

SANATORIUM BOARD OF MANITOBA

Financial Statements

March 31, 2014

June 18, 2014

INDEPENDENT AUDITORS' REPORT

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, 2014, 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 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.

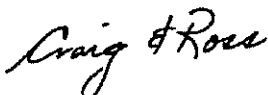
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 effects of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of Sanatorium Board of Manitoba as at March 31, 2014, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants

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SANATORIUM BOARD OF MANITOBA

Statement of Financial Position

March 31, 2014

	2014			2013	
	General Fund	Research Fund	Capital Fund	Total	Total
ASSETS					
CURRENT					
Cash and short-term investments (Note 3)	\$ 73,032	\$ 31,901	\$ 147	\$ 105,080	\$ 173,166
Accounts receivable (Note 4)	51,896	1,599	9	53,504	85,674
Due from general fund	-	125,500	-	125,500	-
Prepaid expenses and supplies	28,294	-	-	28,294	108,703
	153,222	159,000	156	312,378	367,543
INVESTMENTS (Notes 2 and 5)	9,525	428,333	1,097	438,955	418,258
	170,878	-	-	170,878	185,252
PROPERTY, PLANT AND EQUIPMENT (Note 6)	\$ 333,625	\$ 587,333	\$ 1,253	\$ 922,211	\$ 971,053
LIABILITIES					
CURRENT					
Accounts payable and accrued charges (Note 7)	250,658	-	-	250,658	278,485
Deferred revenue	41,596	-	-	41,596	113,742
Due to other funds	125,500	-	-	125,500	-
	417,754	-	-	417,754	392,227
	(84,129)	-	-	(84,129)	20,234
NET ASSETS					
Unrestricted	-	587,333	-	587,333	460,540
Externally restricted	-	-	1,253	1,253	98,052
Internally restricted	(84,129)	587,333	1,253	504,457	578,826
	\$ 333,625	\$ 587,333	\$ 1,253	\$ 922,211	\$ 971,053

APPROVED BY THE BOARD:

Director

Director

SANATORIUM BOARD OF MANITOBA

Statement of Operations

Year Ended March 31, 2014

	2014			2013		
	General Fund	Research Fund	Capital Fund	Total	Total	
REVENUES						
Fundraising						
Christmas Seals	\$ 205,373	-	-	\$ 205,373	\$	239,257
Research and Spring Appeal	109,640	-	-	109,640		106,162
Corporate, employee and other	371,770	-	-	371,770		314,274
Health Partners	8,049	-	-	8,049		9,272
Memorial donations	27,042	-	-	27,042		29,912
Molly Hirschburg Research Fund	-	-	-	-		1,829
	721,874	-	-	721,874		700,706
Tuberculosis contracted services	56,469	-	-	56,469		175,453
Occupational health surveys	267,520	-	-	267,520		145,410
Community health programs and other recoveries	283,473	-	-	283,473		183,775
Unrealized gain in fair value of investments	20	21,024	(343)	20,701		15,540
Investment income	(17)	21,077	3,544	24,604		23,201
	1,329,339	42,101	3,201	1,374,641		1,244,085
	1,597,319	75,098	-	1,672,417		1,464,548
EXPENDITURES, AS PER SCHEDULE						
(DEFICIENCY) EXCESS OF REVENUES OVER						
EXPENDITURES FOR THE YEAR BEFORE	(267,980)	(32,997)	3,201	(297,776)		(220,463)
BEQUESTS	63,617	159,790	-	223,407		209,961
	\$ (204,363)	\$ 126,793	\$ 3,201	\$ (74,369)		\$ (10,502)

SANATORIUM BOARD OF MANITOBA

Statement of Changes in Net Assets

Year Ended March 31, 2014

	2014			2013
	General Fund	Research Fund	Capital Fund	Total
BALANCE - BEGINNING OF THE YEAR	\$ 20,234	\$ 460,540	\$ 98,052	\$ 578,826
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	(204,363)	126,793	3,201	(74,369)
FORGIVENESS OF INTERCOMPANY DEBT	100,000	-	(100,000)	-
BALANCE - END OF THE YEAR	\$ (84,129)	\$ 587,333	\$ 1,253	\$ 504,457
				\$ 578,826

SANATORIUM BOARD OF MANITOBA

Statement of Cash Flows

Year Ended March 31, 2014

	2014			2013
	General Fund	Research Fund	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
(Deficiency) excess of revenues over expenditures for the year	\$ (204,363)	\$ 126,793	\$ 3,201	\$ (74,369)
Items not affecting cash and short-term deposits				
Depreciation	25,932	-	-	25,932
Unrealized gain in fair value of investments	(20)	(21,024)	343	(20,701)
	(178,451)	105,769	3,544	(69,138)
Changes in non-cash working capital items				
Decrease (increase) in accounts receivable	32,226	(128)	72	32,170
Decrease (increase) in prepaid expenses and supplies	80,409	-	-	80,409
(Decrease) in accounts payable	(27,824)	-	-	(27,824)
(Decrease) in deferred revenue	(72,146)	-	-	(72,146)
	(165,786)	105,641	3,616	(56,529)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments (net of proceeds from disposal)	90,802	(62,917)	(27,885)	27,304
Purchase of property, plant and equipment (net of proceeds from disposals)	(11,557)	-	-	(11,557)
	79,245	(62,917)	(27,885)	17,822
INTERFUND TRANSFER				
	125,500	(125,500)	-	-
(DECREASE) INCREASE IN CASH AND SHORT-TERM DEPOSITS DURING THE YEAR	38,959	(82,776)	(24,269)	7,173
CASH AND SHORT-TERM DEPOSITS - BEGINNING OF THE YEAR	34,073	114,677	24,416	165,993
CASH AND SHORT-TERM DEPOSITS - END OF THE YEAR	\$ 73,032	\$ 31,901	\$ 147	\$ 105,080
				\$ 173,166

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2014

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 Board consists of the SBM Services Division and the Manitoba Lung Association through which the Board conducts lung health surveys and provides various respiratory health programs and services.

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 has established the following funds in accordance with the principles of fund accounting.

General fund

The General Fund accounts are 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.

Capital fund

The purpose of the Capital Fund is to establish guidelines for the disbursement of unsolicited, non-directed, major gifts. A major gift is a single contribution or gift over \$5,000. A portion of each gift is allotted to the General Fund and the remainder to the Capital Fund.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the following methods and rates:

	<u>Basis</u>	<u>Rates</u>
Building	Straight-line	40 years
Building improvements	Straight-line	20 years
Furniture and equipment	Straight-line	10 years
X-ray and 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, 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Board follows the deferral method of accounting for revenue which includes donations and government grants. Donations are generally recorded on a cash basis and accrued only when a realizable value can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred or the restrictions are met.

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.

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 changes in net assets available for benefits during the year.

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

Financial instruments

Financial instruments consisting of cash and short-term investments, investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

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

3 CASH AND SHORT-TERM INVESTMENTS

	2014	2013
CIBC bank	\$ 73,013	\$ 33,969
CIBC Wood Gundy	32,067	139,197
	<u>\$ 105,080</u>	<u>\$ 173,166</u>

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2014

4. ACCOUNTS RECEIVABLE

	2014	2013
Province of Manitoba	\$ 6,441	\$ 4,077
Government of Canada		
Tuberculosis contracted services	4,940	22,772
G.S.T. rebate	5,950	5,840
Other	36,173	52,985
	<u>\$ 53,504</u>	<u>\$ 85,674</u>

5. INVESTMENTS

The Board's long-term investments are classified as "held-to-maturity" securities and are measured at fair value. Changes in fair value are recognized on the income statement in the year of the change as unrealized change in market value. Investments in mutual funds have quoted market values per broker statements' which are used as the fair value of the investment.

The costs of the investments are as follows:

	2014	2013
Equity	\$ 281,148	\$ 221,925
Fixed income	157,807	149,940
	<u>\$ 438,955</u>	<u>\$ 371,865</u>

The carrying values of the investments are as follows:

	2014	2013
Equity	\$ 223,937	\$ 256,643
Fixed income	149,315	161,615
	<u>\$ 373,252</u>	<u>\$ 418,258</u>

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2014

6. PROPERTY, PLANT AND EQUIPMENT

	2014			2013
	Cost	Accumulated Amortization	Net	Net
Land	\$ 32,270	\$ -	\$ 32,270	\$ 32,270
Building and building improvements	664,579	541,329	123,250	133,754
Furniture and equipment	120,033	118,016	2,017	2,823
X-ray and lung function equipment	43,307	43,307	-	1,024
Computer equipment	76,306	62,965	13,341	15,381
	\$ 936,495	\$ 765,617	\$ 170,878	\$ 185,252

Depreciation of property, plant and equipment included in the schedule of expenditures amounts to \$25,932 (2013 - \$27,163).

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2014	2013
Canadian Lung Association	\$ 4,774	\$ -
Salaries, wages and benefits	66,283	97,931
Pre-retirement benefit (Note 8)	44,000	44,000
Suppliers	135,601	136,554
	\$ 250,658	\$ 278,485

8. 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 \$44,000.

In the current year, two of the employees eligible for the benefit ceased employment prior to meeting the criteria. In the prior year, a recovery of the expense in the amount of \$16,000 is recorded.

9. FORGIVENESS OF INTERCOMPANY DEBT

In the February 18, 2014 Board of Director minutes, the Board of Directors approved the forgiveness of the inter-fund receivable between the capital fund and general fund.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2014

10. EQUITY IN RESP TREC, A JOINT VENTURE

The Sanatorium Board of Manitoba and the Lung Association of Saskatchewan have entered into a joint venture to develop and deliver an asthma education program for health care professionals. All assets, liabilities, revenues and expenses of the joint venture are to be shared equally and jointly. The Board has proportionately consolidated in these financial statements the following aggregate amounts which represent its 50% share of the joint venture interest:

	2014	2013
Assets	\$ 43,259	\$ 42,725
Liabilities	14,866	13,726
Revenues	3,700	5,490
Expenditures	4,333	6,443
(Deficiency) of revenues over expenditures	(633)	(953)
Cash provided by (used in) operating activities	\$ 1,168	\$ (366)

11. PENSION PLAN

The Sanatorium Board of Manitoba is a participating employer in the Healthcare Employees Pension Plan – Manitoba, a multi-employer pension plan. The most recent actuarial valuation prepared as at December 31, 2010 by Towers Watson, the actuary, reported a deficiency of the actuarial value of net assets over the actuarial present value of accrued pension benefits in the amount of \$264,841, as well as a solvency deficiency of \$927,089,000.

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.

13. CONTINGENT ASSET

Subsequent to year end, it was determined that the Organization had been overcharged for annual dues and fees by the Canadian Lung Association for several years. As at March 31, 2014, the amount of the refund has not been determined.

SANATORIUM BOARD OF MANITOBA

Schedule of Expenditures

Year Ended March 31, 2014

	2014	2013
GENERAL FUND		
Fundraising	\$ 487,173	\$ 396,311
Tuberculosis contracted services	50,525	181,941
Occupational health surveys	221,610	123,051
Community health programs	409,500	306,617
Westman expense	17,900	38,625
National programs and research	34,827	57,283
(Recovery) of pre-retirement benefit (Note 9)	-	(16,000)
Administrative support (net of \$ 2,818 allocated to Tuberculosis contracted services in 2013; 2012 - \$42,261)	375,784	367,795
	<u>1,597,319</u>	<u>1,455,623</u>
RESEARCH FUND		
Administrative support	32,000	-
Canadian Institute of Health Research	7,500	-
Canadian Lung Association Research	22,456	-
CIBC Wood Gundy investment fee	3,217	-
Grant - McDonald award	1,000	-
Grant - Manitoba Health Research Council	8,925	8,925
	<u>75,098</u>	<u>8,925</u>
	<u>\$ 1,672,417</u>	<u>\$ 1,464,548</u>