-cash working capital items				
Decrease (increase) in accounts receivable	20,517	-	-	(10,983)
Decrease in prepaid expenses and supplies	8,493	-	-	8,128
Increase (decrease) in accounts payable	36,235	-	-	(86,062)
(Decrease) in deferred revenue	(5,831)	-	-	(27,835)
	59,414	-	-	(116,752)
Cash provided (used) by operating activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(2,773)	-	-	(3,091)
Redemption of investments, net of purchases	-	23,489	264,735	288,224
	(2,773)	23,489	264,735	285,451
Cash (used) provided by investing activities				
CASH FLOW FROM FINANCING ACTIVITY				
Repayment of advances from CIBC Wood Gundy	-	-	(51,165)	(95,385)
Cash (used) by investing activities	-	-	(51,165)	(95,385)
INTERFUND TRANSFER				
	320,962	(108,900)	(212,062)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE YEAR	65,047	(66,435)	3,171	1,783
CASH AND CASH EQUIVALENT - BEGINNING OF THE YEAR	62,382	81,255	-	143,637
CASH AND CASH EQUIVALENT - END OF THE YEAR	\$ 127,429	\$ 14,820	\$ 3,171	\$ 145,420
				\$ 143,637

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

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.

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 cash equivalent

Cash and cash equivalent consist of cash on deposit at a Canadian financial institution, cash on deposit with an investment manager and held in a segregated fund.

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, 2019

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 cash equivalents, 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, 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 useful life of the equipment and accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

3. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on deposit with CIBC	\$ 127,429	\$ 62,382
Funds on deposit with CIBC Wood Gundy	17,991	81,255
	\$ 145,420	\$ 143,637

4. ACCOUNTS RECEIVABLE

	2019	2018
Province of Manitoba	\$ 14,936	\$ 29,733
Government of Canada - G.S.T. rebate	3,774	16,720
Other	32,026	24,800
	\$ 50,736	\$ 71,253

5. INVESTMENTS

	2019	2018
Investment in shares of publicly traded companies	\$ 578,697	\$ 863,026

6. EQUIPMENT

	2019			2018
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 33,953	\$ 12,161	\$ 21,792	\$ 25,189
Lung function equipment	10,455	7,912	2,543	-
Computer equipment	41,413	32,800	8,613	12,511
	\$ 85,821	\$ 52,873	\$ 32,948	\$ 37,700

Amortization of equipment included in the schedule of expenditures amounts to \$7,525 (2018 - \$7,451).

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 3.95% and is secured by its investments held with CIBC Wood Gundy that have a carrying value of \$170,235 (2018 - \$423,523).

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2019	2018
Canadian Lung Association	\$ -	\$ 81
Salaries, wages and benefits	24,723	10,942
Pre-retirement benefit (<i>Note 9</i>)	-	19,913
Suppliers	59,438	16,990
	<u>\$ 84,161</u>	<u>\$ 47,926</u>

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 \$Nil (2018-\$19,913).

10. DEFERRED CAPITAL GRANT

	2019	2018
Balance - beginning of the year	\$ 8,224	\$ 11,759
Amortization of capital grant	(2,345)	(3,535)
Balance – end of the year	<u>\$ 5,879</u>	<u>\$ 8,224</u>

11. PENSION PLAN

The Sanatorium Board of Manitoba is a participating employer in the Healthcare Employees Pension Plan – Manitoba, a multi-employer defined benefit 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, 2017 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 \$417,187,000, as well as a solvency deficiency of \$2,195,269,000.

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.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

13. INTERFUND TRANSFER

During the year, the Board has approved a transfer of investment income in the amount of \$16,479 (2018 - \$24,763) 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.

14. 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:

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 renew for an additional five years.

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

2019/2020	\$6,476
2020/2021	\$6,476
2021/2022	\$3,238

15. 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, 2019. 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 \$Nil in allowance for doubtful accounts (2018 - \$Nil).

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.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2019

16 COMPARATIVE FIGURES

Some of the prior year comparative figures have been reclassified to conform to the presentation adopted for the current year.

SANATORIUM BOARD OF MANITOBA

Schedule of Expenditures

Year Ended March 31, 2019

	2019	2018
GENERAL FUND		
Fundraising	\$ 355,654	\$ 310,299
Health initiatives	481,800	519,228
National programs	49,433	55,995
Administrative support	222,756	195,264
	<u>1,109,643</u>	<u>1,080,786</u>
RESEARCH FUND		
CIBC Wood Gundy investment fee	4,437	5,881
	<u>4,437</u>	<u>5,881</u>
BUILDING PROCEEDS FUND		
CIBC Wood Gundy investment fee	3,972	6,412
Margin account interest expense	2,062	4,515
	<u>6,034</u>	<u>10,927</u>
	<u>\$ 1,120,114</u>	<u>\$ 1,097,594</u>