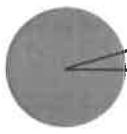


SANATORIUM BOARD OF MANITOBA

Financial Statements

Year Ended March 31, 2020



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, 2020, and the statements of operations, changes in fund balances, cash flows, and 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, 2020, 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, 2020, current assets and fund balances as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 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.

Emphasis of Matter – Subsequent Event

We draw attention to Note 17 to the financial statements, which describes subsequent events related to the global COVID-19 pandemic declared by the World Health Organization. Our opinion is not modified in respect of this matter.

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.

(continues))

Independent Auditor's Report to the Chair and Members of Sanatorium Board of Manitoba *(continued)*

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.

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, 2020

SANATORIUM BOARD OF MANITOBA

Statement of Financial Position

March 31, 2020

	2020			2019	
	General Fund	Research Fund	Building Proceeds Fund	Total	Total
ASSETS					
CURRENT					
Cash and cash equivalents (Note 3)	\$ 405,324	\$ 24,045	\$ 10,242	\$ 439,611	\$ 145,420
Accounts receivable (Note 4)	36,914	-	-	36,914	50,736
Prepaid expenses and supplies	10,147	-	-	10,147	10,220
	452,385	24,045	10,242	486,672	206,376
INVESTMENTS (Note 5)	-	290,924	124,270	415,194	578,697
EQUIPMENT (Note 6)	11,956	-	-	11,956	32,948
	\$ 464,341	\$ 314,969	\$ 134,512	\$ 913,822	\$ 818,021
LIABILITIES AND NET ASSETS (DEFICIT)					
CURRENT					
Accounts payable and accrued charges (Note 8)	45,109	-	-	45,109	84,161
Deferred revenue	77,140	-	-	77,140	44,209
Deferred capital grant (Note 9)	2,940	-	-	2,940	5,879
Inter-fund balance (Note 13)	869,188	(112,731)	(756,457)	-	-
	994,377	(112,731)	(756,457)	125,189	134,249
NET ASSETS (DEFICIT)	(530,036)	-	-	(530,036)	(727,806)
Unrestricted (deficit) (Note 10)	-	427,700	-	427,700	481,715
Donor designated (Note 10)	-	-	890,969	890,969	929,863
Internally restricted	(530,036)	427,700	890,969	788,633	683,772
	\$ 464,341	\$ 314,969	\$ 134,512	\$ 913,822	\$ 818,021

APPROVED BY THE BOARD:

 Director

 Director

SANATORIUM BOARD OF MANITOBA

Statement of Operations

Year Ended March 31, 2020

	2020			2019	
	General Fund	Research Fund	Building Proceeds Fund	Total	Total
REVENUES					
Fundraising					
Christmas Seals	\$ 199,593	\$ -	\$ -	\$ 199,593	\$ 129,206
Other direct appeals	24,358	-	-	24,358	2,913
Corporate, employee and other	81,254	-	-	81,254	246,750
Memorial donations	28,402	-	-	28,402	30,520
	333,607	-	-	333,607	409,389
Tuberculosis contracted services	82,522	-	-	82,522	118,938
Health initiatives and other recoveries	206,324	-	-	206,324	233,047
Interest income	-	-	-	-	2,062
Investment income	-	3,742	8,973	12,715	35,768
	622,453	3,742	8,973	635,168	799,204
EXPENDITURES (Schedule)	538,398	24,454	1,902	564,754	1,120,114
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE THE UNDERNOTED ITEMS	84,055	(20,712)	7,071	70,414	(320,910)
BEQUESTS	132,337	-	-	132,337	30,533
(LOSS) ON DISPOSAL OF EQUIPMENT	(18,622)	-	-	(18,622)	-
REALIZED (LOSS) ON THE SALE OF INVESTMENTS	-	-	-	-	(6,720)
UNREALIZED (LOSS) GAIN IN FAIR VALUE OF INVESTMENTS	-	(33,303)	(45,965)	(79,268)	1,620
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ 197,770	\$ (54,015)	\$ (38,894)	\$ 104,861	\$ (295,477)

SANATORIUM BOARD OF MANITOBA

Statement of Changes in Fund Balances

Year Ended March 31, 2020

	2020				2019
	General Fund	Research Fund	Building Proceeds Fund	Total	Total
BALANCE - BEGINNING OF THE YEAR - RESTATED <i>(Note 10)</i>	\$ (727,806)	\$ 481,715	\$ 929,863	\$ 683,772	\$ 979,249
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	197,770	(54,015)	(38,894)	104,861	(295,477)
BALANCE - END OF THE YEAR	\$ (530,036)	\$ 427,700	\$ 890,969	\$ 788,633	\$ 683,772

SANATORIUM BOARD OF MANITOBA

Statement of Cash Flows

Year Ended March 31, 2020

	2020			2019	
	General Fund	Research Fund	Building Proceeds Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenditures for the year	\$ 197,770	\$ (54,015)	\$ (38,894)	\$ 104,861	\$ (295,477)
Items not affecting cash and cash equivalent					
Amortization	4,896	-	-	4,896	5,180
Loss on disposal of equipment	18,622	-	-	18,622	-
Unrealized (gain) loss in fair value of investments	-	33,303	45,965	79,268	(1,620)
	221,288	(20,712)	7,071	207,647	(291,917)
Changes in non-cash working capital items					
Decrease in accounts receivable	13,822	-	-	13,822	20,517
Decrease in prepaid expenses and supplies	73	-	-	73	8,493
(Decrease) increase in accounts payable	(39,052)	-	-	(39,052)	36,235
Increase (decrease) in deferred revenue	29,992	-	-	29,992	(5,831)
Cash provided by operating activities	4,835	-	-	4,835	59,414
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	(3,876)	-	-	(3,876)	(2,773)
Proceeds on disposal of equipment	1,350	-	-	1,350	-
Redemption of investments, net of purchases	-	84,235	-	84,235	288,224
Cash (used) provided by investing activities	(2,526)	84,235	-	81,709	285,451
CASH FLOW FROM FINANCING ACTIVITY					
Repayment of advances from CIBC Wood Grundy	-	-	-	-	(51,165)
Cash (used) by investing activities	-	-	-	-	(51,165)
INTERFUND TRANSFER	54,298	(54,298)	-	-	-
INCREASE IN CASH AND CASH EQUIVALENT DURING THE YEAR	277,895	9,225	7,071	294,191	1,783
CASH AND CASH EQUIVALENT - BEGINNING OF THE YEAR	127,429	14,820	3,171	145,420	143,637
CASH AND CASH EQUIVALENT - END OF THE YEAR	\$ 405,324	\$ 24,045	\$ 10,242	\$ 439,611	\$ 145,420

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2020

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, 2020

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 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 charges.

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, 2020

3. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on deposit with CIBC	\$ 402,324	\$ 127,429
Funds on deposit with CIBC Wood Gundy	37,287	17,991
	\$ 439,611	\$ 145,420

4. ACCOUNTS RECEIVABLE

	2020	2019
Province of Manitoba	\$ 22,185	\$ 14,936
Government of Canada - G.S.T. rebate	3,570	3,774
Other	11,159	32,026
	\$ 36,914	\$ 50,736

5. INVESTMENTS

	2020	2019
Investment in shares of publicly traded companies	\$ 415,194	\$ 578,697

6. EQUIPMENT

	2020			2019	
	Cost	Accumulated Amortization	Net	Net	
Furniture and equipment	\$ 2,828	\$ 1,289	\$ 1,539	\$	21,792
Lung function equipment	2,773	786	1,987		2,543
Computer equipment	25,893	17,463	8,430		8,613
	\$ 31,494	\$ 19,538	\$ 11,956	\$	32,948

Amortization of equipment included in the schedule of expenditures amounts to \$4,896 (2019 - \$7,525).

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 \$124,270 (2019 - \$170,235). At March 31, 2020, the balance owing is \$Nil (2019 - \$Nil)

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2020

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2020	2019
Salaries, wages and benefits	\$ 29,783	\$ 24,723
Suppliers	15,326	59,438
	\$ 45,109	\$ 84,161

9. DEFERRED CAPITAL GRANT

	2020	2019
Balance - beginning of the year	\$ 5,879	\$ 8,224
Amortization of capital grant	(2,939)	(2,345)
Balance – end of the year	\$ 2,940	\$ 5,879

10. PRIOR PERIOD ADJUSTMENT

During the current year, the board of directors approved a change in the treatment of research expenditures which resulted in these expenditures being expensed in the Research Fund. This change has been applied retrospectively.

Effect on Statement of Changes in Fund Balances – General Fund (As at April 1)

	2020	2019
Fund Balance - as previously reported	\$ (857,029)	\$ (555,772)
Restatement due to recognition of Research expenditures	129,223	86,021
Fund Balance - As restated	\$ (727,806)	\$ (469,751)

Effect on Statement of Changes in Fund Balances - Research Fund (As at April 1)

	2020	2019
Fund Balance - as previously reported	\$ 610,938	\$ 590,514
Restatement due to recognition of Research expenditures	(129,223)	(86,021)
Fund Balance - As restated	\$ 481,715	\$ 504,493

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2020

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, 2018 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 \$528,628,000, as well as a solvency deficiency of \$2,359,448,000.

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. INTER-FUND TRANSFER

During the year, the Board has approved a transfer of investment income in the amount of \$Nil (2019 - \$16,479) 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:

2020/2021	\$23,412
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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 Sublette agreement for the leased office and storage space.

The Board has entered into a contract to lease a photocopier. The basic payments of the lease over the next two years are as follows:

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

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2020

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, 2020. There has been no significant change in the risks from prior year.

Credit risk

Credit risk arises from the potential that a counter party fails to perform its obligations. 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 (2019 - \$Nil).

Market risk

Market risk is the risk of loss that may arise from changes in market conditions, such equity prices. These risks are outside control of the Board. The Board is exposed to market 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.

16. COMPARATIVE FIGURES

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

17. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. COVID-19 has led to economic uncertainty and market instability that directly affects the fair value of the investments held by the Board. The amount of this subsequent unrealized loss due to the decline in the fair value of the investments cannot be reasonably estimated at this time.

Management is uncertain of the effects of these changes on the financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential effect of the disturbance.

As a result, we are unable to estimate the potential impact on the Board's operations as at the date of these financial statements.

SANATORIUM BOARD OF MANITOBA

Schedule of Expenditures

Year Ended March 31, 2020

	2020	2019
GENERAL FUND		
Fundraising	\$ 52,521	\$ 355,654
Health initiatives	302,128	459,300
National programs	28,731	28,731
Administrative support	155,018	222,756
	538,398	1,066,441
RESEARCH FUND		
Canadian Institute of Research	-	22,500
Canadian Lung Association Research	20,702	20,702
CIBC Wood Gundy investment fee	3,752	4,437
	24,454	47,639
BUILDING PROCEEDS FUND		
CIBC Wood Gundy investment fee	1,902	3,972
Margin account interest expense	-	2,062
	1,902	6,034
	\$ 564,754	\$ 1,120,114