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Section 3:

CROWN ORGANIZATIONS (CONTINUED):

To the Board of Assiniboine Regional Health Authority:

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 and Audit Committee are composed entirely of Directors who are neither management nor employees of the Health authority. 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 health authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board 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 15, 2010

Chief Executive Officer

Chief Financial Officer

To the Board of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

June 15, 2010

Meyers Norris Penny LLP

Chartered Accountants

Assiniboine Regional Health Authority
Consolidated Statement of Financial Position
As at March 31, 2010

	2010	2009
Assets		
Current Assets		
Cash	**24,458,664**	29,520,233
Marketable securities	**4,207,958**	4,104,276
Accounts receivable (Note 4)	**3,591,574**	2,145,539
Manitoba Health receivable - vacation entitlement (Note 5)	**6,484,052**	6,484,052
Inventories	**1,102,753**	933,764
Prepaid expenses	**461,018**	621,787
	40,306,019	43,809,651
Manitoba Health receivable - pre-retirement obligation (Note 6)	**7,336,760**	7,336,760
Capital assets (Note 7)	**100,072,684**	99,695,777
Trust assets	**128,391**	121,042
	147,843,854	150,963,230
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	**10,508,753**	14,349,109
Due to Manitoba Health (Note 8)	**5,138,240**	7,224,672
Current portion of long-term debt (Note 9)	**172,772**	162,751
Accrued vacation entitlement (Note 5)	**8,628,787**	8,543,693
	24,448,552	30,280,225
Long-term debt (Note 9)	**2,195,468**	2,368,354
Accrued pre-retirement obligation (Note 6)	**11,515,779**	9,746,795
Deferred contributions (Note 10)	**100,334,206**	100,617,320
Trust liabilities	**128,391**	121,042
	138,622,396	143,133,736
Commitments and contingencies (Note 11)		
Net Assets		
Invested in capital assets (Note 12)	**3,167,076**	3,353,085
Internally restricted (Note 13)	**119,573**	30,700
Unrestricted	**5,934,809**	4,445,709
	9,221,458	7,829,494
	147,843,854	150,963,230

Approved on behalf of the Board:

Director **Director**

The accompanying notes are an integral part of these financial statements

	2010	2009
Revenues		
Manitoba Health operating income (Note 14)	**148,761,544**	135,870,630
Authorized/residential charges	**14,062,013**	13,483,652
Amortization of deferred contributions	**4,120,485**	4,018,251
Other income	**4,632,628**	4,783,821
Ancillary	**1,279,539**	1,228,643
Province of Manitoba	**2,215,377**	2,096,165
	175,071,586	161,481,162
Expenses		
Acute care	**56,195,270**	51,989,313
Long-term care	**55,890,254**	53,270,574
Community-based home care services	**12,503,472**	11,859,881
Medical remuneration	**11,893,910**	9,612,116
Community health clinics	**1,329,947**	1,319,311
Community-based health services	**6,948,216**	6,099,822
Land ambulance	**6,716,966**	6,236,083
Community-based mental health services	**2,041,111**	1,922,358
Therapy services	**1,155,092**	947,401
Community-based services administration	**706,385**	709,112
	155,380,623	143,965,971
Other Undistributed Costs		
Regional health authority costs	**10,115,575**	9,344,413
Amortization of capital assets	**4,342,696**	4,239,644
Ancillary	**1,290,498**	1,189,770
Pre-retirement	**2,620,631**	1,437,273
	18,369,400	16,211,100
Total expenses and other undistributed costs	**173,750,023**	160,177,071
Excess of revenues over expenses	**1,321,563**	1,304,091

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2010

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2010**	2009
Balance, beginning of year	3,353,085	30,700	4,445,709	**7,829,494**	6,426,908
Transfer to (from) deferred contributions	-	-	2,778	**2,778**	5,388
Investment in capital assets	36,201	(36,201)	-	**-**	-
Internally restricted assets	-	125,074	-	**125,074**	119,241
Excess of revenues over expenses	(222,210)	-	1,543,773	**1,321,563**	1,304,091
Elderly Persons Housing adjustments	-	-	(57,451)	**(57,451)**	(26,134)
Balance, end of year	**3,167,076**	**119,573**	**5,934,809**	**9,221,458**	7,829,494

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Cash Flows
For the year ended March 31, 2010

	2010	2009
Cash Flows from Operating Activities		
Excess of revenues over expenses	**1,321,563**	1,304,091
Adjustments for		
Loss (gain) on disposal of capital assets	**(1,874)**	-
Amortization of deferred contributions	**(4,120,485)**	(4,018,251)
Amortization of capital assets	**4,342,696**	4,239,644
	1,541,900	1,525,484
Changes in non-cash working capital balances		
Accounts receivable	**(1,446,035)**	(81,703)
Inventories	**(168,989)**	29,117
Prepaid expenses	**160,769**	(1,680)
Marketable securities	**(103,682)**	(266,821)
Due to Manitoba Health	**(2,086,432)**	6,458,112
Accounts payable and accrued liabilities	**(3,840,356)**	2,190,267
Accrued vacation entitlement	**85,094**	922,616
	(5,857,731)	10,775,392
Cash Flows from Investing and Financing Activities		
Increase in capital assets	**(4,719,603)**	(19,239,686)
Increase in deferred contributions	**3,837,371**	19,924,923
Increase (decrease) in long-term debt	**(162,865)**	(153,423)
Increase in accrued retirement obligation	**1,768,984**	464,953
Increase (decrease) in net assets	**72,275**	98,495
	796,162	1,095,262
Increase (decrease) in cash and cash equivalents during the year	**(5,061,569)**	11,870,654
Cash and cash equivalents, beginning of year	**29,520,233**	17,649,579
Cash and cash equivalents, end of year	**24,458,664**	29,520,233

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

The Assiniboine Regional Health Authority is a not-for-profit organization created by regulation 99/2002 under the Regional Health Authorities Act. Through participation and 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. Change in accounting policies

Disclosure of Allocated Expenses by Not-for-profit Organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions, to which they have been allocated.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

3. 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:

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.

3. Significant accounting policies *(continued)*

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.

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	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.

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2010 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.

3. Significant accounting policies *(continued)*

Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2009:

Baldur Handi-Van Service
Hartney Handi-Transit
Tiger Hills Handi-Van Service

These entities have not been reported as at March 31, 2010 due to the reporting requirements of their funding agency: The Province of Manitoba – Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2009 and March 31, 2010, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to the Assiniboine Regional Health Authority as a whole.

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants' ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. On January 1, 2007, the Organization implemented these new standards, the main requirements of which are set out below:

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.

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.

3. Significant accounting policies *(continued)*

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.

4. Accounts receivable

	2010	*2009*
Trade receivables	**3,710,291**	2,123,860
GST receivable	**140,043**	245,757
Allowance for doubtful accounts	**(258,760)**	(224,078)
	3,591,574	2,145,539

5. 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, 2010, the amount receivable is $6,484,052.

	2010	*2009*
Due to Assiniboine Regional Health Authority Employees	**8,628,787**	8,543,693

6. Accrued retirement obligations

Pre-retirement

	2010	*2009*
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	**10,714,309**	9,703,033
Due to Diagnostic Services of Manitoba	**801,470**	43,762
	11,515,779	9,746,795

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 to Diagnostics Services of Manitoba (DSM) employees, transferred to DSM in April 2009, is based on an actuarial valuation provided to the Authority by DSM.

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, 2010, 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.*

6. Accrued retirement obligations *(continued)*

Pension plans *(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 funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

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. As at December 31, 2008, the actuarial valuation showed a deficit of $388 million. The Plan's solvency ratio was 77.9% versus 98.3% at the end of 2007. The Plan's going-concern ratio was 89.7% as at December 31, 2008 versus 102.5% at the end of 2007. Therefore, in order to ensure the long-term sustainability of the Plan, action is required and available options include increasing contribution rates, reducing benefits, or a combination of the two. The Plan Board is currently working in collaboration with Settlors and government stakeholders to have a definitive plan of action in place no later than June 30, 2010, for implementation in 2011.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $5,278,199 (2009 - $4,916,805) 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, 2007.

7. Capital assets

		2010		*2009*
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	509,709	-	**509,709**	509,709
Land improvements	1,694,814	917,653	**777,161**	842,151
Buildings	97,319,108	39,471,797	**57,847,311**	59,371,958
Equipment, computers, vehicles	18,354,021	9,248,564	**9,105,457**	8,614,795
Construction in progress	31,833,046	-	**31,833,046**	30,357,164
	149,710,698	49,638,014	**100,072,684**	99,695,777

8. Due to Manitoba Health

	2010	*2009*
Out-of-Globe 2007/2008	**-**	3,469,599
Out-of-Globe 2008/2009	**4,237,683**	3,755,073
Out-of-Globe 2009/2010	**900,557**	-
	5,138,240	7,224,672

8. Due to 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 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.

9. Long-term debt

	2010	*2009*
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.	**476,250**	533,659
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.	**1,087,486**	1,130,558
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.	**804,504**	866,888
	2,368,240	2,531,105
Less: current portion	**172,772**	162,751
	2,195,468	2,368,354

9. Long-term debt *(continued)*

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

2011	172,772
2012	183,702
2013	195,316
2014	207,713
2015	221,004
Thereafter	1,387,733
	2,368,240

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.

10. 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**	**2010**	2009
Balance, beginning of year	**93,839,353**	**4,048,284**	**2,729,683**	**100,617,320**	84,710,648
Funding Manitoba Health	**806,361**	**1,520,252**	-	**2,326,613**	23,834,439
Donations received	-	-	**932,874**	**932,874**	793,715
Interest earned	-	**665**	**67,427**	**68,092**	114,351
Other funding	-	**1,450,776**	-	**1,450,776**	1,501,958
Capital asset purchases	**4,750,650**	**(869,172)**	**(731,938)**	**3,149,540**	17,115,545
Operating expenses	-	**(3,111,914)**	**(210,275)**	**(3,322,189)**	(2,328,182)
Amortization	**(4,095,093)**	**(1,475)**	-	**(4,096,568)**	(3,978,371)
Principal payments on long-term debt	**(806,361)**	-	-	**(806,361)**	(21,072,773)
Reclassification	**35,542**	**(21,433)**	-	**14,109**	(74,010)
Balance, end of year	**94,530,452**	**3,015,983**	**2,787,771**	**100,334,206**	100,617,320

10. Deferred contributions *(continued)*

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

	2010	2009
Lines of credit	**9,271,081**	11,051,719
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.31% to 10.50%, due from December 1, 2011 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	**5,022,425**	4,113,570
	14,293,506	15,165,289

Lines of Credit

The Authority has authorized capital lines of credit of $14,608,702 and has authorized $6,900,000 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.

11. 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, 2010 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 person's 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 losses experienced by the group of subscribers for the years in which they were a subscriber. As of December 31, 2008, the Authority has a subscriber's surplus of $332,777.

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.

12. Invested in capital assets

	2010	2009
Capital Assets	**100,072,684**	99,695,777
Amounts financed by:		
Deferred contributions related to capital assets	**(94,530,452)**	(93,839,353)
Long-term debt	**(2,368,240)**	(2,531,105)
Due from (to) operating account	**(6,916)**	27,766
	3,167,076	3,353,085

13. Internally restricted net assets

The Authority has restricted $119,573 (2009 - $30,700) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

14. Manitoba Health operating income

	2010	2009
Revenue as per Manitoba Health's final funding document	**144,870,055**	139,298,526
Add:		
CUPE 0.4% contract settlement	**6,181**	141,621
MGEU professional technical market supplement	-	580,050
MGEU EMS training	-	15,769
MGEU community support wage standardization	**123,578**	-
MAHCP wage settlement	**(811)**	11,150
MNU maternity leave top up	**115,165**	-
Extended health benefits	**700,022**	-
Primary Health Care nurses salaries and benefits	**299,874**	314,156
Minnedosa arthroscopy program – wait list	**135,400**	201,250
Rivers rehabilitation program – wait list	-	206,300
Deloraine cancer care program – wait list	**65,000**	54,449
Provincial data network	**14,523**	4,254
Interfacility transfers	**1,260,387**	1,033,692
Mental health worker – wait list	-	83,600
Personal Care Home staffing guidelines	**1,528,417**	148,630
Reciprocal inpatients & outpatients	-	112,039
Patient safety	**4,499**	50,913
Community health assessment	**63,735**	78,339
STI /HIV	-	24,900
Healthy living activators	-	114,900
Philippine nurses recruitment	**396,547**	-
	4,712,517	3,176,012

MNP

14. Manitoba Health operating income *(continued)*

	2010	2009
Continued from previous page	**4,712,517**	3,176,012
Pandemic influenza (H1N1)	**881,680**	-
Supply costs	**601,700**	-
East View Lodge capital operating	**228,405**	-
New Neepawa PCH capital operating	**270,000**	-
Surge capacity training	**2,727**	-
Showing we care workshop	**5,000**	-
Pre-retirement	**1,835,000**	
	8,537,029	3,176,012
Deduct:		
Medical remuneration - out-of-globe	**(3,309,094)**	(4,315,759)
Medical remuneration - in-globe	**(82,582)**	-
Adjustments (rounding variances, write-offs, etc.)	**17**	42
	(3,391,659)	(4,315,717)
Total funding approved by Manitoba Health	**150,015,425**	138,158,821
Deduct:		
Capital funding	**(734,144)**	(1,557,198)
Capital interest on loans	**(519,737)**	(730,993)
	148,761,544	135,870,630

15. Economic dependence

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

16. Comparative figures

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

17. 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 3, 5, 6, 8, 9 and 14.

18. 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, 2010, 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 Housing and Mortgage 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.

19. Disclosure of allocated expenses

The Authority has allocated expenses amongst departments as follows:

	Acute care	**Long-term care**	**Community-based health services**	**2010**	Acute care	Long-term care	Community-based health services	2009
Administration	**887,660**	**853,984**	**-**	**1,741,644**	847,522	817,147	-	1,664,669
Housekeeping	**1,709,472**	**1,212,952**	**-**	**2,922,424**	1,605,106	1,139,990	-	2,745,096
Laundry	**393,550**	**861,766**	**-**	**1,255,316**	372,545	830,532	-	1,203,077
Plant Operations	**3,414,631**	**1,207,273**	**-**	**4,621,904**	3,443,940	1,196,904	-	4,640,844
Plant Maintenance	**1,444,353**	**988,050**	**-**	**2,432,403**	1,440,953	1,015,672	-	2,456,625
Nursing	**1,399,061**	**781,887**	**-**	**2,180,948**	1,322,769	792,281	-	2,115,050
Food Services	**2,400,250**	**6,590,301**	**43,454**	**9,034,005**	2,274,466	6,206,685	37,165	8,518,316
	11,648,977	**12,496,213**	**43,454**	**24,188,644**	11,307,301	11,999,211	37,165	23,343,677

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AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2010 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 21, 2010

Brandon Regional Health Authority
Consolidated Statement of Financial Position

As at March 31		2010		2009
				(Restated - Note 17)
ASSETS				
CURRENT				
Cash	$	8,202,853	$	10,822,801
Accounts receivable (Note 3)		5,527,256		3,929,164
Inventories		2,040,309		1,427,950
Prepaid expenses		2,069,823		1,744,373
Due From Manitoba Health - Vacation		7,224,269		7,224,269
Due From Manitoba Health - Vacation Non-Devolved Facilities		190,916		788,820
		25,255,426		**25,937,377**
DUE FROM Manitoba Health - Pre-retirement		9,191,179		9,191,179
DUE FROM Manitoba Health - Pre-retirement Non-Devolved Facilities		199,105		826,654
LOAN RECEIVABLE - Brandon YMCA (Note 4)		320,000		-
INVESTMENTS (Note 5)		3,272,884		3,829,230
CAPITAL ASSETS (Note 6)		110,526,071		102,123,735
	$	**148,764,665**	$	**141,908,175**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	12,432,578	$	10,106,035
Bank advances (Note 7)		836,707		926,708
Employee Future Benefits - Vacation		10,708,947		9,891,343
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation		190,916		788,820
Current portion of long term debt (Note 8)		117,699		110,515
		24,286,847		**21,823,421**
EMPLOYEE FUTURE BENEFITS - Pre-retirement		14,695,556		12,474,540
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benefits - Pre-retirement		199,105		826,654
LONG TERM DEBT (Note 8)		525,848		643,546
DEFERRED CONTRIBUTIONS (Note 9)				
Expenses of future periods		1,741,829		1,539,192
Capital assets		102,964,965		97,986,025
		144,414,150		**135,293,378**
NET ASSETS				
Invested in capital assets (Note 10)		1,745,084		1,723,555
Internally restricted (Note 11)		4,048,769		3,784,734
Externally restricted (Note 11)		28,280		28,242
Unrestricted		(1,471,618)		1,078,266
		4,350,515		**6,614,797**
COMMITMENTS AND CONTINGENCIES (Note 13)				
	$	**148,764,665**	$	**141,908,175**

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31		2010		2009
REVENUE				
Manitoba Health operating income				
Income as per Funding Document (excluding funding related to Capital and Interest)	$	161,034,947	$	166,056,547
One Time Funding		3,343,398		1,598,015
Retroactive Salary Payments		901,343		956,589
Recovery of Non Global Items		(258,374)		346,779
Other Manitoba Health Income		4,643,194		4,654,327
Total Manitoba Health Funding (Note 12)		169,664,508		173,612,257
Non-insured income		8,679,551		8,121,443
Other Income		3,613,430		3,316,131
Amortization of deferred contributions		9,699,380		9,436,065
Capital revenue - Non Devolved Facilities		126,583		346,764
Ancillary revenue		3,768,156		3,610,896
		195,551,608		**198,443,556**
EXPENSES				
Acute Care Services		108,078,456		111,935,883
Long Term Care Services		26,687,410		24,913,244
Medical Remuneration - All Programs		14,921,691		15,881,169
Community Based Mental Health Services		13,487,000		12,752,374
Community Based Home Care Services		7,541,373		6,888,692
Community Based Health Services		6,763,700		5,972,799
Land Ambulance		577,644		577,644
RHA Administration Costs		4,449,384		3,256,678
Amortization of capital assets		8,203,065		8,011,216
Capital payments - Facilities		126,583		346,764
Interest on long term debt		49,014		87,575
Other operating expenses		3,500,348		1,376,217
Ancillary expenses		3,358,799		3,080,651
		197,744,467		**195,080,906**
Excess (Shortfall) of revenue over expenses	$	**(2,192,859)**	$	**3,362,650**

ALLOCATION OF EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES:

		2010		2009
Investment in Capital Assets - Manitoba Health Activities	$	(557,576)	$	(586,591)
Unrestricted - Manitoba Health Activities		(1,724,023)		3,781,763
Investment in Capital Assets - Non Manitoba Health Activities		(451,247)		(451,247)
Internally Restricted - Non Manitoba Health Activities		539,948		618,685
Externally Restricted		39		40
	$	**(2,192,859)**	$	**3,362,650**

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets Note 10	Internally Restricted Note 10	Externally Restricted Note 10	Unrestricted	2010 Total	2009 Total
BALANCE, beginning of year	$ 1,723,555	$ 3,784,734	$ 28,242	$ 1,078,266	$ 6,614,797	$ 3,181,473
Excess (Shortfall) of revenue over expenses	(1,008,823)	539,948	39	(1,724,023)	(2,192,859)	3,362,650
Net change in investment in capital assets	1,030,351	(239,369)	-	(790,982)	-	-
Change in fair value of investments classified as available-for-sale	-	(36,544)	-	(34,879)	(71,423)	70,674
BALANCE, end of year	$ **1,745,084**	$ **4,048,769**	$ **28,281**	$ **(1,471,618)**	$ **4,350,515**	$ **6,614,797**

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31		2010		2009
				(Restated - Note 17)
OPERATING ACTIVITIES				
Excess (Shortfall) of revenue over expenses	$	(2,192,859)	$	3,362,650
Items not affecting cash				
Amortization of capital assets		8,203,065		8,011,216
Amortization of deferred contributions related to expenses of future periods		(2,505,138)		(2,445,642)
Amortization of deferred contributions related to capital assets		(7,194,242)		(6,990,423)
Net Change to employee future benefits		2,221,016		1,117,683
Changes in non-cash operating working capital items		536,823		3,549,150
		(931,335)		6,604,634
FINANCING ACTIVITIES				
Receipt of deferred contributions related to expenses of future periods		2,732,900		2,380,147
Receipt of deferred contributions related to capital assets		12,148,057		5,374,674
Repayment of bank advances		(90,001)		(173,198)
Repayment of long term debt		(110,514)		(103,769)
		14,680,442		7,477,854
INVESTING ACTIVITIES				
Purchase of capital assets		(16,605,401)		(5,223,029)
Loan Recievable - Brandon YMCA		(320,000)		-
Redemption of Investments		556,346		(62,704)
		(16,369,055)		(5,285,733)
(DECREASE) INCREASE IN CASH		**(2,619,948)**		**8,796,755**
CASH, BEGINNING OF YEAR		**10,822,801**		**2,026,046**
CASH, END OF YEAR	$	**8,202,853**	$	**10,822,801**
Supplementary information				
Interest paid		49,014		87,575

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 in-volved 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, 2010. 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 prinicples and reflect the following significant accounting policies:

a) ***Change in Accounting Policies***

On April 1, 2009, the Authority adopted the changes made to Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

Section 1540 *Cash Flow Statement* has been amended to include not-for-profit organizations within its scope. As a result, investing and financing activities are now presented separately.

Section 4400 *Financial Statement Presentation by Not-for-profit Organization* has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to combine investment in capital assets with unrestricted net assets when no investment in capital assets is internally restricted. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4430 *Capital Assets Held by Not-for-profit Organizations* has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets and amortize and write down those assets in accordance with relevant Handbook Sections.

Section 4460 *Disclosure of Related Party Transactions by Not-for-profit Organizations* has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The adoption of these new standards had no significant impact on the financial statements.

b) ***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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) ***Basis of Reporting (continued)***

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 14).

c) ***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, 2010.

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.

d) ***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.

e) ***Inventories***

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

f) ***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 Statement of Operations. Changes in unrealized gains and losses are reflected as direct increase or decrease in net assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) ***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 - Other Liabilities
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation & Pre-retirement - Other Liabilities
Long term debt - 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.

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 Entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) ***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% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

i) ***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.

j) ***Pre-Retirement entitlement obligation***

The Authority has recorded an accrual 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 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 $ 1,279,331 (2009 - $1,087,770.) and are included in the statement of operations. The service costs for the year were $2,222,016 (2009 - $288,447).

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 6.70% (2009 -6.70%) and a rate of salary increase of 3.50% (2009 - 3.50%) plus age related merit/promotion scale with nil for disability.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) ***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 funding is required to discharge the related pre-retirement liabilities.

l) ***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 & Healthy Living 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.

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 & Healthy Living 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.

m) ***Future accounting changes***

The Accounting Standards Board (AcSB) will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable profit-oriented enterprise with January 1, 2011 as the changeover date. While these standards are not developed with reference to not-for-profit organization, the AcSB has agreed that a not-for-profit organization can apply IFRS if that approach meets the needs of the users of its financial statements. Accordingly the Authority will have the option use IFRS.

In March 2010, the AcSB issued an Exposure Draft which provides not-for-profit organizations in the private sector the option to follow accounting principles that are not substantively different from the current accounting policies for not-for-profit organizations. These new standards would be effective for financial years beginning on or after January 1, 2012. The current standards applicable to not-for-profit organizations will remain in effect until organizations have adopted the new standards.

n) **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.

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

3 ACCOUNTS RECEIVABLE

		2010		2009
Manitoba Health				
Retroactive Salary Increases	$	1,223,133	$	577,451
PreRetirement Funding		2,205,500		-
Other Operations		1,311,173		2,266,718
Out of Globe - 2006/07		16,506		16,506
Out of Globe - 2007/08		114,243		34,273
Out of Globe - 2008/09		(254,220)		(363,799)
Out of Globe - 2009/10		(360,970)		-
		4,255,365		2,531,149
Patients		634,331		634,516
Government of Canada - Goods and Services Tax		335,055		197,353
BRHC Foundation , BGH Auxiliary and Westman Laboratory		-		937,565
Sundry		1,041,014		992,541
		6,265,765		5,293,124
Less allowance for doubtful accounts		(738,509)		(1,363,960)
	$	**5,527,256**	$	**3,929,164**

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

		2010		
		Cost		Fair Value
Government of Canada Bonds	$	44,591	$	43,619
Other Bonds		3,118,068		3,201,306
Other		27,959		27,959
	$	**3,190,618**	$	**3,272,884**

		2009		
		Cost		Fair Value
Government of Canada Bonds	$	41,647	$	46,392
Other Bonds		3,129,318		3,288,452
Other		477,880		494,386
	$	**3,648,845**	$	**3,829,230**

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

6 CAPITAL ASSETS

	2010		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,703,945	$ 1,100,597	$ 3,603,348
Buildings	109,857,694	38,896,123	70,961,571
Building service equipment/equipment	94,452,065	74,371,445	20,080,620
Construction in Progress	15,880,532	-	15,880,532
	$ **224,894,236**	$ **114,368,165**	$ **110,526,071**

	2009		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,757,986	$ 2,841,527
Buildings	109,749,726	35,462,092	74,287,634
Building service equipment/equipment	90,778,635	68,987,656	21,790,979
Construction in Progress	3,203,595	-	3,203,595
	$ **208,331,469**	$ **106,207,734**	$ **102,123,735**

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 $8,500,000.

8 LONG TERM DEBT

	2010	2009
City of Brandon 6.5% unsecured loan, repayable $159,529 annually, including interest, maturing 2015.	$ 643,547	$ 754,061
Less current portion	(117,699)	(110,515)
	$ **525,848**	$ **643,546**

The fair value of the Authority's long term debt is $669,485 as at March 31, 2010 ($790,615 - 2009) 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:		
	2011	117,699
	2012	125,349
	2013	133,497
	2014	142,174
	2015	124,827

9 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

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

		2010		2009
Balance, beginning of year	$	1,539,192	$	1,727,395
Add amount received		2,732,900		2,380,147
Less amount transferred to deferred contributions related to capital assets		(25,125)		(122,708)
Less amount amortized to revenue in the year		(2,505,138)		(6,990,423)
Balance, end of year	$	**1,741,829**	$	**(3,005,589)**

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.

		2010		2009
Balance, beginning of year	$	97,986,025	$	99,479,066
Additional contributions received		12,148,057		5,374,674
Add amount transferred from expenses of future periods		25,125		122,708
Less amounts amortized to revenue in the year		(7,194,242)		(6,990,423)
Balance, end of year	$	**102,964,965**	$	**97,986,025**

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

		2010		2009
Unamortized capital contributions used to purchase assets	$	106,292,710	$	98,143,694
(Overspent) contributions		(3,327,745)		(157,669)
	$	**102,964,965**	$	**97,986,025**

9 DEFERRED CONTRIBUTIONS - Capital Assets (Continued)

During the 2006 fiscal year, the Province of Manitoba assumed the long term and third party debt of the Authority and was 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 related to third party's is included in deferred contributions:

	2010	2009
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 378,645	$ 409,996
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	314,833	342,177
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	282,255	294,259

10 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2010	2009 (Restated - Note 17)
Capital assets	$ 110,526,071	$ 102,123,735
Funds held by Manitoba Health		
Amounts financed by:		
Deferred contributions	(106,292,710)	(98,143,694)
Accounts Payable	(1,008,023)	(575,716)
Loan and mortgage payable	(1,480,254)	(1,680,769)
	$ **1,745,084**	$ **1,723,555**

11 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $ 4,048,769 (2009 - $3,784,734). 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 2010

12 Manitoba Health REVENUE

		2010		2009
Allocation per Funding Document	$	162,071,971	$	168,320,284
Add: MAHCP Accrual		78,698		315,391
CUPE Accrual		45,360		161,000
HEB Extended Health Premiums		593,622		-
MGEU Lab Market Adjustment		-		411,704
MGEU Community		-		68,494
Maternity Leave Top Up		183,661		-
Waiting Lists Initiative Funding		92,713		409,421
Colonoscopy Funding		120,000		87,500
STI Funding		-		51,000
Accelerated 09/10 Funding		-		623,500
Proctor Funding		-		40,154
2008/09 Targeted Funding		-		202,401
PCH Funding		369,559		163,909
One Time Funding - H1N1		435,054		-
One Time Funding - Immunization		58,563		-
One Time Funding - PreRetirement		2,205,500		-
Total Funding Approved by Manitoba Health		166,254,701		170,854,758
Add: Other Income				
Non-Global Reconciliation		(258,374)		346,779
Separately Funded Programs		62,011		20,130
Fee for Service Income		4,643,194		4,654,327
Less: Amounts recorded in Deferred Contributions		(1,037,024)		(2,263,737)
Total Revenue from Manitoba Health	**$**	**169,664,508**	**$**	**173,612,257**

13 COMMITMENTS AND CONTINGENCIES

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

2011	2,185,047
2012	2,116,484
2013	1,938,732
2014	1,501,937
2015	865,245

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, 2010.

14 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 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 funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

The most recent actuarial valuation filed with the Manitoba Pension Commission for the plan was at December 31, 2007, and indicated that the plan was fully funded. Changes in market conditions and other assumptions may affect the funded status. The next actuarial valuation to be filed with the Manitoba Pension Commission will be as at December 31, 2010. Actual Authority contributions to HEPP made during the year on behalf of its employees amounted to $ 5,932,207 (2009 - $5,361,178) and are included in the 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.

15 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.

Until December 2005 the Authority had the responsibility of providing management services to Westman Regional Laboratory. At that time the management was transferred to Diagnostic Services of Manitoba (DSM). Transition of the operations of Westman Laboratory was completed in 2010. The operations of Westman Lab are consolidated in the financial statements of DSM and therefore will no longer be noted in the Authority's statements.

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

	2010	2009
FINANCIAL POSITION		
Total assets	$ 3,067,026	$ 2,980,755
Total liabilities	$ 2,856,320	$ 2,787,672
Total net assets	210,706	193,083
	$ 3,067,026	$ 2,980,755
RESULTS OF OPERATIONS		
Total revenues	$ 4,535,473	$ 4,227,912
Total expenses	(4,529,300)	(4,218,651)
Net operating surplus (deficit)	$ 6,173	$ 9,261

16 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

17 RESTATEMENT OF PRIOR PERIODS

The prior years figures have been restated to reflect assets not transferred to DSM that should have been recorded in the Authority. The net effect of the restatement for the year ended March 31, 2009 is to increase the assets and deferred contributions by $130,040.

	Capital Assets	Deferred Capital Contributions
Balance at March 31, 2009 previously stated	101,993,695	(98,013,654)
Adjustment	130,040	(130,040)
Balance at March 31, 2009 as restated	102,123,735	(98,143,694)

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AUDITORS' REPORT

To the Governing Council of The Salvation Army in Canada

We have audited the statement of financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 17, 2010

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash (note 5)	$ 308,764	$ 254,166
Accounts receivable	25,039	17,915
Inventory	30,561	23,670
Prepaid expenses	1,289	5,450
Employee benefits recoverable from Brandon Regional Health Authority [note 7(a)]	190,916	190,916
Due from Brandon Regional Health Authority (note 4)	126,488	161,768
	683,057	653,885
Employee future benefits recoverable from Brandon Regional Health Authority [note 7(b)]	199,105	199,105
Cash held for restricted purposes (note 5)	136,163	–
Resident trust deposits	14,009	14,371
Property, plant and equipment (note 6)	2,034,692	2,113,394
	$ 3,067,026	$ 2,980,755

	2010	2009

Liabilities, Deferred Contributions and Net Assets

	2010	2009
Current liabilities:		
Accounts payable and accrued liabilities	$ 184,651	$ 218,743
Accrued vacation payable [note 7(a)]	241,080	212,620
Current portion of long-term debt	112,436	107,833
	538,167	539,196
Accrued pre-retirement entitlement obligation [note 7(b)]	311,211	271,588
Long-term debt (note 9)	1,537,064	1,649,410
Resident trust accounts payable	14,009	13,371
Deferred contributions (note 8):		
Expenses of future periods	65,314	69,947
Property, plant and equipment	390,555	244,160
	455,869	314,107
Net assets:		
Invested in property, plant and equipment (note 10)	76,768	71,705
Internally restricted	168,604	178,360
Unrestricted	(34,666)	(56,982)
	210,706	193,083
Continuity of operations (note 1)		
	$ 3,067,026	$ 2,980,755

See accompanying notes to financial statements.

On behalf of the Governing Council

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	BRHA services	Contributed and other services	Capital	2010 Total	2009 Total
Revenue:					
Brandon Regional Health Authority (note 11)	$ 3,249,194	$ –	$ –	$ 3,249,194	$ 2,970,673
Donations and fundraising	–	14,456	–	14,456	12,381
Residential charges	964,178	–	–	964,178	912,288
Amortization of deferred contributions (note 8)	11,473	–	122,632	134,105	143,529
Ministry grant (note 13)	–	70,000	–	70,000	60,000
Interest income	–	6,489	–	6,489	13,208
Red Shield Appeal (note 14)	–	65,000	–	65,000	65,000
Other	24,328	7,723	–	32,051	50,833
	4,249,173	163,668	122,632	4,535,473	4,227,912
Expenses:					
Salaries	2,815,929	52,473	–	2,868,402	2,736,678
Employee benefits	622,042	5,205	–	627,247	525,453
Administration (note 14)	–	65,000	–	65,000	50,000
Health and education levy	60,843	–	–	60,843	57,193
Other supplies and expenses (note 13)	537,175	55,124	–	592,299	511,676
Physical plant	163,982	–	–	163,982	180,024
Interest on long-term debt (note 9)	24,347	–	–	24,347	29,661
Amortization of property, plant and equipment	–	–	127,180	127,180	127,966
	4,224,318	177,802	127,180	4,529,300	4,218,651
Excess (deficiency) of revenue over expenses	$ 24,855	$ (14,134)	$ (4,548)	$ 6,173	$ 9,261

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Invested in property, plant and equipment	Internally restricted funds	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	$ 71,705	$ 178,360	$ (56,982)	$ 193,083	$ 183,822
Excess (deficiency) of revenue over expenses	(4,548)	(14,134)	24,855	6,173	9,261
Transfer of property maintenance account (note 5)	–	11,450	–	11,450	–
Inter-fund transfer	9,611	(7,072)	(2,539)	–	–
Balance, end of year	$ 76,768	$ 168,604	$ (34,666)	$ 210,706	$ 193,083

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

		2010		2009
Operating activities:				
Excess of revenue over expenses	$	6,173	$	9,261
Transfer of property maintenance account cash balance (note 5)		11,450		–
Transfer of capital deposit account cash balance (note 5)		125,092		–
Items not affecting cash:				
Amortization of capital assets		127,180		127,966
Amortization of deferred contributions		(134,105)		(143,529)
		135,790		(6,302)
Changes in non-cash working capital balances:				
Accounts receivable		(7,124)		7,757
Prepaid expenses		4,161		(363)
Inventory		(6,891)		5,751
Trust - residents		(878)		(593)
Accrued pre-retirement entitlement obligation		39,623		(2,274)
Accrued vacation payable		28,460		1,918
Due from (to) Brandon Regional Health Authority		35,280		(220,097)
Accounts payable and accrued liabilities		(32,214)		10,668
		196,207		(203,535)
Financing activities:				
Additional deferred contributions received		150,775		168,359
Repayments of long-term debt		(107,743)		(103,420)
		43,032		64,939
Investing activities:				
Capital asset purchases		(48,478)		–
Increase (decrease) in cash and cash equivalents		190,761		(138,596)
Cash and cash equivalents, beginning of year		254,166		392,762
Cash and cash equivalents, end of year	$	444,927	$	254,166
Supplementary cash flow information:				
Interest paid	$	24,347	$	29,661
Interest received		6,489		13,208

Cash and cash equivalents are comprised of cash and cash held for restrictive purposes.

See accompanying notes to financial statements.

Purpose of organization:

The Salvation Army Dinsdale Personal Care Home (the Home or the Ministry Unit) provides long-term care in the community of Brandon. The Home is owned and operated by the Governing Council of the Salvation Army in Canada (the Governing Council) pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and licensed under the provisions of the Brandon Regional Health Authority (BRHA) and is associated with The Salvation Army Territorial Headquarters (THQ), the primary charitable entity of the Salvation Army Canada & Bermuda Territory (the Territory). In addition, the Home carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The Home is a registered charity under the *Income Tax Act* and accordingly is exempt from income taxes. The Ministry Unit is a controlled entity of The Governing Council; however it is not currently included in its financial statements. A project is currently underway to allow the publication of consolidated financial statements reflecting operating units in Canada and Bermuda by 2011.

1. Continuity of operations:

The ability of the Home 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 Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Brandon BRHA.

2. Significant accounting policies:

(a) Basis of presentation:

The accounts are maintained on the accrual method of reporting income and expenses.

(b) Revenue recognition:

The Home 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. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

The Home 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.

2. Significant accounting policies (continued):

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Contributed property, plant 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 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. Property, plant and equipment are amortized using the straight-line method over the estimated useful life of the assets:

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

(d) Operating fund surpluses:

Approved operating fund surpluses are repayable to the BRHA.

(e) 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.

(f) 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.

2. Significant accounting policies (continued):

(g) Internally restricted net assets:

Internally restricted net assets consists of donations, bequests and other contributions received by the Home and by The Salvation Army on behalf of the Home. It is drawn upon to cover costs not covered by funding from BRHA. As at March 31, 2009, $53,000 was owed by the unrestricted fund to the internally restricted fund and was repaid during the year.

(h) 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.

(i) 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 unrestricted net assets.

Cash and cash held for restricted purposes are designated as held-for-trading. Resident trust deposits, accounts receivable, due from BRHA and employee future benefits recoverable from BRHA are classified as loans and receivables. Accounts payable and accrued liabilities, accrued vacation payable, resident trust accounts payable and long-term debt are classified as other liabilities. The Home 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.

2. Significant accounting policies (continued):

The Home 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 Home has elected not to adopt these standards in its financial statements

(j) Allocation of fundraising/general administration expenses:

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

(k) New accounting standards:

(i) Amendments to accounting standards that apply to not-for-profit organizations:

Effective April 1, 2009, the Home adopted the CICA amendments to Section 4400 of the CICA Handbook. Amongst other items, these amendments eliminate the requirements to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. As a result of adoption of these recommendations, the Home has changed the presentation of the statement of operations for the year ended March 31, 2010.

(ii) Amendments to Section 1000, *Financial Statement Concepts:*

Effective April 1, 2009, the Home adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

3. **Financial instruments:**

Interest rate risk:

Interest rate risk is the risk to the Home's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Home 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, most of the Home's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value:

The fair value of accounts receivable, resident trust deposits, due from BRHA, employee benefits recoverable from BRHA, accounts payable and accrued liabilities, resident trust accounts payable and accrued vacation payable approximate their carrying value due to their short-term maturity.

The fair value of long-term debt approximates the carrying value as management believes the interest rates are comparable to market values.

4. **Due from (to) Brandon Regional Health Authority:**

	2010	2009
Amounts receivable from BRHA	$ 126,488	$ 161,768

5. **Cash and cash equivalents:**

The Ministry Unit maintains a chequing account with the Royal Bank of Canada for its operations, as well as several deposit accounts held with THQ of Divisional Headquarters (DHQ). Under the Salvation Army'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.

5. Cash and cash equivalents (continued):

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

	2010	2009
Operating bank account	$ 213,037	$ 48,087
THQ general deposit account	79,806	20,366
Other	15,921	185,713
	308,764	254,166
THQ capital deposit account	127,188	–
DHQ property maintenance account	8,975	–
	136,163	–
	$ 444,927	$ 254,166

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

Effective April 1, 2009, the Home was required to reflect its capital deposit account (CDA) held at THQ and its property maintenance account held at DHQ in the financial records in preparation for the publication of consolidated financial statements of the Salvation Army Canada & Bermuda Territory. The opening balance of the property maintenance account as of April 1, 2009 has been recorded as a transfer to internally restricted funds in the statement of changes in net assets. The capital deposit account has been recorded as a direct increase in deferred contributions (note 8(b)). The capital deposit account and property maintenance accounts opened the year with balances of $125,092 and $11,450.

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 Home 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.

6. Property, plant and equipment:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ 133,615	$ –	$ 133,615	$ 133,615
Buildings	4,218,592	2,380,076	1,838,516	1,959,273
Equipment and furnishings	607,784	545,223	62,561	20,506
	$ 4,959,991	$ 2,925,299	$ 2,034,692	$ 2,113,394

Title to the Home's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Home.

7. 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, 2010 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 4.9 percent (2009 - 6.7 percent), a rate of salary increase of 4 percent (2009 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 3.00 percent (2009 - 0 - 2.28 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.

7. Employee benefits (continued):

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.

8. Deferred contributions:

(a) Expenses of future periods:

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

	2010	2009
Balance, beginning of year	$ 69,947	$ 35,987
Add funding received in current year	18,840	51,992
Less: Major repairs	(11,473)	(18,032)
Other	(12,000)	–
	(4,633)	33,960
Balance, end of year	$ 65,314	$ 69,947

(b) Property, plant and equipment:

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

	2010	2009
Balance, beginning of year	$ 244,160	$ 254,281
Add:		
Payments of mortgage principal (note 9)	107,743	103,420
Major equipment funding	21,960	21,960
Transfer of capital deposit account (note 5)	127,188	–
Other	12,136	(10,004)
Less:		
Amounts amortized to revenue	(122,632)	(125,497)
	146,395	(10,121)
Balance, end of year	$ 390,555	$ 244,160

8. Deferred contributions (continued):

The Home has an outstanding loan of $285,447 (2009 - $317,163) 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.

9. Long-term debt:

	2010	2009
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$ 1,649,500	$ 1,757,243
Current portion	(112,436)	(107,833)
	$ 1,537,064	$ 1,649,410

The Province of Manitoba, via the BRHA, provides funding for all payments of principal [note 8(b)] and interest on this debt. Interest expense, net of subsidies received from Manitoba Housing for fiscal 2010 was $24,247 (2009 - $29,661). Principal payments expected in the next five years are as follows:

2011	$ 112,436
2012	117,195
2013	122,578
2014	127,780
2015	133,347
Thereafter	1,036,164
	$ 1,649,500

10. Invested in property, plant and equipment:

	2010	2009
Property, plant and equipment	$ 2,034,692	$ 2,113,394
Amounts financed by:		
Deferred contributions, excluding unspent CDA (note 8)	(263,367)	(244,160)
Long-term debt	(1,649,500)	(1,757,243)
Relating to capital assets within internally restricted funds	(45,057)	(40,286)
	$ 76,768	$ 71,705

11. Revenue - Brandon Regional Health Authority:

	2010	2009
Total approved funding	$ 3,397,737	$ 3,114,893
Less funding allocated to deferred contributions:		
Equipment	(21,960)	(21,960)
Major repairs	(18,840)	(18,840)
Mortgage principal	(107,743)	(103,420)
Funding for operations	$ 3,249,194	$ 2,970,673

12. 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, 2007 reported the Plan had a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $165,038 (2009 - $154,124) and are included in the statement of operations.

13. Internally restricted fund balance:

The internally restricted fund balance comprises the following:

	2010	2009
Property maintenance deposit	$ 8,975	$ –
Other	159,629	178,360
	$ 168,604	$ 178,360

Ministry grant revenue of $70,000 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, 2010 (2009 - $60,000).

14. Related party transactions:

During the year, the Home had the following transactions with The Salvation Army:

	2010	2009
Red Shield Appeal revenue designated for supervision	$ 65,000	$ 65,000
Territorial Headquarters supervision expense	65,000	50,000

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Schedule - Expenses

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Salaries:		
Activity	$ 90,261	$ 86,376
Administration	102,370	139,262
Dieticians	297,530	288,057
Housekeeping	156,403	148,875
In-service director	47,870	39,042
Laundry	63,792	59,502
Nursing	1,938,601	1,811,562
Physical plant and equipment	119,102	111,407
	$ 2,815,929	$ 2,684,083
Employee benefits	$ 622,042	$ 521,243
Health and education levy	$ 60,843	$ 57,193
Other supplies and expenses:		
Activity	$ 2,438	$ 2,198
Drug capitation	27,118	26,970
Administration	144,192	78,011
Housekeeping	21,655	22,111
In-service education	2,594	1,450
Laundry and linen	77,149	73,207
Nursing	70,338	77,187
Nutritional services	136,930	127,627
Plant maintenance	54,761	43,890
	$ 537,175	$ 452,651
Physical plant:		
Heat and lights	$ 73,984	$ 83,488
Insurance	2,741	2,434
Property taxes	52,791	50,850
Water and sewer	20,470	24,143
Major repairs	11,472	19,109
Property	2,524	–
	$ 163,982	$ 180,024

KENDALL & PANDYA

Chartered Accountants

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

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* Operating as professional corporations

AUDITOR'S REPORT

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

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson, Manitoba
May 27, 2010

Kendall & Pandya
Chartered Accountants.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2010

STATEMENT OF FINANCIAL POSITION

	2010	2009
ASSETS		
CURRENT ASSETS		
Bank	$ -	$ 433,640
Accounts receivable (Note 1)	6,140,067	4,765,875
Inventories	562,343	489,272
Prepaid expenses	589,575	436,763
Vacation entitlements receivable – Manitoba Health	2,589,257	2,589,257
Due from Manitoba Health (Note 2)	5,142,446	3,291,551
	$ 15,023,688	$12,006,358
Pre-retirement receivable-Manitoba Health	1,555,430	1,555,430
Capital assets (Note 3)	44,365,370	45,126,709
	$ 60,944,488	$58,688,497
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ 2,596,921	$ -
Manitoba Health cash advance (Note 14)	1,650,000	3,000,000
Accounts payable	4,372,540	5,018,377
Deferred revenue (Note 5)	691,993	1,939,160
Line of credit (Note 6)	1,211,340	-
Current portion of capital lease obligations (Note 7)	183,608	171,697
Vacation entitlements payable	3,842,984	3,396,083
	14,549,386	13,525,317
Manitoba Health cash advance (Note 14)	2,700,000	-
Accrued pre-retirement obligation (Note 12)	2,316,677	2,119,953
Capital lease obligations (Note 7)	369,625	553,233
Deferred contributions (Note 8)		
Expenses of future periods	166,583	238,098
Capital assets	37,388,293	38,600,781
	$ 42,941,178	$ 41,512,065
Contingencies (Note 15)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	5,212,504	5,800,998
Net assets internally restricted	-	196,375
Unrestricted net assets	(1,758,580)	(2,346,258)
	3,453,924	3,651,115
	$ 60,944,488	$ 58,688,497

APPROVED BY THE BOARD: ______________ ______________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2010

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Restricted Donations	Unrestricted	2010	2009
Balance, beginning of year	$ 5,800,998	$ 196,375	$(2,346,258)	$ 3,651,115	$ 3,187,814
Excess (Deficiency) of revenue over expenses for the year	-	-	(197,191)	(197,191)	463,301
Investment in capital assets (Note 9)	(588,494)	-	588,494	-	-
Transfers to unrestricted	-	(196,375)	196,375	-	-
Balance, end of year	$ 5,212,504	$ -	$(1,758,580)	$ 3,453,924	$ 3,651,115

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2010

STATEMENT OF OPERATIONS

	2010	2009
REVENUE		
Amortization of deferred contributions	$ 2,361,094	$ 2,144,516
Ancillary programs	854,764	977,072
Manitoba Health (Note 10)	79,954,233	74,406,907
Northern patient transportation program recoveries	2,037,792	2,065,938
Other	1,617,712	571,428
Patient	1,027,269	1,013,373
	$ 87,852,864	$81,179,234
EXPENSES		
Acute care services	$ 38,541,363	$34,608,317
Amortization of capital assets	2,361,094	2,110,424
Ancillary operations	854,764	977,072
Community based – health services	7,973,333	9,002,616
Community based -- home care	1,719,148	1,652,172
Community based – mental health	1,628,218	469,533
Land ambulance	589,814	353,048
Medical remuneration	17,032,533	15,128,517
Northern patient transportation program	7,764,686	7,821,919
Regional health authority	6,685,072	5,777,267
Support to seniors	30,000	30,000
Personal Care Home	2,870,030	2,785,048
	$ 88,050,055	$80,715,933
Excess (deficiency) of revenue over expenses for the year	$ (197,191)	$ 463,301

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2010

STATEMENT OF CASH FLOWS

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expenses	$ (197,191)	$ 463,301
Adjustments for		
Amortization of capital assets	2,361,094	2,110,424
Amortization of deferred contributions	(2,361,094)	(2,144,516)
	$ (197,191)	$ 429,209
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(1,374,192)	(450,123)
Due from Manitoba Health	(500,895)	(315,504)
Inventories	(73,071)	48,945
Prepaid expenses	(152,812)	(131,090)
Accounts payable	(645,837)	900,319
Vacation entitlements payable	643,625	342,352
Deferred revenue	(1,247,167)	877,487
	$(3,547,540)	$ 1,272,386
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(1,599,755)	$(1,568,819)
Payments of capital lease obligation	(171,697)	(114,966)
Receipt of deferred contributions related to capital assets	1,148,606	1,358,540
Receipt of deferred contributions related to expenses of future periods	(71,515)	(28,346)
Advances on line of credit	1,211,340	(481,682)
	$ 516,979	$ (835,273)
Increase (Decrease) in cash and cash equivalents during the year	(3,030,561)	866,322
Cash and cash equivalents, beginning of year	433,640	(432,682)
Cash and cash equivalents, end of year	$(2,596,921)	$ 433,640
Represented by:		
Cash in bank	$ -	433,640
Bank indebtedness	(2,596,921)	-
	$(2,596,921)	$ 433,640

See accompanying notes.

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

Accounting Policy Changes

During the year, the Organization has assessed the impact of amendments to the 4400 series of the CICA Handbook, and certain sections that relate to not-for-profit organizations, to its current reporting practices. With respect to presentation, the Organization will continue to disclose net assets invested in capital assets although the CICA amendment has made the disclosure optional. CICA section 1540, Cash Flow Statements is now applicable to not-for-profit organizations. The Organization will continue its presentation of a statement of cash flows under the guidelines of this section. Management has determined that CICA Section 4470, Disclosure of Allocated Expenses for Not-for Profit Organization does not apply to the organization as its expenses are not allocated to more than one function. These changes were adopted effective April 1, 2009 and as noted, did not impact the financial statement presentation by the Organization.

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, 2010.

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 to 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, 2010 the organization had $3,543,146 in cash and accounts receivable and $4,372,540 in accounts payable. Prudent liquidity risk management implies maintaining sufficient cash through available funding via an adequate amount of

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.

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, 2010 is its accounts receivable.

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.

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with specific directives. Transfers among net asset classes are recorded when approved by the Board of Directors.

1. Accounts Receivable

	2010	2009
Patients Receivable	**$1,773,956**	$1,957,264
Other	**162,878**	179,013
Goods and Services Tax	**117,443**	53,892
Northern Patient Transportation Program	**4,298,226**	2,974,860
Allowance for Doubtful Accounts	**(212,436)**	(399,154)
	$ 6,140,067	$4,765,875

2. Due (to) from Manitoba Health

	2010	2009
2006-07 PCH Funding	**$ (45)**	$ (45)
2006-07 Medical Renumeration	**2,180,119**	2,180,119
2009-10 Board Expenses	**936**	-
2009-10 CHA Billing	**23,988**	-
2009-10 Immunization Funding	**38,812**	-
2009-10 H1N1 Funding	**269,352**	-
2009-10 Security Funding	**80,000**	-
2007-08 Waitlist Initiatives	-	127,445
2009-10 PDN Funding	**168,700**	-
2009-10 EMS Funding	**50,000**	-
2008-09 Board Expenses	-	428
2008-09 CHA Billing	-	14,564
2009-10 MAHCP Wage Standardization	**421,430**	690,062
2008-09 Boiler Replacement	-	270
2008-09 Computers	-	23,232
2008-09 Waitlist 08/09	-	184,000
2008-09 Unfunded Interest	-	71,476
2009-10 Colonoscopy Wait Time Funding	**44,000**	-
2009-10 Dental Pediatric Funding	**10,125**	-
2009-10 Maternity Top Up	**23,741**	-
2009-10 Capital Interest	**786**	-
2009-10 Gillam Oxygen Concentration Project	**49,072**	-
2009-10 Medical Remuneration	**1,461,430**	-
2009-10 Pre-retirement Obligation Funding	**320,000**	-
	$ 5,142,446	$3,291,551

3. Capital Assets

	Cost	Accumulated Amortization	**2010 Net Book Value**	Cost	Accumulated Amortization	2009 Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	52,319,549	13,646,598	**38,672,951**	50,949,745	12,420,527	38,529,218
Computers	1,316,425	1,204,968	**111,457**	1,299,548	1,101,951	197,597
Equipment	18,515,258	14,450,750	**4,064,508**	17,302,325	13,418,744	3,883,581
Construction in Progress	1,502,760	-	**1,502,760**	2,502,619	-	2,502,619
	$73,667,686	$29,302,316	**$44,365,370**	$72,067,931	$26,941,222	$45,126,709

Included in capital asset additions during the year is interest of $1,573 (2009 - $ Nil) which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $3.6 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:

	2010	2009
Balance, beginning of year	**$1,939,160**	$1,061,673
Amount recognized as revenue in the current year	**(2,265,039)**	(843,645)
Funding received	**1,017,872**	1,721,132
Balance, end of year	**$ 691,993**	$1,939,160

6. Line of Credit

	2010	2009
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $1,581,000.	**$1,211,340**	$ -

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

7. Capital Lease Obligation

	2010	2009
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)	$ 532,207	$ 691,156
Lease Payable - Nexcap; monthly payments of $ 1,149.66 including interest at 8.258 %. Due September 1, 2011	$ 21,026	$ 33,774
Amount due within one year included in current liabilities	(183,608)	(171,697)
	$ 369,625	$ 553,233

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:

2011	$183,608
2012	$188,795
2013	$180,830
2014	$ -
2015	$ -

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.

	2010	2009
Balance, beginning of year	**$ 238,098**	$ 266,444
Add amount received during year	**84,539**	31,692
Deduct: transfer re: Personal Care Home	**(156,054)**	(60,038)
Balance, end of year	**$ 166,583**	$ 238,098

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.

	2010	2009
Balance, beginning of year	**$ 38,600,781**	$39,386,757
Additional contributions received	**1,148,606**	1,358,540
Less amounts amortized to revenue	**(2,361,094)**	(2,144,516)
Balance, end of year	**$ 37,388,293**	$38,600,781

9. **Net Assets Invested in Capital Assets**

a) Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$44,365,370	$45,126,709
Amount financed by:		
Deferred contributions	37,388,293	38,600,781
Lines of credit	1,211,340	-
Capital leases	553,233	724,930
	$ 5,212,504	$ 5,800,998

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

	2010	2009
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	$ 2,361,094	$2,144,516
Amortization of capital assets	2,361,094	2,110,424
	$ -	$ 34,092
Net changes in investment in capital assets		
Purchase of capital assets	$ 1,599,755	$1,568,819
Payment of capital lease obligation	171,697	155,016
Increase in capital lease obligation	-	(40,050)
Advances on line of credit	(1,211,340)	481,682
Manitoba Health – Capital asset funding	(1,148,606)	(930,630)
Manitoba Health deferred asset funding	-	(427,910)
	(588,494)	806,927
	$ (588,494)	$ 841,019

10. **Revenue from Manitoba Health**

	2010	2009
Revenue as per Manitoba Health funding document	$76,147,402	$73,363,934
Add: 2008 – 2009 Waitlist Funding	-	184,000
2009 – 2010 Waitlist Funding	210,930	-
2008-2009 Funding for STI/HIV Control	-	114,300
HPV Funding	-	9,428
Wage standardization and market adjustment	-	690,062
PDN Upgrade	68,700	7,300
MNU Northern Retention Allowance	1,246,244	1,298,850
Medical remuneration	1,461,428	-
2008-2009 Accelerated Surge Capacity	-	2,727
Immunization funding	38,812	46,703
Accelerated Supply Payments	260,100	260,100
Interest on debt repayment	-	36,193
Reciprocal Revenue	155,596	-
Colonoscopy Funding	44,000	-
H1N1 Funding	269,352	-
Security Funding	80,000	-
Pediatric Dental Funding	10,125	-
NCN Personal Care Home Year End Settlement	64,016	-
NCN PCH Non Treaty Resident Charge	87,995	-
Patient Safety Funding	6,000	-
Maternity Top Up	91,528	-
EMS Funding	50,000	-
Pre-retirement Funding	320,000	-
	$ 4,464,826	$2,649,663
Deduct:		
Nelson House PCH funding – flow through	$ (656,422)	$ (340,854)
Healthy Living budget transfer	-	(75,000)
Interest funding (actual)	(1,573)	(226,633)
	$ (657,995)	$ (642,487)
Total funding approved by Manitoba Health	$79,954,233	$75,371,110
Deduct:		
Amounts recorded as deferred contributions	-	(964,203)
Revenue from Manitoba Health	$79,954,233	$74,406,907

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, 2006, indicates the current contribution levels are adequate to fund the cost of benefits. Effective July 1, 2009, the contribution rates increased by 1.4% 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 $1,696,240 (2009 - $1,660,226) 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.

12. Pre-retirement Obligations

	2010	2009
Members of the Health Employees Pension Plan	**$ 2,136,232**	$1,920,423
Members of the Civil Service Superannuation Plan	**180,445**	199,530
	$ 2,316,677	$2,119,953

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 March 31, 2010. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.90% (2009- 6.70%) and a rate of salary increase of 4% (2009 -- 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,**	**2011**	**$208,320**
		2012	**$208,320**
		2013	**$208,320**
		2014	**$208,320**
		2015	**$ 97,680**

Aggregate future minimum operating payments total $930,960.

14. Manitoba Health Cash Advance

The Burntwood Regional Health Authority has received monies from Manitoba Health to assist in the cash flow of the organization. Repayment of the advance is at a rate of $150,000/year for a period of 20 years commencing in fiscal 2010 and ending in fiscal 2029.

Balance at March 31, 2010	$2,850,000
Less: current portion	(150,000)
	$2,700,000

The Burntwood Regional Health Authority has received a further $1,500,000 cash advance during the year which is due in the coming fiscal year.

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, 2010, 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, 2010.

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 $30,500 and an increase in ancillary costs of $30,500.

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.

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Auditors' Report

To the Board of Directors of
Churchill RHA Inc.

We have audited the statement of financial position of Churchill RHA Inc. (RHA) as at March 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2010, 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, Manitoba
May 19, 2010

Churchill RHA Inc.
Statement of Financial Position

March 31		2010	2009
Assets			
Current Assets			
Cash and bank		$ **1,655,223**	$ 2,488,320
Accounts receivable (note 1)		**250,085**	233,550
Due from Manitoba Health and Healthy Living (note 2)		**228,248**	81,867
Inventory		**379,928**	379,752
Goods and Services Tax recoverable		**31,896**	25,953
Prepaid expenses		**53,438**	63,304
Accounts receivable - Province of Manitoba (note 3)		**282,239**	282,239
		2,881,057	3,554,985
Capital Assets (note 4)		**3,165,114**	3,432,031
Accounts Receivable - Province of Manitoba (note 3)		**197,540**	197,540
		$ **6,243,711**	$ 7,184,556

Liabilities and Surplus (Deficiency) in Net Assets

		2010	2009
Current Liabilities			
Accounts payable and accrued liabilities		$ **1,064,221**	$ 888,169
Accounts payable - capital		**298**	10,082
Due to Manitoba Health and Healthy Living (note 5)		**540,250**	1,744,300
Security and other deposits		**48,999**	81,603
Vacation, overtime and statutory holiday pay payable		**418,883**	405,610
Current portion of capital lease obligations (note 6)		**7,470**	6,660
		2,080,121	3,136,424
Capital Lease Obligations (note 6)		**16,326**	24,190
Pre-retirement Entitlements (note 7)		**328,731**	254,096
Deferred Contributions Related to Capital Assets (note 8)		**3,127,199**	3,401,181
		5,552,377	6,815,891
Surplus (Deficiency) in Net Assets			
Net assets invested in capital assets (note 9)		**14,119**	-
Externally restricted - separately funded programs (note 10)		**(139,732)**	(210,045)
Unrestricted		**816,947**	578,710
		691,334	368,665
Contingencies (note 11)			
		$ **6,243,711**	$ 7,184,556

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 Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets	Separately Funded Programs	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	$ -	$ (210,045)	$ 578,710	$ 368,665	$ 239,145
Excess (deficiency) of revenue over expenses for the year	(13,776)	70,313	266,132	322,669	129,520
Net asset transfer (note 12)	27,895	-	(27,895)	-	-
Balance, end of year	$ 14,119	$ (139,732)	$ 816,947	$ 691,334	$ 368,665

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		2010		2009
Revenue				
Manitoba Health and Healthy Living funded programs				
Hospital	$	7,620,021	$	7,205,206
Diagnostic Services		796,968		777,364
Dental Clinic		138,533		137,760
Community Services		1,207,726		1,085,320
Northern Patient Transportation Program		1,093,560		1,052,491
Land Ambulance		326,232		329,223
Home Care		170,256		140,304
Amortization of deferred contributions (note 8)		389,194		394,837
Offset income		849,536		846,632
		12,592,026		11,969,137
Separately funded programs				
Churchill Child and Family Services (schedule 1)		653,186		499,837
Receiving Home (schedule 2)		391,726		319,575
Nunavut Services (schedule 3)		52,570		55,440
Families 'R' Us, Baby First and Healthy Baby programs (schedule 4)		172,100		166,000
		1,269,582		1,040,852
Ancillary income, net (schedule)		44,284		35,089
		1,313,866		1,075,941
		13,905,892		13,045,078
Expenses				
Manitoba Health and Healthy Living funded programs				
Hospital		7,356,459		7,022,026
Diagnostic Services		881,254		706,024
Dental Clinic		167,128		155,614
Community Services		969,565		942,518
Addictions Program		99,071		94,165
Northern Patient Transportation Program		1,310,289		1,124,247
Land Ambulance		406,184		377,798
Home Care		136,190		118,397
Amortization		402,970		411,331
Directors' fees and expenses		45,183		49,892
Employee future benefits		74,156		24,892
Interest and bank charges (recovery)		(6,812)		(2,330)
Interest on obligations under capital lease		1,590		1,983
		11,843,227		11,026,557
Separately funded programs				
Churchill Child and Family Services (schedule 1)		619,130		563,706
Receiving Home (schedule 2)		348,222		302,348
Nunavut Services (schedule 3)		43,467		41,705
Families 'R' Us, Baby First and Healthy Baby programs (schedule 4)		188,450		233,965
		1,199,269		1,141,724
		13,042,496		12,168,281
Excess of revenue over expenses before other expense		863,396		876,797
Other expense				
Surplus repayable to Manitoba Health and Healthy Living		(540,727)		(747,277)
Excess of revenue over expenses for the year	$	322,669	$	129,520

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	2010	2009
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	**$ 322,669**	$ 129,520
Adjustments for		
Amortization of capital assets	**402,970**	411,331
Loss on disposal of capital assets	**6,690**	-
Amortization of deferred contributions	**(389,194)**	(394,837)
Deferred contribution reduction - disposed capital assets	**(2,396)**	-
	340,739	146,014
Net change in non-cash operating working capital		
Accounts receivable	**(16,535)**	3,710
Due from Manitoba Health and Healthy Living	**(1,350,431)**	(230,983)
Inventory	**(176)**	(32,177)
Goods and Service Tax recoverable	**(5,943)**	18,687
Prepaid expenses	**9,866**	4,075
Accounts payable and accrued liabilities	**176,052**	99,243
Security and other deposits	**(32,604)**	67,986
Vacation, overtime and statutory holiday pay payable	**13,273**	64,994
	(1,206,498)	(4,465)
Increase in pre-retirement entitlement	**74,635**	24,892
	(1,131,863)	20,427
	(791,124)	166,441
Cash Flows provided by (used in) Investing and Financing Activities		
Purchase of capital assets	**(142,742)**	(103,051)
Payments on capital lease obligations	**(7,054)**	(8,160)
Receipt of contributions related to capital assets	**117,607**	124,538
Decrease in accounts payable - capital	**(9,784)**	(15,426)
	(41,973)	(2,099)
Increase (decrease) in cash, during the year	**(833,097)**	164,342
Cash and bank, beginning of year	**2,488,320**	2,323,978
Cash and bank, end of year	**$ 1,655,223**	$ 2,488,320

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

March 31, 2010

Nature and Purpose of Organization

Churchill RHA Inc. (RHA) is a non-profit organization incorporated in 1996 without share capital under the Corporations 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 $440,650 (2009 - $429,991).

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 %
Building 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 and Healthy Living have been obtained in advance of borrowings. There are no externally imposed restrictions other than the information provided in note 10.

Financial Instruments

The RHA utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

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

Held-for-trading

This category is comprised of cash and bank. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. 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 comprised of accounts receivable, due from Manitoba Health and Healthy Living and the accounts receivable - Province of Manitoba. 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. The carrying value of all loans and receivables approximates their fair values. This applies to the long-term accounts receivable - Province of Manitoba as well as the annual interest accretion is funded.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals, due to Manitoba Health and Healthy Living and vacation, overtime and statutory holiday payable. 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. The carrying value all financial liabilities approximate their fair value.

New Accounting Pronouncement

A recent accounting pronouncement that has been issued but is not yet effective, and has a potential implication for the RHA, is as follows:

Future for Not-for-Profit Organizations (NPO)

In March 2010, the Accounting Standards Board (AsSB) issued an Exposure Draft entitled "Accounting Standards for Not-for-Profit Organizations" and the Public Sector Accounting Board (PSAB) issued its own Exposure Draft entitled "Financial Reporting by Government Not-for-Profit Organizations (GNPOs)". The AcSB is proposing a choice between the accounting standards for private enterprises plus the current NPO-specific standards (with minor modifications) and International Financial Reporting Standards. Once the PSAB GNPO standards are finalized they may also allow those as a choice. The PSAB has proposed that GNPOs follow Public Sector Accounting Standards with the current NPO-specific standards added on (with minor modifications). The standards would be effective for the fiscal year beginning on or after January 1, 2012. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook Part V - Accounting.

1. Accounts Receivable

		2010		2009
General operating	$	**252,613**	$	212,374
Pharmacy		**2,700**		2,703
Dental		**(75)**		-
Separately funded and working capital advance		**(13,805)**		(13,805)
Daycare		**16,269**		47,561
Other		**(7,617)**		(15,283)
	$	**250,085**	$	233,550

2. Due from Manitoba Health and Healthy Living

		2010		2009
Approved capital funding	$	**80,525**	$	7,517
Other		**147,723**		74,350
	$	**228,248**	$	81,867

3. Current and Future Employee Benefits Recoverable from Manitoba Health and Healthy Living

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 and Healthy Living. At that date, Manitoba Health and Healthy Living 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 and Healthy Living 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.

4. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 1,145,179**	**$ 758,949**	$ 1,145,179	$ 730,320
Building service equipment	**4,394,530**	**2,102,602**	4,299,334	1,861,695
Major equipment	**3,130,594**	**2,741,179**	3,197,847	2,756,788
Computer equipment	**337,371**	**239,830**	706,509	568,035
Equipment under capital lease	**77,893**	**77,893**	121,427	121,427
	$ 9,085,567	**$ 5,920,453**	$ 9,470,296	$ 6,038,265
Net book value		**$ 3,165,114**		$ 3,432,031

5. Due to Manitoba Health and Healthy Living

In Globe Funding

In Globe funding is funding approved by Manitoba Health and Healthy Living 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 and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the RHA, or repaid to Manitoba Health and Healthy Living. For the year ended March 31, 2010, the RHA recorded $540,250 (2009 - $746,800) as a surplus payable to Manitoba Health and Healthy Living.

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

	2010	2009
2007/2008 surplus repayable	**$ -**	$ 997,500
2008/2009 surplus repayable	**-**	746,800
2009/2010 surplus repayable	**540,250**	-
	$ 540,250	$ 1,744,300

5. Due to Manitoba Health and Healthy Living continued

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health and Healthy Living 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 and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the RHA or repaid to Manitoba Health and Healthy Living.

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 and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living 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 and Healthy Living, are absorbed by the RHA.

6. Capital Lease Obligations

The following is a schedule of minimum lease payments under a capital lease, expiring November 2011, together with the balance of the obligation under the capital lease.

2011	$ 8,643
2012	16,809
	25,452
Less imputed interest at 5.75%	1,656
	23,796
Less amount due within one year included in current liabilities	7,470
	$ 16,326

7. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

	2010	2009
Members of the Health Employees Pension Plan	$ 328,731	$ 254,096

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2010. 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 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 3.5%) plus age related merit / promotion scale with a provision for potential disability.

Funding of the retirement obligation is recoverable from Manitoba Health and Healthy Living and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health and Healthy Living has been capped at the amount of the liability owing as at March 31, 2004 being $197,540 as discussed in note 3. 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.

7. Pre-retirement Entitlements continued

b) Pension Plan

Most of the employees of the RHA 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.

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 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, 2008 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. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $313,699 (2009 - $278,604) and are included in the statement of operations.

8. Deferred Contributions Related to 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.

	2010	2009
Balance, beginning of year	**$ 3,401,181**	$ 3,671,480
Add deferred contributions received in the current year	**117,607**	124,538
Less deferred contribution reduction - disposed capital assets	**(2,395)**	-
Less amount amortized to revenue in the year	**(389,194)**	(394,837)
Balance, end of year	**$ 3,127,199**	$ 3,401,181

9. Net Assets Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2010	2009
Capital assets	$ **3,165,114**	$ 3,432,031
Deferred contributions related to capital assets	**(3,127,199)**	(3,401,181)
Capital lease obligations	**(23,796)**	(30,850)
	$ **14,119**	$ -

10. 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.

	2010	2009
Accumulated deficit - Churchill Child and Family Services (Schedule 1)	$ **(46,821)**	$ (80,877)
Accumulated deficit - Receiving Home (Schedule 2)	**(143,731)**	(187,235)
Accumulated surplus - Nunavut Services (Schedule 3)	**70,827**	61,724
Accumulated deficit - Families 'R' Us, Baby First and Healthy Baby Programs (Schedule 4)	**(22,755)**	(6,405)
Accumulated surplus - Health Promotion	**2,748**	2,748
	$ **(139,732)**	$ (210,045)

11. 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, 2010, 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, 2010.

March 31, 2010

12. Net Asset Transfer

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

	2010	2009
Net book value of disposed capital assets	$ 6,690	$ -
Capital asset additions	(142,742)	(103,051)
Annual funding for capital assets purchases	117,607	124,538
Capital lease debt payments	(7,054)	(8,160)
Deferred contribution reduction - disposed capital assets	(2,396)	-
	$ (27,895)	$ 13,327

13. Revenue from Manitoba Health and Healthy Living

Revenue as per Manitoba Health and Healthy Living final funding document	$ 11,264,808	
Add		
In Globe receivable	80,000	
Deduct		
Capital interest	(31,187)	
Total funding approved by Manitoba Health and Healthy Living	11,313,621	
Deduct		
Amounts recorded as deferred contributions	$ (197,280)	$ 11,116,341

Revenue from Manitoba Health and Healthy Living - Statement of Operations

Hospital	$ 7,620,021	
Diagnostic Services	796,968	
Dental Clinic	138,533	
Community Services	1,207,726	
Northern Patient Transportation Program	1,093,560	
Land Ambulance	326,232	
Home Care	170,256	
Less - other sources of income	$ (236,955)	$ 11,116,341

Churchill RHA Inc.
Schedule of Ancillary Income (Expense)

For the year ended March 31		2010		2009
Children's Centre, net (gross $339,850, 2009 - $317,323)	$	**(38,112)**	$	(38,804)
Retail pharmacy, net (gross $573,150, 2009 - $552,118)		**57,449**		77,077
Gift shop and vending machine, net (gross $41,468, 2009 - $41,120)		**8,030**		8,660
Donations		**1,686**		778
Non-Manitoba Health and Healthy Living funded specialists		**15,231**		(12,622)
	$	**44,284**	$	35,089

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Auditors' Report

To the Board of Directors of
INTERLAKE REGIONAL HEALTH AUTHORITY INC.:

We have audited the consolidated statement of financial position of **INTERLAKE REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 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 21, 2010

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31		2010		2009
Assets				
Current Assets				
Cash and term deposits	$	**4,133,535**	$	8,483,548
Accounts receivable		**1,493,401**		1,309,043
Due from Manitoba Health (Note 3)		**4,012,647**		1,817,652
Inventories		**907,318**		812,882
Prepaid expense		**430,000**		989,742
Vacation entitlements receivable (Note 4)		**3,688,400**		3,688,400
		14,665,301		17,101,267
Retirement obligations receivable (Note 12)		**4,183,222**		4,183,222
Other assets		**108,505**		86,639
Capital assets (Note 5)		**44,316,896**		42,925,567
	$	**63,273,924**	$	64,296,695
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**6,859,817**	$	7,886,834
Accrued vacation entitlements (Note 4)		**4,617,468**		4,868,178
Current portion of long-term debt (Note 7)		**55,100**		52,634
		11,532,385		12,807,646
Accrued retirement obligations (Note 12)		**6,808,818**		5,948,205
Long-term debt (Note 7)		**426,698**		481,797
Deferred Contributions (Note 8)				
Expenses of future periods		**2,128,958**		2,818,040
Capital assets		**41,424,268**		40,006,525
		43,553,226		42,824,565
Commitments and contingencies (Note 11)				
Net Assets				
Investment in capital assets (Note 9)		**2,410,830**		2,384,611
Externally restricted (Note 14)		**720,228**		738,502
Internally restricted (Note 14)		**188,794**		202,326
Unrestricted - RHA		**(2,765,794)**		(1,621,952)
Unrestricted - Contract Facilities		**398,739**		530,995
		952,797		2,234,482
	$	**63,273,924**	$	64,296,695

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	2010	2009
Revenue		
Province of Manitoba		
Health (Note 10)	$ 107,465,440	$ 99,495,379
Client Non-Insured	6,617,757	6,234,825
Interest	29,982	114,511
Offset and other income	2,955,708	2,823,529
Ancillary income	181,154	184,304
Amortization of deferred contributions	3,355,242	3,206,499
	120,605,283	112,059,047
Expenditures		
Acute care services	32,888,171	29,253,578
Amortization of capital assets	3,393,997	3,245,254
Ancillary operations operating expenditures	112,975	118,128
Chemotherapy	311,965	283,188
Community health	5,837,948	5,550,412
Home based care	16,903,886	15,673,585
Diagnostic services	8,124,127	7,370,002
Dialysis	1,497,522	1,368,846
Emergency response and transport	7,504,602	6,826,605
Long-term care services	26,004,571	24,436,549
Mental health services	4,787,357	4,506,198
Medical remuneration	9,177,452	8,860,289
Nurse recruitment and retention	48,564	53,744
Regional undistributed expenditures	4,895,937	3,961,718
Safety and renovations	359,037	491,221
	121,848,111	111,999,317
Excess (deficiency) of revenue over expenditures for the year	$ (1,242,828)	$ 59,730
Allocated as follows:		
Regional services	$ (1,100,439)	$ (120,370)
Contracted services	(142,389)	180,100
	$ (1,242,828)	$ 59,730

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

	Investment in Capital Assets (Note 9)	Externally Restricted (Note 14)	Internally Restricted (Note 14)	Unrestricted - RHA	Unrestricted - Contract Facilities	2010 Total	2009 Total
Balance, beginning of year	$ 2,384,611	$ 738,502	$ 202,326	$ (1,621,952)	$ 530,995	$ 2,234,482	$ 2,202,423
Reallocation of interest earned on donation and externally restricted funds	-	3,583	3,468	(7,051)	-	-	-
Change in externally restricted net assets	-	(21,857)	(17,000)	-	-	(38,857)	(27,671)
Excess (deficiency) of revenue over expenditures for the year	(38,755)	-	-	(1,061,684)	(142,389)	(1,242,828)	59,730
Net changes in investment in capital assets	64,974	-	-	(75,107)	10,133	-	-
Balance, end of year	$ 2,410,830	$ 720,228	$ 188,794	$ (2,765,794)	$ 398,739	$ 952,797	$ 2,234,482

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	2010	2009
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ **(1,242,828)**	$ 59,730
Adjustments for		
Amortization of capital assets	**3,393,997**	3,245,254
Amortization of deferred contributions related to capital assets	**(3,355,242)**	(3,206,499)
Deferred contributions - expenses of future periods		
Receipts	**2,407,176**	3,613,350
Expenditures	**(3,096,258)**	(2,258,622)
	(1,893,155)	1,453,213
Changes in non-cash working capital		
Accounts receivable	**(184,358)**	(90,606)
Due from Manitoba Health	**(2,194,995)**	443,896
Inventories	**(94,436)**	(71,635)
Prepaid expense	**559,742**	(383,491)
Accounts payable and accrued liabilities	**(1,027,017)**	1,281,832
Accrued vacation entitlements	**(250,710)**	297,533
	(3,191,774)	1,477,529
Accrued retirement obligations	**860,613**	472,483
	(4,224,316)	3,403,225
Cash Flows from Investing Activities		
Purchase of capital assets	**(4,785,326)**	(2,788,440)
Other assets	**(21,866)**	23,998
	(4,807,192)	(2,764,442)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(52,633)**	(50,339)
Repayment of funds to Foundations	**(21,857)**	(64,271)
Receipt of deferred contributions related to capital assets	**4,772,985**	3,535,875
Payout of externally restricted net assets	**(17,000)**	(22,000)
	4,681,495	3,399,265
Net increase (decrease) in cash and term deposits	**(4,350,013)**	4,038,048
Cash and term deposits, beginning of year	**8,483,548**	4,445,500
Cash and term deposits, end of year	$ **4,133,535**	$ 8,483,548

Supplementary Information		
Interest paid during the year	$ **23,421**	$ 25,718

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, 2010.

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.

For the year ended March 31, 2010

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%

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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Authority, are as follows:

Future of Not-for-Profit Organizations - The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

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. Change in Accounting Policy

Allocation of Expenses

On April 1, 2009, the Authority adopted CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations". Under these new standards, not-for-profit organizations establish disclosure standards that explain how it classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate. For the Authority, general support expenses are either considered a function or are allocated on a reasonable and consistent basis to the relevant functions that they support (Note 16).

The adoption of these new standards had no material impact on the organization's statement of financial position and statement of changes in net assets.

For the year ended March 31, 2010

3. Due from (to) Manitoba Health

	2010	2009
HEBP Group Health Benefits	$ 327,162	$ -
09/10 CUPE and IUOE wage standardization	278,367	-
08/09 CUPE and IUOE wage standardization	91,479	91,479
H1N1 funding	340,589	-
Immunization program	42,152	-
EMS directed funding	200,000	-
Interfacility ambulance transfers	342,995	285,305
Safety & Security	115,477	117,816
Oncology Volume directed funding	112,700	-
PDN funding	119,600	-
Omnipharm support and maintenance	59,640	-
Equipment funding	41,637	-
MNU Maternity Top Up	18,517	-
Aging in Place initiative	19,800	-
Out-of-Globe 2009/10	100,820	-
Out-of-Globe 2008/09	48,046	(2,193)
07/08 MGEU TP market supplement	-	251,942
08/09 MGEU TP market supplement	269,460	648,989
08/09 MGEU CS market supplement	-	127,171
PCH Staffing Initiative	101,995	164,844
St Paul EMS station expenses	-	25,715
Selkirk emergency department positions	343,420	22,191
Checkpoint security funding	-	10,000
Community health assessment	14,895	36,893
Selkirk Colonoscopies funding	33,500	37,500
Eriksdale Wellness Centre Cancer Support Program	18,806	-
Reclaiming Hope	6,790	-
Root Cause Analysis	6,000	-
RIS/PACS Billing Clerk	5,600	-
Community Wellness initiative	2,729	-
Board expenses	471	-
09/10 pre-retirement actuarial adjustment	950,000	-
	$ 4,012,647	$ 1,817,652

4. 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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	**$ 4,868,178**	$ 4,570,645
Net increase (decrease) in accrued vacation entitlements	**(250,710)**	297,533
Balance, end of year	**$ 4,617,468**	$ 4,868,178

5. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 180,667**	**$ -**	$ 180,667	$ -
Land improvements	**370,102**	**370,102**	370,102	370,102
Buildings	**62,061,563**	**31,462,153**	62,007,458	29,491,368
Ambulances	**91,811**	**91,811**	183,621	183,621
Equipment	**19,453,400**	**13,649,194**	18,411,479	12,526,200
Equipment - computers	**2,616,911**	**1,771,107**	2,213,786	1,467,512
Construction in progress	**6,886,809**	**-**	3,597,257	-
	$ 91,661,263	**$ 47,344,367**	$ 86,964,370	$ 44,038,803
Cost less accumulated amortization		**$ 44,316,896**		$ 42,925,567

6. 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 (2.25% at March 31, 2010) less 0.75% and is supported by an authorization letter from MH. As at March 31, 2010 the line of credit was unutilized.

7. Long-term Debt

	2010	2009
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)	$ 481,798	$ 534,431
Current portion of long-term debt	55,100	52,634
	$ 426,698	$ 481,797

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:

2011	$ 55,100
2012	57,641
2013	60,174
2014	62,238
2015	63,941
Thereafter	182,704
	$ 481,798

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.

	2010	2009
Balance, beginning of year	$ **2,818,040**	$ 1,463,312
Additional amounts received during year	**2,357,989**	3,564,163
Funding for reserve for major repairs	**49,187**	49,187
Less expenditures	**(3,096,258)**	(2,258,622)
Balance, end of year	$ **2,128,958**	$ 2,818,040

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.

	2010	2009
Balance, beginning of year	$ **40,006,525**	$ 39,677,149
Additional contributions received, net	**4,772,985**	3,535,875
Less amounts amortized to revenue	**(3,355,242)**	(3,206,499)
Balance, end of year	$ **41,424,268**	$ 40,006,525

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 44,316,896	$ 42,925,567
Amounts financed by		
Deferred contributions	41,424,268	40,006,525
Long-term debt	481,798	534,431
	$ 2,410,830	$ 2,384,611

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

	2010	2009
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 3,355,242	$ 3,206,499
Amortization of capital assets	(3,393,997)	(3,245,254)
	$ (38,755)	$ (38,755)
Net changes in investment in capital assets		
Purchase of capital assets	$ 4,785,326	$ 2,788,440
Amounts funded by		
MH funding	(4,633,388)	(3,466,953)
Donations	(139,597)	(68,922)
Repayment of long-term debt	52,633	50,339
	$ 64,974	$ (697,096)

10. Revenue from Manitoba Health

		2010	2009
Revenue from MH			
Revenue as per MH's final funding document		**$ 99,786,713**	$ 94,077,754
Debt interest allocation		**(255,436)**	(271,022)
Equipment allocation		**-**	(414,408)
Funds for loans held by the Province of Manitoba		**(673,213)**	(481,240)
Reserve for major repairs funding		**(26,965)**	(26,965)
		98,831,099	92,884,119
Add:	Selkirk Surgical Expansion	**195,600**	668,500
	CUPE wage standardization	**278,367**	91,479
	MNU wage standardization	**-**	(4,780)
	H1N1 funding	**506,813**	-
	MGEU Community support wage standardization	**-**	127,171
	Interfacility ambulance transfers	**1,805,205**	1,420,378
	Safety and renovations	**347,460**	488,523
	Influenza and Immunizations	**134,474**	98,803
	HEBP Group Health Benefits	**327,241**	-
	Supplies funding	**332,900**	-
	Out-of-globe items and adjustments	**174,548**	153,699
	MGEU TP Market supplement	**3,495**	648,991
	Children's therapy initiative	**92,206**	59,449
	EMS directed funding	**200,000**	-
	Oncology Volume Directed Funding	**112,700**	-
	Early start and healthy child programs	**1,049,810**	993,530
	PCH Staffing initiative funding	**678,362**	678,362
	Nurse recruitment and retention	**48,564**	53,744
	Early years research program	**98,300**	98,725
	Mobile ultrasound funding	**-**	241,111
	Chronic disease prevention	**101,521**	78,039
	Mental health wait list	**-**	55,919
	St. Paul EMS station	**(25,715)**	25,715
	Omnipharm Support and Maintenance	**59,640**	-
	Provincial Data Network	**119,600**	11,000
	Cardiac Care	**-**	452
	Risk Factor Complication Assessments	**30,611**	29,707
	Aboriginal health transition fund	**141,353**	112,620
	Primary care and healthy living funding	**-**	100,600
	Mental health positions funding	**62,214**	97,082
	Community health assessment	**84,089**	77,828
	Selkirk Emergency Department positions	**343,419**	49,931
	RIS/PACS Billing clerk position	**5,600**	29,000
	Colonoscopies funding	**108,500**	37,500
	Non-Medical reciprocal recoveries	**-**	70,117
	Balance (carried forward)	**$106,247,976**	$ 99,477,314

10. Revenue from Manitoba Health (continued)

	2010	2009
Balance (brought forward)	**$106,247,976**	$ 99,477,314
Patient safety position	**-**	5,200
Aboriginal employment initiative	**85,979**	12,865
Crisis Services Psychiatric Consultation	**51,500**	-
MNU Maternity Top Up	**48,422**	-
Reclaiming Hope	**6,789**	-
Root Cause Analysis	**6,000**	-
Aging in Place initiative	**19,800**	-
Communicable Disease Coordinator	**15,728**	-
Fetal Alcohol Spectrum Disorder Program	**14,441**	-
Eriksdale Wellness Centre Cancer Support	**18,805**	-
09/10 pre-retirement actuarial adjustment	**950,000**	-
Total Revenue from MH	**$107,465,440**	$ 99,495,379

11. 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, 2010, 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, 2010.

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

12. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2010. The Authority's contractual commitment 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:

- 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 4.9% (6.7% in 2009) and a rate of salary increase of 4.0% (3.5% in 2009) 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:

	2010	2009
Balance, beginning of year	**$ 5,948,205**	$ 5,475,722
Net increase in pre-retirement entitlements	**860,613**	472,483
Balance, end of year	**$ 6,808,818**	$ 5,948,205

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

12. 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, together with 6.8% of salary under $47,200 and 8.4% of salary over $47,200 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, 2008 indicates 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 Authority on behalf of its employees amounted to $3,487,285 (2009 - $3,274,925) 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.

13. 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.

14. 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.

Internal Restrictions

The Board of Directors has internally restricted $3,468 (2009 - $16,181) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $188,794 (2009 - $202,326). 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.

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.

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:

	2010	2009
Accounts receivable	$ 1,493,401	$ 1,309,043
Due from Manitoba Health	4,012,647	1,817,652
Vacation entitlements receivable	3,688,400	3,688,400
Retirement obligations receivable	4,183,222	4,183,222
	$ 13,377,670	$ 10,998,317

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.

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 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.

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	$ 3,121,242	$ 2,083,478	$ 1,037,764	$ -
Facility administrative support	1,246,427	893,088	353,339	-
District management	444,331	155,798	155,798	132,735
Clinical management	437,007	332,012	104,995	-
Education	371,386	169,979	127,911	73,496
Support services management	296,440	222,352	74,088	-
Total	$ 5,916,833	$ 3,856,707	$ 1,853,895	$ 206,231

17. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's results.

KENDALL & PANDYA

Chartered Accountants

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Manisha Pandya, CA *

* Operating as professionnal corporations

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2010 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nor-Man Regional Health Authority Inc. as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall & Pandya

Chartered Accountants

Flin Flon, MB
June 14, 2010

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2010

ASSETS

	Notes	2010	2009
CURRENT ASSETS			
Accounts receivable	2a	$ 1,525,134	$ 1,504,356
Due from Manitoba Health	2b	8,020,427	5,455,943
Inventories		448,780	420,839
Prepaid expenses		396,518	634,596
		10,390,859	8,015,734
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	30,937,648	32,740,558
		$43,982,879	$43,410,664

LIABILITIES

	Notes	2010	2009
CURRENT LIABILITIES			
Bank indebtedness		$ 6,805,357	$ 1,513,984
Accounts payable		3,777,364	3,932,127
Due to Diagnostic Services Manitoba (DSM) - Benefit credits		-	257,520
Accrued vacation benefit entitlements		3,770,244	3,887,000
Current portion of capital lease		50,771	47,946
Current portion of long-term debt		219,504	302,576
		14,623,240	9,941,153
LONG-TERM DEBT	10	2,293,086	2,630,937
CAPITAL LEASE	12	100,890	151,661
DUE TO MANITOBA HEALTH		6,551,946	4,600,000
DUE TO DSM – PRE-RETIREMENT OBLIGATION		382,098	290,828
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	4,117,475	3,567,943
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		2,216,414	1,401,478
Capital assets		26,917,736	28,730,941
NET ASSETS			
Invested in capital assets	4	3,032,570	3,335,421
Restricted	f	6,607	6,077
Unrestricted		(16,259,185)	(11,245,775)
		$43,982,879	$43,410,664

COMMITMENTS (Note 11)

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2010

	2010	2009
REVENUE		
Manitoba Health - Note 7	$75,583,086	$70,127,513
Non-insured income	6,642,419	8,680,601
Other income	2,293,698	4,944,727
Amortization of deferred contributions	3,446,843	3,223,505
Ancillary revenue	1,645,118	1,309,457
	89,611,164	88,366,803
EXPENSES		
Acute care	35,165,535	36,411,362
Long-term care	10,762,422	10,161,290
Medical remuneration	15,204,855	13,288,341
Community services co-ordination	638,588	714,307
Community based mental health	1,625,119	1,352,167
Community based home care	5,170,681	4,971,564
Community based health	4,032,420	3,835,451
Land ambulance	2,705,142	2,603,913
Unallocated Regional health authority costs	5,206,125	4,662,971
Amortization of capital assets	3,423,067	3,211,311
Interest on capital lease	8,593	12,875
Northern Patient Transportation	7,734,744	6,982,568
Pre - retirement	817,742	664,496
Rosaire House Addictions Centre	742,306	707,452
Long-term care - Aging in Place	27,202	-
Ancillary expenses	1,662,354	1,587,366
	94,926,895	91,167,434
DEFICIENCY OF REVENUE OVER EXPENSES	$ (5,315,731)	$ (2,800,631)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

YEAR ENDED MARCH 31, 2010

	Investment in Capital Assets	Restricted	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	$3,335,421	$6,077	$(11,245,775)	$(7,904,277)	$(5,103,646)
(Deficit) from operations	(302,851)	530	(5,013,410)	(5,315,731)	(2,800,631)
Balance, end of year	$3,032,570	$6,607	$(16,259,185)	$13,220,008)	$(7,904,277)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

YEAR ENDED MARCH 31, 2010

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve For Major Repairs and Improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	$130,838	$182,536	$1,088,104	$1,401,478	$28,730,941
Contributions	8,160	0	0	8,160	1,523,741
Transfer of funds from Donations for capital assets	0	(36,420)	0	(36,420)	109,897
Donations	0	94,849	0	94,849	0
Amortization – capital	0	0	0	0	(3,446,843)
Grants	0	0	748,347	748,347	0
Balance, end of year	$138,998	$240,965	$1,836,451	$2,216,414	$26,917,736

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2010

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$ (5,315,731)	$(2,800,631)
Items not affecting cash		
Amortization of capital assets	3,423,067	3,211,311
Amortization of deferred contributions	(3,446,843)	(3,223,505)
Change in non-cash working capital	(1,879,728)	(270,613)
Change in pre-retirement liability	(549,532)	(326,279)
	(7,768,767)	(3,409,717)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(316,834)	(987,972)
Construction in progress expenditures	(2,384,144)	(2,106,072)
Increase in long-term debt	2,729,797	4,668,122
Receipt of contributions relating to capital assets	1,633,639	3,862,865
Receipt of contributions relating to expenses of future periods	814,936	357,171
	2,477,394	5,794,114
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,291,373)	2,384,397
CASH (BANK INDEBTEDNESS), beginning of year	(1,513,984)	(3,898,381)
CASH (BANK INDEBTEDNESS), end of year	$ (6,805,357)	$(1,513,984)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2010

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 average invoice cost and net realizable value. The Health Authority's disclosure is in compliance with new CICA section 3031.

(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) ACCOUNTING POLICY CHANGES IN THE CURRENT YEAR

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs).

CICA 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 *Cash Flow Statements* applicable to NFPOs; and
- make Section 1751 *Interim Financial Statements* applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 *Related Party Transactions*.

Section CICA 4470 *Disclosure of Allocated Expenses by Not-For-Profit Organizations* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new section are:

- A requirement for an organization that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of expenses being allocated and the basis on which such allocations have been made; and

- A requirement for an organization to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2010 and will only require additional disclosure in the financial statements.

(k) 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, 2010

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

	2010	2009
(a) Accounts Receivable		
Ambulance	$ 608,018	$ 523,643
Residents	638,153	909,032
Employees computer loans	86,529	95,405
Government of Canada	107,189	67,869
Sundry	118,738	165,560
	1,558,627	1,761,509
Less allowance for doubtful accounts	(33,493)	(257,153)
	$1,525,134	$1,504,356
(b) Due from Manitoba Health		
Out of Globe - 2007	-	$1,922,002
Out of Globe - 2008	787,214	915,801
Out of Globe - 2009	1,526,672	1,564,061
Out of Globe – 2010	873,306	-
Recovery from Saskatchewan		
payable to Manitoba - 2005	-	(891,946)
payable to Manitoba - 2007	-	(1,500,000)
Ancillary Programs	65,535	(23,021)
Trades Wage Standardization	38,692	38,692
2009 – 2010 Maternity Leave Top-Up	31,405	-
Facility Support Settlement – 2009	41,190	-
Trades Settlement – 2009	4,224	-
2009 – 2010 Extended Health Benefit	184,926	-
Professional Technical Market Supplement	-	109,204
Capital Operating – TPHC Dialysis	-	377,040
PCH Staffing	201,162	77,470
Patient Safety Officer	-	5,270
CHA – Q4	32,649	21,436
Vacation benefit entitlements	2,839,934	2,839,934
Capital Projects – Cash Payments	301,291	-
H1 N1	239,938	-
Pre Screening Interview	(1,877)	-
2009 – 2010 Pre-retirement Program	625,000	-
2009 – 2010 SK Health 13th Payment	229,166	-
	$ 8,020,427	$5,455,943
(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:

	2010	2009
Capital assets	$ 30,937,648	$ 32,740,558
Amounts financed by:		
Deferred contributions	(26,917,736)	(28,730,941)
Long-term debt	(987,342)	(674,196)
	$ 3,032,570	$ 3,335,421

5. CAPITAL ASSETS

	2009		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 294,735	$ 304,325
Buildings	46,650,038	22,137,865	24,512,173
Computer equipment	1,614,900	1,325,872	289,028
Equipment	5,215,021	2,770,963	2,444,058
Construction in Progress	2,458,884	0	2,458,884
Energy Retro Fit Guarantee	2,732,090	0	2,732,090
	$59,269,993	$26,529,435	$32,740,558

	2010		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 303,127	$ 295,933
Buildings	49,034,182	24,752,871	24,281,311
Computer equipment	1,511,287	1,433,875	77,412
Equipment	5,666,114	3,087,718	2,578,396
Construction in Progress	2,868,916	0	2,868,916
Energy Retro Fit Guarantee	835,680	0	835,680
	$60,515,239	$29,577,591	$30,937,648

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2010	2009
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$4,117,475	$3,567,943

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 May 6, 2010 of the accrued retirement entitlements as at March 31, 2010. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 – 6.7%) and a rate of salary increase of 4.0% (2009 - 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 15/10 funding document		$77,243,366
Other Manitoba Health Revenue – One Time		
Various	(1,032)	
RN (EP) Nursing Station	(70,000)	
Repayment on LT Debt	240,000	
Surge Capacity	(2,727)	
Ancillary Programs	(628,595)	
09/10 Debt Servicing Payable to MB Health	(82,070)	
09/10 Infusion Pump Payment Received	(469,730)	
FFPCH Mortgage	(2,172)	
Ceiling Lifts	(12,000)	(1,028,326)
Add: Accruals approved by Manitoba Health:		
09/10 Medical Remuneration	955,376	
08/09 Facility Support	41,190	
08/09 Trades	4,224	
09/10 Maternity Leave Top-up	31,405	
09/10 Extended Health Benefit	184,926	
TP Dialysis – Bad Debt	(232,040)	
07/08 Immunization Funding	(57,771)	
09/10 H1N1 Invoice	179,042	
09/10 Immunization Funding	40,585	
09/10 PCH Staffing Q3	97,483	
09/10 PCH Staffing Q4	103,678	
09/10 Pre-Retirement Funding	625,000	1,973,098

Deduct:		
Payments on prior year receivables	(1,374,306)	
Other – RN (EP) Funding	(23,100)	(1,397,406)
Capital - Recognized as Deferred Contributions		
Basic Equipment	(136,000)	
Basic Equipment (to be adjusted in 10/11)	(56,892)	
Principal – Acute	(456,440)	
Principal – LTC	(192,618)	
Reserve – LTC	(8,160)	
Interest – Acute	(166,276)	
Interest – LTC	(9,105)	(1,025,491)
Capital – Projects (Cash Reimbursement)		
IT Small Project	(79,782)	
Capital Project – Grand Rapids Nursing Station	(94,678)	
Capital Project – St. Paul's	(7,695)	(182,156)
Revenue from Manitoba Health		$75,583,086

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, 2004, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,272,492 (2009 - $2,166,649) 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 $1,737 (2009 - $42,131).

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:

2011	$211,200
2012	$211,200
2013	$211,200
2014	$211,200
2015	$211,200

Aggregate future minimum operating lease payments total $2,383,200.

(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 $3,138,790 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:

2011	$763,360
2012	$718,349
2013	$606,340
2014	$582,688
2015	$577,680

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:

2011	$ 50,771
2012	$ 53,764
2013	$ 47,126
2014	$ 0
2015	$ 0

Aggregate future capital lease payments total $164,764 including $13,103 of imputed expenses.

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Auditors' Report

To the Board of Directors of
NORTH EASTMAN HEALTH ASSOCIATION INC.

We have audited the statement of financial position of **NORTH EASTMAN HEALTH ASSOCIATION INC.** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2010 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 28, 2010

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position

March 31	2010	2009
Assets		
Current Assets		
Cash and bank	$ **4,214,064**	$ 5,259,554
Accounts receivable (Note 3)	**672,600**	728,877
Due from Manitoba Health (Note 4)	**583,138**	235,293
Inventories	**718,560**	656,674
Prepaid expense	**126,569**	186,970
Employee benefits recoverable (Note 5)	**1,796,024**	1,796,024
	8,110,955	8,863,392
Retirement obligations recoverable (Note 5)	**1,729,643**	1,729,643
Capital assets (Note 6)	**30,131,962**	30,480,484
	$ **39,972,560**	$ 41,073,519
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ **1,868,446**	$ 2,855,431
Employee benefits payable (Note 5)	**3,025,661**	2,973,431
Current portion of long-term debt (Note 7)	**96,209**	92,476
	4,990,316	5,921,338
Accrued retirement obligations (Notes 5 and 13)	**3,077,381**	2,514,131
Long-term debt (Note 7)	**1,005,071**	1,101,281
Deferred Contributions (Note 8)		
Expenses of future periods	**1,865,270**	1,751,218
Capital assets	**27,924,781**	28,625,025
	33,872,503	33,991,655
	38,862,819	39,912,993
Commitments and contingencies (Note 11)		
Net Assets		
Investment in capital assets (Note 9)	**1,130,246**	1,153,640
Externally restricted (Note 1)	**237,748**	237,748
Unrestricted - RHA	**(258,253)**	(230,862)
	1,109,741	1,160,526
	$ **39,972,560**	$ 41,073,519

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.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Operations

For the year ended March 31	2010	2009
Revenue		
Manitoba Health income (Note 10)	$ 51,591,279	48,145,729
Non-Insured income	3,145,077	3,029,021
Offset and other income	3,114,609	2,903,059
Amortization of deferred contributions	1,617,389	1,587,653
Ancillary income	243,469	236,181
	59,711,823	55,901,643
Expenditures		
Acute care services	13,522,858	12,722,094
Amortization of capital assets	1,640,783	1,587,487
Ancillary operations amortization	58,016	94,290
Ancillary operating expenditures	185,892	213,595
Community based home care services	6,189,077	5,840,743
Diagnostic services	2,900,325	2,730,976
Dialysis	476,658	393,614
Emergency medical services	3,806,753	3,430,338
Health promotion/prevention and primary care	8,262,236	7,330,445
Interest on long-term debt	40,196	40,286
Long-term care services	16,332,716	15,401,100
Medical remuneration	3,103,680	2,734,385
Northern patient transportation program	184,820	181,974
Regional undistributed expenditures	3,058,598	3,000,464
	59,762,608	55,701,791
Excess (deficiency) of revenue over expenditures for the year	$ (50,785)	$ 199,852

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

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Changes in Net Assets

March 31				2010	2009
	Investment in Capital Assets (Note 9)	Externally Restricted (Note 1)	Unrestricted RHA	Total	Total
Balance, beginning of year	$ 1,153,640	$ 237,748	$ (230,862)	$ 1,160,526	$ 960,674
Transfers from (to) unrestricted net assets	58,016	-	(58,016)	-	-
Excess (deficiency) of revenue over expenditures for the year	(81,410)	-	30,625	(50,785)	199,852
Balance, end of year	$ 1,130,246	$ 237,748	$ (258,253)	$ 1,109,741	$ 1,160,526

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

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows

For the year ended March 31		2010		2009
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenditures for the year	$	**(50,785)**	$	199,852
Adjustments for				
Amortization of capital assets		**1,698,799**		1,681,777
Amortization of deferred contributions related to capital assets		**(1,617,389)**		(1,587,653)
Net change in employee benefits		**615,480**		486,014
Write off of asset		**-**		65,503
		646,105		845,493
Changes in non-cash working capital				
Accounts receivable		**56,277**		(39,170)
Due from/to Manitoba Health		**(347,845)**		(72,666)
Inventories		**(61,886)**		(41,409)
Prepaid expense		**60,401**		(48,121)
Accounts payable and accrued liabilities		**(986,985)**		500,394
		(633,933)		1,144,521
Cash Flows from Investing Activities				
Purchase of capital assets		**(1,350,277)**		(1,656,950)
Cash Flows from Financing Activities				
Repayment of long-term debt		**(92,477)**		(89,019)
Increase in deferred contributions related to expenses of future periods, net		**114,052**		323,207
Receipt of deferred contributions related to capital assets		**917,145**		1,721,946
		938,720		1,956,134
Net increase (decrease) in cash		**(1,045,490)**		1,443,705
Cash, beginning of year		**5,259,554**		3,815,849
Cash, end of year	$	**4,214,064**	$	5,259,554

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

NORTH EASTMAN HEALTH ASSOCIATION INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2010

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

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 the Ministry with respect to the year ended March 31, 2010.

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 Regional Health 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.

For the year ended March 31, 2010

Revenue Recognition (continued)

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.

Inventories

Inventories are valued at lower of cost net realizable value. Cost is generally determined on an average cost basis.

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 year ended March 31, 2010

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 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.

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

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

As at March 31, 2010, 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 and bank. They 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.

Financial Instruments (continued)

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 comprised of accounts receivable, amounts due from Manitoba Health, employee benefits recoverable and retirement obligations receivable. 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 all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. 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.

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.

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.

New Accounting Pronouncements

The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

For the year ended March 31, 2010

1. Entity Definition and Basis of Financial Statements

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
Bissett Ambulance
East-Gate Lodge
Kin Place Health Complex
Lac du Bonnet Ambulance
Lac du Bonnet PCH and Health Centre
Pinawa Ambulance
Pinawa Hospital
Pine Falls Ambulance
Pine Falls Health Complex
Reynolds Ambulance
Springfield Ambulance
Stony Plains Terrace
Sunnywood Manor PCH
Whitemouth District Ambulance
Whitemouth District Health Centre

Capital Management

The Association considers its capital to be comprised of its externally restricted and unrestricted net assets as well as its Investment in Capital Assets. There have been no changes in what the Association considers to be its capital since the previous period.

Externally Restricted Net Assets

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

2. Change in Accounting Policy

Allocation of Expenses

On April 1, 2009, the Association adopted CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations". Under these new standards, not-for-profit organizations establish disclosure standards that explain how it classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate. For the Association, general support expenses are either considered a function or are allocated on a reasonable and consistent basis to the relevant functions that they support (Note 15).

The adoption of these new standards had no material impact on the Association's statement of financial position and statement of changes in net assets.

3. Accounts Receivable

	2010	2009
Ambulance	$ 207,535	$ 230,287
Canada Revenue Agency - GST Rebate	197,376	200,411
Clients	32,818	59,079
Other	226,362	239,100
Receivable from foundations	8,509	-
	$ 672,600	$ 728,877

4. Due (to) from Manitoba Health

	2010	2009
In-Globe funding	$ 1,237,196	$ 728,589
Approved capital funding	121,225	164,032
Out-of-Globe funding	(294,784)	(359,705)
MSSP Payroll and PCH drug program	(480,499)	(297,623)
	$ 583,138	$ 235,293

5. 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.

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	**$ 2,973,431**	$ 2,583,206
Net changes in employee benefits	**52,230**	390,225
Balance, end of year	**$ 3,025,661**	$ 2,973,431

An analysis of the changes accrued in the accrued retirement obligations is as follows:

	2010	2009
Balance, beginning of year	**$ 2,514,131**	$ 2,418,342
Net changes in retirement obligations	**563,250**	95,789
Balance, end of year	**$ 3,077,381**	$ 2,514,131

6. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 333,035**	**$ -**	$ 333,035	$ -
Land improvements	**463,273**	**374,250**	463,273	355,514
Buildings	**43,041,683**	**17,230,652**	42,813,668	16,063,266
Leasehold improvements	**118,851**	**23,227**	118,851	13,590
Building service equipment	**1,376,371**	**216,452**	1,175,580	150,060
Equipment	**9,475,989**	**6,976,026**	9,573,325	7,414,818
Construction in Progress	**143,367**	**-**	-	-
	$ 54,952,569	**$ 24,820,607**	$ 54,477,732	$ 23,997,248
		$ 30,131,962		$ 30,480,484

7. Long-term Debt

	2010	2009
CMHC mortgage payable, bearing interest at a rate of 4.39% per annum, due January 1, 2020 and requiring monthly principal and interest payments of $7,587 secured by a mortgage on the land and buildings.	**$ 727,291**	$ 785,307
CMHC mortgage payable, bearing interest at a rate of 4.17% per annum, due June 1, 2020 and requiring monthly principal and interest payments of $3,573 secured by a mortgage on the land and buildings.	**357,656**	385,117
Loan payable, bearing interest at a rate of 0% per annum, due July 6, 2012 and requiring monthly principal and interest payments of $583.	**16,333**	23,333
	1,101,280	1,193,757
Current portion of long-term debt	**96,209**	92,476
	$ 1,005,071	$ 1,101,281

Principal payments due in the next five years and thereafter are as follows:

2011	$ 96,209
2012	100,015
2013	99,585
2014	101,412
2015	105,840
Thereafter	598,219
	$ 1,101,280

8. Deferred Contributions

Expenses of Future Periods

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

	2010	2009
Balance, beginning of year	**$ 1,751,218**	$ 1,428,011
Amounts received related to future periods	**1,346,260**	1,257,985
Amounts amortized to revenue	**(1,167,949)**	(844,238)
Funding amounts transferred to capital assets	**(64,259)**	(90,540)
Balance, end of year	**$ 1,865,270**	$ 1,751,218

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.

	2010	2009
Balance, beginning of the year	**$ 28,625,025**	$ 28,425,242
Increase from Pinawa construction	**66,471**	893,517
Increase from Berens River construction	**37,145**	-
Increase for specialized equipment	**202,186**	2,084
Additional contributions received/receivable	**547,084**	876,795
Amounts transferred from expenses of future periods	**64,259**	90,540
Amounts amortized to revenue in the year	**(1,617,389)**	(1,587,653)
Transfer of handivan replacement funding to the Town of Lac du Bonnet	**-**	(75,500)
Balance, end of the year	**$ 27,924,781**	$ 28,625,025
Comprised of:		
Unspent	**$ 299,194**	$ 470,909
Spent	**27,625,587**	28,154,116
Balance, end of the year	**$ 27,924,781**	$ 28,625,025

For the year ended March 31, 2010

9. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	**$ 30,131,962**	$ 30,480,484
Amounts financed by		
Deferred contributions	**(27,625,587)**	(28,154,116)
Mortgages payable	**(1,101,280)**	(1,193,757)
Due to (from) operating account	**(274,849)**	21,029
	$ 1,130,246	$ 1,153,640

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

	2010	2009
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 1,617,389**	$ 1,587,653
Amortization of capital assets	**(1,698,799)**	(1,681,777)
	(81,410)	(94,124)
Net changes in investment in capital assets		
Purchase of capital assets	**1,350,277**	1,656,950
Amounts funded by		
Deferred contributions	**(691,338)**	(709,570)
Deferred contributions - Pinawa construction	**(66,471)**	(844,234)
Due to operating account	**(288,878)**	(2,307)
Deferred contributions - Berens River construction	**(37,145)**	-
Specialized equipment	**(202,186)**	(2,084)
Transfers		
Deferred contributions - expenses of future periods (net)	**(64,259)**	(90,540)
- unrestricted net assets	**58,016**	55,631
	58,016	63,846
Total change in net assets invested in capital assets	**$ (23,394)**	$ (30,278)

For the year ended March 31, 2010

10. Manitoba Health Income

		2010	2009
Revenue as per Manitoba Health's final funding document		**$ 47,192,860**	$ 45,213,840
Add:	Public Health Programs	**699,793**	562,413
	Nurse recruitment and retention	**41,594**	20,747
	Other	**6,526**	6,336
	MSSP payroll	**3,575,629**	3,130,007
	PCH Drug program	**432,053**	372,509
Deduct:	Amounts related to prior year	**(479,737)**	(77,136)
Total Funding Approved by Manitoba Health		**51,468,718**	49,228,716
Add:	Salary funding receivable - MGEU & MNU	**250,990**	332,034
	Immunization programs	**98,764**	-
	Pre-retirement	**575,000**	-
	Out-of-globe - capital	**121,225**	189,704
	Other	**96,928**	144,787
	Interfacility transfer	**153,214**	124,797
Deduct:	Amounts recorded as deferred contributions	**(887,867)**	(1,488,932)
	Medical remuneration	**(238,100)**	(359,705)
	Out-of-globe - Interest	**(47,593)**	(25,672)
Revenue from Manitoba Health		**$ 51,591,279**	$ 48,145,729

11. 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, 2010, management believes the Association 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 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 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, 2010.

11. Commitments and Contingencies (continued)

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

2011	$	207,848
2012		210,900
2013		214,014
2014		217,190
2015		220,429

d) Credit facility - The Association has an approved operating line of credit with Sunova Credit Union to a maximum amount of $2.3 million. 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, 2010.

12. 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 6.8% (6.8% in 2009) of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% (8.4% in 2009) 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, 2008, 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.

12. Pension Plan (continued)

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 $1,857,546 ($1,679,370 in 2009) 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.

13. Accrued Retirement Obligations

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2010.

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;
- 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 4.9% (6.7% in 2009) and a rate of salary increase of 4.00% (3.5% in 2009) 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.

14. 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 intergrated 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:

	2010	2009
Accounts receivable	$ 672,600	$ 728,877
Due from Manitoba Health	583,138	235,293
Employee benefits recoverable	1,796,024	1,796,024
Retirement obligations recoverable	1,729,643	1,729,643
	$ 4,781,405	$ 4,489,837

Accounts receivable: The Association 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 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.

14. Financial Risk Management (continued)

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, accounts receivable, amounts due from (to) Manitoba Health, Employee benefits recoverable and retirement obligations recoverable 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.

15. Allocated Expenditures

General support expenditures of $855,677 ($969,082 in 2009) have been allocated as follows:

	2010	2009
Acute care services	$ 535,268	$ 634,206
Long-tem care services	320,409	334,876
	$ 855,677	$ 969,082

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 with the exception of one board member. 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.

Meyers Norris Penny 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

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

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2010 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Brandon, Manitoba

June 17, 2010

Chartered Accountants

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2010

	Affiliates	*Devolved*	***2010***	*2009*
Assets				
Current				
Cash	1,071,417	2,147,774	**3,219,191**	9,123,649
Current investments *(Note 6)*	-	163,685	**163,685**	101,955
Accounts receivable *(Note 4)*	130,130	1,637,838	**1,767,968**	1,841,171
Due from Manitoba Health *(Note 5)*	-	2,593,923	**2,593,923**	822,745
Inventory	121,703	1,375,228	**1,496,931**	1,369,661
Prepaid expenses	48,209	432,587	**480,796**	597,136
Inter-facility	(998,370)	998,370	**-**	-
	373,089	9,349,405	**9,722,494**	13,856,317
Capital assets *(Note 7)*	8,120,508	74,728,738	**82,849,246**	82,955,280
Trust assets	36,538	35,610	**72,148**	35,767
Manitoba Health receivable–employee benefits obligation *(Note 9)*	1,634,175	8,533,598	**10,167,773**	10,167,773
	10,164,310	92,647,351	**102,811,661**	107,015,137

Continued on next page

The accompanying notes are an integral part of these financial statements.

	Affiliates	*Devolved*	***2010***	*2009*
Continued from previous page				
Liabilities				
Current				
Lines of credit	-	778,966	**778,966**	70,000
Accounts payable and accruals	1,275,591	7,425,344	**8,700,935**	9,511,112
Employee benefits payable *(Note 9)*	1,324,461	8,721,158	**10,045,619**	9,364,874
	2,600,052	16,925,468	**19,525,520**	18,945,986
Other long-term liabilities *(Note 8)*	-	518,314	**518,314**	52,919
Deferred benefits entitlement *(Note 9)*	718,135	3,624,587	**4,342,722**	3,277,335
Deferred contributions *(Note 12)*	7,916,569	74,920,733	**82,837,302**	84,221,728
Trust liabilities	36,538	35,610	**72,148**	35,767
	8,671,242	79,099,244	**87,770,486**	87,587,749
Net Assets				
Invested in capital assets *(Note 13)*	505,439	2,302,039	**2,807,478**	2,843,570
Internally restricted net assets	269,269	410,008	**679,277**	604,920
Unrestricted net assets	(1,881,692)	(6,089,407)	**(7,971,100)**	(2,967,088)
	(1,106,984)	(3,377,360)	**(4,484,345)**	481,402
	10,164,310	92,647,351	**102,811,661**	107,015,137

Approved on behalf of the Board

______________________ **Director** ______________________ **Director**

The accompanying notes are an integral part of these financial statements.

MNP

Parkland Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2010

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2010 Total***	*2009 Total*
Balance, beginning of year	2,843,570	604,920	(2,967,088)	**481,402**	(2,429,658)
Reclassification *(Note 18)*	(35,616)	35,616	-	-	2,618,205
Restated	2,807,954	640,536	(2,967,088)	**481,402**	188,547
Excess (deficiency) of revenues over expenses	(389,749)	78,865	(4,654,863)	**(4,965,747)**	292,855
Investment in capital assets	391,996	(40,124)	(351,872)	-	-
Internal transfers	(2,723)	-	2,723	-	-
Balance, end of year	2,807,478	679,277	(7,971,100)	**(4,484,345)**	**481,402**

The accompanying notes are an integral part of these financial statements.

	Affiliates	*Devolved*	***2010***	***2009***
Revenues				
Manitoba Health operating income *(Note 10)*	13,087,665	103,808,599	**116,896,264**	109,232,766
Patient income	2,359,427	5,674,939	**8,034,366**	7,774,502
Other income	381,979	3,686,054	**4,068,033**	4,106,885
Amortization of deferred contributions	344,627	3,917,345	**4,261,972**	4,056,533
	16,173,698	117,086,937	**133,260,635**	125,170,686
Expenses				
Acute care	5,745,451	49,234,499	**54,979,950**	49,570,941
Long-term care	10,275,194	28,489,804	**38,764,998**	36,512,033
Community and mental health	-	11,075,448	**11,075,448**	10,227,190
Homecare	99,054	12,527,368	**12,626,422**	11,909,778
Emergency response and transport	-	5,538,570	**5,538,570**	4,883,074
Regional health costs *(Note 11)*	-	2,894,496	**2,894,496**	2,106,180
Medical remuneration – non global	-	5,500,142	**5,500,142**	4,811,185
Pre-retirement	232,431	1,923,796	**2,156,227**	469,374
Amortization of capital assets	433,204	4,256,925	**4,690,129**	4,385,892
Interest on long-term obligations	-	-	**-**	2,184
	16,785,334	121,441,048	**138,226,382**	124,877,831
Excess (deficiency) of revenues over expenses	(611,636)	(4,354,111)	**(4,965,747)**	292,855

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2010

	Affiliates	*Devolved*	***2010***	*2009*
Cash provided by (used in)				
Operations				
Excess (deficiency) of revenues over expenses	(611,636)	(4,354,111)	**(4,965,747)**	292,855
Items not involving cash:				
Proceeds on disposal of capital assets	-	-	-	(577)
Amortization of capital assets	433,204	4,256,925	**4,690,129**	4,385,892
Amortization of deferred contributions	(344,627)	(3,917,345)	**(4,261,972)**	(4,056,533)
	(523,059)	(4,014,531)	**(4,537,590)**	621,637
Changes in non-cash operating working capital				
Temporary investments	-	(61,730)	**(61,730)**	18,818,566
Lines of credit	-	708,966	**708,966**	57,385
Due (to) from Manitoba Health	-	(1,771,178)	**(1,771,178)**	1,683,793
Other working capital	68,997	1,394,626	**1,463,623**	557,746
	68,997	270,684	**339,681**	21,117,490
Financing and Investing				
Purchase of capital assets	(617,021)	(3,999,115)	**(4,616,136)**	(5,419,402)
Disposal of capital assets	-	32,041	**32,041**	45,459
Disposal of investments	-	-	-	(2,510)
Disposal of cash upon devolution	(201,771)	201,771	-	-
Deferred contributions	567,846	2,309,700	**2,877,546**	(13,675,964)
Interfacility	(309,223)	309,223	-	-
Repayment of long-term debt	-	-	-	(80,450)
	(560,169)	(1,146,380)	**(1,706,549)**	(19,132,867)
Increase (decrease) in cash during the year	(1,014,231)	(4,890,227)	**(5,904,458)**	2,606,260
Cash, beginning of year	2,085,648	7,038,001	**9,123,649**	6,517,389
Cash, end of year	1,071,417	2,147,774	**3,219,191**	9,123,649

The accompanying notes are an integral part of these financial statements.

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. Change in accounting policies

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate general support expenses to other functions and of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its general support functions and the amounts and functions to which they have been allocated.

This new Section is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Parkland Regional Health Authority has applied this new recommendation for consolidated financial statements dated March 31, 2010.

3. 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

3. Significant accounting policies *(continued)*

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.

The McCreary/Alonsa Health Centre devolved to the Parkland Regional Health Authority Inc. April 1, 2009.

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

3. Significant accounting policies *(continued)*

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.

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 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. 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.

3. Significant accounting policies *(continued)*

In January 2005, the Canadian Institute of Chartered Accountants' ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. On January 1, 2007, the Organization implemented these new standards, the main requirements of which are set out below:

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.

4. Accounts receivable	***2010***	*2009*
Accrued interest	**649**	11,484
Ambulance	**196,669**	195,396
Ambulance - Health Canada First Nations Inuit Health	**208,116**	219,008
Dauphin General Hospital Foundation	**22,722**	22,205
Dr. Gendreau Memorial PCH Foundation Inc.	**472**	-
Employee Education Advances	**40,195**	106,883
Health Sciences Centre – Provincial Dialysis Program	**32,319**	23,684
National Industrial Communications	**45,264**	-
Other	**885,201**	756,563
Province of Manitoba	**-**	80,000
QA Adjusting Company	**138,924**	68,613
Residents/ Patients	**187,948**	205,867
Prevost Foundation Inc.	**6,777**	-
St. Paul's Home Auxillary	**-**	16,610
St. Paul's Home Foundation Inc.	**-**	38,336
Swan Valley Health Facilities Foundation Inc.	**2,712**	46,941
Swan Valley Shipper's Association	**-**	26,201
University of Manitoba	**-**	23,380
	1,767,968	1,841,171

5. Due from Manitoba Health	***2010***	*2009*
Current years Operating Funding	**2,542,355**	1,091,788
Out of Globe – 2009/2010	**89,173**	
Out of Globe – 2008/2009	**(415,875)**	(368,224)
Out of Globe – 2007/2008	**-**	(455,606)
Approved Capital Funding	**93,892**	271,594
Ambulance Interfacility Transfers and Lifeflights	**284,378**	283,193
	2,593,923	822,745

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. Investments

	2010	2009
Royal Bank money market funds earning an annual rate of .01%. Fair market value of fund is 102,094.	**102,094**	101,955
Royal Bank money market funds earning an annual rate of .03%. Fair market value of fund is 61,591.	**61,591**	-
	163,685	101,955
Amount due within one year included in current investments	**(163,685)**	(101,955)
	-	-

7. Capital assets

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	**603,643**	**-**	**603,643**	581,013
Buildings	**112,230,688**	**42,593,711**	**69,636,977**	70,063,428
Equipment	**38,436,258**	**26,654,815**	**11,781,443**	10,674,918
Construction in progress	**827,183**	**-**	**827,183**	1,635,921
	152,097,772	**69,248,526**	**82,849,246**	82,955,280

8. Other long-term liabilities

Other long-term liability consists of the accrued retirement entitlement due to Diagnostic Services of Manitoba. The pension plan disclosure has been provided in note 9.

9. 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 4.90% (6.70% in 2009) and a rate of salary increase of 4.0% (3.5% in 2009) plus age related merit/promotion scale with nil disability.

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% (6.8% in 2009) of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8.4% (8.4% in 2009) 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, 2007, indicates a solvency deficiency which will be funded by special payments to the Plan over the next five years out of current contributions in those years. Should these special payments not be sufficient in returning the Plan to solvency, contribution rate increases or pension benefit reductions may be necessary.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $3,937,796 (2009 - $3,866,382) and are included in the statement of operations.

10. Manitoba Health operating income

		2010	2009
Revenue as per Manitoba Health's final funding document		**111,547,705**	108,729,505
Add:	Salary and Benefit Settlements	**1,827,463**	687,795
	Supply Funding	**434,000**	-
	Pandemic Funding	**348,462**	-
	Dauphin Emergency Department Enhancement Initiative	**177,000**	-
	Dauphin Role Study Funding	**79,100**	-
	Patient Safety Funding	**76,660**	-
	Medical Remuneration Adjustments	**60,000**	60,000
	Renal Unit Expansion	**40,247**	40,377
	Mentorship Funding	**13,832**	-
	Aboriginal Health	**7,900**	-
	Reclaiming Hope Suicide Prevention Funding	**4,750**	
	Critical Incident Project Management Funding	-	41,800
	Provincial Data Network Funding	-	14,100
	Relationships by Objective Funding	-	7,619
		114,617,119	109,581,196
Add/Deduct:	Non-Global surplus receivable for 2009/10	**97,945**	(415,875)
Total funding approved by Manitoba Health		**114,715,064**	109,165,321
Add separately funded programs:			
	Emergency Services Billings	**1,801,833**	1,520,466
	Philippine Nurse Recruitment	**367,147**	8,285
	Non Global Prior Year Adjustments	**308,032**	451,455
	Immunization Program	**115,431**	109,932
	STI/HIV Control	-	106,100
	Chronic Disease Prevention Initiative	**82,368**	76,025
	Community Health Needs Assessment	**51,787**	98,777
	Risk Factor and Complication Assessment Funding	**4,016**	16,680
	Board expenses	**3,806**	10,274
	Telepsychiatry Clinics	-	6,794
		117,449,484	111,570,109
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(244,463)**	(634,661)
	- Equipment funding	-	(482,304)
	- Major repairs	**(37,495)**	(37,495)
	- Capital interest on loans reclassified to deferred contributions	**(246,262)**	(1,182,883)
	- Ostomy Program	**(25,000)**	-
Revenue from Manitoba Health		**116,896,264**	109,232,766

11. Regional Health Authority Inc. costs

	2010	*2009*
Corporate office salaries	**1,216,403**	1,121,717
Corporate office benefits	**220,564**	182,721
Expenses paid on behalf of facilities	**262,433**	141,890
Board expenses	**129,640**	112,009
Recruitment	**101,902**	89,105
Medical Remuneration - Global	**324,224**	233,883
Pandemic Expenses	**302,575**	-
Community Health Needs Assessment	**51,787**	-
Other	**284,968**	224,855
	2,894,496	2,106,180

12. 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	*2010*	*2009*
Balance, beginning of year	340,907	2,619,440	80,171,710	**83,132,057**	98,371,997
Reclassification	(27,221)	27,221	(32,334)	**(32,334)**	(2,648,133)
Capital asset additions	(232,387)	(1,750,699)	4,189,073	**2,205,987**	3,302,442
Capital asset disposals	-	-	294	**294**	(18,704)
Capital funding	-	1,030,212	(12,000)	**1,018,212**	(12,098,621)
Interest and donations	336,127	2,607	-	**338,734**	233,266
Amortization	-	-	(4,261,972)	**(4,261,972)**	(3,843,689)
Other operating expenses	(131,724)	(54,693)	(122)	**(186,539)**	(166,501)
Balance, end of year	**285,702**	**1,874,088**	**80,054,649**	**82,214,439**	83,132,057
Deferred revenue				**622,863**	1,089,671
				82,837,302	84,221,728

13. Invested in capital assets

	Affiliates	Devolved	*2010*	*2009*
Capital Assets	8,120,508	74,728,738	**82,849,246**	82,955,280
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(7,911,466)	(74,302,973)	**(82,214,439)**	(83,132,059)
Cash – capital	276,908	643,134	**920,042**	1,205,031
Temporary investments – capital	-	61,591	**61,591**	-
Accounts receivable – capital	349	531,438	**531,787**	341,144
Due from Manitoba Health – capital	-	93,892	**93,892**	271,594
Prepaid expenses – capital	-	-	-	344
Accounts payable – capital	-	(47,071)	**(47,071)**	(163,252)
Due from operating account	19,140	593,290	**612,430**	1,365,488
	505,439	2,302,039	**2,807,478**	2,843,570

14. Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long-term debt. 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, amounts due to (from) Manitoba Health and accrued 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.

15. Allocation of expenses

The Parkland Regional Health Authority has allocated the following expenses:

	2010				2009			
	Acute	Long Term Care	Community	Total	Acute	Long Term Care	Community	Total
Education	33,345	29,705	20,876	83,926	24,937	22,153	15,315	62,405
Human Resources	285,972	254,372	175,594	715,938	262,151	219,401	173,826	655,378
Information Tech	784,757	262,567	219,791	1,267,115	627,580	224,666	155,593	1,007,839
Laundry Services	525,777	546,056	-	1,071,833	543,624	550,637	-	1,094,261
Quality Assurance	35,258	31,200	21,687	88,145	45,281	40,073	27,848	113,202
	1,665,109	1,123,900	437,948	3,226,957	1,503,573	1,056,930	372,582	2,933,085

16. Economic dependence

The Parkland Regional Health Authority Inc. received 88% of its total revenue for the year ended March 31, 2010 from Manitoba Health.

17. Comparative amounts

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

18. Reclassification

An adjustment was made by St. Paul's Home Inc. to reclassify restricted net assets from invested in capital assets.

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, 6, 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, 2010, the Authority was in a deficit 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.

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Central Manitoba Inc.
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du Centre du Manitoba inc.

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MANAGEMENT'S RESPONSIBILITY

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements 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 judgement 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 Authority. 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. 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 Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board 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 8, 2010

Ken Klassen
Vice President Finance

MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2010 and the consolidated statements of operations, consolidated changes in net assets and the consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in Schedules 1a-3 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba

June 8, 2010

Chartered Accountants

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
780 SASKATCHEWAN AVE. W., PORTAGE LA PRAIRIE, MB R1N 0M7
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REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Financial Position
March 31, 2010

		2010		2009
ASSETS				
CURRENT				
Cash and short term investments	$	**23,351,629**	$	20,441,935
Accounts receivable, net		**2,764,811**		3,225,041
Accounts receivable - Manitoba Health (Note 3)		**1,656,251**		-
Inventories		**1,226,408**		1,155,690
Prepaid expenses		**1,078,380**		998,188
Due from Manitoba Health - vacation entitlements		**7,775,928**		7,775,928
		37,853,407		33,596,782
NON-CURRENT				
Due from Manitoba Health - retirement entitlements		**9,106,000**		9,106,000
Capital assets (Note 4)		**81,153,207**		80,562,663
Other assets		**202,585**		472,323
	$	**128,315,199**	$	123,737,768
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$	**14,295,324**	$	14,405,858
Accounts payable - Manitoba Health (Note 3)		**-**		778,278
Accrued vacation benefit entitlements		**10,918,319**		9,996,841
Current portion of long term debt (Note 5)		**246,015**		230,364
		25,459,658		25,411,341
NON-CURRENT				
Accrued retirement benefit entitlements		**12,650,164**		11,488,803
Long term debt (Note 5)		**2,255,091**		2,425,709
		14,905,255		13,914,512
DEFERRED CONTRIBUTIONS (Note 6)				
Expenses of future periods		**3,454,975**		4,050,269
Capital assets		**76,526,267**		76,186,983
		79,981,242		80,237,252
NET ASSETS				
Invested in capital assets (Note 7)		**2,126,029**		1,719,795
Contract facilities (Note 8)		**319,357**		1,036,741
Internally restricted (Note 9)		**232,397**		270,170
Unrestricted		**5,291,261**		1,147,957
		7,969,044		4,174,663
COMMITMENTS AND CONTINGENCIES (Note 10)	**$**	**128,315,199**	$	123,737,768

APPROVED BY THE BOARD OF DIRECTORS

_______________________________ **Director**

_______________________________ **Director**

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
March 31, 2010

	2010	2009
REVENUE		
Manitoba Health (Note 11)	$ **181,311,424**	$ 164,798,291
Other government departments	**84,331**	85,457
Non-global patient and resident income	**13,552,290**	12,693,044
Other income	**6,407,757**	6,174,284
Amortization of deferred contributions - expenses of future periods	**2,982,893**	2,608,993
Amortization of deferred contributions - capital and foundations	**5,243,717**	5,004,007
Interest and donations	**110,987**	331,468
Ancillary operations (Schedule 1a)	**2,537,448**	2,394,893
	212,230,847	194,090,437
EXPENSES		
Acute care services	**72,112,536**	64,928,419
Long term care services	**52,762,892**	49,559,572
Medical remuneration	**15,109,690**	13,199,760
Community based therapy services	**2,637,680**	2,199,944
Community based mental health services	**9,554,481**	8,111,538
Community based home care services	**18,593,957**	17,806,330
Community based health services	**7,299,939**	6,560,328
Land ambulance	**7,313,718**	6,470,814
Regional Health Authority undistributed	**12,254,122**	12,056,865
Interest on long term debt	**301,730**	279,290
Pre-retirement leave	**2,469,914**	3,121,180
Amortization of capital assets	**5,361,384**	5,115,743
Major repairs	**537,251**	429,614
Donations to foundations	**-**	10,000
Ancillary operations (Schedule 1a)	**2,089,399**	1,974,560
	208,398,693	191,823,957
EXCESS OF REVENUE OVER EXPENSES	$ **3,832,154**	$ 2,266,480
ALLOCATION OF EXCESS OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ **(654,918)**	$ (551,350)
Interest and donations	**110,987**	331,468
Ancillary operations	**448,049**	420,333
Health care operations	**3,928,036**	2,066,029
TOTAL	$ **3,832,154**	$ 2,266,480

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Changes in Net Assets
March 31, 2010

	Invested in Capital Assets	Contract Facilities (Note 8)	Internally Restricted	Unrestricted	2010 Total	2009 Total
Balance, beginning of year before restatement	$ 1,719,795	$ 1,036,741	$ 270,170	$ 1,147,957	$ 4,174,663	$ 1,775,365
Prior period adjustment	-	-	-	-	-	139,421
Balance as restated	1,719,795	1,036,741	270,170	1,147,957	4,174,663	1,914,786
Excess (deficiency) of revenue over expenses	(216,188)	(319,327)	-	4,367,669	3,832,154	2,266,480
Repayment of non-Manitoba Health funded long term debt	231,467	(7,102)	-	(224,365)	-	-
Investment in capital assets	390,955	(390,955)	(29,375)	-	(29,375)	-
Changes to internally restricted funds	-	-	(8,398)	-	(8,398)	(6,603)
Balance, end of year	$ 2,126,029	$ 319,357	$ 232,397	$ 5,291,261	$ 7,969,044	$ 4,174,663

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Cash Flows
March 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenses	**3,832,154**	$ 2,266,480
Items not affecting cash		
Amortization of capital assets	**5,482,527**	5,239,335
Amortization of deferred contributions related to expenses of future periods	**(3,059,148)**	(2,732,299)
Amortization of deferred contributions related to capital assets	**(5,266,339)**	(5,027,360)
Changes in non-cash operating working capital items	**(2,235,744)**	4,727,389
	(1,246,550)	4,473,545
FINANCING ACTIVITIES		
Increase in accrued vacation and retirement entitlements	**2,082,839**	1,591,935
Change in internally restricted funds	**(37,773)**	(6,603)
Prior period adjustment - net assets	**-**	139,421
Principal payments on long term debt	**(231,467)**	(213,015)
Proceeds from issuance of new debt	**76,500**	90,000
Increase in deferred contributions related to expenses of future periods	**2,463,855**	3,691,253
Increase in deferred contributions related to capital assets	**5,605,623**	6,144,464
	9,959,577	11,437,455
INVESTING ACTIVITIES		
Purchase of capital assets	**(6,073,071)**	(6,572,070)
Change in other assets	**269,738**	(309,058)
	(5,803,333)	(6,881,128)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**2,909,694**	9,029,872
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**20,441,935**	11,412,063
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	**$ 23,351,629**	$ 20,441,935
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	**$ 431,676**	$ 421,983

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

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The following is a summary of significant accounting policies for the Authority:

a) Basis of reporting

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, 2010.

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 as a component of salary cost funding for the subsequent year.

g) Retirement entitlement obligations

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

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. Actual results could differ from management's best estimates as additional information becomes available in the future.

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's use and disposal are less than the asset's value. Any impairment is included in excess of revenue over expenses.

j) Financial iInstruments

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 and liabilities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These assets are initially recognized at their fair value which is the same as their cost due to the current nature of the asset.

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.

Other financial liabilities:

The Authority has classified the following financial liabilities as other financial liabilities: accounts payable, accrued liabilities, wages payable, accrued vacation benefit entitlements and accrued retirement benefit entitlements. 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:

	2010	2009
Current year's operating funding		
Medical year end adjustments	**$ (1,622,290)**	$ (1,712,446)
Pre-retirement funding	**2,200,000**	-
Orthopaedic wait list funding	**2,457,800**	1,076,043
Wage standardization	**186,145**	1,310,769
Employer share health benefit	**818,775**	-
H1N1 costs reimbursement	**649,700**	-
Personal care home staffing	**529,207**	-
Other program	**184,021**	614,861
	5,403,358	1,289,227
Medical year end adjustment - 2006/2007	**(808,982)**	(816,915)
Medical year end adjustments - 2007/2008	**(1,298,110)**	(1,305,731)
Medical year end adjustments - 2008/2009	**(1,701,692)**	-
Approved capital projects	**61,677**	55,141
	$ 1,656,251	$ (778,278)

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 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.

On a one-time basis, for the 2009-2010 operating year only, Manitoba Health has given the Authority permission to retain surplus amounts in excess of 2% of in globe funding.

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.

4. CAPITAL ASSETS

	2010		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 1,076,204**	**$ -**	**$ 1,076,204**
Buildings	**101,409,362**	**37,058,566**	**64,350,796**
Major equipment	**60,447,062**	**44,720,855**	**15,726,207**
	$ 162,932,628	**$ 81,779,421**	**$ 81,153,207**

	2009		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,037,305	$ -	$ 1,037,305
Buildings	101,017,873	35,106,196	65,911,677
Major equipment	54,821,466	41,207,785	13,613,681
	$ 156,876,644	$ 76,313,981	$ 80,562,663

5. LONG TERM DEBT

	2010	2009
CMHC mortgage payable in monthly blended installments of $14,795 bearing interest at 4.170% due June 1, 2020. Secured by land and buildings with a net book value of $1,536,084.	$ 1,481,131	$ 1,594,853
CMHC mortgage payable in monthly blended installments of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and buildings with a net book value of $13,832.	35,116	38,798
CMHC mortgage payable in monthly blended installments of $5,683 bearing interest at 5.42% due November 1, 2017. Secured by land and buildings with a net book value of $261,679.	427,877	471,844
CMHC mortgage payable in monthly blended installments of $7,768 bearing interest at 10.0% due June 1, 2014. Secured by land and buildings with a net book value of $420,771.	322,956	381,382
CMHC mortgage payable in monthly blended installments of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and buildings with a net book value of $17,476.	75,930	80,498
Mortgage payable in monthly blended installments of $505 bearing interest at prime, due 2024. Secured by land and building with a net book value of [illegible]	75,041	-
Mortgage payable in monthly blended installments of $650 bearing interest at prime, due 2028. Secured by land and building with a net book value of $110,500.	83,055	88,698
	2,501,106	2,656,073
Less: current portion	246,015	230,364
	$ 2,255,091	$ 2,425,709

Estimated principal repayment requirements for the next five years are as follows:

2011	246,015
2012	257,667
2013	269,318
2014	281,969
2015	293,621

6. 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.

	2010	2009
Balance, beginning of year	$ 4,050,269	$ 3,091,315
Additional contributions received	3,161,788	4,846,146
Amount transferred to capital assets	(697,934)	(1,154,893)
Less amounts amortized to revenue	(3,059,148)	(2,732,299)
	$ 3,454,975	$ 4,050,269

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.

	2010	2009
Balance, beginning of year	$ 76,186,983	$ 75,069,879
Additional contributions received	4,907,689	4,989,571
Amount transferred from expenses of future periods	697,934	1,154,893
Less amounts amortized to revenue	(5,266,339)	(5,027,360)
	$ 76,526,267	$ 76,186,983

7. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 81,153,207	$ 80,562,663
Amounts financed by:		
Deferred contributions	(76,526,267)	(76,186,983)
Long term debt	(2,501,106)	(2,656,073)
Working capital	195	188
	$ 2,126,029	$ 1,719,795

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

	2010	2009
Excess (deficiency) of revenue over expenses		
Amortization of deferred contributions related to capital assets	$ 5,266,339	$ 5,027,360
Amortization of capital assets	(5,482,527)	(5,239,335)
	(216,188)	(211,975)
Repayment of non-Manitoba Health funded long term debt	231,467	213,015
Investment in capital assets		
	6,073,071	6,572,070
Amounts funded by deferred contributions	(5,605,616)	(6,144,458)
Amounts funded with debt	(76,500)	(90,000)
	390,955	337,612
	$ 406,234	$ 338,652

8. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2010	2009
Internally restricted	$ 152,894	$ 144,060
Externally restricted	15,757	14,774
Unrestricted	150,706	877,907
	$ 319,357	$ 1,036,741

9. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $232,397 (2009 - $270,170) in net assets to be used for the purchase of specified capital assets.

10. 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, 2010.

11. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2010	2009
Revenue as per final approved budget	$ 174,610,882	$ 163,231,363
Province of Manitoba loan principal	(625,313)	(302,610)
Amounts recorded as deferred contributions	(70,626)	(777,426)
	173,914,943	162,151,327
Current year's estimated out of globe amounts	(117,657)	(19,090)
One time funding - pre-retirement	2,200,000	-
One time funding - contract settlements	154,930	1,077,562
One time funding - wait list	2,622,300	1,308,691
One time funding - EMS Inter-facility transfer	931,915	546,730
One time funding - medical remuneration	(1,684,789)	(1,712,446)
One time funding - personal care home staffing guideline	1,042,842	471,924
One time funding - H1N1	852,948	-
One time funding - HEBP Extended Health Employer	818,775	-
One time funding - other	575,217	973,593
	$ 181,311,424	$ 164,798,291

12. 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.

13. 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.

14. RETIREMENT ENTITLEMENT OBLIGATIONS

a) Accrued Retirement Entitlement

The Authority's contractual commitment, based on an actuarial valuation, 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 or 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 retirement entitlements include mortality and withdrawal rates, a discount rate of 3.9% (4.2% in 2009) and a rate of salary increase of 4.0% (3.5% in 2009) 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 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 Organization, 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 organization requires the funding to discharge the related pre-retirement liabilities.

b) 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 6.8% of basic annual earnings up to the Canada Pension Plan ceiling and 8.4% 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.

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, 2008, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $388,367,000 as well as a solvency deficiency of $869,695,000. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $5,460,000 (2009 - $5,085,000) 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.

15. 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.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Statement of Operations - Ancillary Operations
March 31, 2010

Schedule 1a

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	**2010**	2009
REVENUE						
Outside sources	$ 983,369	$ 49,323	$ 1,192,183	$ 213,696	**$ 2,438,571**	$ 2,248,235
Amortization of deferred contributions	87,928	6,886	-	4,063	**98,877**	146,658
	1,071,297	56,209	1,192,183	217,759	**2,537,448**	2,394,893
EXPENSES						
Operating	639,286	22,798	906,428	127,464	**1,695,976**	1,581,893
Amortization of capital assets	104,613	12,467	-	4,063	**121,143**	123,592
Interest on long term debt	129,946	-	-	-	**129,946**	142,693
Major repairs	138,155	4,179	-	-	**142,334**	126,382
	1,012,000	39,444	906,428	131,527	**2,089,399**	1,974,560
EXCESS OF REVENUE OVER EXPENSES	$ 59,297	$ 16,765	$ 285,755	$ 86,232	**$ 448,049**	$ 420,333

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Statement of Operations - Elderly Person's Housing
March 31, 2010

Schedule 1b

	Regency House	Rotary Park	Crescent Lodge	Centennial Apartments	Boyne Towers	**2010**	2009
REVENUE							
Rental income	$ 313,741	$ 175,830	$ 41,947	$ 127,952	$ 176,517	**$ 835,987**	$ 812,135
MHRC subsidy	42,064	2,691	1,573	24,965	62,058	**133,351**	133,351
Amortization of deferred contributions	16,193	41,231	2,084	5,204	23,216	**87,928**	94,156
Other	4,750	3,638	960	1,575	3,108	**14,031**	13,156
	376,748	223,390	46,564	159,696	264,899	**1,071,297**	1,052,798
EXPENSES							
Purchased services	21,425	21,424	10,032	15,048	1,908	**69,837**	70,694
Interdepartmental services	18,096	19,296	4,896	5,808	21,078	**69,174**	80,100
Salaries and benefits	-	-	-	-	21,494	**21,494**	15,413
Mortgage interest	63,419	6,048	2,137	24,030	34,312	**129,946**	142,694
Property taxes	38,744	17,135	8,283	24,815	17,752	**106,729**	104,132
Insurance	5,000	3,000	1,000	4,000	4,300	**17,300**	17,300
Major repairs	8,798	40,772	1,973	4,249	20,463	**76,255**	82,484
Maintenance	39,966	29,434	3,158	4,156	48,790	**125,504**	106,386
Reserve for major repairs	10,300	22,700	4,100	9,600	15,200	**61,900**	61,700
Electricity	49,614	14,382	10,917	25,504	39,971	**140,389**	132,267
Natural gas	-	22,681	-	-	5,562	**28,243**	27,767
Water and sewer	15,746	11,216	2,162	5,309	7,529	**41,962**	40,913
Professional fees - audit	800	800	800	800	800	**4,000**	4,000
Telephone	6,414	2,094	-	-	810	**9,318**	7,485
Supplies	2,291	1,125	17	206	1,697	**5,336**	16,229
Amortization of capital assets - building	55,242	3,390	2,184	19,745	20,733	**101,294**	101,298
Amortization of capital assets - equipment	3,360	379	-	(420)	-	**3,319**	5,033
	339,215	215,876	51,659	142,850	262,399	**1,012,000**	1,015,895
EXCESS OF REVENUE OVER EXPENSES	$ 37,533	$ 7,514	$ (5,095)	$ 16,846	$ 2,500	**$ 59,297**	$ 36,903

Statement of Financial Position - Segmented
March 31, 2010

	Devolved	Contract	**2010**	2009
ASSETS				
CURRENT				
Cash and short term investments	$ 19,630,416	$ 3,721,213	**$ 23,351,629**	$ 20,441,935
Accounts receivable, net	3,234,891	(470,080)	**2,764,811**	3,225,041
Accounts receivable - Manitoba Health	1,656,251	-	**1,656,251**	-
Inventories	1,136,340	90,068	**1,226,408**	1,155,690
Prepaid expenses	1,038,022	40,358	**1,078,380**	998,188
Due from MBH - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	33,370,608	4,482,799	**37,853,407**	33,596,782
NON-CURRENT				
Due from MBH - retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	72,021,617	9,131,590	**81,153,207**	80,562,663
Other assets	-	202,585	**202,585**	472,323
	$ 113,237,225	$ 15,077,974	**$ 128,315,199**	$ 123,737,768
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 12,396,134	$ 1,899,190	**$ 14,295,324**	$ 14,405,858
Accounts payable - Manitoba Health	-	-	**-**	778,278
Accrued vacation benefit entitlements	9,413,593	1,504,726	**10,918,319**	9,996,841
Current portion of long term debt	236,015	10,000	**246,015**	230,364
	22,045,742	3,413,916	**25,459,658**	25,411,341
NON-CURRENT				
Accrued retirement benefit entitlements	10,980,893	1,669,271	**12,650,164**	11,488,803
Long term debt	2,106,995	148,096	**2,255,091**	2,425,709
	13,087,888	1,817,367	**14,905,255**	13,914,512
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,901,325	553,650	**3,454,975**	4,050,269
Capital assets	68,405,777	8,120,490	**76,526,267**	76,186,983
	71,307,102	8,674,140	**79,981,242**	80,237,252
NET ASSETS				
Invested in capital assets	1,272,835	853,194	**2,126,029**	1,719,795
Internally restricted - contract	-	319,357	**319,357**	1,036,741
Internally restricted	232,397	-	**232,397**	270,170
Unrestricted	5,291,261	-	**5,291,261**	1,147,957
	6,796,493	1,172,551	**7,969,044**	4,174,663
	$ 113,237,225	$ 15,077,974	**$ 128,315,199**	$ 123,737,768

Statement of Operations - Segmented
March 31, 2010

	Devolved	Contract	2010	2009
REVENUE				
Manitoba Health	$ 158,629,807	$ 22,681,617	**$ 181,311,424**	$ 164,798,291
Other government departments	84,331	-	**84,331**	85,457
Non-global patient / resident income	9,706,713	3,845,577	**13,552,290**	12,693,044
Other income	5,636,580	771,177	**6,407,757**	6,174,284
Amortization of deferred contributions - expenses of future periods	2,830,180	152,713	**2,982,893**	2,608,993
Amortization of deferred contributions - capital	4,716,880	526,837	**5,243,717**	5,004,007
Interest and donations	98,518	12,469	**110,987**	331,468
Ancillary operations	2,319,689	217,759	**2,537,448**	2,394,893
	184,022,698	28,208,149	**212,230,847**	194,090,437
EXPENSES				
Acute care services	70,409,075	1,703,461	**72,112,536**	64,928,419
Long term care services	34,968,921	17,793,971	**52,762,892**	49,559,572
Medical remuneration	13,108,529	2,001,161	**15,109,690**	13,199,760
Community based therapy services	2,637,680	-	**2,637,680**	2,199,944
Community based mental health services	3,866,938	5,687,543	**9,554,481**	8,111,538
Community based home care services	18,593,957	-	**18,593,957**	17,806,330
Community based health services	7,157,034	142,905	**7,299,939**	6,560,328
Land ambulance	7,313,718	-	**7,313,718**	6,470,814
Regional Health Authority undistributed	12,254,122	-	**12,254,122**	12,056,865
Interest on long term debt	301,730	-	**301,730**	279,290
Pre-retirement leave	1,978,246	491,668	**2,469,914**	3,121,180
Amortization of capital assets	4,744,015	617,369	**5,361,384**	5,115,743
Major repairs	488,849	48,402	**537,251**	429,614
Donations to foundations	-	-	**-**	10,000
Ancillary operations	1,957,871	131,528	**2,089,399**	1,974,560
	179,780,685	28,618,008	**208,398,693**	191,823,957
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 4,242,013	$ (409,859)	**$ 3,832,154**	$ 2,266,480
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital / donations to foundations	$ (515,984)	$ (138,934)	**$ (654,918)**	$ (551,350)
Interest and donations	98,518	12,469	**110,987**	331,468
Ancillary operations	361,818	86,231	**448,049**	420,333
Health care operations	4,297,661	(369,625)	**3,928,036**	2,066,029
TOTAL	$ 4,242,013	$ (409,859)	**$ 3,832,154**	$ 2,266,480

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Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 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 28, 2010

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	Regional Health Authority	Contract Facilities	2010 Consolidated	2009 Consolidated
Assets				
Current Assets				
Cash	$ 7,611,165	$ 424,118	$ 8,035,283	$ 7,504,195
Accounts receivable (Note 3)	1,514,529	112,108	1,626,637	1,943,815
Due from Manitoba Health (Note 5)	63,868	19,277	83,145	-
Inventories	1,494,348	89,372	1,583,720	1,435,586
Prepaid expense	468,348	16,503	484,851	396,166
Vacation entitlements receivable (Note 4)	2,165,279	488,270	2,653,549	2,653,549
	13,317,537	1,149,648	14,467,185	13,933,311
Retirement obligations receivable (Note 14)	1,898,575	458,577	2,357,152	2,357,152
Restricted assets (Note 6)	105,482	-	105,482	101,767
Capital assets (Note 7)	41,759,614	11,078,674	52,838,288	52,283,668
	$ 57,081,208	$ 12,686,899	$ 69,768,107	$ 68,675,898

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			2010	2009
	Health Authority	Contract Facilities	Consolidated	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 8)	$ -	$ 33,947	$ 33,947	$ 54,697
Accounts payable and accrued liabilities	4,398,961	469,950	4,868,911	5,864,642
Accrued vacation entitlements (Note 4)	3,651,576	716,866	4,368,442	3,755,144
Due to contract facilities (from Health Authority)	87,461	(87,461)	-	-
Due to Manitoba Health (Note 5)	-	-	-	359,460
Unearned revenue	497,554	3,108	500,662	1,203,373
	8,635,552	1,136,410	9,771,962	11,237,316
Accrued retirement obligations (Note 14)	4,164,208	458,577	4,622,785	3,783,495
Deferred Contributions (Note 9)				
Expenses of future periods	589,138	298,732	887,870	1,220,184
Capital assets	41,231,365	10,838,835	52,070,200	51,515,580
	41,820,503	11,137,567	52,958,070	52,735,764
Commitments and contingencies (Note 13)				
Net Assets				
Investment in capital assets	528,249	239,839	768,088	768,088
Externally restricted - Contract Facilities	-	(285,494)	(285,494)	(221,582)
Externally restricted (Note 6)	105,482	-	105,482	101,767
Unrestricted	1,827,214	-	1,827,214	271,050
	2,460,945	(45,655)	2,415,290	919,323
	$ 57,081,208	$ 12,686,899	$ 69,768,107	$ 68,675,898

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.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31	2010			2009
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Revenue				
Province of Manitoba				
Health (Note 11)	$ 72,082,836	$ 9,425,467	$ 81,508,303	$ 73,383,972
Other	1,130,315	-	1,130,315	976,259
Government of Canada	-	77,562	77,562	77,562
Non-insured income	2,934,510	2,306,964	5,241,474	5,108,978
Other income and recovered services	79,770	426,018	505,788	463,245
Amortization of deferred contributions	2,188,373	482,760	2,671,133	3,262,563
	78,415,804	12,718,771	91,134,575	83,272,579
Expenditures				
Acute care services	26,071,086	-	26,071,086	23,485,064
Long-term care services	9,712,112	12,299,923	22,012,035	20,209,265
Community based home care services	14,178,780	-	14,178,780	13,354,883
Community based health services	6,452,248	-	6,452,248	5,541,177
Medical remuneration	5,814,826	-	5,814,826	5,437,299
Diagnostic services	3,861,558	-	3,861,558	3,588,678
Emergency Medical Services	3,632,793	-	3,632,793	2,825,956
Community based mental health services	2,995,034	-	2,995,034	2,553,861
Amortization of capital assets	2,188,373	482,760	2,671,133	3,262,563
Regional Health Authority costs	1,952,830	-	1,952,830	1,553,008
	76,859,640	12,782,683	89,642,323	81,811,754
Excess (deficiency) of revenue over expenditures before other item	1,556,164	(63,912)	1,492,252	1,460,825
Other Item				
Forgiveness of debt	-	-	-	75,000
Excess (deficiency) of revenue over expenditures for the year	$ 1,556,164	$ (63,912)	$ 1,492,252	$ 1,535,825
Allocated as follows				
Externally restricted	$ -	$ (63,912)	$ (63,912)	$ 195,605
Unrestricted	1,556,164	-	1,556,164	1,340,220
	$ 1,556,164	$ (63,912)	$ 1,492,252	$ 1,535,825

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					2010	2009
	Investment in Capital Assets (Note 10)	Externally Restricted - Contract Facilities	Externally Restricted (Note 6)	Unrestricted	Total	Total
Balance, beginning of year	$ 768,088	$ (221,582)	$ 101,767	$ 271,050	$ 919,323	$ (649,134)
Interest revenue	-	-	3,715	-	3,715	3,792
Adjustment to Deferred Contributions - capital assets	-	-	-	-	-	28,840
Excess (deficiency) of revenue over expenditures for the year	-	(63,912)	-	1,556,164	1,492,252	1,535,825
Balance, end of year	$ 768,088	$ (285,494)	$ 105,482	$ 1,827,214	$ 2,415,290	$ 919,323

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		2010		2009
Cash Flows from Operating Activities				
Excess of revenue				
over expenditures for the year	$	**1,492,252**	$	1,535,825
Net income of restricted net assets		**3,715**		3,792
Adjustments for				
Amortization of capital assets		**2,671,133**		3,262,563
Amortization of deferred contributions related to capital assets		**(2,671,133)**		(3,262,563)
Deferred contributions - expenses of future periods				
Receipts		**412,240**		908,686
Expenditures		**(744,554)**		(581,548)
		1,163,653		1,866,755
Changes in non-cash working capital				
Accounts receivable		**317,178**		547,504
Due from Manitoba Health		**(442,605)**		1,192,192
Inventories		**(148,134)**		(171,072)
Prepaid expense		**(88,685)**		(6,726)
Accounts payable and accrued liabilities		**(995,731)**		919,076
Accrued vacation entitlements		**613,298**		310,201
Unearned revenue		**(702,711)**		866,668
		(1,447,390)		3,657,843
Accrued retirement obligations		**839,290**		84,471
		555,553		5,609,069
Cash Flows from Investing Activities				
Increase in restricted assets		**(3,715)**		(3,792)
Purchase of capital assets		**(3,225,753)**		(2,743,215)
		(3,229,468)		(2,747,007)
Cash Flows from Financing Activities				
Receipt of deferred contributions related to capital assets		**3,225,753**		2,743,215
Net increase in cash and cash equivalents		**551,838**		5,605,277
Cash and cash equivalents, beginning of year		**7,449,498**		1,844,221
Cash and cash equivalents, end of year	$	**8,001,336**	$	7,449,498
Represented by				
Cash	$	**8,035,283**	$	7,504,195
Bank indebtedness		**(33,947)**		(54,697)
	$	**8,001,336**	$	7,449,498

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, 2010.

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.

For the year ended March 31, 2010

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:

Buildings	2.5%
Building renovations and upgrades	5%
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

Future for Not-for-Profit Organizations (NPO) - The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

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 6.

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. Change in Accounting Policy

Allocation of Expenses

On April 1, 2009, the Authority adopted CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations". Under these new standards, not-for-profit organizations establish disclosure standards that explain how it classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate. For the Authority, general support expenses are either considered a function or are allocated on a reasonable and consistent basis to the relevant functions that they support (Note 12).

The adoption of these new standards had no material impact on the organization's statement of financial position and statement of changes in net assets.

3. Accounts Receivable

	2010	2009
Receivables from patients	$ 150,494	$ 140,472
Receivables from residents	39,727	34,277
Goods and services tax	153,264	148,605
Due from related parties of Contract facilities	-	56,197
Capital funding receivable	825,179	815,421
Receivables from foundations	313,970	555,981
Other		
RHA	97,880	144,332
Contract facilities	46,123	48,530
	$ 1,626,637	$ 1,943,815

4. 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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ 3,755,144	$ 3,444,943
Net increase in accrued vacation entitlements	613,298	310,201
Balance, end of year	$ 4,368,442	$ 3,755,144

5. Due from (to) Manitoba Health

	2010	2009
In-Globe		
09-10 pre-retirement actuarial adjustment	$ 840,000	$ -
MNU maternity leave top up	43,945	-
Interfacility transfers - EMS	84,557	97,642
Waiting list initiative	-	110,674
HEBP Employer Benefits	319,735	-
Community Health Assessment	16,038	27,031
07-08 Professional Technical Market Supplement	-	152,632
08-09 Professional Technical Market Supplement	-	210,138
PCH staffing guidelines	138,566	87,693
Colonoscope volumes	75,000	37,500
Aboriginal Health	53,326	30,000
Villa Youville Old PCH	19,277	28,507
LTC Strategy specialized supports	18,398	-
Immunization one-time funding	42,159	-
EMS staff training	36,715	-
MB Youth Suicide Prevention Strategy 2009/10	15,350	-
H1N1 funding	169,619	-
08-09 facility support general salary increases	57,014	-
Other	2,750	1,913
Out-of-Globe		
Capital funding 2008/09	-	126,663
Capital funding 2009/10	43,619	-
Capital interest	(12,017)	(6,621)
Medical remuneration 2007/08	(682,939)	(651,889)
Medical remuneration 2008/09	(611,343)	(611,343)
Medical remuneration 2009/10	(586,814)	-
Other	190	-
	$ 83,145	$ (359,460)

6. Restricted 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	$ 82,662	$ 19,105	$ 101,767
Interest	3,018	697	3,715
Balance, end of year	$ 85,680	$ 19,802	$ 105,482

7. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$ 768,088	$ -	$ 768,088	$ -
Buildings	62,602,668	19,915,340	62,158,059	18,152,637
Equipment	10,967,862	4,192,579	10,047,889	3,514,618
Construction in progress	2,607,589	-	976,887	-
	$ 76,946,207	$ 24,107,919	$ 73,950,923	$ 21,667,255
Cost less accumulated amortization		$ 52,838,288		$ 52,283,668

8. 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, 2010 - 1.45%) 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 prime to prime rate plus 1% (effective rate at March 31, 2010 - 3.25%) and are supported by authorization letters from MH and general security agreements.

9. 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.

	2010	2009
Balance, beginning of year	$ **1,220,184**	$ 893,046
Additional amounts received during year	**412,240**	908,686
Less expenditures	**(744,554)**	(581,548)
Balance, end of year	$ **887,870**	$ 1,220,184

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:

	2010	2009
Balance, beginning of year	$ **51,515,580**	$ 52,289,265
Additional contributions received, net	**3,225,753**	2,743,215
Transfers to deferred contributions - investment in capital assets	**-**	(28,840)
Less assets transferred to Diagnostic Services of Manitoba Inc.	**-**	(225,497)
Less amounts amortized to revenue	**(2,671,133)**	(3,262,563)
Balance, end of year	$ **52,070,200**	$ 51,515,580

10. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	**$ 52,838,288**	$ 52,283,668
Amounts financed by		
Deferred contributions	**52,070,200**	51,515,580
	$ 768,088	$ 768,088

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

	2010	2009
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,671,133**	$ 3,262,563
Amortization of capital assets	**(2,671,133)**	(3,262,563)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 3,225,753**	$ 2,743,215
Amounts funded		
MH funding	**(2,865,121)**	(2,717,589)
Donations	**(360,632)**	(25,626)
	$ -	$ -

11. Revenue from Manitoba Health

		2010	2009
Revenue from MH			
Revenue as per MH's final funding document		$ 78,620,358	$ 74,144,003
Less:	Debt interest allocation	(226,881)	(308,706)
		78,393,477	73,835,297
Add:	Pre-retirement actuarial adjustment	840,000	-
	PCH staffing guidelines	569,639	130,794
	EMS funding	516,200	512,744
	Basic equipment and major repair reserve	536,622	-
	HEBP employer benefits	319,735	-
	Immunization program	220,897	117,675
	Aboriginal health	184,959	-
	H1N1 funding	169,619	-
	Colonoscope volumes	150,000	-
	Adult community mental health	127,100	-
	MNU maternity leave top-up	125,923	-
	CDPI global funding	95,743	100,743
	Accelerated supply payment	-	265,200
	Wait list initiative funding	-	110,674
	Wage standardization	-	194,609
	Other in year adjustments - one-time funding	168,098	589,286
Deduct:	Medical remuneration	586,814	611,343
Total Funding Approved by MH		81,831,198	75,245,679
Add:	EMS payment carryforward	583,410	-
Deduct:	Amounts recorded as deferred contributions		
	- expenses of future periods	210,144	904,563
	- capital assets	660,345	941,915
	Prior year adjustment to accounts receivable	35,816	15,229
Revenue from MH		$ 81,508,303	$ 73,383,972

12. Allocated Expenditures

General administrative expenses of $3,398,056 (2009 - $3,413,096) have been allocated as follows:

	2010	2009
Acute care services	$ **1,366,835**	$ 1,372,885
Long-tem care services	**955,054**	959,282
Community based home care services	**609,020**	611,716
Community based health services	**262,986**	264,150
Community based mental health services	**107,271**	107,745
Emergency Medical Services	**96,890**	97,318
	$ **3,398,056**	$ 3,413,096

13. 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, 2010, 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, 2010.

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

c) At March 31, 2010, minimum annual lease payments under operating leases for premises expiring at various dates up to 2014 are $177,840 to be adjusted annually for inflation.

14. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2010.

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 4.9% (6.7% in 2009) and a rate of salary of 4.0% (3.5% in 2009) 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:

	2010	2009
Balance, beginning of year	**$ 3,783,495**	$ 3,699,024
Net increase in pre-retirement entitlements	**839,290**	84,471
Balance, end of year	**$ 4,622,785**	$ 3,783,495

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.

14. 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 $47,200, 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, 2008 indicates 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. Contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,569,254 (2009 - $2,081,397) 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.

15. 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.

16. 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:

	2010	2009
Accounts receivable	$ 1,626,637	$ 1,943,815
Due from Manitoba Health	83,145	-
Vacation entitlements receivable	2,653,549	2,653,549
Retirement obligations receivable	2,357,152	2,357,152
	$ 6,720,483	$ 6,954,516

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.

16. 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.

17. 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.

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010

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 judgements.

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

AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the consolidated statement of financial position of the **Winnipeg Regional Health Authority** ["the Authority"] as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the preceding year were audited by other chartered accountants.

Ernst & Young LLP

Winnipeg, Manitoba,
June 9, 2010.

Chartered Accountants

ERNST & YOUNG

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
REVENUE		
Manitoba Health operating income	$ **2,077,237**	$ 1,951,466
Other income (Schedule 1)	**117,453**	108,082
Amortization of deferred contributions, capital	**65,641**	58,972
Recognition of deferred contributions, future expenses	**12,822**	2,430
	2,273,153	2,120,950
EXPENSES		
Direct operations	**1,893,531**	1,765,710
Interest	**747**	786
Amortization of capital assets	**67,173**	61,848
	1,961,451	1,828,344
FACILITY FUNDING		
Long term care facility funding (Schedule 2)	**267,854**	249,045
Community health agency funding (Schedule 3)	**34,770**	31,439
Adult day care facility funding (Schedule 4)	**3,094**	2,754
Long term care community therapy services	**715**	691
GRANT FUNDING		
Grants to facilities and agencies (Schedule 5)	**19,300**	19,091
	2,287,184	2,131,364
OPERATING DEFICIT	**(14,031)**	(10,414)
NON-INSURED SERVICES		
Non-insured services income	**72,447**	63,227
Non-insured services expenses	**66,797**	56,711
NON-INSURED SERVICES SURPLUS	**5,650**	6,516
DEFICIT FOR THE YEAR	$ **(8,381)**	$ (3,898)

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31, 2010
(in thousands of dollars)

	2010	2009
ASSETS		
CURRENT		
Cash and cash equivalents	$ **11,587**	$ 37,302
Accounts receivable (Note 5)	**125,859**	116,127
Inventory (Note 6)	**43,771**	18,738
Prepaid expenses	**13,519**	11,338
Investments (Note 9)	**6,402**	12,787
Employee benefits recoverable from Manitoba Health (Note 7)	**78,675**	78,675
	279,813	274,967
CAPITAL ASSETS (Note 8, 14)	**1,139,535**	1,055,592
OTHER ASSETS		
Employee future benefits recoverable from Manitoba (Note 22)	**82,302**	82,302
Investments (Note 9)	**24,753**	15,796
Specific purpose funds (Note 10)	**45,077**	48,547
Nurse recruitment and retention fund (Note 11)	**4,242**	4,358
	$ **1,575,722**	$ 1,481,562
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	$ **194,597**	$ 192,373
Demand loans (Note 13)	**29,000**	-
Employee benefits payable (Note 7)	**92,324**	99,004
Current portion of long term debt (Note 14)	**46,040**	47,097
	361,961	338,474
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 14)	**20,785**	22,431
Employee future benefits payable (Note 22)	**143,324**	120,899
Specific purpose funds (Note 10)	**45,077**	48,547
Deferred contributions (Note 16)	**953,149**	891,288
Nurse recruitment and retention fund (Note 11)	**4,242**	4,358
	1,166,577	1,087,523
COMMITMENTS AND CONTINGENCIES (Note 18)		
NET ASSETS	**47,184**	55,565
	$ **1,575,722**	$ 1,481,562

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2010
(in thousands of dollars)

	2010				2009
	Investment in Capital Assets (Note 17)	Unrestricted Net Assets	Internally Restricted Net Assets (Schedule 6)	Total	Total
Balance, beginning of year	$ 73,920	$ (43,221)	$ 24,866	$ 55,565	$ 59,463
Net (deficit) surplus	(6,079)	(3,905)	1,603	(8,381)	(3,898)
Purchase of capital assets	13,764	(12,857)	(907)	-	-
Net asset restrictions	-	(1,412)	1,412	-	-
Balance, end of year	$ 81,605	$ (61,395)	$ 26,974	$ 47,184	$ 55,565

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
OPERATING ACTIVITIES		
Deficit for the year	$ (8,381)	$ (3,898)
Items not affecting cash		
Amortization of capital assets	74,555	68,217
Amortization of deferred contributions related to capital assets	(68,476)	(62,166)
Recognition of deferred contributions related to future expenses	(12,887)	(3,297)
Net change in employee future benefits	15,745	10,338
	556	9,194
Changes in non-cash operating working capital items	(34,722)	(4,327)
Deferred contributions received - future expenses	22,470	10,162
	(11,696)	15,029
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	120,754	100,600
Proceeds of demand loans	30,000	-
Demand loans repayments	(1,000)	-
Proceeds of long term debt	-	45,109
Long term debt repayments	(2,703)	(9,040)
	147,051	136,669
INVESTING ACTIVITIES		
Purchase of capital assets	(158,498)	(140,193)
Increase in investments	(2,572)	(1,958)
	(161,070)	(142,151)
(DECREASE) INCREASE	(25,715)	9,547
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,302	27,755
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,587	$ 37,302
Comprised of:		
Cash	$ 10,884	$ 33,859
Cash equivalents	703	3,443
Total	$ 11,587	$ 37,302
Supplementary Information:		
Interest paid	$ 3,115	$ 5,046

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority", "WRHA") was established 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"). 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.

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

During the previous year, the Authority was assessing the impact of revisions to the 4400 series of the Canadian Institute of Chartered Accountants ("CICA") Handbook, and certain sections that relate to not-for-profit organizations, to its current reporting practices. With respect to presentation, the Authority will continue to disclose net assets invested in capital assets although the CICA amendment has made the disclosure optional. CICA section 1540, Cash Flow Statements, is now applicable to not-for-profit organizations. The Authority will continue its presentation of a statement of cash flows under the guidelines of this section. Management has determined that CICA Section 4470, Disclosure of Allocated Expenses for Not-for-Profit Organizations, does not apply to the Authority as its expenses are not allocated to more than one function. These changes were adopted effective April 1, 2009 and, as noted, did not impact 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, 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)

- 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 and VENT's 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 and MATC 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 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)

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.

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, 2010.

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 an annual rate of:

Buildings	2-20%
Furniture & equipment	5-33%
Computer hardware and software	10-20%
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.

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 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. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Internally restricted net assets

The Authority has allocated some of the net assets to future capital 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 the 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 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.

Financial assets and liabilities

Under the standards, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

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, GICs, and mutual funds)	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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

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 is using a derivative instrument to manage exposure to changes in interest rates. The Authority's objective for holding this derivative is to minimize risk using the most efficient methods to eliminate or reduce the impacts of this exposure.

The Authority entered into an interest rate swap to manage the interest rate cash flow exposure associated with certain debt obligations. The contract has an effect of converting the floating rate of interest on certain debt to a fixed rate.

Under this swap, 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.

This derivative is measured at fair value at the end of each year 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.

It is the Authority's policy not to speculate on derivative instruments; thus, these instruments are purchased for risk management purposes.

l) Investments

Bonds, money market and mutual fund investments 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 date.

The mortgage is classified as loans and receivables and is measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 deficits related to Out of Globe funding arrangements are 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. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

There are no further policies that have been pronounced but not yet effective that would be applicable to the Authority.

(amounts in thousands of dollars)

5. ACCOUNTS RECEIVABLE

	2010	2009
Manitoba Health - operating, capital and fee for service	$ 97,978	$ 90,489
Accounts receivable from other Province of Manitoba Departments	1,435	1,420
Facility advances and receivables	8,959	5,578
Patient related and other	27,681	26,034
Allowance for doubtful accounts	(10,194)	(7,394)
	$ 125,859	$ 116,127

6. INVENTORY

	2010			2009
	Held for Sale	Held for Internal Use	Total	Total
Balance, beginning of year	$ 1,228	$ 17,510	$ 18,738	$ 18,212
Amount purchased in year	527	190,153	190,680	151,498
Amount expensed in year	(479)	(165,279)	(165,758)	(151,302)
Amount written down in year	(163)	(12)	(175)	(60)
Writedowns reversed in year	11	275	286	390
Balance, end of year	$ 1,124	$ 42,647	$ 43,771	$ 18,738

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.

An analysis of the changes in the employee benefits recoverable from Manitoba Health is as follows:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ 99,004	$ 92,802
(Decrease) increase in vacation/overtime/stat holiday entitlements	(6,680)	6,202
Balance, end of year	$ 92,324	$ 99,004

(amounts in thousands of dollars)

8. CAPITAL ASSETS

	2010 Cost	2010 Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	**$ 18,296**	**$ -**	**$ 18,296**	$ 16,534
Buildings	**1,104,706**	**(395,521)**	**709,185**	676,971
Furniture & equipment	**760,814**	**(607,430)**	**153,384**	150,327
Computer hardware and software	**94,423**	**(38,423)**	**56,000**	57,702
Leasehold improvements	**47,593**	**(8,712)**	**38,881**	11,877
Construction in progress	**163,789**	**-**	**163,789**	142,181
	$ 2,189,621	**$ (1,050,086)**	**$ 1,139,535**	$ 1,055,592

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized in the year was $372 (2009 - $2,334).

9. INVESTMENTS

	2010	2009
Money market investments	**$ 703**	$ 3,443
Government bonds	**39,147**	37,075
Corporate bonds (rated A or better)	**23,434**	25,000
Guaranteed Investment Certificates (GICs)	**2,005**	1,220
Mutual funds	**-**	47
Mortgage	**1,078**	1,597
	66,367	68,382
Less: amounts included with cash and cash equivalents	**(703)**	(3,443)
Less: amounts included with specific purpose funds	**(34,509)**	(36,356)
	(35,212)	(39,799)
Less: amounts maturing/ redeemable within one year, included in current assets	**(6,402)**	(12,787)
	$ 24,753	$ 15,796

Investments are carried at fair value using quoted market prices, except for the mortgage, which is at amortized cost.

The mortgage of $1,078 (2009 - $1,597) is to Parkade Inc., a corporation without share capital whose Member is the same as that of the St. Boniface General Hospital. Interest is charged at the rate of 4.2% per annum and mortgage payments are $48 per month including principal and interest. Under the current terms it is estimated the mortgage will retire by March 15, 2012. The mortgage covers the parkade structure and the leasehold title for the land on which the parkade is situated. The fair value of the mortgage is estimated at $1,104 (2009 - $1,640). The fair value was determined using estimated market rates available to the Authority for the same or similar instruments.

(amounts in thousands of dollars)

9. INVESTMENTS (Continued)

The Authority manages the liquidity risk associated with its investments by limiting the types of eligible investments. Corporate 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 of March 31, 2010, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	$ 4,074	$ 1,512	$ 572	3.60%
2 to 5 years	17,520	17,677	1,433	4.43%
5 to 10 years	9,523	3,279	-	4.38%
Over 10 years	8,030	966	-	4.97%
	$ 39,147	$ 23,434	$ 2,005	

Money market investments are not exposed to significant interest rate risk due to the short-term maturity of these investments. Investments in mutual funds are not exposed to significant interest rate risk.

10. SPECIFIC PURPOSE FUNDS

Cash and cash equivalents and investments held for specific purposes include the following:

	2010	2009
Cash and cash equivalents	**$ 10,568**	$ 12,191
Investments, at fair value	**34,509**	36,356
	$ 45,077	$ 48,547

The Authority maintains numerous research and trust accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2010	2009
Balance, beginning of year	**$ 48,547**	$ 46,851
Grants, bequests and donations	**32,361**	28,557
Investment income	**1,843**	1,769
Disbursements	**(37,674)**	(28,630)
Balance, end of year	**$ 45,077**	$ 48,547

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.

(amounts in thousands of dollars)

11. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a $7 million 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 tri-partite 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:

	2010	2009
Cash and cash equivalents	**$ 4,242**	$ 4,358

Investments are carried at fair value using quoted market prices.

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	2010	2009
Balance, beginning of year	**$ 4,358**	$ 2,847
Additions to fund	**3,724**	3,961
Interest earned on investment	**-**	51
Fund expenditures	**(3,840)**	(2,501)
Balance, end of year	**$ 4,242**	$ 4,358

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Accounts payable and accrued liabilities	**$ 148,927**	$ 137,609
Accrued salaries	**44,143**	47,543
Accrued interest on long term debt	**-**	455
Holdbacks on construction contracts	**1,527**	6,766
	$ 194,597	$ 192,373

13. DEMAND LOANS

The demand loans represent two interest free cash advances from Manitoba Health. The first interest free demand loan has a balance at March 31, 2010 of $19,000 (2009 - $nil) and was issued on October 31, 2009 in the amount of $20,000 with a repayment schedule of $1,000 per annum. The second interest free demand loan has a balance at March 31, 2010 of $10,000 (2009 - $nil) and was issued on January 13, 2010 in the amount of $10,000 with repayment at Manitoba Health's request. The fair value of this debt approximates carrying value as it is due on demand.

(amounts in thousands of dollars)

14. LONG TERM DEBT

		2010		2009
0.585% Banker's Acceptance, maturing April 14, 2010 Health Sciences Centre Tecumseh Street Parkade Fair value $38,319 (2009 - $38,252)	$	**38,319**	$	38,252
7.38% Mortgage payable, maturing August 31, 2018 Monthly principal and interest payments $157 Nutrition & Food Services Fair value $13,072 (2009 - $13,998)		**11,806**		12,782
5.8% Bank Loan, maturing September 30, 2014 Monthly principal and interest payments $87 St. Boniface General Hospital Atrium Fair value $10,717 (2009 - $10,841)		**10,267**		10,708
0.617% Banker's Acceptance, maturing April 27, 2010 Health Sciences Centre Emily Street Parkade Fair value $6,154 (2009 - $6,857)		**6,154**		6,857
Government of Canada, Technology 2000 Inc. loan St. Boniface Hospital Fair value $nil (2009 - undeterminable)		**-**		522
Prime plus 0.25% Term Loan, maturing 2015 Monthly principal and interest payments $4 Grace General Hospital Hospice Fair value $221 (2009 - $271)		**221**		271
Prime less 0.5% Term Loan, maturing 2011 Monthly principal and interest payments $7 Concordia Energy Saving Project Fair value $58 (2009 - $136)		**58**		136
		66,825		69,528
Less amounts due within one year, included in current liabilities		**(46,040)**		(47,097)
	$	**20,785**	$	22,431

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.

(amounts in thousands of dollars)

14. LONG TERM DEBT (Continued)

The Technology 2000 Inc. loan was from the Government of Canada, through the Western Economic Diversification Program. The loan was forgiven in October 2009 as the result of the conclusion of a settlement agreement with Western Economic Diversification Canada. WED agreed to forgive the outstanding loan balance of $502 and the associated interest payable of $455.

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 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 HSC Tecumseh Street Parkade loan has been secured with the Tecumseh Street Parkade which at March 31, 2010 had a net book value of $42,215 (2009 - $43,006). The HSC Emily Street Parkade loan has been secured with the Emily Street Parkade which at March 31, 2010 had a net book value of $5,408 (2009 - $5,858). The assigned results of the HSC Parking Operations have also been secured against both of the parkade loans.

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

2010/11	$	46,040
2011/12		1,675
2012/13		1,790
2013/14		1,914
2014/15		2,018

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into an interest rate swap to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for the Emily Street Parkade at the Health Sciences Centre. The notional amount of this swap at March 31, 2010 is $6,154 maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated at $23 (2009 - ($60)), resulting in a derivative asset of $23 (2009 - ($60)).

This derivative is measured at fair value at the end of each year 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.

(amounts in thousands of dollars)

16. DEFERRED CONTRIBUTIONS

	2010	2009
Deferred contributions, future expenses		
- operating expenses	$ 30,688	$ 19,086
- contract settlement expenses	-	2,715
	30,688	21,801
Deferred contributions, capital	922,461	869,487
Deferred contributions, total	$ 953,149	$ 891,288

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 statement of operations.

	2010	2009
Balance, beginning of year	$ 21,801	$ 16,509
Amount received during the year	22,470	10,162
Transferred to deferred contributions, capital	(696)	(1,573)
Less: amount recognized as revenue - Programs	(12,822)	(2,430)
Less: amount recognized as revenue - Non-insured services	(65)	(867)
Balance, end of year	$ 30,688	$ 21,801

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 statement of operations.

	2010	2009
Balance, beginning of year	$ 869,487	$ 829,480
Amount received during the year	120,754	100,600
Transferred from deferred contributions, future expenses	696	1,573
Less: amount amortized to revenue – Programs	(65,641)	(58,972)
Less: amount amortized to revenue – Non-insured services	(2,835)	(3,194)
Balance, end of year	$ 922,461	$ 869,487

(amounts 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:

	2010	2009
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 .5%	**$ 29,167**	$ 45,396
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre	**25,000**	25,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	**51,500**	51,500
	$ 105,667	$ 121,896

At March 31, 2010 the value of the sinking fund assets and accumulated interest aggregated $44,824 (2009 - $41,975). Annual payments are made by the Authority/Manitoba Health from cash held in trust, which at March 31, 2010 was $2,112 (2009 - $2,112).

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

2010/11	$ 3,017
2011/12	28,255
2012/13	5,723
2013/14	4,206
2014/15	4,166

(amounts 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:

	2010	2009
Capital assets	$ 1,139,535	$ 1,055,592
Amounts financed by:		
Deferred contributions	$ (922,461)	$ (869,487)
Loans and accounts payable	(135,469)	(112,185)
Investment in capital assets	$ 81,605	$ 73,920

Change in investment in capital assets is calculated as follows:

	2010	2009
a) Excess of expenses over revenues		
Amortization of capital assets included in programs	$ (67,173)	$ (61,848)
Amortization of capital assets included in non-insured services	(7,382)	(6,369)
Amortization of deferred contributions related to capital assets included in programs	65,641	58,972
Amortization of deferred contributions related to capital assets included in non-insured services	2,835	3,194
	$ (6,079)	$ (6,051)
b) Purchase of capital assets	$ 158,498	$ 140,193
Amounts funded by:		
Capital contributions received in the year	(120,754)	(100,600)
Capital contributions transferred from future expenses	(696)	(1,573)
Change in capital contributions receivable, loans and accounts payable	(23,284)	(52,896)
	$ 13,764	$ (14,876)
Change in investment in capital assets	$ 7,685	$ (20,927)

(amounts 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, 2010, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2010/11	$10,451
2011/12	10,237
2012/13	10,027
2013/14	9,363
2014/15	7,810

c) At March 31, 2010, the Authority had capital commitments of approximately $19,527 (2009 - $38,876) and equipment purchase commitments of approximately $11,900 (2009 - $14,629).

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

2010/11	$ 4,118
2011/12	4,241
2012/13	3,509
2013/14	2,001
2014/15	875

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 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, 2010.

20. ECONOMIC DEPENDENCE

The Authority received approximately 91% (2009 - 92%) 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.

(amounts 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, which approximates fair value. 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:

		2010		2009
Financial Position				
Total assets	**$**	**1,453**	$	1,791
Total liabilities & deferred contributions		**149**		153
Total net assets	**$**	**1,304**	$	1,638
Results of Operations				
Total revenues	**$**	**1,758**	$	1,417
Total expenses		**1,037**		1,015
Surplus from operations	**$**	**720**	$	402
Cash Flows				
(Used in) from operating activities	**$**	**(225)**	$	306
Used for financing & investing activities		**180**		60
(Decrease) increase in cash	**$**	**(45)**	$	366

21. RELATED ENTITIES (continued)

a) Controlled entities (continued)

During the year, the entities listed contributed $1,324 (2009 - $264) to various facilities within the Authority. The Authority incurred expenses of $nil (2009 - $nil) with the listed entities. As at March 31, 2010, various facilities within the Authority had aggregate amounts of $40 (2009 - $908) receivable from and $nil (2009 - $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 $3,056 (2009 - $9,559) to various facilities within the Authority. The Authority incurred expenses of $nil (2009 - $nil) with the above entities. As at March 31, 2010, various facilities within the Authority had aggregate amounts of $704 (2009 - $2,785) receivable from and $32 (2009 - $nil) 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 the 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 $3,210 (2009 - $3,451) to various facilities within the Authority. The Authority incurred expenses of $nil (2009 - $134) with the above entities. As at March 31, 2010, various facilities within the Authority had aggregate amounts of $604 (2009 - $1,317) receivable from and $nil (2009 - $nil) payable to the entities listed.

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, 2010, the Authority had aggregate amounts of $786 (2009 - $nil) receivable from and $14,261 (2009 - $12,178) 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 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

   *Non-union policy requires 5 years 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 complies with 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 fifteen weeks pay upon retirement if the employee complies with 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 service plus 25% of the unused sick 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:
   i. Retirement, death, or termination of service caused by a transfer of departmental function.

(amounts 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, 2009, projected to March 31, 2010. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 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 statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province. Any changes from the March 31, 2004 liability amount are reflected in the statement of operations.

	2010	2009
Employee future benefits recoverable from Manitoba Health	**$ 82,302**	$ 82,302

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	**$ 120,899**	$ 116,764
Net increase in pre-retirement entitlements	**22,425**	4,135
Balance, end of year	**$ 143,324**	$ 120,899

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 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.

22. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan (continued)

The Plan's assets consist of investment grade securities. Market and credit risk 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 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 for funding purposes occurred on December 31, 2007. This valuation indicated that the plan was fully funded. The plan is required to have its next actuarial valuation for funding purposes on or before December 31, 2010. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $62,390 (2009 - $58,598) and are included in the 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 financial statements relating to the effects of participating in the 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 $599 (2009 - $235) 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 the pension plan of $1,201 (2009 - $1,160).

23. CAPITAL DISCLOSURES

The Authority'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 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 government 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 $1,412 (2009 - $2,093) of unrestricted net assets to be used for future capital 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, 2010, 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, 2010, the Authority complied with the financial covenants imposed by its financial institution.

24. CHANGE IN ESTIMATE

In order to obtain consistency throughout the consolidated sites, the WRHA has implemented one standard rate for the estimate of benefits on the Vacation, Statutory Holidays, and Overtime liability. This change in estimate has led to a reduction of the employee benefits payable and the direct operations expenses by $13,688 in the current year.

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, 2010
(in thousands of dollars)

		2010		2009
Separately funded primary health programs	**$**	**4,225**	$	4,142
Other government revenue		**8,441**		7,793
Patient and resident income		**36,146**		35,273
Radiology fee for service		**10,345**		9,155
Recoveries		**48,034**		43,373
Investment income		**645**		1,289
Miscellaneous income		**9,617**		7,057
Total	**$**	**117,453**	$	108,082

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 2 - Long Term Care Facility Funding
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
Non-Proprietary Personal Care Homes		
Bethania Mennonite Personal Care Home	$ 6,397	$ 5,953
Calvary Place Personal Care Home	5,075	4,659
Convalescent Home of Winnipeg	3,436	3,039
Donwood Manor Personal Care Home	5,453	4,915
Foyer Valade	6,985	6,256
Fred Douglas Lodge	6,497	5,713
Golden Links Lodge	3,968	3,513
Golden West Centennial Lodge	4,846	4,414
Holy Family Nursing Home	12,841	11,232
Lions Personal Care Centre	4,874	4,449
Luther Home	3,805	3,501
Meadowood Manor	3,839	3,565
Middlechurch Home of Winnipeg	9,298	8,506
Park Manor Personal Care Home	4,316	4,065
Pembina Place Mennonite Personal Care Home	2,831	2,572
Sharon Home	9,286	9,493
St. Joseph's Residence	4,739	4,330
Taché Centre	16,631	15,023
West Park Manor	6,292	5,782
Supportive Housing	7,091	5,697
Miscellaneous Funding Adjustments	763	541
Total	$ 129,263	$ 117,218
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	$ 8,294	$ 7,868
Central Park Lodge - Charleswood Care Centre	6,753	6,525
Central Park Lodge - Heritage Lodge	4,005	3,838
Central Park Lodge - Kildonan Personal Care Home	6,034	5,691
Central Park Lodge - Maples Personal Care Home	9,366	8,963
Central Park Lodge - Parkview Place	13,309	12,257
Central Park Lodge - Poseidon Care Centre	9,847	9,434
Extendicare - Oakview Place	10,505	9,921
Extendicare - Tuxedo Villa	8,970	8,414
Golden Door Geriatric Centre	3,445	3,233
River East Personal Care Home	5,697	5,476
St. Norbert Nursing Home	3,696	3,547
Vista Park Lodge	4,437	4,322
Miscellaneous Funding Adjustments	542	600
Total	$ 94,900	$ 90,089
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	$ 4,045	$ 3,866
Extendicare - Hillcrest Place	4,449	4,235
Extendicare - Red River Place	4,786	4,598
St. Adolphe Personal Care Home	1,890	1,838
Tudor House Personal Care Home	3,573	3,418
Miscellaneous Funding Adjustments	1	-
Total	$ 18,744	$ 17,955
Residential Care		
St. Amant Centre	$ 24,947	$ 23,783
Total	$ 267,854	$ 249,045

The facility funding reported on this schedule reflects approximately 73% (2009 - 74%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2010, Drug Capitation Fees of $2,181 were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes (2009 - $2,190).

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding
For the year ended March 31, 2010
(in thousands of dollars)

		2010		2009
Aboriginal Health & Wellness Centre	**$**	**1,134**	$	1,061
Centre de Sante		**2,550**		2,172
Hope Centre Health Care Incorporated		**998**		936
Klinic Incorporated		**5,925**		5,108
Main Street Project Inc.		**1,796**		1,736
MFL Occupational Health and Safety Inc.		**773**		742
Mount Carmel Clinic		**7,346**		6,705
Nine Circles Community Health Centre Inc.		**3,376**		2,739
Nor'West Co-op Community Health Centre, Inc.		**1,330**		1,187
Rehabilitation Centre for Children, Inc.		**2,863**		2,672
Sexuality Education Resource Centre Manitoba, Inc.		**1,032**		895
Women's Health Clinic, Inc.		**3,030**		3,060
Clinique Youville Clinic Inc.		**2,588**		2,421
Miscellaneous Funding Adjustments		**29**		5
Total	**$**	**34,770**	$	31,439

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Adult Day Care Facility Funding
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
Convalescent Home of Winnipeg	**$ 55**	$ 38
Fred Douglas Lodge	**201**	190
Golden Links Lodge	**92**	55
Golden West Lodge	**173**	162
Holy Family Nursing Home	**260**	192
Independent Living Resource Centre	**109**	107
Lions Personal Care Centre	**166**	163
Lions Place - Charleswood	**299**	268
Lions Place - Concordia	**195**	189
Lions Place - 610 Portage	**232**	223
Luther Home	**101**	94
Middlechurch Home of Winnipeg	**261**	198
Extendicare - Oakview Place	**152**	145
Park Manor Personal Care Home	**150**	109
Sharon Home	**82**	68
South YM/YWCA	**163**	170
Taché Centre	**402**	382
Miscellaneous Funding Adjustments	**1**	1
Total	**$ 3,094**	$ 2,754

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
Aboriginal Seniors Resource Centre	$ 169	$ 169
Age & Opportunity Centre Inc.	610	627
ALS House	408	408
Alzheimer's Society of Manitoba	65	65
Betelstadur Housing Co-op	7	7
Bethania Personal Care Home	18	18
Bethel Place	38	38
Bonivital Council for Seniors	39	39
Broadway Seniors Resource Council Inc.	39	39
Canadian Mental Health Association	982	982
Canadian Polish Manor	14	18
Central Speech & Hearing Clinic Inc.	101	101
Charleswood Senior Centre	46	46
Chez Nous Inc.	19	19
City of Winnipeg - Emergency Services	5,894	6,230
Clubhouse of Winnipeg Inc.	378	357
CNIB	12	12
Columbus Manor	19	19
Community Therapy Services	209	199
Creative Retirement Manitoba	46	46
Donwood Manor	118	111
Doray Enterprises	332	332
Fort Garry Services Inc.	38	38
Foyer Vincent Inc.	19	19
Friends Housing Inc.	94	94
Good Neighbours Senior Centre Inc.	128	128
Gwen Secter Creative Living Centre	58	58
Hospice & Palliative Care Manitoba	83	83
Jewish Child and Family	36	36
Jocelyn House	285	285
Keewatin Inkster (formerly Brooklands/Weston Community Resource)	95	95
Kingsford Haus Co-op Ltd.	12	12
La Federation de Franco MB	17	17
L'Accueil Colombien Inc.	18	18
Lindenwoods	100	100
Lions Club	37	37
Luther Home Care	-	114
Manitoba Association of Multipurpose Senior Centres	4	4
Manitoba Cardiac Institute (Reh-fit)	750	762
Manitoba Eastern Star Chalet	12	12
Manitoba Housing Authority	360	360
MacDonald Youth Services	324	315
McClure	12	12
Meals on Wheels of Winnipeg Inc.	159	159
Metropolitan Kiwanis Courts	101	101

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies (continued)
For the year ended March 31, 2010
(in thousands of dollars)

	2010	2009
Middlechurch Home of Winnipeg	**47**	47
Park Manor Personal Care Home	**82**	-
Pembina Place (formerly Deaf Centre Manitoba Inc.)	**37**	37
Rainbow Society	**267**	282
River East Council for Seniors	**62**	62
Rose & Max Rady Jewish Community Centre	**17**	17
Ruperts Land Caregiver Services	**56**	52
S.S.C.O.P.E. Incorporated	**102**	162
Salvation Army	**248**	278
Salvation Army - Grace Hospital	**1,000**	1,000
Sara Riel Inc.	**840**	840
Seniors Home Help Inc.	**75**	75
Seneca House	**374**	374
Serena Manitoba Inc.	**12**	12
Seven Oaks Seniors Link (formerly North Winnipeg Community Council)	**39**	39
Seven Oaks Wellness Centre	**727**	597
Society for Manitobans with Disabilities	**1,452**	1,452
South Winnipeg Senior Resource Council Inc.	**59**	51
St. James/Assiniboia Senior Centre Inc.	**94**	89
Stay Young Centre	**18**	18
Transcona Council for Seniors	**43**	43
United Way	**250**	-
University of Manitoba - Medical Info Line for the Elderly	**33**	33
University of Manitoba - Dental Services	**45**	45
University of Manitoba Dentistry - PCH Program	**255**	160
University of Manitoba	**316**	176
University of Manitoba - Smile Plus	**77**	32
Villa Cabrini Inc.	**38**	38
Villa Nova	**12**	12
Villa Tache	**30**	30
Willow Centre	**12**	12
Wolseley Family Centre	**97**	97
YW/YMCA of Winnipeg	**182**	182
Miscellaneous Funding Adjustments	**(3)**	6
Total	**$ 19,300**	**$ 19,091**

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 6 - Internally Restricted Net Assets
For the year ended March 31, 2010
(in thousands of dollars)

	2010											2009
	Internally Restricted Net Assets											
	Laundry Capital Assets	Telehealth Capital Assets	Concordia 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 Internally Restricted	Total
Balance, beginning of year	$ 1,204	$ 510	$ 1,030	$ 3,088	$ 1,353	$ 3,799	$ -	$ 3,097	$ 4,229	$ 6,556	$ 24,866	$ 24,014
Net surplus	-	-	24	-	-	53	2,176	203	(1,012)	159	1,603	770
Purchase of capital assets	-	-	-	(19)	(192)	(656)	-	-	-	(40)	(907)	(2,011)
Net Asset Restrictions	693	-	-	-	-	719	-	-	-	-	1,412	2,093
Balance, end of year	$ 1,897	$ 510	$ 1,054	$ 3,069	$ 1,161	$ 3,915	$ 2,176	$ 3,300	$ 3,217	$ 6,675	$ 26,974	$ 24,866

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, 2010

(unaudited)

(in thousands of dollars)

	2010	2009
REVENUE		
Manitoba Health operating income	**$ 2,077,237**	$ 1,951,466
Other income (schedule 1)	**117,453**	108,082
Amortization of deferred contributions, capital	**65,641**	58,972
Recognition of deferred contributions, future expenses	**12,822**	2,430
	2,273,153	2,120,950
EXPENSES		
Salaries and wages	**1,232,762**	1,151,702
Medical remuneration	**180,303**	168,742
Printing, stationery and office supplies	**6,547**	6,543
Housekeeping, laundry and linen	**17,067**	17,804
Utilities, insurance and taxes	**39,941**	38,711
Food and dietary supplies	**20,298**	21,974
Medical and surgical supplies	**111,775**	110,078
Pharmaceutical supplies	**55,084**	52,158
Diagnostic supplies	**23,098**	21,586
Miscellaneous and other	**56,316**	55,942
Repairs and maintenance	**56,839**	53,221
Referred out services	**57,917**	50,665
Radiology fee for service costs	**13,159**	12,449
Interest	**747**	786
Amortization of capital assets	**67,173**	61,848
Employee future benefits	**22,425**	4,135
Non-acute care facility and grant funding	**325,733**	303,020
	2,287,184	2,131,364
OPERATING DEFICIT	**(14,031)**	(10,414)
NON-INSURED SERVICES		
Non-insured services income	**72,447**	63,227
Non-insured services expenses	**66,797**	56,711
NON-INSURED SERVICES SURPLUS	**5,650**	6,516
DEFICIT FOR THE YEAR	**$ (8,381)**	$ (3,898)

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program
For the year ended March 31, 2010
(unaudited)
(in thousands of dollars)

	2010	2009
REVENUE		
Manitoba Health operating income	$ 2,077,237	$ 1,951,466
Other income (schedule 1)	117,453	108,082
Amortization of deferred contributions, capital	65,641	58,972
Recognition of deferred contributions, future expenses	12,822	2,430
	2,273,153	2,120,950
EXPENSES		
Program costs		
Anaesthesia	14,195	14,590
Breast health	2,504	2,600
Cardiac sciences	67,065	60,649
Child health	98,426	84,384
Child adolescent & mental health	18,898	17,581
Critical care	52,953	49,230
Diagnostic imaging	64,030	60,998
Diagnostic imaging - Radiology Fee for Service	13,069	12,411
Emergency	83,143	76,638
Family medicine	36,585	35,112
Genetics	1,346	1,179
Health Links	6,562	5,829
Laboratories	74,672	69,887
Medicine	104,981	96,646
Renal health	56,753	53,227
Mental health	39,089	36,717
Oncology	8,038	7,602
Oral health	502	494
Palliative care	9,286	8,951
Psychology	4,024	3,749
Rehab/Geriatrics	59,748	57,454
Surgery	207,049	197,657
Tele-health	2,445	2,411
Women's health	49,359	52,499
Long term care	62,742	58,400
Residents and interns	30,037	26,575
Other diagnostic & therapeutic services	42,763	38,615
Pharmacy	34,546	33,323
Community based home care services	184,151	174,229
Community based mental health services	16,797	14,809
Community based primary health services	38,344	29,905
Separately funded primary health programs	8,609	8,030
	1,492,711	1,392,381

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program (continued)
For the year ended March 31, 2010
(unaudited)
(in thousands of dollars)

	2010	2009
Indirect service costs		
Corporate and support services	**69,903**	71,236
Clinical and non-clinical support services	**89,019**	83,525
Information services	**52,979**	47,151
Facility services	**145,578**	141,647
Marketed services	**90**	83
Research and education services	**9,447**	10,111
	367,016	353,753
Other costs		
Non-acute care facility and grant funding	**325,733**	303,020
Aboriginal services & strategies	**2,190**	2,216
Other costs	**9,189**	13,225
Employee future benefits	**22,425**	4,135
Interest	**747**	786
Amortization of capital assets	**67,173**	61,848
	427,457	385,230
	2,287,184	2,131,364
OPERATING DEFICIT	**(14,031)**	(10,414)
NON-INSURED SERVICES		
Non-insured services income	**72,447**	63,227
Non-insured services expenses	**66,797**	56,711
NON-INSURED SERVICES SURPLUS	**5,650**	6,516
OPERATING AND NON-INSURED DEFICIT	**$ (8,381)**	$ (3,898)

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.

Administrative costs and percentages for the Authority (including hospitals, non-proprietary personal care homes and community health agencies) are:

	2010	2009 (Restated)
Administrative costs	**$ 92,753**	$ 90,244
Administrative cost %	**3.9%**	4.1%

The figures presented are based on data available at time of publication. Restatements are made in the subsequent year to reflect final data and changes in the CIHI definition, if any.

Deloitte.

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AUDITORS' REPORT

To the Board of Directors
3885136 Manitoba Association Inc.
(Operating as Calvary Place Personal Care Home)

We have audited the statement of financial position of 3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) as at March 31, 2010 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2010 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, 2010

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Operations
Year Ended March 31, 2010

	2010	2009
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 5,147,316**	$ 4,333,586
Residential charge	**1,678,903**	1,664,349
Amortization of deferred contributions - property	**232,406**	232,406
Amortization of deferred contributions - program	**25,000**	-
Investment income	**-**	30,891
Other income	**13,700**	8,220
	7,097,325	6,269,452
EXPENSES		
Salaries	**4,514,378**	4,222,596
Employee benefits	**812,070**	666,687
Payroll tax	**95,980**	89,923
Incontinence supplies	**47,095**	46,433
Medical and surgical supplies	**49,104**	36,244
Operating - Schedule	**847,107**	466,399
Physical plant - Schedule	**360,648**	324,457
Amortization	**259,767**	262,742
Administration - Schedule	**107,407**	80,138
	7,093,556	6,195,619
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**$ 3,769**	$ 73,833

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	**$ 1,536,650**	$ 1,587,212
Accounts receivable	**433,767**	546,087
G.S.T. recoverable	**5,391**	7,133
Supplies	**18,728**	21,093
Prepaid expenses	**5,835**	6,476
Due from Manitoba Health - vacation pay	**228,184**	228,184
	2,228,555	2,396,185
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	**317,106**	223,164
FIXED ASSETS (Note 4)	**7,037,358**	7,277,045
TRUST AND ACTIVITY FUND ASSETS	**131,064**	117,270
	$ 9,714,083	$ 10,013,664
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	**$ 607,731**	$ 599,240
Due to Winnipeg Regional Health Authority	**1,290,719**	1,452,890
	1,898,450	2,052,130
PRE-RETIREMENT ENTITLEMENTS	**317,106**	223,164
DEFERRED CONTRIBUTIONS (Note 6)	**6,749,718**	7,007,124
TRUST AND ACTIVITY FUND LIABILITIES	**131,064**	117,270
	9,096,338	9,399,688
CONTINGENCY (Note 8)		
NET ASSETS		
Invested in fixed assets (Note 7)	**287,640**	294,921
Unrestricted	**330,105**	319,055
	617,745	613,976
	$ 9,714,083	$ 10,013,664

APPROVED ~~BY THE~~ BOARD

Director

Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Changes in Net Assets
Year Ended March 31, 2010

	Invested in Fixed Assets	Unrestricted	**Total 2010**	Total 2009
Balance, beginning of year	**$ 294,921**	**$ 319,055**	**$ 613,976**	$ 540,143
Excess (deficiency) of income over expenses for the year	**(27,361)**	**31,130**	**3,769**	73,833
Investment in fixed assets (Note 7)	**20,080**	**(20,080)**	**-**	-
Balance, end of year	**$ 287,640**	**$ 330,105**	**$ 617,745**	$ 613,976

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2010

		2010		2009
OPERATING ACTIVITIES				
Excess of income over expenses for the year	$	**3,769**	$	73,833
Items not affecting cash				
Amortization		**259,767**		262,742
Amortization of deferred contributions - property		**(232,406)**		(232,406)
Amortization of deferred contributions - program		**(25,000)**		-
		6,130		104,169
Changes in non-cash operating working capital items				
Accounts receivable		**112,320**		(304,975)
G.S.T. recoverable		**1,742**		(3,166)
Supplies		**2,365**		(5,764)
Prepaid expenses		**641**		(58)
Due from Manitoba Health - pre-retirement entitlements		**(93,942)**		(33,742)
Accounts payable and accrued liabilities		**8,491**		46,619
Due to Winnipeg Regional Health Authority		**(162,171)**		50,082
Pre-retirement entitlements		**93,942**		33,742
		(30,482)		(113,093)
INVESTING ACTIVITY				
Fixed asset purchases		**(20,080)**		(20,540)
NET DECREASE IN CASH POSITION		**(50,562)**		(133,633)
CASH POSITION, BEGINNING OF YEAR		**1,587,212**		1,720,845
CASH POSITION, END OF YEAR	$	**1,536,650**	$	1,587,212

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. ACCOUNTING POLICIES CHANGES

As of April 1, 2009, the Personal Care Home adopted the changes made to Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The implementation of these new standards was for disclosure only and had no impact on the financial statements at April 1, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The Personal Care Home has elected to use the exemption provided by the 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 Personal Care Home for the year ended March 31, 2010. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and financial liabilities (continued)

Classifications

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

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.

4. FIXED ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 424,712**	**$ -**	**$ 424,712**	$ 424,712
Building	**8,563,541**	**2,190,846**	**6,372,695**	6,586,784
Computer equipment and software	**94,608**	**94,608**	**-**	-
RDF equipment	**300,947**	**300,947**	**-**	-
Nursing equipment	**112,282**	**92,512**	**19,770**	13,089
Furniture	**608,868**	**413,559**	**195,309**	235,795
Major equipment	**138,574**	**113,702**	**24,872**	16,665
	$ 10,243,532	**$ 3,206,174**	**$ 7,037,358**	$ 7,277,045

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Trade	**$ 148,623**	$ 136,507
Wages and employee benefits payable	**141,518**	129,463
Accrued vacation pay	**317,590**	333,270
	$ 607,731	$ 599,240

6. DEFERRED CONTRIBUTIONS

The deferred contributions balance at the beginning of the year relates primarily 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. In a prior year, contributions were received from Heritage Benevolent Association Inc. to be utilized on a training program.

	2010	2009
Balance, beginning of year	**$ 7,007,124**	$ 7,239,530
Amortization – property	**(232,406)**	(232,406)
Amortization - program	**(25,000)**	-
Balance, end of year	**$ 6,749,718**	$ 7,007,124

7. INVESTED IN FIXED ASSETS

a) Invested in fixed assets is calculated as follows:

	2010	2009
Fixed assets	**$ 7,037,358**	$ 7,277,045
Deferred contributions – related to fixed assets	**(6,749,718)**	(6,982,124)
Balance, end of year	**$ 287,640**	$ 294,921

7. INVESTED IN FIXED ASSETS (continued)

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

	2010	2009
Deficiency of income over expenses		
Amortization of deferred contributions related to fixed assets	**$ 232,406**	$ 232,406
Amortization of fixed assets	**(259,767)**	(262,742)
	(27,361)	(30,336)
Net change in invested in fixed assets		
Purchase of fixed assets	**20,080**	20,540
Total change in net assets invested in fixed assets	**$ (7,281)**	$ (9,796)

8. 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.

9. 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 Canadian Institute of Chartered Accountants' Handbook section 3461.

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 $244,466 (2009 - $270,202) and are included in the statement of operations.

10. 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.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedule of Operating, Physical Plant and Administration Expenses
Year Ended March 31, 2010

	2010	2009
OPERATING EXPENSES		
Food	$ 721,343	$ 353,167
Other supplies and expenses	55,443	55,644
Purchased services	70,321	57,588
	$ 847,107	$ 466,399
PHYSICAL PLANT EXPENSES		
Heat, light and power	$ 101,413	$ 108,132
Insurance and property taxes	137,328	136,178
Repairs and maintenance	91,942	52,055
Water	29,965	28,092
	$ 360,648	$ 324,457
ADMINISTRATION EXPENSES		
Membership fees	$ 2,963	$ 2,823
Postage and delivery	1,942	917
Printing, stationery and office supplies	20,869	14,699
Professional fees	45,395	37,346
Sundry	15,257	3,487
Telephone and fax	9,383	9,561
Travel and education	11,598	11,305
	$ 107,407	$ 80,138

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Auditors' Report

To the Directors of
BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the statement of financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home's operations as at March 31, 2010 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 21, 2010

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

March 31		2010		2009 (Restated - Note 2)
Assets				
Current Assets				
Restricted cash and investments (Note 3)	$	**239,394**	$	234,542
Accounts receivable (Note 4)		**70,407**		63,117
Due from related parties (Note 5)		**91,817**		56,848
Inventories		**57,797**		61,349
Prepaid expenses		**26,562**		20,264
Vacation entitlement receivable (Note 6)		**497,632**		497,632
		983,609		933,752
Retirement obligations asset (Note 13)		**775,309**		707,211
Capital assets (Note 7)		**1,854,568**		1,989,023
	$	**3,613,486**	$	3,629,986
Liabilities and Net Deficiency				
Current Liabilities				
Bank indebtedness (Note 12)	$	**466,109**	$	602,516
Accounts payable and accrued liabilities (Note 8)		**904,950**		654,674
Accrued vacation entitlements (Note 6)		**482,993**		475,403
Due to related parties (Note 5)		**92,502**		27,352
Current portion of legal settlement		**20,000**		-
		1,966,554		1,759,945
Accrued retirement obligations (Note 13)		**603,040**		534,942
Long term portion of legal settlement		**80,000**		-
Deferred contributions (Note 9)		**1,258,137**		1,381,866
		3,907,731		3,676,753
Commitments and contingencies (Note 10)				
Net Deficiency		**(294,245)**		(46,767)
	$	**3,613,486**	$	3,629,986

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 Changes in Net Assets

For the year ended March 31	2010	2009 (Restated - Note 2)
	Total	Total
Balance, as previously reported	**$ 231,950**	$ 509,413
Change in Accounting Policy (Note 2)	**(278,717)**	(225,778)
Balance, as restated	**(46,767)**	283,635
Deficiency of revenue over expenditures for the year	**(247,478)**	(207,553)
Changes in reserve	**-**	(122,849)
Balance, end of year	**$ (294,245)**	$ (46,767)

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations

For the year ended March 31	2010	2009 (Restated - Note 2)
Revenue		
Winnipeg Regional Health Authority	**$ 6,413,942**	$ 5,969,467
Residential charges	**2,600,754**	2,510,656
Other income (Page 23)	**198,572**	196,917
CMHC subsidy	**-**	23,099
	9,213,268	8,700,139
Expenditures		
Accrued vacation pay increase	**7,590**	63,299
Drugs and medical supplies	**142,661**	129,846
Employee benefits	**1,136,261**	947,788
Food	**343,266**	321,798
Health and education tax levy	**131,395**	124,968
Other supplies and expenses	**768,248**	784,647
Salaries	**6,355,222**	6,142,778
Utilities and taxes	**329,963**	339,629
	9,214,606	8,854,753
Deficiency of revenue over expenditures before amortization and other item	**(1,338)**	(154,614)
Amortization		
Deferred contributions (Note 9)	**171,989**	203,559
Capital assets	**(241,078)**	(256,498)
	(69,089)	(52,939)
Deficiency of revenue over expenditures before other item	**(70,427)**	(207,553)
Other Item		
Legal settlement and related legal fees	**(177,051)**	-
Deficiency of revenue over expenditures for the year	**$ (247,478)**	$ (207,553)

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	2010	2009 (Restated - Note 2)
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (247,478)**	$ (207,553)
Adjustments for		
Amortization of capital assets	**241,078**	256,498
Change in pre-retirement entitlement receivable	**68,098**	(19,332)
Change in accrued pre-retirement entitlement	**(68,098)**	19,332
Net decrease in deferred contributions	**(123,729)**	14,539
Changes in reserve	**-**	(122,849)
	(130,129)	(59,365)
Changes in non-cash working capital (Note 11)	**373,159**	50,112
	243,030	(9,253)
Cash Flows from Financing Activities		
Repayment of long-term debt	**-**	(119,945)
Cash Flows from Investing Activities		
Purchase of capital assets (net of donations)	**(106,623)**	-
Net increase (decrease) in cash and cash equivalents during the year	**136,407**	(129,198)
Bank indebtedness, beginning of year	**(516,600)**	(387,402)
Bank indebtedness, end of year	**$ (380,193)**	$ (516,600)

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2010

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, 2010.

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, 2010

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:

Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%
Intangible assets	10%
Land improvements	4-6.7%

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.

For the year ended March 31, 2010

Financial Instruments

The 0 utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the 0 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 0 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 and due from related parties	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Retirement obligation receivable	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.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2010

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the 0, are as follows:

Future for Not-for-Profit Organizations (NPO)

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

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. 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 Mennonite 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, 2010 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Change in Accounting Policy

During the year, the Home changed its accounting policy to amortize deferred contributions at the same rate as funded assets for which deferred contributions exist. The Home determined that the previous policy to match annual amortization of all assets to the deferred contributions understated the effect of the annual charge to operations for the use of the assets. As a result of the change in policy, deferred contributions and unrestricted net assets were retroactively adjusted for the change in the accounting policy, the deficiency of revenue over expenditures decreased by $52,939 reported and the comparative figures for the year ended March 31, 2009 have been adjusted as follows:

	As previously reported	Adjustment	**Restated**
Deferred contributions	$ 1,103,149	$ 278,717	**$ 1,381,866**
Net assets (deficiency)	231,950	(278,717)	**(46,767)**
Deficiency of revenue over expenditures for the year	(154,614)	(52,939)	**(207,553)**
Amortization of deferred contributions	256,498	(52,939)	**203,559**

3. Restricted Cash and Investments

	2010	2009
Restricted cash	**$ 145,592**	$ 62,190
Guaranteed Investment Certificates	**93,802**	172,352
	$ 239,394	$ 234,542

The fair value of cash on deposit is equal to its carrying value. The GICs have an effective interest rate of 4.42 to 5.12% (2009 - 4.01 to 5.12%) with the latest maturing in June 2012. The fair value of the GICs is based on the year end quoted market bid price.

4. Accounts Receivable

	2010	2009
Receivable from residents	**$ 16,782**	$ 14,940
Accrued interest receivable	**3,274**	4,179
Canada Mortgage and Housing Corporation	**-**	15,507
Other	**28,987**	6,076
GST rebate receivable	**21,364**	22,415
	$ 70,407	$ 63,117

5. Due from (to) Related Parties

	2010	2009
285 Pembina Inc.	**$ 4,203**	$ 1,913
ArlingtonHaus Inc.	**2,366**	1,346
BethaniaHaus Inc.	**1,688**	6,732
KingsfordHaus Inc.	**20**	-
Autumn House	**20**	-
Pembina Place Mennonite Personal Care Home, Inc.	**83,520**	21,164
Bethania Mennonite Memorial Foundation Inc.	**-**	25,693
	$ 91,817	$ 56,848
Bethania Housing & Projects Inc.	**$ (47,646)**	$ (27,352)
Bethania Mennonite Memorial Foundation Inc.	**(44,856)**	-
	$ (92,502)	$ (27,352)

5. Due from (to) Related Parties (continued)

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:

	2010	2009
Salary reimbursement income	$ 383,752	$ 60,000
Salary reimbursement expense	184,952	-
Maintenance fee recovery	22,990	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.

6. 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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ 475,403	$ 412,104
Net change in accrued vacation entitlements	7,590	63,299
Balance, end of year	$ 482,993	$ 475,403

7. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**294,971**	340,263	280,359
Building	**4,904,909**	**3,406,793**	4,879,360	3,253,887
Computer equipment	**337,093**	**335,051**	337,093	304,262
Furniture, fixtures and equipment	**3,806,915**	**3,513,524**	3,725,841	3,470,753
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 9,404,907	**$ 7,550,339**	$ 9,298,284	$ 7,309,261
Cost less accumulated amortization		**$ 1,854,568**		$ 1,989,023

Amortization of capital assets for the year ended March 31, 2010 is $241,078 (2009 - $256,498).

8. Accounts Payable and accrued liabilities

	2010	2009
Trade accounts payable	**$ 162,703**	$ 170,049
Accrued liabilities	**61,413**	34,600
Salaries and employee benefits payable	**288,259**	336,885
Winnipeg Regional Health Authority	**392,575**	113,140
	$ 904,950	$ 654,674

9. 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:

	2010	2009 (Restated - Note 2)
Balance, beginning of year, as previously stated	**$ 1,218,692**	$ 1,009,723
Change in Accounting Policy (Note 2)	**-**	225,778
Balance, beginning of year, restated	**1,218,692**	1,235,501
Funding for principal repayments on debenture	**27,216**	126,547
Transfer from replacement reserves	**106,632**	85,388
Long-term debt principal reductions	**(27,208)**	(25,185)
Amounts amortized to revenue	**(171,989)**	(203,559)
Balance, end of year (carried forward)	**$ 1,153,343**	$ 1,218,692

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.

	2010	2009
Balance, beginning of year	**$ 81,937**	$ 95,573
Contributions - Winnipeg Regional Health Authority	**25,900**	25,900
Interest allocation	**6,407**	7,837
Transfer to deferred contributions - capital asset purchases	**(91,844)**	(47,373)
Balance, end of year (carried forward)	**$ 22,400**	$ 81,937

9. Deferred Contributions (continued)

	2010	2009
Capital assets (brought forward)	**$ 1,153,343**	$ 1,218,692
Unspent equipment funding (brought forward)	**$ 22,400**	$ 81,937

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.

	2010	2009
Balance, beginning of year	**$ 72,285**	$ 28,813
Contributions - Winnipeg Regional Health Authority	**14,424**	80,345
Interest allocation	**-**	1,143
Transfer to deferred contributions - capital asset purchases	**(14,779)**	(38,016)
Balance, end of year	**$ 71,930**	$ 72,285

	2010	2009
Insurance Reserve		
Balance, beginning of year	**$ 8,952**	$ 7,440
Contributions - Winnipeg Regional Health Authority	**1,512**	1,512
Balance, end of year	**10,464**	8,952
Total deferred contributions balance	**$ 1,258,137**	$ 1,381,866

The long-term debt that has been incorporated in deferred contributions includes the following:

	2010	2009
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	**$ 447,052**	$ 474,259

10. 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, 2010, 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, 2010. The Home is a named insured under the WRHA policy with HIROC.

11. Changes in Non-cash Working Capital

	2010	2009
Restricted cash and investments	**$ (4,852)**	$ 161,704
Accounts receivable	**(7,290)**	3,915
Inventories	**3,552**	23,635
Prepaid expenses	**(6,298)**	966
Due from (to) related parties	**30,181**	(81,674)
Accounts payable and accrued liabilities	**250,276**	(121,733)
Accrued vacation payable	**7,590**	63,299
Legal settlement payable	**100,000**	-
	$ 373,159	$ 50,112

12. 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. The line of credit is secured by a general assignment of accounts receivable.

13. 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, 2010. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	**$ 652,360**	$ 652,360
Winnipeg Regional Health Authority	**122,949**	54,851
	$ 775,309	$ 707,211

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	**$ 534,942**	$ 554,274
Net change in pre-retirement entitlements	**68,098**	(19,332)
Balance, end of year	**$ 603,040**	$ 534,942

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, 2008 indicates 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. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $370,437 (2009 - $310,557) and are included in the statement of operations.

14. 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) should be 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.

15. Capital Management

The Home considers its capital to comprise its Net Assets 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.

16. Financial Risk Management

The 0 is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The 0'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 0'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 0 to credit risk consist principally of accounts receivable.

The 0's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2010	2009
Accounts receivable and related party receivables	$ **162,224**	$ 119,965
Vacation entitlements receivable	**497,632**	497,632
Retirement obligations receivable	**775,309**	707,211
	$ **1,435,165**	$ 1,324,808

Accounts receivable: The 0 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 0 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 0 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 0 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.

16. Financial Risk Management (continued)

Market Risk (continued)

The 0 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 0 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.

17. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information

For the year ended March 31		2010		2009
Other Income				
BethaniaHaus meal recoveries	**$**	**10,693**	$	8,993
Dietary recoveries		**50,018**		44,680
Shared service recoveries		**137,861**		143,177
Investment income		**-**		67
	$	**198,572**	$	196,917

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AUDITORS' REPORT

To the Member of Centre Taché Centre

We have audited the statement of financial position of Centre Taché Centre as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 30, 2010

CENTRE TACHÉ CENTRE

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 3,730,370	$ 3,394,770
Accounts receivable	100,300	60,694
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3)	921,099	921,099
Receivable from Winnipeg Regional Health Authority (note 4)	1,094,509	520,317
Inventory	66,853	56,294
Prepaid expenses	107,092	119,126
	6,020,223	5,072,300
Residents' funds in trust (note 5)	32,214	27,823
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 3)	1,784,858	1,423,245
Capital assets (note 6)	8,278,742	8,487,843
Leasehold estate (note 7)	69,143	72,477
Other assets	1,000	1,000
	$ 16,186,180	$ 15,084,688

	2010	2009
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable	$ 296,452	$ 186,671
Accrued liabilities	2,518,013	2,190,090
Advances from Winnipeg Regional Health Authority (note 9)	457,680	207,236
Current portion of mortgages payable (note 10)	102,859	94,544
	3,375,004	2,678,541
Residents' funds in trust (note 5)	32,214	27,823
Future employee pre-retirement benefits payable (note 3)	2,165,289	1,803,676
Mortgages payable (note 10)	3,016,841	3,119,703
	5,214,344	4,951,202
	8,589,348	7,629,743
Deferred contributions for (note 11):		
Expenses of future periods	14,405	13,264
Capital assets	5,443,153	5,606,568
	5,457,558	5,619,832
Fund balances:		
Capital Fund (note 12)	106,827	56,549
Internally restricted fund (note 13)	2,032,447	1,778,564
	2,139,274	1,835,113
	$ 16,186,180	$ 15,084,688

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Date le 24 juin 2010

On behalf of the Member of the Corporation:

Date Le 24 juin 2010

CENTRE TACHÉ CENTRE

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009

	Operating Fund			Internally Restricted and Ancillary Operations Funds	Capital Fund	2010 Total	2009 Total
	Operating	Adult Day Program	Supportive Housing Program				
Revenue:							
Winnipeg Regional Health Authority	$ 16,608,432	$ 405,034	$ 667,200	$ -	$ -	$ 17,680,666	$ 15,892,546
Resident and service fees	4,841,593	40,228	242,804	-	-	5,124,625	4,683,182
	21,450,025	445,262	910,004	-	-	22,805,291	20,575,728
Amortization of deferred contributions (note 11)	-	-	-	-	476,610	476,610	471,491
Offset income:							
Cafeteria	144,438	-	-	-	-	144,438	152,144
Interest	670	-	-	18,328	-	18,998	64,075
Donations	10,102	300	-	57,365	-	67,767	61,424
Fundraisers	-	-	-	8,241	-	8,241	6,497
Parking	69,849	-	2,662	-	-	72,511	67,855
Shared services (note 14)	356,708	-	-	-	-	356,708	291,029
Grants	10,350	-	-	-	-	10,350	15,103
Recoveries:							
General	200,671	-	1,378	-	-	202,049	331,039
Ancillary operations (note 11)	-	-	-	3,210	-	3,210	6,094
	792,788	300	4,040	87,144	-	884,272	995,260
	22,242,813	445,562	914,044	87,144	476,610	24,166,173	22,042,479
Expenses:							
Amortization	-	-	-	-	489,746	489,746	478,706
Salaries and wages	15,663,128	208,771	645,113	-	-	16,517,012	14,793,733
Employee benefits	3,015,400	40,950	120,095	-	-	3,176,445	2,810,954
Other supplies and expenses	426,865	2,972	24,037	8,320	-	462,194	420,378
Medical and surgical supplies	361,579	-	-	-	-	361,579	326,596
Drugs	7,460	-	-	-	-	7,460	5,279
Food costs	661,648	29,017	137,668	-	-	828,333	728,797
Utilities	591,010	-	-	-	-	591,010	632,332
Telephone and sundry	98,784	4,197	9,449	-	-	112,430	125,715
Travel	109,902	137,047	364	-	-	247,313	230,565
Professional and other fees	149,450	-	1,734	-	-	151,184	113,810
Advertising and public relations	10,404	-	-	-	-	10,404	14,026
Insurance	40,347	-	-	-	-	40,347	38,385
Equipment	355,561	156	9,075	-	-	364,792	314,375
Buildings and grounds	255,865	-	-	-	-	255,865	456,117
Interest	242,688	-	-	-	-	242,688	250,376
Ancillary operations	-	-	-	3,210	-	3,210	6,094
	21,990,091	423,110	947,535	11,530	489,746	23,862,012	21,746,238
Excess (deficiency) of revenue over expenses before the undernoted	252,722	22,452	(33,491)	75,614	(13,136)	304,161	296,241
Winnipeg Regional Health Authority prior year adjustment	-	-	-	-	-	-	(2,224)
Winnipeg Regional Health Authority future employee benefits recoverable (payable) (note 3)	361,613	-	-	-	-	361,613	(22,522)
Future employee pre-retirement benefits obligation (note 3)	(361,613)	-	-	-	-	(361,613)	22,522
Excess (deficiency) of revenue over expenses	252,722	22,452	(33,491)	75,614	(13,136)	304,161	294,017
Fund balances, beginning of year	-	-	-	1,778,564	56,549	1,835,113	1,541,096
Transfer to Capital Fund	(63,414)	-	-	-	63,414		
Transfer of operating surplus	(189,308)	-	-	189,308	-	-	-
Transfer of Adult Day Program surplus	-	(22,452)	-	22,452	-	-	-
Transfer of Supportive Housing Program deficit	-	-	33,491	(33,491)	-	-	-
Fund balances, end of year	$ -	$ -	$ -	$ 2,032,447	$ 106,827	$ 2,139,274	$ 1,835,113

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 304,161	$ 294,017
Adjustments for:		
Amortization of capital assets	489,746	478,706
Amortization of deferred contributions related to capital assets	(476,610)	(471,491)
Change in the following:		
Accounts receivable	(39,606)	18,791
Receivable from Winnipeg Regional Health Authority	(574,192)	408,688
Inventory	(10,559)	(10,855)
Prepaid expenses	12,034	(14,462)
Future employee pre-retirement benefits recoverable	(361,613)	22,522
Accounts payable	109,781	(110,597)
Accrued liabilities	327,923	650,154
Advances from Winnipeg Regional Health Authority	250,444	(394,885)
Future employee pre-retirement benefits payable	361,613	(22,522)
Deferred contributions received related to future periods	4,351	5,704
Deferred contributions recognized as revenue in the year	(3,210)	(6,094)
	394,263	847,676
Investing:		
Increase in deferred contributions related to capital assets	313,195	281,503
Additions to capital assets	(277,311)	(212,909)
	35,884	68,594
Financing:		
Repayments on mortgages	(94,547)	(86,910)
Increase in cash	335,600	829,360
Cash and cash equivalents, beginning of year	3,394,770	2,565,410
Cash and cash equivalents, end of year	$ 3,730,370	$ 3,394,770

Supplemental cash flow information:

	2010	2009
Cash and cash equivalents is comprised of the following:		
Cash	$ 1,831,751	$ 3,394,770
Cash equivalents	1,898,619	-
	$ 3,730,370	$ 3,394,770
Interest received	$ 6,411	$ 64,075
Interest paid	243,355	250,988

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Notes to Financial Statements

Year ended March 31, 2010

General:

Centre Taché Centre (the Corporation) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operates under the name Centre Taché Centre. The Corporation functions as a bilingual, long-term care facility dedicated to the elderly, chronically ill and disabled. The Centre also provides a respite program, as part of the operating fund, a day centre program and provides care services for the Supportive Housing Program.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. As the care provider for the Supportive Housing Program at Chez Nous and Windsor Park Place, the Corporation receives funding from WRHA in accordance with a Service Purchase Agreement created May 1, 2007 which will expire September 30, 2010. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows 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 Internally Restricted Fund.

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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) 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.

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. For both Operating and Adult Day Program, annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. 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.

(d) 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 Corporation.

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 licences and fees	6 1/4% to 20%

(e) 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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(f) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in the Ancillary Operations Fund.

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Operating Fund.

(g) 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. 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 Corporation designated cash and cash equivalents as held-for-trading; accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; other assets as available-for-sale; and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and mortgages payable as other liabilities. The Corporation does 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 statement of operations as incurred.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

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1. Significant accounting policies (continued):

(g) Financial instruments (continued):

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 the financial statements.

(h) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(i) Employee benefits:

The Corporation 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 Corporation'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.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

(j) 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 Act.

(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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

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2. Change in accounting policies:

Effective April 1, 2009, the Corporation adopted the CICA's amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. Adoption of these recommendations had no significant impact on the financial statements of the Corporation for the year ended March 31, 2010.

Effective April 1, 2009, the Corporation also adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no effect on the financial statements of the Corporation for the year ended March 31, 2010.

3. Employee benefits:

(i) 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, 2010, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be $2,165,289 (2009 - $1,803,676) for which the Corporation has recorded an accrued future employee pre-retirement benefits liability on the statement 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 Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.90 percent (2009 – 6.70 percent), a rate of salary increase of 4.00 percent (2009 - 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 statement 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 2010 was $361,613 (2009 – decrease of $22,522) and is recorded in the statement of operations.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

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3. Employee benefits (continued):

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2010 aggregates $1,784,858 (2009 - $1,423,245) 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 Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2010 was 100 percent (2009 – 65.1 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $74,210 was paid from funding received for operations.

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2010 is $1,168,400 (2009 - $1,041,686).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $921,099 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority are maintained at the value of the vacation benefits liability at March 31, 2004.

4. Receivable from (payable to) Winnipeg Regional Health Authority:

	2010	2009
Receivable:		
Prior years	$ 60,025	$ 212,616
Salaries and benefits	1,062,926	553,409
Employee pre-retirement benefits	87,042	138,425
Other	32,211	8,042
	1,242,204	912,492
Payable:		
Prior years	35,491	217,208
Resident charges	110,983	173,760
Capital interest	664	612
Other	557	595
	147,695	392,175
Net receivable	$ 1,094,509	$ 520,317

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

4. Receivable from (payable to) Winnipeg Regional Health Authority (continued):

Over/under funding occurs when non-global items (including resident fees revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

6. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land improvements	$ 462,568	$ 356,979	$ 105,589	$ 142,746
Buildings	13,988,263	6,690,807	7,297,456	7,577,343
Building service equipment	1,011,776	502,219	509,557	307,201
Equipment	2,784,116	2,421,976	362,140	346,198
Software licences and fees	198,222	195,544	2,678	4,017
Work in progress	1,322	-	1,322	110,338
	$ 18,446,267	$ 10,167,525	$ 8,278,742	$ 8,487,843

7. Leasehold estate:

The original Centre is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, 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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Leasehold estate (continued):

The addition to the original Centre is situated on two properties leased from Despins Charities Inc. and the Catholic Health Corporation of Manitoba (CHCM), the Member of the Corporation, 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 financial statements.

The Centre 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 financial statements.

8. Bank indebtedness:

At March 31, 2010, the Corporation had a $300,000 authorized line of credit available with no outstanding borrowings.

9. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amount of $445,000 for funding commitments relating to the 2009/10 fiscal year. These advances are unsecured, non-interest bearing and have no fixed terms of repayment. In fiscal 2010, of the $207,236 advances owing at March 31, 2009, $194,556 were offset against related receivables from the Winnipeg Regional Health Authority and the remaining $12,680 is included in advances owing at March 31, 2010.

10. Mortgages payable:

	2010	2009
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	$ 1,455,935	$ 1,517,881
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%	1,663,765	1,696,366
	3,119,700	3,214,247
Current portion	102,859	94,544
	$ 3,016,841	$ 3,119,703

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

10. Mortgages payable (continued):

Both mortgages are payable to the Canada Mortgage and Housing Corporation.

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

2011	102,859
2012	111,917
2013	121,784
2014	132,533
2015	144,244
Thereafter	2,506,363
	$ 3,119,700

11. 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.

	2010	2009
Balance, beginning of year	$ 13,264	$ 13,654
Add amount received related to future periods	4,351	5,704
Less amount recognized as revenue in the year	(3,210)	(6,094)
	$ 14,405	$ 13,264

(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 statement of operations.

	2010	2009
Balance, beginning of year	$ 5,606,568	$ 5,796,556
Additional contributions received	313,195	281,503
Less amounts amortized to revenue	(476,610)	(471,491)
	$ 5,443,153	$ 5,606,568

11. Deferred contributions (continued):

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

	2010	2009
Unamortized capital contributions used to purchase assets	$ 5,121,358	$ 5,289,524
Unspent contributions:		
Equipment reserve	256,328	223,910
Major repairs	51,633	79,330
Donations	13,834	13,804
	$ 5,443,153	$ 5,606,568

12. Capital fund:

	2010	2009
Capital assets	$ 8,278,742	$ 8,487,843
Leasehold estate	69,143	72,477
	8,347,885	8,560,320
Amount financed by:		
Deferred contributions	(5,121,358)	(5,289,524)
Mortgages	(3,119,700)	(3,214,247)
	$ 106,827	$ 56,549

13. Internally restricted fund:

	2010	2009
To be expended only with the approval of the Member of the Corporation	$ 1,721,395	$ 1,525,006
Other internal projects	311,052	253,558
	$ 2,032,447	$ 1,778,564

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

14. Related party transactions:

Foundation:

An amount of $26,000 (2009 - $50,000) was funded by Les Amis de Taché Friends Incorporated, a corporation with the same Member of the Corporation.

Shared and contributed services:

The Corporation and Foyer Valade Inc., a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Foyer Valade Inc. in the amount $241,578 (2009 - $238,893) which is included in shared services revenue. The Corporation purchased services from Foyer Valade Inc. in the amount of $191,996 (2009 - $210,629) which is included in salaries and wages.

In 2010, in addition to these shared services, the Corporation contributed services to Foyer Valade Inc. in the amount of nil (2009 - $70,846) free of charge.

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.

15. Employee pension plan:

During the year, the Corporation contributed $938,809 (2009 - $826,021) on behalf of its employees. Eligible employees of the Corporation 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 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.

The most recent actuarial valuation of the plan for funding purposes as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rate changes have been issued since.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2010

16. Ladies Auxiliary - Taché Centre:

The Ladies Auxiliary - Taché Centre operates the gift shop at the Centre. The funds raised are used to enhance the residents' environment. The fund balance at March 31, 2010 is $60,146 (2009 - $52,366) and this amount is not included in the Corporation's financial statements.

17. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and advances from Winnipeg Regional Health Authority approximate their carrying value due to their immediate or short-term nature.

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 Winnipeg Regional Health Authority 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.

18. Comparative figures:

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

CENTRE TACHÉ CENTRE

Schedule - Expenses

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Amortization	$ 489,746	$ 478,706

	2010	2009
Salaries and wages		
Resident services:		
Nursing administration	$ 509,981	$ 507,318
Registered nurses	2,217,712	2,021,582
Licensed practical nurses	1,336,985	1,213,421
Health care and rehab aides	5,676,083	5,004,041
Purchased services	906,735	1,032,554
	10,647,496	9,778,916
Activity	258,759	282,661
Adult Day Program	208,771	207,466
Dietary	1,573,412	1,473,123
General administration	1,068,348	945,127
Housekeeping	674,299	621,356
Laundry/linen	189,219	180,123
Medical administration fees	59,032	27,998
Occupational health	52,728	53,538
Occupational therapy	127,139	130,807
Pastoral care	120,089	119,620
Physiotherapy	90,300	123,130
Plant maintenance	431,003	366,321
Social work	164,455	160,574
Staff development	174,638	175,197
Supportive Housing Program	645,113	115,852
Volunteer coordinator	32,211	31,924
	5,869,516	5,014,817
	$ 16,517,012	$ 14,793,733

	2010	2009
Employee benefits:		
Canada pension plan	$ 593,321	$ 533,376
Employment insurance	306,565	279,376
Healthcare employees pension plan	938,809	826,021
Other employee benefits	517,771	339,680
Employee pre-retirement benefits	87,042	212,999
Workers' compensation	406,977	327,187
	2,850,485	2,518,639
Health and education tax	325,960	292,315
	$ 3,176,445	$ 2,810,954

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2010, with comparative figures for 2009

		2010		2009
Other supplies and expenses:				
Printing, stationery and office	$	36,134	$	35,499
Photocopying		3,966		2,156
Housekeeping and cleaning		23,002		18,874
Paper and disposable		36,110		53,256
Laundry and linen		11,310		6,889
Staff wearing apparel		11,704		12,408
Dietary and cleaning		47,773		22,395
Purchased services - laundry		244,061		218,533
Other supplies and expenses		48,134		50,368
	$	462,194	$	420,378
Medical and surgical supplies:				
General	$	148,039	$	140,346
Gastronomy		16,676		9,522
Ostomy supplies		6,102		5,564
Incontinence aids		190,762		171,164
	$	361,579	$	326,596
Drugs:				
Oxygen and other	$	7,460	$	5,279
Food costs	$	828,333	$	728,797
Utilities:				
Fuel and natural gas	$	315,488	$	363,340
Water		135,808		135,719
Electricity		139,714		133,273
	$	591,010	$	632,332
Telephone and sundry:				
Telephone	$	36,168	$	56,211
General expenses		54,215		44,630
Staff training		14,617		15,373
Postage		7,430		9,501
	$	112,430	$	125,715

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2010, with comparative figures for 2009

		2010		2009
Travel:				
Resident travel	$	137,047	$	116,569
Resident transportation		102,488		105,883
Staff		6,609		8,038
Board of Directors		1,169		75
	$	247,313	$	230,565
Professional and other fees:				
Service bureau fees	$	31,616	$	31,205
Audit fees		24,596		25,210
Legal fees		365		6,945
Association membership fees		20,244		18,881
Other		74,363		31,569
	$	151,184	$	113,810
Advertising and public relations	$	10,404	$	14,026
Insurance	$	40,347	$	38,385
Equipment:				
Service contracts	$	33,106	$	29,917
Software contracts		63,494		68,450
Equipment maintenance		176,080		175,801
Minor purchases		92,112		40,207
	$	364,792	$	314,375
Buildings and grounds:				
Building repairs	$	14,813	$	189,814
Property taxes		232,162		258,375
Other		8,890		7,928
	$	255,865	$	456,117
Interest - mortgages	$	242,688	$	250,376
Ancillary operations	$	3,210	$	6,094
Total expenses	$	23,862,012	$	21,746,238

KPMG

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AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the statement of financial position of Clinique Youville Clinic Inc. as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 4, 2010

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	$ 653,645	$ 671,143
Accounts receivable	15,474	97,366
Receivable from Winnipeg Regional Health Authority (note 6)	88,691	138,189
Employee benefits recoverable from Winnipeg Regional Health Authority [note 3(a)]	125,848	125,848
Prepaid expenses	38,974	27,594
	922,632	1,060,140
Capital assets (note 2)	403,519	453,035
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 3(b)]	76,390	93,087
	$ 1,402,541	$ 1,606,262
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 231,705	$ 443,132
Future employee pre-retirement benefits payable (note 3[b])	114,531	131,228
Deferred contributions for (note 4):		
Future expense	169,781	235,903
Capital assets	397,345	444,565
	567,126	680,468
Fund balances:		
Capital fund	6,174	8,470
Restricted	349,822	310,420
Unrestricted	133,183	32,544
	489,179	351,434
Commitments (note 8)		
	$ 1,402,541	$ 1,606,262

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date 10/06/18

Approved on behalf of the Member of the Corporation:

Date JUNE 23, 2010

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009

	Diabetes Education Resource	Community Nurse Resource Centre	Other Programs
Revenue:			
Winnipeg Regional Health Authority	$ 853,078	$ 1,723,707	$ –
Other	12,466	12,532	49,938
Recoveries	3,904	22,360	–
Amortization of deferred contributions related to capital assets [note 4(b)]	–	–	–
Interest and donations	–	–	–
Communication and Special Project	–	–	13,698
Girls on the Move	–	–	–
Healthy Baby Program	–	–	44,566
Intergenerational Community Outreach	–	–	634
Life	–	–	4,094
Nobody's Perfect Evaluation	–	–	1,858
Nobody's Perfect Program	–	–	88,504
On the Move	–	–	2,676
Public Health Agency Canada	–	–	40,187
Prenatal	–	16,225	–
Seniors on the Move	–	–	783
Teen Clinic	–	23,355	–
Welcoming Communities	–	–	5,879
WPA/CED Project	–	–	9,952
Young Adult Type 1	–	–	8,645
	869,448	1,798,179	271,413
Expense:			
Amortization of capital assets	–	–	–
Renovation - non-capital	–	–	–
Salaries and benefits	749,371	1,358,000	115,869
Building, equipment and maintenance	170,417	181,842	575
Printing, stationery and telephone	36,601	28,747	22,150
Supplies and services	25,491	31,311	81,195
Clinical supplies	2,628	26,952	7,252
	984,508	1,626,852	227,041
Excess (deficiency) of revenue over expense before the undernoted	(115,060)	171,327	44,372
Winnipeg Regional Health Authority revenue (expense) (note 3):			
Future employee pre-retirement benefits	(6,679)	(10,018)	–
Future employee pre-retirement benefit income (expense)	6,679	10,018	–
Excess (deficiency) of revenue over expense	(115,060)	171,327	44,372
Fund balances, beginning of year			
Fund balances, end of year			

See accompanying notes to financial statements.

Total Unrestricted Fund	Restricted	Capital Fund	2010 Total	2009 Total
$ 2,576,785	$ –	$ –	$ 2,576,785	$ 2,403,480
74,936	–	–	74,936	110,421
26,264	–	–	26,264	28,391
–	–	103,681	103,681	55,485
–	40,964	–	40,964	12,511
13,698	–	–	13,698	7,617
–	–	–	–	1,014
44,566	–	–	44,566	36,009
634	–	–	634	–
4,094	–	–	4,094	532
1,858	–	–	1,858	11,489
88,504	–	–	88,504	67,622
2,675	–	–	2,675	4,692
40,187	–	–	40,187	21,760
16,225	–	–	16,225	–
783	–	–	783	–
23,355	–	–	23,355	21,047
5,879	–	–	5,879	–
9,952	–	–	9,952	–
8,645	–	–	8,645	2,275
2,939,040	40,964	103,681	3,083,685	2,784,345
–	–	105,977	105,977	58,347
–	–	–	–	39,362
2,223,240	–	–	2,223,240	2,183,902
352,834	–	–	352,834	324,737
87,498	–	–	87,498	76,566
137,997	1,562	–	139,559	132,975
36,832	–	–	36,832	21,444
2,838,401	1,562	105,977	2,945,940	2,837,333
100,639	39,402	(2,296)	137,745	(52,988)
(16,697)	–	–	(16,697)	6,073
16,697	–	–	16,697	(6,073)
100,639	39,402	(2,296)	137,745	(52,988)
32,544	310,420	8,470	351,434	404,422
$ 133,183	$ 349,822	$ 6,174	$ 489,179	$ 351,434

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Operating activities:		
Excess (deficiency) of revenue over expense	$ 137,745	$ (52,988)
Add (deduct):		
Amortization of capital assets	105,977	58,347
Amortization of deferred contributions related to capital assets	(103,681)	(55,485)
Change in non-cash working capital balances:		
Accounts receivable	81,892	(59,177)
Receivable from Winnipeg Regional Health Authority	49,498	(80,616)
Prepaid expenses	(11,380)	201
Future employee pre-retirement benefits recoverable	16,697	(6,073)
Accounts payable and accrued liabilities	(211,427)	175,655
Future employee pre-retirement benefits payable	(16,697)	6,073
Deferred contributions received related to future expense	205,704	270,279
Deferred contributions recognized as revenue in the year	(271,826)	(312,704)
	(17,498)	(56,488)
Investing activities:		
Deferred contributions received or receivable related to capital assets	56,461	465,389
Additions to capital assets	(56,461)	(465,389)
	–	–
Decrease in cash	(17,498)	(56,488)
Cash, beginning of year	671,143	727,631
Cash, end of year	$ 653,645	$ 671,143
Supplementary cash flow information:		
Interest received	$ 2,457	$ 25,322

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2010

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 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, 2010

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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:

Assets, liabilities, revenues and expenses related to the corporation's capital assets are recorded in the Capital Fund.

The Restricted fund represents funds received through donations and interest income. All expenditures from this fund require the approval of the Board of Directors. All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund. Other program surplus is transferred to restricted funds once the programs are completed.

(d) Financial instruments:

The corporation has designated cash 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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

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) 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

(f) 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 4.9 percent (2009 - 6.7 percent), a rate of salary increase of 4.0 percent (2009 - 3.5 percent) plus an age-related merit/promotion scale with no provision for disability.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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1. **Significant accounting policies (continued):**

(g) 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.

(h) 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*.

(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.

(j) Change in accounting policies:

Effective April 1, 2009, the corporation adopted the CICA's amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. As a result of adoption of these recommendations certain reclassifications were recorded in the statement of operations and changes in fund balances of the corporation for the years ended March 31, 2010 and 2009.

Effective April 1, 2009, the corporation also adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no effect on the financial statements of the corporation for the year ended March 31, 2010.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

2. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and fixtures	$ 197,234	$ 112,132	$ 85,102	$ 79,400
Computer equipment	230,628	217,841	12,787	18,267
Leasehold improvements	427,334	121,704	305,630	355,368
	$ 855,196	$ 451,677	$ 403,519	$ 453,035

3. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2010, accounts payable and accrued liabilities includes employee benefits payable of $140,736 (2009 - $141,169).

During fiscal 2008, 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, 2010, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $114,531 (2009 - $131,228) 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, 2010

3. Employee benefit plans (continued):

The 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 net decrease recorded in fiscal 2010 was $16,697 (2009 - increase of $6,073) and is recorded 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, 2010 aggregates $76,390 (2009 - $93,087) 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 2010 was 100 percent (2009 - 65.1 percent) of actual pre-retirement benefits paid. The cash shortfall in fiscal 2009 was considered to be funded as part of the annual operating grant from the WRHA.

4. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2010	2009
Balance, beginning of year	$ 235,903	$ 278,328
Add amount received related to future periods	205,704	270,279
Less amount recognized as revenue in the year	(271,826)	(312,704)
Balance, end of year	$ 169,781	$ 235,903

The amount of deferred contributions recognized as revenue during the year is recorded in the statement of operations in other programs.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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.

	2010	2009
Balance, beginning of year	$ 444,565	$ 34,661
Additional contributions received or receivable	56,461	465,389
Less amounts amortized to revenue	(103,681)	(55,485)
Balance, end of year	$ 397,345	$ 444,565

During fiscal 2009 and 2010, the corporation undertook a significant renovation to its main premises, which was funded through donations from a variety of sources. At March 31, 2010, the corporation incurred costs in excess of funding of approximately $8,135 on the project, which is expected to be entirely funded by additional contributions to be received in fiscal 2011.

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 $115,434 (2009 - $116,093) 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, 2007, reported the plan had a solvency deficiency of $61,050,000. 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. 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, 2010

6. **Receivable from Winnipeg Regional Health Authority:**

The amounts receivable from WRHA at March 31, 2010 consist primarily of funding commitments related to pre-retirement payouts, 2009/2010 salary increases, and 2009/2010 enhanced health care benefit plan (HEBP) amounts. At March 31, 2009, receivable from WRHA included $130,000 related to the renovation of the corporation's premises.

7. **Other information:**

From Youville's inception in 1983 to March 31, 2010, 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. contributed $5,000 during the year ended March 31, 2010 and have agreed to fund an additional $8,135 for capital expenditures. 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 January 2011 and August 2015, respectively, as per the following schedule:

2011	$ 165,912
2012	90,912
2013	90,912
2014	37,880
2015	37,880

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.

10. **Comparative figures:**

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

BDO

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Auditors' Report

To the Board of Directors of
DONWOOD MANOR PERSONAL CARE HOME INC.

We have audited the statement of financial position of **DONWOOD MANOR PERSONAL CARE HOME INC.** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget figures presented have not been audited, and are presented for informational purposes only.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 7, 2010

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31		2010		2009
Assets				
Current Assets				
Accounts receivable (Note 2)	$	**20,137**	$	52,980
Due from WRHA (Note 7)		**308,904**		884,243
Prepaid expenses		**29,080**		22,098
Inventories		**28,602**		30,156
Due from related parties (Note 3)		**41,799**		32,204
Vacation entitlements receivable (Note 4)		**273,191**		273,191
		701,713		1,294,872
Retirement obligations assets (Note 12)		**509,928**		413,975
Restricted Cash and Deposits				
Expenses of future periods		**68,557**		79,795
Capital assets (Note 5)		**6,522,947**		6,627,030
	$	**7,803,145**	$	8,415,672
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 6)	$	**192,157**	$	458,373
Accounts payable and accruals		**255,809**		451,489
Advance from WRHA		**124,454**		287,909
Mortgage amortization grant received in advance		**4,274**		4,274
Accrued vacation entitlements (Note 4)		**374,973**		328,907
		951,667		1,530,952
Accrued retirement obligations (Note 12)		**509,596**		413,643
Deferred Contributions (Note 8)				
Expenses of future periods		**55,766**		51,471
Capital assets		**6,426,042**		6,530,125
		6,481,808		6,581,596
Commitments and contingencies (Note 10)				
Net assets (Page 5)		**(139,926)**		(110,519)
	$	**7,803,145**	$	8,415,672

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		2010	2009
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority (Note 11)	$ 4,567,757	$ 5,364,296	$ 4,978,974
Private charges	1,953,976	1,957,730	1,905,711
Amortization of deferred contributions related to capital assets (Note 8)	-	297,303	265,422
Recoveries	126,886	130,079	135,393
Interest income	10,000	192	4,645
	6,658,619	7,749,600	7,290,145
Expenditures			
Operating (Page 21)	6,631,135	7,481,704	7,028,642
Interest on long-term debt	27,484	-	-
Amortization of capital assets	-	297,303	265,422
	6,658,619	7,779,007	7,294,064
Deficiency of revenue over expenditures before other items	-	(29,407)	(3,919)
Other Items			
Change in accrued retirement obligations			
WRHA funding accrued	-	(95,953)	51,918
Liability for the year	-	95,953	(51,918)
	-	-	-
Deficiency of revenue over expenditures for year (Page 5)	$ -	$ (29,407)	$ (3,919)

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			2010	2009
	Investment in Capital Assets (Note 9)	Unrestricted	Total	Total
Balance, beginning of year	$ 96,905	$ (207,424)	$ (110,519)	$ (106,600)
Deficiency of revenue over expenditures for year (Page 4)	-	(29,407)	(29,407)	(3,919)
Balance, end of year (Page 3)	$ 96,905	$ (236,831)	$ (139,926)	$ (110,519)

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	2010	2009
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for year	$ (29,407)	$ (3,919)
Amortization of capital assets	297,303	265,422
Amortization of deferred contributions related to capital assets	(297,303)	(265,422)
	(29,407)	(3,919)
Changes in non-cash working capital		
Accounts receivable	32,843	(37,418)
Prepaid expenses	(6,982)	253
Inventories	1,554	(7,721)
Due from related entities	(9,595)	18,775
Accounts payable and accrued liabilities	(195,680)	263,558
Advance from WRHA	(163,455)	(45,737)
Due from WRHA	575,339	(550,488)
Accrued vacation entitlements	46,066	15,275
	280,090	(343,503)
Retirement obligations receivable	(95,953)	51,918
Accrued retirement obligations	95,953	(51,918)
	-	-
	250,683	(347,422)
Cash Flows from Financing Activities		
WRHA funding - capital	193,219	351,847
Decrease in deferred contributions related to expenses of future periods	4,295	(17,635)
	197,514	334,212
Cash Flows from Investing Activities		
Purchase of capital assets	(193,219)	(351,847)
Increase in restricted cash and deposits	11,238	(13,712)
	(181,981)	(365,559)
Net increase (decrease) in cash and cash equivalents	266,216	(378,769)
Bank indebtedness, beginning of year	(458,373)	(79,604)
Bank indebtedness, end of year	$ (192,157)	$ (458,373)

Supplementary Information

	2010	2009
Interest received	$ 192	$ 4,645

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 discussions with WRHA with respect to the year ended March 31, 2010.

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.

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.

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

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 2004-05 and 2005-06 fiscal years, 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. 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 less accumulated amortization. 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 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 rates:

Buildings	- 40 years
Furniture and equipment	- 10 years

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 from related parties	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations assets	Loans and receivables	Amortized cost
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.

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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Future for Not-for-Profit Organizations (NPO)

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting standards (PSAB) with NPO standards added on to PSAB. The Public Sector Accounting Board agreed that there was sufficient support to develop an NPO series to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting.

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

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 Winnipeg Regional Health Authority through a service purchase agreement. The Winnipeg Regional Health Authority 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 Foundation 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

	2010	2009
Receivable from residents	$ (824)	$ 314
Accounts receivable - other	3,953	-
Goods and Services Tax	17,008	20,166
Insurance claim	-	32,500
	$ 20,137	$ 52,980

3. Related Party Transactions

	2010	2009
Donwood Manor EPH Inc.	$ 18,597	$ 7,428
Donwood South Inc.	16,799	2,118
Donwood Manor Foundation Inc.	6,260	22,693
Winnipeg Condominium Corporation No. 297	143	(35)
	$ 41,799	$ 32,204

Amounts due from (to) 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 (2009 - $5,547). 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.

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:

	2010	2009
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:

Balance, beginning of year	$ 328,907	$ 313,632
Net increase in accrued vacation entitlements	46,066	15,275
Balance, end of year	$ 374,973	$ 328,907

5. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 15,000	$ -	$ 15,000	$ -
Buildings	9,476,211	3,626,660	9,476,211	3,391,244
Furniture and equipment	1,654,025	995,629	1,460,805	933,742
	$ 11,145,236	$ 4,622,289	$ 10,952,016	$ 4,324,986
Cost less accumulated amortization		$ 6,522,947		$ 6,627,030

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

	2010	2009
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	192,542
2008/2009 funding adjustment	13,704	804,773
2009/2010 funding adjustment	360,254	-
	$ 308,904	$ 884,243

The reviews of the 2004/2005, 2005/2006, 2006/2007, 2007/2008 and 2008/2009 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.

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.

	2010	2009
Balance, beginning of year	$ 51,471	$ 69,106
Add amount received during the year	26,311	24,799
Less 2009/2010 expenditures	(22,016)	(42,434)
Balance, end of year	$ 55,766	$ 51,471

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:

	2010	2009
Balance, beginning of year	$ 6,530,125	$ 6,443,700
Additional contributions received		
WRHA	193,220	351,847
Less amounts amortized to revenue	(297,303)	(265,422)
Balance, end of year	$ 6,426,042	$ 6,530,125

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 6,522,947	$ 6,627,030
Amounts financed by deferred contributions	(6,426,042)	(6,530,125)
	$ 96,905	$ 96,905

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

	2010	2009
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 297,303	$ 265,422
Amortization of capital assets	(297,303)	(265,422)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 193,220	$ 351,847
Amounts funded by WRHA capital asset funding	(193,220)	(351,847)
	$ -	$ -

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, 2010 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, 2010.

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)	**$ 4,679,891**
Add:	
Health Care Benefits	47,793
Median rate adjustment	10,340
Influenza and pneumococcal immunization	113
MGEU & CUPE 2009/10	93,544
09/10 Wages Standardization	6,927
Staffing increase hours of care	435,047
H1N1 costs	3,954
Pre-retirement funding 2008/09	1,896
Laundry allocation 2009/10	1,232
One on one care	1,035
Median rate final adjustment 2008/09	91,713
	693,594
Deduct	
Residential charges adjustment	(3,754)
Insurance deductible	(1,500)
Reserve major repairs	(3,621)
Adjustment to deferred grants	(314)
	(9,189)
Revenue from WRHA	**$ 5,364,296**

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, 2010. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 3.5%) 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 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	**$ 372,737**	$ 372,737
Winnipeg Regional Health Authority	**137,191**	41,238
	$ 509,928	$ 413,975

12. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

		2010		2009
Balance, beginning of year	$	413,643	$	465,561
Net increase (decrease) in pre-retirement entitlements		95,953		(51,918)
Balance, end of year	$	509,596	$	413,643

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, 2008 indicates 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. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $331,399 (2009 - $312,855) 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, 2008, 2009 and 2010, 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, 2010, the unfunded portion of future employee benefits amounts to approximately $(300).

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:

	2010	2009
Accounts receivable	$ **20,137**	$ 52,980
Due from WRHA	**308,904**	884,243
Vacation entitlements receivable	**273,191**	273,191
Retirement obligations receivable	**509,928**	413,975
	$ **1,112,160**	$ 1,624,389

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 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 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	2010		2009
	Budget	Actual	Actual
Operating Costs			
Salaries			
Nursing services	$ 3,221,217	$ 3,647,007	$ 3,327,066
Special services	240,735	261,006	245,399
General services	1,216,873	1,387,525	1,309,190
Medical and surgical supplies and drugs	101,500	129,721	100,428
Special service - recreation therapy	8,200	7,786	8,860
Employee benefits			
Canada pension plan	191,964	217,215	206,714
Employee insurance	95,991	107,131	101,936
Pension	294,497	331,399	312,855
Payroll tax	97,025	109,078	112,233
Workers compensation	55,569	102,102	73,217
Dental	25,259	72,042	25,822
Group life	9,092	10,112	9,234
Pre-retirement leave	10,000	1,596	73,208
Disability and Rehabilitation	81,219	101,653	86,907
Bonding and liability insurance	2,000	3,663	3,074
Membership fees			
Association and group purchasing fees	5,600	3,761	3,150
Advertising	5,000	9,313	11,468
Office			
Photocopy costs	9,000	9,730	11,276
Postage and courier	5,300	7,435	6,563
Printing and stationery	13,700	12,531	17,153
Telephone and fax	9,000	9,172	12,270
Other	500	8,342	12,406
Professional fees	25,000	28,822	9,605
Staff training and travel	15,500	9,467	19,808
Computer expense	47,500	16,681	41,612
Resident's travel	5,000	7,853	8,122
Bank charges and interest	3,000	5,455	4,087
Dietetics	312,500	351,423	321,267
Laundry and linen	90,000	98,447	93,371
H1N1 expenses	-	4,031	-
Housekeeping	22,000	25,962	20,531
Physical plant			
Fuel	88,000	83,839	93,404
Water	43,000	41,791	51,020
Electricity	85,000	80,474	77,635
Property insurance	9,000	8,573	8,545
Property taxes	85,000	71,565	81,427
Maintenance - building, grounds and equipment	101,394	98,001	127,779
Total operating costs	$ 6,631,135	$ 7,481,704	$ 7,028,642

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AUDITORS' REPORT

To the Member of Foyer Valade Inc.

We have audited the statement of financial position of Foyer Valade Inc. as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 30, 2010

FOYER VALADE INC.

Statement of Financial Position

Exhibit 1
Page 2

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 891,157	$ 1,027,857
Accounts receivable	27,134	15,972
Employee benefits recoverable from Winnipeg Regional Health Authority (note 3)	288,336	288,336
Receivable from Winnipeg Regional Health Authority (note 4)	547,445	238,258
Inventory	45,429	45,891
Prepaid expenses	45,399	41,451
	1,844,900	1,657,765
Residents' funds in trust (note 5)	15,269	15,703
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 3)	493,358	455,741
Capital assets (note 6)	10,014,313	10,318,214
	$ 12,367,840	$ 12,447,423

	2010	2009
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Bank indebtedness (note 7)	$ 148,645	$ 173,594
Accounts payable	181,797	124,446
Accrued liabilities	799,895	770,863
Advances from Winnipeg Reginal Health Authority (note 8)	140,731	95,393
Bank loan (note 9)	144,293	165,173
	1,415,361	1,329,469
Residents' funds in trust (note 5)	15,269	15,703
Future employee pre-retirement benefits payable (note 3)	494,145	456,528
	509,414	472,231
	1,924,775	1,801,700
Deferred contributions for (note 10):		
Expenses of future periods	3,068	3,418
Capital assets	9,690,858	9,966,256
	9,693,926	9,969,674
Fund balances:		
Capital Fund (note 11)	203,981	155,705
Internally restricted fund (note 12)	545,158	520,344
	749,139	676,049
	$ 12,367,840	$ 12,447,423

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Date le 24 juin 2010

On behalf of the Member of the Corporation:

Date: le 24 juin 2010

FOYER VALADE INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009

	Operating Fund	Ancillary Operations	Internally Restricted Fund	Capital Fund	2010 Total	2009 Total
Revenue:						
Winnipeg Regional Health Authority	$ 6,985,048	$ -	$ -	$ -	$ 6,985,048	$ 6,269,561
Resident fees	2,552,142	-	-	-	2,552,142	2,477,746
	9,537,190	-	-	-	9,537,190	8,747,307
Amortization of deferred contributions (note 10)	-	-	-	361,275	361,275	364,169
Offset income:						
Cafeteria	38,972	-	-	-	38,972	38,868
Contributed services (note 13)	-	-	-	-	-	70,846
Interest	350	-	4,342	-	4,692	23,255
Donations	5,363	-	-	-	5,363	10,507
Fundraisers	-	-	2,332	-	2,332	3,541
Parking	35,588	-	-	-	35,588	34,357
Shared services (note 13)	191,996	-	-	-	191,996	210,629
Grants	20,954	-	-	-	20,954	10,000
Recoveries:						
General	129,655	-	-	-	129,655	119,757
Ancillary operations (note 10)	-	2,143	-	-	2,143	2,073
	422,878	2,143	6,674	-	431,695	523,833
	9,960,068	2,143	6,674	361,275	10,330,160	9,635,309
Expenses:						
Amortization	-	-	-	373,028	373,028	370,256
Salaries and wages	7,187,115	-	-	-	7,187,115	6,582,637
Employee benefits	1,272,315	-	-	-	1,272,315	1,047,431
Other supplies and expenses	262,466	-	2,786	-	265,252	240,059
Medical and surgical supplies	103,822	-	-	-	103,822	86,423
Drugs	8,638	-	-	-	8,638	10,272
Food costs	333,480	-	-	-	333,480	303,195
Utilities	206,171	-	-	-	206,171	256,605
Telephone and sundry	38,036	-	-	-	38,036	41,383
Travel	40,512	-	-	-	40,512	32,349
Professional and other fees	68,210	-	-	-	68,210	68,756
Advertising and public relations	8,555	-	-	-	8,555	11,640
Insurance	24,528	-	-	-	24,528	23,180
Equipment	105,918	-	-	-	105,918	162,424
Buildings and grounds	216,010	-	-	-	216,010	251,364
Interest	3,337	-	-	-	3,337	6,893
Ancillary operations	-	2,143	-	-	2,143	2,073
	9,879,113	2,143	2,786	373,028	10,257,070	9,496,940
Excess (deficiency) of revenue over expenses before the undernoted	80,955	-	3,888	(11,753)	73,090	138,369
Winnipeg Regional Health Authority prior year adjustment	-	-	-	-	-	(12,063)
Winnipeg Regional Health Authority future employee benefits recoverable (note 3)	37,617	-	-	-	37,617	22,440
Future employee pre-retirement benefits obligation (note 3)	(37,617)	-	-	-	(37,617)	(22,440)
Excess (deficiency) of revenue over expenses	80,955	-	3,888	(11,753)	73,090	126,306
Fund balances, beginning of year	-	-	520,344	155,705	676,049	549,743
Transfer to Capital Fund	(60,029)	-	-	60,029	-	-
Transfer of operating surplus	(20,926)	-	20,926	-	-	-
Fund balances, end of year	$ -	$ -	$ 545,158	$ 203,981	$ 749,139	$ 676,049

See accompanying notes to financial statements.

FOYER VALADE INC.

Statement of Cash Flows

Year ended March 31, 2010 with comparative figure for 2009

	2010	2009
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 73,090	$ 126,306
Adjustments for:		
Amortization of capital assets	373,028	370,256
Amortization of deferred contributions related to capital assets	(361,275)	(364,169)
Change in the following:		
Accounts receivable	(11,162)	7,609
Receivable from Winnipeg Regional Health Authority	(309,187)	(34,692)
Inventory	462	(9,093)
Prepaid expenses	(3,948)	(674)
Future employee pre-retirement benefits recoverable	(37,617)	(22,440)
Accounts payable	57,351	(18,986)
Accrued liabilities	29,032	46,148
Advances from Winnipeg Regional Health Authority	45,338	(122,274)
Future employee pre-retirement benefits payable	37,617	22,440
Deferred contributions received related to future periods	1,793	2,422
Deferred contributions recognized as revenue in the year	(2,143)	(2,073)
	(107,621)	780
Investing:		
Increase in deferred contributions related to capital assets	85,877	126,791
Additions to capital assets	(69,127)	(83,135)
	16,750	43,656
Financing:		
Bank indebtedness	(24,949)	(10,014)
Repayments on bank loan	(20,880)	(20,880)
	(45,829)	(30,894)
Increase (decrease) in cash	(136,700)	13,542
Cash and cash equivalents, beginning of year	1,027,857	1,014,315
Cash and cash equivalents, end of year	$ 891,157	$ 1,027,857
Supplemental cash flow information:		
Cash and cash equivalents is comprised of the following:		
Cash	$ 411,157	$ 1,027,857
Cash equivalents	480,000	-
	$ 891,157	$ 1,027,857
Interest received	$ 2,062	$ 23,255
Interest paid	3,337	6,893

See accompanying notes to financial statements.

FOYER VALADE INC.

Notes to Financial Statements

Year ended March 31, 2010

General:

Foyer Valade Inc. (the Corporation) 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 Corporation functions as a long-term care facility mandated by the Provincial government to provide services to the French speaking elderly, chronically ill and disabled.

1. **Significant accounting policies:**

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows 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 Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) 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.

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. 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.

(d) 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 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
Building	2% to 2.5%
Equipment and building service equipment	6 ¼% to 20%

(e) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in Ancillary Operations Fund.

FOYER VALADE INC.
Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(e) Fund accounting (continued):

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are recorded in the Operating Fund.

(f) 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. 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 Corporation designated cash and cash equivalents and bank indebtedness as held-for-trading, accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority as loans and receivables; and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and bank loan 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 the financial statements.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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1. Significant accounting policies (continued):

(g) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(h) Employee benefits:

The Corporation 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 Corporation'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.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

(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 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.

2. Change in accounting policies:

Effective April 1, 2009, the Corporation adopted the CICA's amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. Adoption of these recommendations had no significant impact on the financial statements of the Corporation for the year ended March 31, 2010.

Effective April 1, 2009, the Corporation also adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no effect on the financial statements of the Corporation for the year ended March 31, 2010.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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3. Employee benefits:

(i) 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, 2010, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be $494,145 (2008 - $456,528) for which the Corporation has recorded an accrued future employee pre-retirement benefits liability on the statement 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 Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.90 percent (2009 – 6.70 percent), a rate of salary increase of 4.00 percent (2009 - 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 statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability since 2007, which includes an interest component. The increase recorded in fiscal 2010 was $37,617 (2009 - $22,440) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2010 aggregates $493,358 (2009 - $455,741) 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 Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by the WRHA for 2010 was 100 percent (2009 – 65.1 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $15,898 was paid from funding received for operations.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

3. Employee benefits (continued):

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2010 is $427,686 (2009 - $364,173).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $288,336 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority are maintained at the value of the vacation benefits liability at March 31, 2004.

4. Receivable from (payable to) Winnipeg Regional Health Authority:

	2010	2009
Receivable:		
Prior years	$ 42,159	$ 42,159
Salaries and benefits	461,617	291,122
Employee pre-retirement benefits	84,383	29,656
Other	57,369	81,226
	645,528	444,163
Payable:		
Prior years	85,135	116,710
Resident fees	11,643	87,746
Interest	1,305	1,449
	98,083	205,905
Net receivable	$ 547,445	$ 238,258

Over/under funding occurs when non-global items (including resident fees revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

6. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Building	$ 13,302,590	$ 3,799,197	$ 9,503,393	$ 9,815,119
Building service equipment	127,736	42,294	85,442	85,766
Equipment	1,750,539	1,325,061	425,478	417,329
Software licenses and fees	86,209	86,209	-	-
	$ 15,267,074	$ 5,252,761	$ 10,014,313	$ 10,318,214

7. Bank indebtedness:

At March 31, 2010, the Corporation had an authorized line of credit of $200,000 which was used to finance a portion of the Corporation's contribution towards the 38 bed addition. The line of credit bears 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. Les Amis de Valade Inc., a corporation with the same Member of the Corporation, has also provided a guarantee as security for this loan.

The Corporation has an additional $100,000 authorized line of credit available with no outstanding borrowings.

8. Advances from Winnipeg Regional Health Authority:

During the fiscal year, the Corporation received funding advances from the Winnipeg Regional Health Authority in the amount of $135,000 for funding commitments relating to the 2009/10 fiscal year. These advances are unsecured, non-interest bearing and have no fixed terms of repayment. In fiscal 2010, of the $95,393 advances owing at March 31, 2009, $89,662 were offset against related receivables from the Winnipeg Regional Health Authority and the remaining $5,731 is included in advances owing at March 31, 2010.

9. Bank loan:

The bank loan is held by La Caisse Populaire de Saint-Boniface Limitée, 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 Populaire's prime lending rate minus 0.50 percent. The loan is being repaid at $1,740 monthly, plus interest.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

10. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for separate programs.

		2010		2009
Balance, beginning of year	$	3,418	$	3,069
Add amount received related to future periods		1,793		2,422
Less amount recognized as revenue in the year		(2,143)		(2,073)
	$	3,068	$	3,418

(b) Capital assets:

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

		2010		2009
Balance, beginning of year	$	9,966,256	$	10,203,634
Add contributions received		85,877		126,791
Less amounts amortized to revenue		(361,275)		(364,169)
	$	9,690,858	$	9,966,256

On February 28, 2007, the Province of Manitoba approved the consolidation of $5,200,000 of the Corporation's 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, 2010, the outstanding principal balance on the note was $4,398,334 (2009 - $4,658,334). 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.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

10. Deferred contributions (continued):

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

	2010	2009
Unamortized capital contributions used to purchase assets	$ 9,517,394	$ 9,823,742
Unspent contributions:		
Equipment reserve	137,908	110,958
Major repairs	35,556	31,556
	$ 9,690,858	$ 9,966,256

11. Capital fund:

	2010	2009
Capital assets	$ 10,014,313	$ 10,318,214
Amount financed by:		
Deferred contributions	(9,517,394)	(9,823,742)
Bank loan	(144,293)	(165,173)
Line of credit	(148,645)	(173,594)
	$ 203,981	$ 155,705

12. Internally restricted fund:

	2010	2009
To be expended only with the approval of the Member of the Corporation	$ 506,949	$ 481,741
Other internal projects	38,209	38,603
	$ 545,158	$ 520,344

FOYER VALADE INC.

DRAFT Notes to Financial Statements (continued)

Year ended March 31, 2010

13. Related party transactions:

Foundation:

An amount of $10,000 (2009 - $10,000) was funded by Les Amis de Valade Inc., a corporation with the same Member of the Corporation. In fiscal 2010 and 2009, these amounts were used to repay bank indebtedness.

Shared and contributed services:

The Corporation and Centre Taché Centre, a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Centre Taché Centre in the amount of $191,996 (2009 - $210,629). The Corporation purchased services from Centre Taché Centre in the amount of $241,578 (2009 - $238,893) which is included in salaries and wages.

In 2010, in addition to these shared services, Centre Taché Centre contributed services to the Corporation in the amount of nil (2009 - $70,846) free of charge.

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.

14. Employee pension plan:

During the year, the Corporation contributed $352,110 (2009 - $317,043) on behalf of its employees. Eligible employees of the Corporation 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 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.

The most recent actuarial valuation of the plan for funding purposes as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rate changes have been issued since.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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15. Fair value:

The fair values of accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable, accrued liabilities, advances from Winnipeg Regional Health Authority and bank loan approximate their carrying value due to their immediate or short-term nature.

The fair value of the future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

16. Leasehold estate:

The facility is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, 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 financial statements.

17. Comparative figures:

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

FOYER VALADE INC.

Schedule - Expenses

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Amortization	$ 373,028	$ 370,256
Salaries and wages:		
Resident services:		
Nursing administration	$ 159,521	$ 262,791
Registered nurses	1,004,737	911,833
Licenced practical nurses	658,742	634,802
Health care and rehab aides	2,659,065	2,276,790
Purchased services	635,696	589,043
	5,117,761	4,675,259
Activity	126,506	103,370
Dietary	594,234	551,697
General administration	472,393	411,922
Housekeeping	280,059	280,718
Laundry/linen	83,113	76,783
Medical administration fees	18,762	3,000
Occupational health	23,697	23,859
Occupational therapy	31,755	30,665
Pastoral care	64,870	62,606
Physiotherapy	20,238	40,181
Plant maintenance	140,165	146,089
Social work	41,942	38,505
Staff development	115,734	84,589
Volunteer coordinator	55,886	53,394
	2,069,354	1,907,378
	$ 7,187,115	$ 6,582,637
Employee benefits:		
Canada pension plan	$ 241,317	$ 220,065
Employment insurance	126,083	116,617
Healthcare employees pension plan	352,110	317,043
Other employee benefits	215,211	134,181
Employee pre-retirement benefits	84,383	45,554
Workers' compensation	119,156	88,446
	1,138,260	921,906
Health and education tax	134,055	125,525
	$ 1,272,315	$ 1,047,431

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Other supplies and expenses:		
Printing, stationery and office	$ 12,003	$ 16,499
Photocopying	2,746	2,071
Housekeeping and cleaning	11,624	10,100
Paper and disposable	21,991	18,962
Laundry and linen	6,104	6,092
Staff wearing apparel	14,744	13,935
Dietary and cleaning	18,080	22,710
Purchased service - laundry	109,945	97,968
Other supplies and expenses	68,015	51,722
	$ 265,252	$ 240,059
Medical and surgical supplies:		
General	$ 47,598	$ 30,998
Gastronomy	441	555
Incontinence aids	55,783	54,870
	$ 103,822	$ 86,423
Drugs:		
Oxygen and other	$ 8,638	$ 10,272
Food costs	$ 333,480	$ 303,195
Utilities:		
Natural gas	$ 60,878	$ 100,366
Water	54,248	67,199
Electricity	91,045	89,040
	$ 206,171	$ 256,605
Telephone and sundry:		
Telephone	$ 16,882	$ 16,786
General expenses	14,744	16,805
Staff training	3,389	3,670
Postage	3,021	4,122
	$ 38,036	$ 41,383

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2010, with comparative figures for 2009

		2010		2009
Travel:				
Resident travel	$	5,615	$	4,338
Resident transportation		31,112		24,506
Staff		3,785		3,505
	$	40,512	$	32,349
Professional and other fees:				
Service bureau fees	$	16,321	$	14,202
Audit fees		10,642		17,913
Legal fees		2,431		3,695
Association membership fees		11,849		10,473
Other		26,967		22,473
	$	68,210	$	68,756
Advertising and public relations	$	8,555	$	11,640
Insurance	$	24,528	$	23,180
Equipment:				
Service contracts	$	23,798	$	18,374
Software contracts		27,286		33,758
Equipment maintenancce		17,789		31,460
Minor purchases		37,045		78,832
	$	105,918	$	162,424
Buildings and grounds:				
Building repairs	$	60,971	$	66,797
Property taxes		155,039		184,567
	$	216,010	$	251,364
Interest	$	3,337	$	6,893
Ancillary operations	$	2,143	$	2,073
Total expenses	$	10,257,070	$	9,496,940

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AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the statement of financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 14, 2010

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash (note 3)	$ 69,074	$ 43,449
Accounts receivable (note 4)	495,080	468,851
Inventories and prepaid expenses	35,039	35,965
Employee benefits recoverable from Winnipeg Regional Health Authority [note 12(iii)]	355,603	355,603
Short-term investments (note 5)	67,250	110,086
Receivable from related entities (note 6)	85,000	85,000
	1,107,046	1,098,954
Investments (note 5)	194,969	191,591
Receivable from related entities (note 6)	521,096	495,519
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 12(i)]	712,198	565,977
Capital assets (note 7)	4,217,784	4,341,339
	$ 6,753,093	$ 6,693,380
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 3)	$ 216,429	$ 297,623
Accounts payable and accrued liabilities	890,263	775,888
Payable to Winnipeg Regional Health Authority	175,477	86,844
Payable to residents	17,013	20,809
Current portion of long-term debt (note 8)	192,145	277,112
	1,491,327	1,458,276
Future employee pre-retirement benefits payable [note 12(i)]	685,216	538,995
Long-term debt (note 8)	285,075	299,850
Deferred contributions (note 9):		
Donations	11,544	11,544
Expenses of future periods	11,275	10,564
Capital assets	3,192,096	3,283,666
Equipment reserve	1,170	22,543
Reserve for major repairs	101,676	150,933
	3,317,761	3,479,250
Net assets:		
Unrestricted	247,876	172,879
Invested in capital assets (note 10)	725,838	744,130
	973,714	917,009
Commitment (note 13)		
	$ 6,753,093	$ 6,693,380

See accompanying notes to financial statements.

On behalf of ~~the Board~~:

_______________ Director _______________ Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 6,397,639	$ 5,759,626
Winnipeg Regional Health Authority - Adult Day Program	200,952	191,112
Resident charges	2,042,370	1,900,653
Participant charges - Adult Day Program	32,951	32,212
Donations and grants	9,078	16,743
Amortization of deferred contributions (note 9)	286,285	261,615
	8,969,275	8,161,961
Other income:		
Ancillary	5,255	11,998
Investment	12,992	17,910
Cafeteria	44,933	42,572
Other	27,687	21,262
	90,867	93,742
Total revenue	9,060,142	8,255,703
Expenses:		
Operating	8,566,673	7,924,594
Adult Day Program	235,583	225,270
Amortization of capital assets	201,181	193,099
	9,003,437	8,342,963
Excess (deficiency) of revenue over expenses before the undernoted	56,705	(87,260)
Future employee pre-retirement benefits [note 12(i)]	(146,221)	11,212
Funding for employee pre-retirement benefits payable [note 12(i)]	146,221	(11,212)
Excess (deficiency) of revenue over expenses	$ 56,705	$ (87,260)

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, 2010, with comparative figures for 2009

	Unrestricted	Invested in capital assets	2010 Total	2009 Total
Net assets, beginning of year	$ 172,879	$ 744,130	$ 917,009	$ 1,004,269
Excess (deficiency) of revenue over expenses	74,997	(18,292)	56,705	(87,260)
Net assets, end of year	$ 247,876	$ 725,838	$ 973,714	$ 917,009

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, 2010, with comparative figures for 2009

	2010	2009
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 56,705	$ (87,260)
Adjustments for:		
Amortization of capital assets	201,181	193,099
Amortization of deferred contributions related to capital assets	(185,443)	(177,361)
Change in the following:		
Restricted cash	(25,625)	68,167
Accounts receivable	(26,229)	(64,342)
Inventories and prepaid expenses	926	(5,547)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(146,221)	11,212
Accounts payable and accrued liabilities	114,375	(36,806)
Payable to Winnipeg Regional Health Authority	88,633	(189,446)
Payable to residents	(3,796)	2,577
Future employee pre-retirement benefits payable	146,221	(11,212)
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	(48,546)	(27,954)
	172,181	(324,873)
Investing activities:		
Purchase of capital assets	(77,626)	(87,488)
Decrease (increase) in investments	39,458	(87,217)
Change in receivable from related entities:		
Fred Douglas Heritage House Inc.	91,479	143,382
Other	(117,056)	9,876
	(63,745)	(21,447)
Financing activities:		
Deferred contributions received for capital assets and equipment reserves	72,500	70,696
Repayment of long-term debt	(99,742)	(107,778)
	(27,242)	(37,082)
Increase (decrease) in cash	81,194	(383,402)
Cash (bank indebtedness), beginning of year	(297,623)	85,779
Bank indebtedness, end of year (note 3)	$ (216,429)	$ (297,623)
Supplementary cash flow information:		
Interest paid	$ 30,225	$ 39,698
Interest received	18,247	29,908

See accompanying notes to financial statements.

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.

The information contained in these financial statements is the property of Fred Douglas Society Inc. and may not be combined, consolidated or in any way modified without the explicit written authorization of the Chief Executive Officer of Fred Douglas Society Inc.

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. Operating grants are recorded as revenue in the period to which they relate. The Division's Service Purchase Agreement with the WRHA will expire 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.

Investment income includes interest income and realized and unrealized investment gains and losses.

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.

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 and equipment	5 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 4.9 percent (2009 – 6.7 percent), a rate of salary increase of 4.0 percent (2009 - 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.

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. Changes in accounting policies:

Effective April 1, 2009, the Division adopted the CICA's amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. Adoption of these recommendations had no significant impact on the financial statements of the Division for the year ending March 31, 2010.

Effective April 1, 2009 the Division adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no effect on the financial statements of the Division for the year ending March 31, 2010.

3. Cash (bank indebtedness):

	2010	2009
Bank indebtedness - unrestricted	$ (216,429)	$ (297,623)
Restricted cash	69,074	43,449
	$ (147,355)	$ (254,174)

Restricted cash, along with restricted investments disclosed in note 5, 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.

3. Cash (bank indebtedness) (continued):

The Division has a demand revolving credit facility with a maximum limit of $500,000. The operating credit line bears interest at prime rate. The facility is secured the same as disclosed in note 8 on the demand term loan. At March 31, 2010, the Division has utilized $55,594 (2009 - $118,200) of their facility.

4. Accounts receivable:

	2010	2009
Accounts receivable	$ 8,060	$ 8,458
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	156,381	121,794
MNU contract increases	–	214,959
MGEU contract increases	337,461	–
Hours of care increase	100,017	182,967
Group health benefit funding	51,155	–
Resident charges	(170,999)	(77,418)
Other	13,005	18,091
	$ 495,080	$ 468,851

5. Investments:

	2010		2009	
	Average effective yield	Fair value	Average effective yield	Fair value
Government investment certificates	4.25%	$ 241,314	4.43%	$ 239,488
Money market fund		20,905		62,189
		262,219		301,677
Current portion, shown as short-term investments		67,250		110,086
		$ 194,969		$ 191,591

The government investment certificates mature during fiscal years 2011 to 2015.

5. Investments (continued):

The allocation of investments between unrestricted and restricted is as follows:

	2010	2009
Unrestricted investments	$ 188,615	$ 128,733
Restricted investments	73,604	172,944
	$ 262,219	$ 301,677

6. Receivable from related entities:

The receivable from related entities is as follows:

	2010	2009
Fred Douglas Heritage House Inc.:		
Advances receivable, net of allowance of $23,371 (2009 - $78,743)	$ 81,031	$ 86,461
Demand debenture receivable	177,370	263,419
Fred Douglas Foundation, Inc.	21,794	14,459
Fred Douglas Apartments	18,515	9,983
Fred Douglas Residence/Courts	294,721	206,197
Fred Douglas Society Inc.	12,665	–
	606,096	580,519
Current portion of demand debenture receivable	85,000	85,000
	$ 521,096	$ 495,519

Fred Douglas Heritage House Inc. is an organization controlled by Fred Douglas Society Inc. The advances receivable from Fred Douglas Heritage House Inc. bear interest at prime rate and are repayable out of available working capital. The advances are secured by the same security as disclosed for the demand debenture receivable. Interest charged on the advances during the year was $2,545 (2009 - $8,141).

The demand debenture receivable from Fred Douglas Heritage House Inc. is due on demand, bears interest at prime rate, requires monthly principal and interest payments of $7,600 and is secured by a second mortgage on the leasehold interests of Fred Douglas Heritage House Inc. During the year, the Division charged interest of $5,150 (2009 - $13,881) on the demand debenture receivable. The Division has waived its right to demand repayment of the advances receivable and $92,370 of the demand debenture receivable prior to April 1, 2011.

6. Receivable from related entities (continued):

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Residence/Courts are divisions of Fred Douglas Society Inc. The receivables from these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

7. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,535,675	5,626,731	3,908,944	4,051,449
Furniture and equipment	1,673,156	1,381,453	291,703	272,753
	$ 11,225,968	$ 7,008,184	$ 4,217,784	$ 4,341,339

8. Long-term debt:

	2010	2009
7.75% mortgage, Canada Mortgage and Housing Corporation, payable $3,095 monthly including principal and interest, secured by a mortgage against the property located at 1275 Burrows Avenue, maturing October 1, 2022	$ 299,850	$ 313,543
Royal Bank of Canada demand term loan, interest at bank prime, payable $7,600 monthly including principal and interest, maturing September 30, 2010	177,370	263,419
	477,220	576,962
Current portion of long-term debt	192,145	277,112
	$ 285,075	$ 299,850

The demand term loan is secured by a general security agreement and a second charge collateral mortgage against the property located at 1275 Burrows Avenue.

8. Long-term debt (continued):

Principal due over the next five years and thereafter is as follows:

2011	$ 192,145
2012	15,942
2013	17,201
2014	18,550
2015	20,027
Thereafter	213,355

9. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2010	2009
Balance, beginning of year	$ 11,544	$ 7,516
Contributions received	–	7,755
Amounts recognized as revenue in the year	–	(3,727)
Balance, end of year	$ 11,544	$ 11,544

(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.

	2010	2009
Balance, beginning of year	$ 10,564	$ 9,320
Contributions received	1,512	1,488
Amounts recognized as revenue in the year	(801)	(244)
Balance, end of year	$ 11,275	$ 10,564

9. Deferred contributions (continued):

(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.

	2010	2009
Balance, beginning of year	$ 3,283,666	$ 3,360,843
Transfer from deferred contributions - equipment reserve	45,173	53,288
Contributions received	48,700	46,896
Amounts amortized to revenue in the year	(185,443)	(177,361)
Balance, end of year	$ 3,192,096	$ 3,283,666

(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.

	2010	2009
Balance, beginning of year	$ 22,543	$ 52,031
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(45,173)	(53,288)
Balance, end of year	$ 1,170	$ 22,543

(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.

	2010	2009
Balance, beginning of year	$ 150,933	$ 184,159
Contributions received	50,784	50,784
Amounts amortized to revenue in the year	(100,041)	(84,010)
Balance, end of year	$ 101,676	$ 150,933

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 4,217,784	$ 4,341,339
Deferred contributions	(3,192,096)	(3,283,666)
Long-term debt	(299,850)	(313,543)
	$ 725,838	$ 744,130

11. Related party transactions:

During the year, the Division received $2,000 (2009 - $8,377) in funding for improvements and resident services, and nil (2009 - $5,995) in funding for capital assets 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.

12. Future employee benefits and employee benefits:

(i) The Division 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, 2010, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $685,216 (2009 - $538,995) 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 recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability for fiscal years 2007-2010, which includes an interest component. The increase recorded in fiscal 2010 was $146,221 (2009 - decrease of $11,212) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2010 aggregates $712,198 (2009 - $565,977) and has no specified terms of repayment.

12. **Future employee benefits and employee benefits (continued):**

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 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2010 was 100 percent (2009 - 65.1 percent) of actual pre-retirement benefits paid. The shortfall for 2010 of nil (2009 - $8,383) was paid from funding received for operations.

In summary, information about the Division's employee pre-retirement benefit plan is as follows:

	2010	2009
Net benefit cost expensed in statement of operations:		
Benefits paid	$ 34,587	$ 24,020
Future employee pre-retirement benefits	146,221	(11,212)
WRHA additional funding for pre-retirement benefits paid	34,587	15,637
WRHA funding for change in pre-retirement benefits payable	146,221	(11,212)
Future employee pre-retirement benefits payable	685,216	538,995

(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 $366,587 (2009 - $339,894) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates are 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rates changes have been issued during fiscal 2010 or 2009.

12. Future employee benefits and employee benefits (continued):

(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, 2010 is $458,952 (2009 - $426,345).

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:

On April 1, 2009, the Division entered into a service purchase agreement for transportation service for the adult day program for a three year period, with an option to extend for one additional year. The annual service costs under this agreement are approximately $100,000.

14. Fair value:

The fair value of accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority and payable to residents approximate their carrying value due to the short term nature of these instruments.

The fair value of long-term debt is approximately $507,000 (2009 - $562,000) compared to its carrying value of $477,220 (2009 - $576,962). Fair value of 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 the Division.

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, 2010, with comparative figures for 2009

	2010	2009
Nursing services:		
Medical supplies and services	$ 48,407	$ 41,079
Resident transportation	27,048	24,657
Incontinence supplies	56,020	55,357
Nursing administration	16,385	2,952
	147,860	124,045
Resident services:		
Activities	4,584	6,917
Other	13,289	14,084
	17,873	21,001
General administration:		
Advertising	3,408	7,011
Audit and professional fees	49,060	22,618
Bad debt (recovery)	(55,372)	1,073
Bank charges and interest	2,628	2,675
Bonding and insurance	5,963	7,128
Data processing and communications	52,117	41,395
Delivery and courier	1,880	1,891
Equipment lease and maintenance	20,250	25,112
Meetings and miscellaneous	10,307	12,417
Labor relations	545	2,324
Licenses and membership fees	6,770	5,596
Postage	4,065	4,431
Printing, stationery and office supplies	13,045	11,760
Staff and resident events and appreciation	16,003	14,092
Travel	1,453	1,569
	132,122	161,092
Dietary:		
Food	277,303	278,945
Glassware and cutlery	2,522	4,038
Supplies	20,131	20,441
	299,956	303,424
Laundry:		
Supplies	7,034	5,841
Linen:		
Supplies and service	105,384	92,013
Housekeeping:		
Supplies	27,850	22,839
Carried forward	738,079	730,255

FRED DOUGLAS PERSONAL CARE HOME
A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Brought forward	$ 738,079	$ 730,255
Physical plant:		
Operations:		
Electricity	94,408	93,177
Natural gas	87,063	109,779
Insurance	10,680	10,406
Taxes	49,760	55,924
Water	64,950	62,698
Maintenance and repairs:		
Buildings and grounds	192,987	140,167
Equipment	33,232	37,979
Other	5,896	5,371
Bank loans interest	5,150	13,881
Long-term debt interest	23,357	24,366
	567,483	553,748
Salaries:		
Nursing	4,302,961	3,921,887
Administration	421,047	438,837
Resident services	229,377	231,374
Dietary	563,574	503,136
Support services	469,655	440,683
Employee benefits	1,239,214	1,083,756
Accrued vacation	35,283	20,918
	7,261,111	6,640,591
Total operating expenses	$ 8,566,673	$ 7,924,594

AUDITORS' REPORT

To the Board of Directors of
Holy Family Home, Inc. and
The Advisory Council of
Sisters Servants of Mary Immaculate

We have audited the combined statement of financial position of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2010 and the combined statements of operations, changes in net assets and cash flow for the year then ended. These combined financial statements are the responsibility of the organizations' management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined financial position of Holy Family Home, Inc. and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2010 and the combined results of their operations, changes in net assets and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PKBW Group

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

Winnipeg, Manitoba
May 20, 2010

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2010

ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2010 TOTAL	2009 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 717,176	144,400	861,576	1,046,713
Accounts receivable	99,979	8,154	108,133	157,021
Due from WRHA (Note 2(a))	1,522,232	-	1,522,232	1,401,891
Due from WRHA - Accrued vacation pay and pre-retirement leave (Note 4)	2,164,078	-	2,164,078	1,863,853
Inventory	73,881	-	73,881	61,858
Prepaid expenses	14,275	-	14,275	9,317
	4,591,621	152,554	4,744,175	4,540,653
INVESTMENTS (Note 3)	-	183,587	183,587	183,587
CAPITAL ASSETS (Notes 2(c) and 5)	-	4,857,654	4,857,654	5,122,456
	$ 4,591,621	5,193,795	9,785,416	9,846,696

LIABILITIES AND NET ASSETS

	HOLY FAMILY HOME, INC.	SSMI PLANT FUND	2010 TOTAL	2009 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,974,984	21,604	1,996,588	1,951,686
Accrued vacation pay and pre-retirement leave (Note 4)	2,712,752	-	2,712,752	2,299,699
Current portion of long-term debt (Note 6)	-	111,695	111,695	41,906
Due to (from) revenue/ plant fund	(69,026)	69,026	-	-
	4,618,710	202,325	4,821,035	4,293,291
LONG-TERM DEBT (Note 6)	-	2,894,580	2,894,580	2,850,114
DEFERRED CONTRIBUTIONS				
Deferred capital contributions (Notes 2(d) and 7)	-	948,194	948,194	1,323,264
Deferred contributions for major building repairs (Note 2(d) and 8)	-	206,723	206,723	183,587
	-	1,154,917	1,154,917	1,506,851
NET ASSETS				
Internally restricted	105,402	-	105,402	105,402
Invested in capital assets	-	903,231	903,231	896,188
Unrestricted	(132,491)	38,742	(93,749)	194,850
	(27,089)	941,973	914,884	1,196,440
	$ 4,591,621	5,193,795	9,785,416	9,846,696

APPROVED BY THE BOARD:

_________________________ Director _________________________ Director

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2010

	2010	2009
REVENUE		
Resident services		
Winnipeg Regional Health Authority (Note 11)	$ 12,801,778	11,457,882
Resident/ participant charges	4,460,373	4,340,932
	17,262,151	15,798,814
Offset income		
Dietary	151,104	159,213
Investment income (Note 9)	10,837	45,638
Amortization of deferred capital contributions	401,576	378,908
Miscellaneous	145,213	110,204
	708,730	693,963
	17,970,881	16,492,777
EXPENSES		
Salaries and benefits		
Nursing	10,026,625	8,929,838
Special	982,235	884,542
General	3,425,094	3,216,725
	14,433,954	13,031,105
Nursing services	302,566	276,963
Special services	142,064	121,965
General administration	507,322	514,990
Dietary	733,657	839,114
Laundry	220,759	225,254
Linen	27,908	27,564
Housekeeping	49,281	41,997
Physical plant	792,935	739,394
Debt structure and amortization (Note 2)	628,738	596,144
	17,839,184	16,414,490
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS AND ADULT DAY CARE	131,697	78,287
OTHER ITEMS		
Unfunded employee future benefits (Note 4)	(112,829)	(47,156)
Pre-retirement leave recovery (Note 4)	-	160,938
EXCESS OF REVENUE OVER EXPENSES BEFORE ADULT DAY CARE	18,868	192,069
ADULT DAY CARE		
Winnipeg Regional Health Authority (Note 11)	256,800	192,264
Participant charges	31,424	26,959
Salaries and benefits	(132,930)	(128,621)
General administration	(148,481)	(82,855)
Dietary	(7,237)	(3,964)
	(424)	3,783
EXCESS OF REVENUE OVER EXPENSES	$ 18,444	195,852

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, 2010

2010

	UNRESTRICTED					
	HOLY FAMILY HOME, INC. (Schedule 1)	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED (Schedule 2)	INVESTED IN CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	$ (135,917)	330,767	194,850	105,402	896,188	1,196,440
Excess of revenue over expenses	3,426	7,975	11,401	-	7,043	18,444
Transfer to SSMI Special Purpose Trust Fund (Note 10)	-	(300,000)	(300,000)	-	-	(300,000)
BALANCE, END OF YEAR	$ (132,491)	38,742	(93,749)	105,402	903,231	914,884

2009

	UNRESTRICTED					
	HOLY FAMILY HOME, INC. (Schedule 1)	SSMI PLANT FUND	SUB-TOTAL	INTERNALLY RESTRICTED (Schedule 2)	INVESTED IN CAPITAL ASSETS	TOTAL
BALANCE , BEGINNING OF YEAR	$ (296,341)	299,094	2,753	176,091	852,389	1,031,233
Excess of revenue over expenses	163,670	32,182	195,852	-	-	195,852
Change in accrued interest payable	-	(509)	(509)	-	509	-
Transfer to Holy Family Home - Ancillary Operations	(3,246)	-	(3,246)	-	-	(3,246)
Transfer from SSMI Funds	-	-	-	-	30,146	30,146
Transfer from Holy Family Home - Ladies Auxiliary	-	-	-	-	23,562	23,562
Net assets invested in capital assets	-	-	-	-	(10,418)	(10,418)
Approved expenditures	-	-	-	(70,689)	-	(70,689)
BALANCE, END OF YEAR	$ (135,917)	330,767	194,850	105,402	896,188	1,196,440

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2010

		2010	2009
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Excess of revenue over expenditures	$	18,444	195,852
Add non-cash item(s):			
Amortization of capital assets		411,994	378,908
Amortization of deferred capital contributions		(401,576)	(405,633)
		28,862	169,127
Change in non-cash working capital:			
Accounts receivable		48,888	(21,178)
Due from WRHA		(120,341)	(504,045)
Due from WRHA - Accrued vacation pay and pre-retirement leave		(300,225)	(46,477)
Inventory		(12,023)	(6,986)
Prepaid expenses		(4,958)	3,517
Accounts payable and accrued liabilities		44,902	(2,519)
Accrued vacation pay and pre-retirement leave		413,053	93,634
		98,158	(314,927)
INVESTING ACTIVITIES			
Purchase of capital assets - equipment and building improvements		(147,193)	(356,977)
FINANCING ACTIVITIES			
Long-term debt principal repayments		114,255	(76,045)
Additions (utilization) of externally restricted fund balances - reserves		23,136	(49,440)
Additions (utilization) of internally restricted fund balances - reserves		-	(70,689)
Transfers from (to) related parties		(300,000)	53,708
Deferred capital contributions		26,506	427,625
Transfer to Ancillary Operations		-	(3,246)
		(136,103)	281,913
DECREASE IN CASH		(185,138)	(389,991)
CASH AND INVESTMENTS, BEGINNING OF YEAR		1,230,300	1,620,291
CASH AND INVESTMENTS, END OF YEAR (Note 3)	$	1,045,162	1,230,300
ADDITIONAL INFORMATION:			
Interest received	$	10,837	76,209
Interest paid		216,852	217,758

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2010

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. The SSMI Plant Fund includes only the assets, liabilities, net assets, revenues and expenses of SSMI's Plant Fund and does not include any other assets, liabilities, net assets, revenues and expenses of SSMI.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

(b) 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.

(c) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

(e) 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.

(f) New Accounting Policy

Effective April 1, 2009 the organization adopted the CICA Section 1535 Capital Disclosure.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

(g) Future Accounting Policy Changes

The Accounting Standards Board of the CICA is currently in the process of reviewing standards for non-profit organization's (NPO's) which may impact presentation and disclosure requirements for financial instruments. However, pending the issuance of such new standards, NPO's are permitted to continue to apply CICA Section 3861 Financial Instruments - Disclosure and Presentation in place of CICA Sections 3862 and 3863.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2010	Total 2009
HFH Revenue fund	$ 717,176	-	717,176	674,674
SSMI Plant fund	99,613	-	99,613	343,960
Major building repairs reserve fund	23,136	183,587	206,723	183,587
Equipment amortization fund	21,651	-	21,651	28,079
	$ 861,576	183,587	1,045,163	1,230,300

The investments are part of a jointly held investment pool by SSMI with yields of 2.0% to 4.50% maturing between April 9, 2010 and November 3, 2014.

HOLY FAMILY HOME, INC.
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2010

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, 2006	Vacation pay	$ 719,492	735,346	(15,854)
	Pre-retirement leave	947,030	1,217,344	(270,314)
		$ 1,666,522	1,952,690	(286,168)
March 31, 2007	Vacation pay	$ 719,492	792,278	(72,786)
	Pre-retirement leave	1,012,904	1,283,218	(270,314)
		$ 1,732,396	2,075,496	(343,100)
March 31, 2008	Vacation pay	$ 719,492	837,867	(118,375)
	Pre-retirement leave	1,097,884	1,368,198	(270,314)
		$ 1,817,376	2,206,065	(388,689)
March 31, 2009	Vacation pay	$ 719,492	885,024	(165,532)
	Pre-retirement leave	1,144,361	1,414,675	(270,314)
		$ 1,863,853	2,299,699	(435,846)
March 31, 2010	Vacation pay	$ 719,492	997,852	(278,360)
	Pre-retirement leave	1,444,586	1,714,900	(270,314)
		$ 2,164,078	2,712,752	(548,674)

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 was $112,829 (2009 - $47,156) for the fiscal year ending March 31, 2010.

b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,444,586 (2009 -$1,144,361) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years: 2006/07, 2007/08 and 2008/09. 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.

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

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, 2009 of $1,714,900 (2009 - $1,414,675) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2010, HFH paid out retirement allowances to their employees in the amount of $112,668 in which the WRHA funded 100% of the payable. The unfunded portion for the fiscal year 2010/2010 was $nil (2009 - $16,641).

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. 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

	2010		2009	
	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	1,250,941	1,616,588	1,217,805
Building - Phase II	3,957,077	2,529,411	3,957,077	2,451,582
Building - Phase V	1,621,247	810,624	1,621,247	740,135
Building - Link	1,500,962	750,476	1,500,962	707,582
Building - Canopy	70,161	42,384	70,161	39,461
Building Improvements	499,436	65,625	452,619	37,214
Equipment	2,558,094	2,016,536	2,457,718	1,860,223
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	-
	$ 12,793,468	7,935,814	12,646,275	7,523,819
Net book value	$ 4,857,654		5,122,456	

6. LONG-TERM DEBT

	2010	2009
Toronto Dominion Bank due March 1st, 2014, prime plus 0.50%, repayable in monthly installments of $1,850 plus interest. Accrued interest $457 (2009 - $nil).	$ 196,795	-
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 $4,023 (2009 - $4,263).	712,012	831,735
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 $17,125 (2009 - $17,451).	2,097,468	2,060,285
	3,006,275	2,892,020
Less: current portion	111,695	41,906
	$ 2,894,580	2,850,114

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2010	$ 111,695
	2011	119,394
	2012	127,780
	2013	245,387
	2014	124,785
	Thereafter	2,277,234
		$ 3,006,275

7. DEFERRED CAPITAL CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2010 Total	2009 Total
BALANCE, BEGINNING OF YEAR	$ 28,079	1,295,185	1,323,264	1,290,854
Add: Deferred contributions - WRHA	48,300	175,370	223,670	427,625
Transfer for Capital assets purchased	(54,727)	54,727	-	-
Donated equipment - HFH Ladies Auxiliary	-	21,831	21,831	-
Adjustment for Toronto Dominion Bank loan received	-	(218,995)	(218,995)	-
	21,652	1,328,118	1,349,770	1,718,479
Deduct: Amortization of deferred contributions	-	401,576	401,576	395,215
BALANCE, END OF YEAR	$ 21,652	926,542	948,194	1,323,264

8. DEFERRED CONTRIBUTIONS FOR MAJOR BUILDING REPAIRS

	Phase 1	Phase 2	2010 Total	2009 Total
BALANCE, BEGINNING OF YEAR	$ 99,208	84,379	183,587	233,027
Add: Deferred contributions - WRHA	8,136	15,000	23,136	23,136
	107,344	99,379	206,723	256,163
Deduct: Transfer to revenue to offset approved major building repairs	-	-	-	72,576
BALANCE, END OF YEAR	$ 107,344	99,379	206,723	183,587

9. INVESTMENT INCOME

	2010	2009
Holy Family Home, Inc. investment income	$ 2,862	13,456
SSMI Plant Fund investment income	7,975	32,182
	$ 10,837	45,638

10. RELATED PARTY TRANSACTIONS

Holy Family Home, Inc. (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate Special Purpose Trust Fund; Sisters Servants of Mary Immaculate Building Expansion Fund (operating as Holy Family Home Building Expansion Fund); Sisters Servants of Mary Immaculate Seniors Tower Fund, Sisters Servants of Mary Immaculate Ancillary Operations (operating as Holy Family Home Ancillary Operations) and Holy Family Home Ladies Auxiliary. 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.
Holy Family Home, Inc. charged Sisters Servants of Mary Immaculate Seniors Tower Fund an administration fee of $33,600 in 2010 (2009 - $33,600). This transaction was recorded at the exchange amount, which is the amount agreed upon by both parties.

Holy Family Home Inc. Ancillary Operations owns and operates a bus for the transportation of Holy Family Home, Inc. residents. It charged rent of $4,561 (2009 - $4,797) to Holy Family Home Inc. Revenue Fund to recover the operating expenses of that bus. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

Sisters Servants of Mary Immaculate Special Purpose Trust Fund pays the Holy Family Home, Inc. Revenue Fund fees in the amount of $13,560 in 2010 (2009 - $13,560) for accounting support services. The transactions are at the exchange amount, which is the amount agreed upon by both parties.

At the June 29, 2009 Annual General Meeting of Sisters Servants of Mary Immaculate, the Advisory Council approved the transfer of $300,000 of unrestricted net assets of the Plant Fund to the Special Purpose Trust Fund.

11. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2010	2009
Total funds received during year	$11,415,984	11,090,064
Add: Year end adjustments receivable	1,779,966	1,041,144
	13,195,950	12,131,208
Deduct: Loan funding deferred	104,736	76,056
Pre-retirement leave recovery reported in other income	-	160,938
Major reserves funding deferred	23,136	23,136
Residential charges claw back	9,500	220,932
	137,372	481,062
	$13,058,578	11,650,146

Funding broken down as follows:

	2010	2009
Resident Services	$12,801,778	11,457,882
Adult Day Care	256,800	192,264
	$13,058,578	11,650,146

12. COMMITMENTS

HFH leases office equipment under operating leases. The future annual lease commitments under these leases are as follows:

March 31, 2010	$	5,976
2011		5,400
2012		4,719
2013		786

13. 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments

Financial instruments include cash, accounts receivable, accrued interest receivable, inventory, 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.

(b) Fair value of financial instruments

The carrying value of cash, accounts receivable, accrued interest receivable, inventory, 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.

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Fair value of financial instruments (Continued)

Long-term debt approximates carrying value as the loan with TD 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.

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, 2010, the organization has a cash balance of $861,576.

(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. 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.

15.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
SCHEDULES OF NET ASSETS
YEAR ENDED MARCH 31, 2010

SCHEDULE 1

HOLY FAMILY HOME, INC. UNRESTRICTED NET ASSETS

		UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	UNRESTRICTED	2010 TOTAL	2009 TOTAL
BALANCE, BEGINNING OF YEAR	$	(435,845)	299,928	(135,917)	(296,341)
Excess (deficiency) of revenue over expenses from operations		(112,829)	116,255	3,426	163,670
Transfer to HFH-Ancillary Operations		-	-	-	(3,246)
BALANCE, END OF YEAR	$	(548,674)	416,183	(132,491)	(135,917)

SCHEDULE 2

INTERNALLY RESTRICTED NET ASSETS

		UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2010 TOTAL	2009 TOTAL
BALANCE, BEGINNING OF YEAR	$	2,502	26,095	76,805	105,402	176,091
Transfer to unrestricted net assets		-	-	-	-	(70,689)
BALANCE, END OF YEAR	$	2,502	26,095	76,805	105,402	105,402

AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporated
Winnipeg, Manitoba

I have audited the balance sheet of the Hope Centre Health Care Incorporated as at March 31, 2010 and the statements of income and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and the changes in its financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

2 – 715 Lanark Street
Winnipeg, R3N 1M4

David Hildebrand CGA CAFM
Certified General Accountant

June 14, 2010

Hope Centre Health Care Incorporated
Balance Sheet
As at March 31, 2010

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ -
Accounts Receivable	212,232	79,797
Prepaid Expenses	12,667	3,468
Total Current Assets	224,899	83,265
Property Plant & Equipment (Note 2 & 3)	38,817	43,613
Total Assets	**$ 263,716**	**$ 126,878**
LIABILITIES		
CURRENT LIABILITIES		
Bank Overdraft	$ 4,386	$ 16,181
Bank Loan	45,000	2,000
Accounts Payable	29,742	31,039
Total Current Liabilities	79,128	49,220
OWNERS' EQUITY		
Investment in Capital Assets	38,817	43,612
Unrestricted	145,771	34,046
Total Owners' Equity	184,588	77,658
Total Liabilities and Surplus	**$ 263,716**	**$ 126,878**

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, 2010

	2010	2009
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 1,011,227	$ 892,103
Medical Receipts	14,306	19,182
Other	21,943	47,831
	1,047,475	959,116
EXPENSES		
Administration	91,651	94,005
Primary Health Care	805,807	736,577
Occupancy	85,640	96,684
	983,098	927,266
Excess of revenue over expenses for the year	64,378	31,850
Add: Adjustment to prior years' Income	42,552	-
	106,930	31,850
Accumulated surplus (deficiency), beginning of year	77,658	45,808
Accumulated surplus (deficiency), end of year	**$ 184,588**	**$ 77,658**

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, 2010

	2010	2009
Cash flows from operating activities		
Excess of revenue over expenses	$ 64,378	$ 31,850
Amortization	4,796	4,796
	69,174	36,646
Changes in other non-cash operating accounts	(99,931)	(69,008)
	(30,757)	(32,362)
Adjustment of prior years' income	42,552	-
Increase (decrease) In cash during the year	11,795	(1,391)
Cash beginning of year	(16,181)	17,572
Cash end of year	**$ (4,386)**	**$ (16,181)**

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, 2010

	Budget 2,010	Actual 2010	Actual 2009
Administration			
Salaries and benefits	$ 72,280	$ 73,113	$ 72,280
Professional fees	15,000	14,749	17,026
Bank charges and interest	2,000	2,859	1,658
Insurance - Liabilities	3,000	930	3,041
	$ 92,280	$ 91,651	$ 94,005
Primary Health Care			
Salaries - Physicians	$ 139,845	$ 231,737	$ 171,432
Salaries - Health Care	445,200	428,881	429,750
Professional Development	4,000	1,397	2,232
Benefits - Salaries	84,500	83,446	82,592
Auto Allowance	2,500	729	1,893
Program Supplies	6,500	21,416	26,876
Program Equipment	600	20,321	4,957
Public Relations	6,000	3,944	3,390
Medical Courier		-	89
Communications	13,000	12,094	10,695
Postage	2,000	1,843	2,671
	$ 704,145	$ 805,807	$ 736,577
Occupancy			
Cleaning - Janitorial	$ 10,000	$ 10,565	$ 10,053
Cleaning Supplies	3,346	2,641	3,854
Properties - Heat	4,300	6,648	6,213
Properties - Light	3,000	4,095	2,674
Properties - Water	1,500	2,564	1,921
Properties - Maintenace	18,758	9,935	22,330
Properties - Taxes	1,400	1,250	1,734
Hardware Supplies	500	201	-
Rental - 240 Powers St.	41,616	41,616	41,548
Alarm Monitoring	2,000	1,329	1,559
Amortization	-	4,796	4,796
	$ 86,420	$ 85,640	$ 96,684

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, 2010

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 accrual basis of accounting is being used.

b) Inventories

Inventories are insignificant, thus all inventory is charged to operations in the current year of operations.

c) Property, Pland and Equipment

Capital assets 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, 2010

3. Property Plant & Equipment
   Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2010	2009
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	67,910	5,303	8,964
Furniture and fixtures	50,898	50,898	-	-
Equipment	32,283	30,770	1,513	2,648
	$ 188,394	$ 149,577	$ 38,817	$ 43,612

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 $88,645 (2009 - $72,843).

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

Auditors' Report

To the Members of
Klinic Incorporated

We have audited the statement of financial position of Klinic Incorporated as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 14, 2010

Booke & Partners
Chartered Accountants

Klinic Incorporated
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2010 Total	2009 Total
Revenues						
Grants and other revenue (Page 14)	$ 8,321,336	$ -	$ -	$ -	**$ 8,321,336**	$ 7,454,622
Donations	-	-	-	14,306	**14,306**	24,100
Interest	-	-	-	1,887	**1,887**	3,212
Amortization of deferred revenues	-	8,023	72,140	-	**80,163**	198,398
	8,321,336	8,023	72,140	16,193	**8,417,692**	7,680,332
Expenses						
Expenditures (Page 14)	8,309,010	-	-	-	**8,309,010**	7,507,499
Amortization	-	8,179	67,679	-	**75,858**	194,093
Special projects	-	-	-	1,311	**1,311**	1,898
	8,309,010	8,179	67,679	1,311	**8,386,179**	7,703,490
Excess (deficiency) of revenues over expenses from operations	12,326	(156)	4,461	14,882	**31,513**	(23,158)
Pre-retirement leave (Note 11)	(30,418)	-	-	-	**(30,418)**	10,611
Excess (deficiency) of revenues over expenses	$ (18,092)	$ (156)	$ 4,461	$ 14,882	**$ 1,095**	$ (12,547)

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2010 Total	2009 Total
Fund balances, beginning of year	$ 52,917	$ 2,808	$ 162,558	$ 334,455	**$ 552,738**	$ 565,285
Excess (deficiency) of revenues over expenses	(18,092)	(156)	4,461	14,882	**1,095**	(12,547)
Fund balances, end of year	$ 34,825	$ 2,652	$ 167,019	$ 349,337	**$ 553,833**	$ 552,738

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	2010 Total	2009 Total
Assets						
Current						
Cash (Note 5)	$ 1,492,922	$ -	$ -	$ 98,255	$ **1,591,177**	$ 1,304,167
Cash in trust - external projects (Note 5)	84,922	-	-	-	**84,922**	106,075
Receivables (Note 7)	753,929	-	-	-	**753,929**	878,594
Prepaid expenses	18,562	-	-	-	**18,562**	15,558
	2,350,335	-	-	-	**2,448,590**	2,304,394
Interfund balances (Note 10)	(320,096)	-	69,014	251,082	-	-
Capital assets (Note 8)	-	33,977	1,107,966	-	**1,141,943**	1,217,801
	$ 2,030,239	$ 33,977	$ 1,176,980	$ 349,337	$ **3,590,533**	$ 3,522,195
Liabilities						
Current						
Payables and accruals	$ 1,094,669	$ -	$ -	$ -	$ **1,094,669**	$ 1,139,485
Deferred revenue (Note 9)	231,726	-	-	-	**231,726**	182,022
Funds in trust - external projects (Note 5)	84,922	-	-	-	**84,922**	106,075
	1,411,317	-	-	-	**1,411,317**	1,427,582
Deferred revenue (Note 9)	-	31,325	1,009,961	-	**1,041,286**	1,121,449
Pre-retirement leave (Note 11)	584,097	-	-	-	**584,097**	420,426
	1,995,414	31,325	1,009,961	-	**3,036,700**	2,969,457
Fund balances						
Invested in capital assets	-	2,652	98,005	-	**100,657**	96,352
Unrestricted - retainable	34,825	-	69,014	349,337	**453,176**	456,386
	34,825	2,652	167,019	349,337	**553,833**	552,738
	$ 2,030,239	$ 33,977	$ 1,176,980	$ 349,337	$ **3,590,533**	$ 3,522,195

On behalf of the Board

_Director _______________ Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2010 Total	2009 Total (Note 15)
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 5,832,077	$ -	$ -	$ -	$ **5,832,077**	$ 5,200,737
Province of Manitoba	1,632,031	-	-	-	**1,632,031**	1,732,836
Government of Canada	125,273	-	-	-	**125,273**	212,610
University of Winnipeg	126,076	-	-	-	**126,076**	117,958
Workshops and honorariums	21,876	-	-	-	**21,876**	23,379
Fundraising	783	-	-	-	**783**	12,479
Donations	13,270	-	-	14,306	**27,576**	27,797
External projects	243,289	-	-	-	**243,289**	443,802
Interest	29,575	-	-	1,887	**31,462**	22,693
Other sources	706,297	-	-	-	**706,297**	291,542
Cash paid for:						
Human resources and benefits	(7,343,923)	-	-	-	**(7,343,923)**	(6,492,461)
Materials and services	(869,660)	-	-	(1,311)	**(870,971)**	(703,441)
External projects	(264,445)	-	-	-	**(264,445)**	(440,105)
Interest	(1,544)	-	-	-	**(1,544)**	(1,984)
Net increase in cash	250,975	-	-	14,882	**265,857**	447,842
Cash beginning of year	1,165,727	-	-	244,515	**1,410,242**	962,400
Interfund adjustments	161,142	-	-	(161,142)	**-**	-
Cash end of year (Note 6)	$ 1,577,844	$ -	$ -	$ 98,255	$ **1,676,099**	$ 1,410,242

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Purpose of the organization

Klinic Incorporated (Klinic) 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 services, public education and training for the Province of Manitoba.

Klinic Incorporated 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, liabilities, revenues and expenses related to the organization's activities including computer equipment.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets, excluding computer equipment, and the building at 870 Portage Avenue.

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

Klinic Incorporated 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 is 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
Wilson House Fund		
Building	20 years	straight-line
Capital Asset Fund		
Building	20 years	straight-line
Furniture and equipment	5 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 4.9% (2009 - 6.7%), a rate of salary increase of 4.0% (2009 - 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. Klinic 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 funding held in trust - external.

g) Allocation of expenses

Klinic 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.

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, payables and accruals and deferred revenue.

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. Change in accounting policy

Effective April 1, 2009, the Organization adopted the new recommendations of the Canadian Institute of Chartered Accountants in Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations. Section 4470 provides standards for how expenses may be allocated among functions of an organization and the disclosure required. The adoption of this new standard does not have a material impact on the Organization's financial statements and does not result in any changes to the values previously reported in these financial statements.

4. Cash

Klinic has available an operating line of credit with an authorized limit of $25,000 (2009 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2010 (2009 - $NIL).

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CHARTERED ACCOUNTANTS

5. Cash held in trust - external projects

Funding held in trust for external projects is as follows:

	2010	2009 (Note 15)
Manitoba Association of Family Violence Workers	$ -	$ 3,895
Manitoba Public Health Association	15,328	15,998
Mothers Support Circle	434	434
Downtown Parent Coalition	31,037	57,131
Manitoba Network for Suicide Prevention	6,736	7,147
Partners in Caring	(3,062)	-
Trauma Forum	1,790	3,890
Pregnancy Prevention Media Campaign	1,857	1,857
Male Childhood Abuse Workshop	669	852
Wellness Committee	3,020	3,037
GLBTT	-	296
West Central Community Guide	4,466	4,466
West Central Women's Resource Centre	22,647	7,072
	$ 84,922	$ 106,075

6. Cash balances

	2010	2009
Operating Fund		
Cash and short-term investments	$ 1,492,922	$ 1,059,652
Cash in trust - external projects	84,922	106,075
	1,577,844	1,165,727
Donation Fund	98,255	244,515
	$ 1,676,099	$ 1,410,242

7. Receivables

	2010	2009
Winnipeg Regional Health Authority	$ 459,595	$ 438,935
Other	294,334	439,659
	$ 753,929	$ 878,594

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CHARTERED ACCOUNTANTS

8. Capital assets

2010

	Cost	Accumulated Amortization	**Net Book Value**
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Asset Fund			
Building	2,401,770	2,370,445	**31,325**
Furniture and equipment	278,616	275,964	**2,652**
	2,680,386	2,646,409	**33,977**
Wilson House Fund			
Land	160,500	-	**160,500**
Building	1,353,581	406,115	**947,466**
	1,514,081	406,115	**1,107,966**
	$ 4,310,642	$ 3,168,699	**$ 1,141,943**

2009

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Asset Fund			
Building	2,401,770	2,368,602	33,168
Furniture and equipment	278,616	269,628	8,988
	2,680,386	2,638,230	42,156
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	338,436	1,015,145
	1,514,081	338,436	1,175,645
	$ 4,310,642	$ 3,092,841	$ 1,217,801

booke & partners
CHARTERED ACCOUNTANTS

9. 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:

	2010	2009
Beginning balance	**$ 182,022**	$ 150,964
Less: amounts recognized as revenue during the year	**(21,132)**	(36,188)
Add: amounts received related to next year	**70,836**	67,246
	$ 231,726	$ 182,022

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

	2010	2009
Beginning balance	**$ 39,348**	$ 165,606
Less: amounts recognized as revenue during the year	**(8,023)**	(126,258)
Add: amounts received related to next year	**-**	-
	$ 31,325	$ 39,348

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

	2010	2009
Beginning balance	**$ 1,082,101**	$ 1,154,241
Less: amounts recognized as revenue during the year	**(72,140)**	(72,140)
Add: contributions	**-**	-
	$ 1,009,961	$ 1,082,101

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.

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& partners
CHARTERED ACCOUNTANTS

10. Interfund balances

The interfund balances are non interest bearing and have no terms of repayment.

11. 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	**2010**	2009
Opening balance	**$ 420,426**	$ 415,126
Increase in obligation	**163,671**	5,300
Ending balance	**$ 584,097**	$ 420,426
Pre-retirement leave		
Current year recovery	**$ 19,493**	$ 15,911
Increase in obligation	**(163,671)**	(5,300)
Increase in receivable	**113,760**	-
	$ (30,418)	$ 10,611

12. Pension

Effective June 1, 2003, Klinic adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, Klinic'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, $412,242 (2009 - $ 375,375) was expensed for the purpose of the Plan.

Prior to June 1, 2003 Klinic had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

13. Capital disclosures

Klinic 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 Klinic is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Klinic is not subject to any externally imposed requirements of its capital.

14. Economic dependence

The volume of financial activity undertaken by Klinic Incorporated 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. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Schedule of Operations
Year Ended March 31

		Knowledge Exchange Network	2010 Total	2009 Total (Note 15)
Revenues				
Winnipeg Regional Health Authority				
Fixed payments	-	$ -	$ 5,757,936	$ 5,114,428
Other funding	5	-	124,123	82,669
Province of Manitoba				
Manitoba Health	-	-	819,353	680,387
Healthy Child	-	-	261,944	269,249
Education	-	-	15,000	15,000
Addictions Foundation of Manitoba	-	-	87,500	80,000
Manitoba Department of Family Services	-	-	515,200	489,244
Other departments	-	-	580	3,560
Government of Canada				
Canada Drug Strategy	-	93,118	100,941	70,760
Canadian Heritage	-	-	-	1,256
Human Resources Development Canada	-	-	3,898	-
Workers Compensation Board	-	-	55,000	55,000
Winnipeg Foundation	-	-	17,502	26,989
University of Winnipeg	-	-	127,435	121,372
Other	-	-	384,006	350,932
Workshops	-	-	5,973	23,379
Donations	-	-	12,454	3,697
Foundations	-	-	14,000	14,000
Interest	-	-	17,708	25,448
Deferred revenue from prior year	-	-	-	14,773
Fundraising	-	-	783	12,479
Total revenues	5	93,118	8,321,336	7,454,622
Expenditures				
Salaries	-	15,378	5,694,525	5,379,016
Medical remuneration	-	-	656,077	472,418
Benefits and payroll tax	-	1,423	1,057,034	901,666
Food and dietary supplies	-	-	26,355	27,420
Housekeeping	-	-	13,259	9,386
Medical supplies	-	-	40,739	33,333
Office supplies	-	52,031	209,812	179,014
Other	5	16,032	306,985	188,039
Professional fees	-	-	37,081	38,705
Rent	-	3,200	26,583	24,366
Repairs and maintenance	5	5,054	138,844	157,060
Pharmacy and drugs	4	-	5,176	994
Reproductive health supplies	-	-	21,631	14,408
Utilities and property taxes	-	-	69,157	74,535
Volunteer services	-	-	5,752	7,139
Total expenditures	5	93,118	8,309,010	7,507,499
Excess (deficiency) of revenues over expenditures	-	$ -	$ 12,326	$ (52,877)

booke & partners
CHARTERED ACCOUNTANTS

RUNCHEY MIYAZAWA ABBOTT

AUDITORS' REPORT

To the Board of Directors of
LHC PERSONAL CARE HOME INC.

We have audited the statement of financial position of **LHC PERSONAL CARE HOME INC.** as at March 31, 2010 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
May 4, 2010

310-70 Albert Street, Winnipeg, Manitoba R3B 1E7
T 204 929 2210 F 204 929 2212

LHC PERSONAL CARE HOME INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2010

		2010	2009
ASSETS			
CURRENT			
Restricted cash - resident trust	$	**21,653**	32,514
Restricted cash - reserve fund		**152,115**	139,584
Accounts receivable (note 3)		**23,861**	8,926
Due from Winnipeg Regional Health Authority (note 4)			97,066
Due from a related party (note 8)			12,383
Vacation entitlement receivable (note 5)		**138,650**	138,650
Prepaid expenses		**10,947**	11,489
		347,226	440,612
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 5)		**108,523**	72,301
CAPITAL ASSETS (note 6)		**9,473,960**	9,875,957
		9,929,709	10,388,870
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bank indebtedness (note 7)		**26,978**	150,849
Accounts payable and accrued liabilities		**49,748**	67,902
Resident trust payable		**21,653**	32,514
Accrued vacation payable		**273,051**	262,072
Due to Winnipeg Regional Health Authority (note 4)		**18,449**	
Due to a related party (note 8)		**5,645**	
Demand loan payable (note 9)		**50,677**	105,637
		446,201	618,974
COMMITMENTS AND CONTINGENCIES (note 10)			
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 5)		**129,070**	92,848
DEFERRED CONTRIBUTIONS (note 11)		**8,509,187**	8,843,693
DEFERRED FUNDS		**3,252**	3,399
		9,087,710	9,558,914
NET ASSETS			
NET ASSETS (page 4)		**841,999**	829,956
	$	**9,929,709**	10,388,870

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the year ended March 31, 2010

		2010	2009
REVENUE			
Winnipeg Regional Health Authority	$	**4,914,826**	4,478,570
Resident charges		**2,007,085**	2,006,282
Other		**32,329**	36,605
		6,954,240	6,521,457
EXPENDITURES			
Electricity		**113,514**	109,211
Health & Education Levy		**84,717**	79,171
Insurance		**42,869**	40,654
Medical remuneration		**17,592**	6,000
Medical supplies, equipment		**167,201**	174,415
Natural gas		**69,958**	82,603
Operational supplies and services		**273,323**	272,524
Other employee benefits		**556,645**	499,155
Other nursing expenses		**5,841**	5,034
Plant maintenance		**97,513**	85,414
Professional fees		**43,637**	16,422
Property taxes		**104,958**	108,780
Purchased meals		**789,510**	756,594
Purchased services (note 8)		**353,593**	358,019
Resident travel		**16,607**	15,411
Salaries		**4,042,644**	3,748,799
Water and waste		**40,447**	44,389
Workers Compensation premiums		**85,406**	66,505
		6,905,975	6,469,100
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS		**48,265**	52,357
OTHER ITEMS			
Amortization of deferred contributions		**417,446**	415,899
Amortization of capital assets		**(417,446)**	(415,899)
Change in retirement obligation		**(36,222)**	(28,527)
		(36,222)	(28,527)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$	**12,043**	23,830

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS
March 31, 2010

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2010	TOTAL 2009
NET ASSETS, beginning of year	$ 1,066,211	(236,255)	829,956	806,126
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		12,043	12,043	23,830
PURCHASE OF CAPITAL ASSETS	15,449	(15,449)		
TRANSFER	(15,449)	15,449		
NET ASSETS, end of year	$ 1,066,211	(224,212)	841,999	829,956

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, 2010

		2010	2009
OPERATING ACTIVITIES			
Excess of revenue over expenditures for the year	$	**12,043**	23,830
Adjustments for			
Amortization of capital assets		**417,446**	415,899
Net (increase) decrease in resident trust		**10,861**	(10,792)
Net increase in reserve funds		**(12,531)**	(74,238)
Change in deferred contributions		**(334,506)**	(332,959)
Change in deferred funds		**(147)**	(773)
		93,166	20,967
Changes in non-cash working capital balances			
Accounts receivable		**(14,935)**	5,621
Prepaid expenses		**542**	(1,715)
Pre-retirement entitlement receivable		**(36,222)**	(28,527)
Accounts payable and accrued liabilities		**(18,154)**	(22,799)
Resident trust payable		**(10,861)**	10,792
Accrued vacation payable		**10,979**	39,953
Accrued pre-retirement entitlement		**36,222**	28,527
		60,737	52,819
INVESTING ACTIVITIES			
Purchase of capital assets		**(15,449)**	(5,470)
Net decrease in investments			51,728
		(15,449)	46,258
FINANCING ACTIVITIES			
Due to (from) Winnipeg Regional Health Authority		**115,515**	(21,039)
Due to (from) a related party		**18,028**	(6,171)
Repayment of demand loan		**(54,960)**	(54,960)
		78,583	(82,170)
NET INCREASE IN CASH		**123,871**	16,907
CASH POSITION, BEGINNING OF YEAR		**(150,849)**	(167,756)
CASH POSITION, END OF YEAR	$	**(26,978)**	(150,849)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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 organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable. The organization has classified cash as "Held for trading", accounts receivable and advances from a related party as "Loans and receivables", accounts payable and accrued liabilities, advances to a related party and demand loan payable as "Other". The fair value of cash, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable approximate their carrying value. The classification of the financial assets and liabilities did not affect the organization's financial statements at the time of adoption. As such, the opening net assets of the organization have not been adjusted for the changes in the accounting policy and, as provided for under the transitional provisions, the financial statements for prior periods have not been restated.

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, 2010.

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. ACCOUNTS RECEIVABLE

		2010	2009
Receivable from residents	$	**15,540**	1,742
Other		**8,321**	7,129
Accrued interest			55
	$	**23,861**	8,926

4. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2010	2009
Bridge funding	$	**(556,682)**	(444,740)
Capital interest		**(3,317)**	(2,041)
CUPE support wages		**87,284**	
Dialysis transportation		**1,281**	804
Extended health benefit plan increase		**23,305**	
Flu immunization costs		**588**	876
H1N1		**1,611**	
Leap year residential charges		**5,261**	5,261
MNU contract			171,561
Median adjustment		**362,881**	389,141
Non-union wage increase			14,316
Pre-retirement payout		**7,695**	7,695
Residential charges		**(95,044)**	(145,046)
Staffing increase hours of care		**139,925**	99,239
Wage standardization		**6,763**	
	$	**(18,449)**	97,066

5. 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 (and the organization). 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.

6. CAPITAL ASSETS

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 189,282**		189,282	
Buildings	**12,324,767**	**3,078,991**	12,324,767	2,770,799
Furniture, fixtures and equipment	**1,080,687**	**1,050,294**	1,065,238	942,769
Land improvements	**17,289**	**8,780**	17,289	7,051
	13,612,025	**4,138,065**	13,596,576	3,720,619
Cost less accumulated amortization	**$ 9,473,960**		9,875,957	

Amortization of capital assets for the year ended March 31, 2010 is $417,446 (2009 - $415,899).

7. 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. At March 31, 2010 the organization had $172,276 available for its use.

8. 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.

The following table summarizes the organization's related party transactions:

		2010	2009
Administration	$	**135,060**	134,885
Finance		**133,776**	145,079
Maintenance		**84,757**	78,055
		353,593	358,019
Dietary		**789,510**	756,594
	$	**1,143,103**	1,114,613

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:

		2010	2009
Lions Manor	$	**(5,645)**	12,383

The balances are non-interest bearing, due on demand and are unsecured.

At the end of the year, $22,304 (2009 - $16,703) of donations are being held as restricted funds by Lions Manor, a related party.

9. DEMAND LOAN PAYABLE

		2010	2009
Line of Credit - Royal Bank of Canada, repayable in monthly principal payments of $4,580 and monthly interest payments of prime minus 0.8%. The line of credit is repayable on demand and is secured by a borrowing resolution and a letter of comfort from Manitoba Health	$	**50,677**	105,637

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, 2010, no litigation is in process. With respect to potential claims at March 31, 2010, 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

Capital assets

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.

		2010	2009
Balance, beginning of year	$	**8,704,109**	9,059,578
Contributions - Winnipeg Regional Health Authority		**54,960**	54,960
Transfers from equipment funding		**15,449**	5,470
Less amounts amortized to revenue		**(417,446)**	(415,899)
Balance, end of year	$	**8,357,072**	8,704,109

Unspent major repairs funding

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.

		2010	2009
Balance, beginning of year	$	**43,727**	36,047
Contributions - Winnipeg Regional Health Authority		**7,680**	7,680
Balance, end of year	$	**51,407**	43,727

Unspent equipment funding

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.

		2010	2009
Balance, beginning of year	$	**95,857**	81,027
Contributions - Winnipeg Regional Health Authority		**20,300**	20,300
Purchases		**(15,449)**	(5,470)
Balance, end of year	$	**100,708**	95,857
Total deferred contributions balance	$	**8,509,187**	8,843,693

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, 2005 indicates the Plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the organization on behalf of its employees amounted to $241,623 (2009 - $217,450) 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, 2009.

To the Directors of 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 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.

Meyers Norris Penny LLP, 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.

May 31, 2010

Chief Executive Officer

Finance Manager

Auditors' Report

To the Directors of Luther Home Corporation:

We have audited the statement of financial position of Luther Home Corporation as at March 31, 2010 and the statements of operations, changes in net assets, cash flows and supporting schedules 1 to 10 for the year then ended. These financial statements have been prepared in accordance with the accounting policies described in Note 2 to the financial statements, to comply with the Operating Agreement with the Manitoba Housing and Renewal Corporation (MHRC). These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations for the year then ended in accordance with the accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of MHRC to comply with the Operating Agreement with the MHRC. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 31, 2010

Chartered Accountants

Luther Home Corporation
Statement of Financial Position
As at March 31, 2010

	2010	2009
Assets		
Current		
Cash and marketable securities *(Note 3)*	825,585	1,016,112
Accounts receivable	181,460	268,249
Prepaid expenses	53,224	43,832
Inventory	15,931	14,508
Construction in progress	-	5,309
	1,076,200	1,348,010
Due from Winnipeg Regional Health Authority *(Note 4)*	427,394	323,088
Capital assets *(Note 5)*	6,239,411	6,181,351
	7,743,005	7,852,449
Liabilities		
Current		
Accounts payable and accrued liabilities	1,197,479	1,062,974
Current portion of long term debt *(Note 6)*	71,000	64,990
Accrued benefit entitlement	330,440	251,405
	1,598,919	1,379,369
Term loans due on demand *(Note 6)*	434,422	532,982
	2,033,341	1,912,351
Long-term debt *(Note 6)*	2,356,197	2,426,819
Deferred contributions		
Capital assets	838,303	838,373
Memorial fund	37,449	37,449
Subsidy surplus reserve *(Note 7)*	71,997	69,313
Replacement reserve *(Note 8)*	305,032	324,399
	5,642,319	5,608,704
Net Assets		
Invested in capital assets	1,559,240	1,342,647
Internally restricted	(13,626)	(16,691)
Unrestricted	555,072	917,789
	2,100,686	2,243,745
	7,743,005	7,852,449

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Luther Home Corporation
Statement of Operations
For the year ended March 31, 2010

	2010	2009
Revenues		
Long term care *(Schedule 1)*	**5,481,257**	5,226,392
1080 Powers *(Schedule 2)*	**514,035**	509,707
1084 Powers *(Schedule 3)*	**302,753**	340,033
364 Leila *(Schedule 4)*	**342,092**	328,601
Adult Day Program *(Schedule 5)*	**116,404**	111,406
Home Care Program *(Schedule 6)*	**323,305**	312,382
Management Services *(Schedule 7)*	**19,990**	26,453
Memorial Fund (*Schedule 8*)	**27,005**	27,729
	7,126,841	6,882,703
Expenses		
Long term care *(Schedule 1)*	**5,581,707**	5,200,774
1080 Powers *(Schedule 2)*	**539,656**	509,707
1084 Powers *(Schedule 3)*	**236,880**	335,513
364 Leila *(Schedule 4)*	**313,717**	332,153
Adult Day Program *(Schedule 5)*	**116,739**	110,665
Home Care Program (*Schedule 6*)	**318,831**	301,737
Management Services (*Schedule 7*)	**59,395**	34,459
Memorial Fund (*Schedule 8*)	**23,940**	4,522
	7,190,865	6,829,530
Excess (deficiency) of revenues over expenses before other	**(64,024)**	53,173
Other		
Benefit bank value change - vacation	**(79,035)**	(55,888)
Deficiency of revenues over expenses	**(143,059)**	(2,715)

The accompanying notes are an integral part of these financial statements

Luther Home Corporation
Statement of Changes in Net Assets
For the year ended March 31, 2010

	Invested in capital assets	Internally restricted	Unrestricted	2010	2009
Net assets, beginning of year	1,342,647	(16,691)	917,789	2,243,745	2,246,460
Excess (deficiency) of revenues over expense	(246,809)	3,065	100,685	(143,059)	(2,715)
Capital asset additions	300,230	-	(300,230)	-	-
Debt repayment	163,172	-	(163,172)	-	-
Net assets, end of year	1,559,240	(13,626)	555,072	2,100,686	2,243,745

The accompanying notes are an integral part of these financial statements

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Luther Home Corporation
Statement of Cash Flows
For the year ended March 31, 2010

	2010	2009
Cash provided by (used for) the following activities:		
Operating activities		
Cash receipts from residents and other	**2,059,684**	1,946,370
Cash received from funding sources	**5,051,594**	4,675,954
Cash paid to employees and vendors	**(6,567,301)**	(6,116,905)
Allocation to replacement reserve	**(58,164)**	(60,184)
Expenditures from replacement reserve	**88,243**	87,335
Interest received	**13,728**	52,325
Interest paid	**(258,510)**	(291,713)
	329,274	293,182
Financing activities		
Interest allocated to funded reserves	**(16,374)**	(14,979)
Repayment of term loans	**(98,560)**	(149,792)
Repayment of long-term debt	**(64,612)**	(233,849)
	(179,546)	(398,620)
Investing activities		
Purchase of capital assets	**(300,230)**	(181,424)
Increase (decrease) in cash resources	**(150,502)**	(286,862)
Cash resources, beginning of year	**1,016,112**	1,302,974
Cash resources, end of year	**865,610**	1,016,112

The accompanying notes are an integral part of these financial statements

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:

i) 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.

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.

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

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.

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.

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

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:

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 the age of 65; or
iv) 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.

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 3.7% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to restrictions.

	2010	2009
Cash and marketable securities, restricted	**433,478**	393,712
Cash and marketable securities, unrestricted	**392,107**	622,400
	825,585	1,016,112

4. Due from Winnipeg Regional Health Authority (WRHA)

	2010	2009
Vacation entitlement	**133,100**	133,100
Pre-retirement asset entitlement	**294,294**	189,988
	427,394	323,088

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, 2010, the WRHA fully funded the change in the pre-retirement obligation.

5. Capital assets

	Cost	Accumulated amortization	2010 Net book value
Land - 1081 Andrews Street	51,952	-	51,952
Buildings - 1081 Andrews Street	2,499,753	957,967	1,541,786
Automotive - 1081 Andrews Street	74,399	55,164	19,235
Real time locating system - computer	9,335	6,069	3,266
Computer and system software - 1081 Andrews Street	180,926	149,530	31,396
Furniture, equipment and improvements - 1081 Andrews Street	2,767,060	1,588,572	1,178,488
Real time locating system	167,863	58,751	109,112
Buildings - 364 Leila	229,431	75,223	154,208
Furniture and fixtures - 364 Leila	24,404	21,374	3,030
Land, building and equipment - 1080 Powers Street	2,864,924	346,780	2,518,144
Land, building and equipment - 1084 Powers Street	1,925,129	1,296,335	628,794
	10,795,176	4,555,765	6,239,411

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5. Capital assets *(Continued from previous page)*

	Cost	Accumulated amortization	2009 Net book value
Land - 1081 Andrews Street	51,952	-	51,952
Buildings - 1081 Andrews Street	2,489,185	890,605	1,598,580
Automotive - 1081 Andrews Street	74,399	51,700	22,699
Real time locating system - computer	9,335	5,835	3,500
Computer and system software - 1081 Andrews Street	180,925	138,018	42,907
Furniture, equipment and improvements - 1081 Andrews Street	2,495,598	1,489,035	1,006,563
Real time locating system	167,863	41,965	125,898
Office equipment	671	671	-
Buildings - 364 Leila	205,922	71,022	134,900
Furniture and fixtures - 364 Leila	24,405	20,577	3,828
Land, building and equipment - 1080 Powers Street	2,864,924	303,194	2,561,730
Land, building and equipment - 1084 Powers Street	1,925,129	1,296,335	628,794
	10,490,308	4,308,957	6,181,351

6. Long-term debt

	2010	2009
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	2,123,574	2,167,161
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	303,623	324,648
Term demand loan, with Bank of Montreal, bearing interst 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	215,933	247,533
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	218,489	285,449
	2,861,619	3,024,791
Less: Term loans due on demand	434,422	532,982
Less: Current portion of long-term debt	71,000	64,990
	2,356,197	2,426,819

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2011	71,000
2012	78,000
2013	85,000
2014	93,000
2015	101,000

7. Subsidy surplus reserve

Under the terms of the agreement with CMHC, excess federal assistance payments may be retained in a subsidy surplus reserve up to a maximum of $500 per unit plus interest. The monies that comprise the reserve are to be deposited 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 CMHC from time to time. The funds in this account may only be used to meet the future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first then principal. When the fund has attained the maximum of $500 per unit, up to 10% of the unused subsidy during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

8. Replacement reserve

1081 Andrews Street
Under the terms of the agreement with WRHA, the replacement reserve account is to be credited in the amount of $18,776 (2009 - $18,776) annually. 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 approved by WRHA from time to time. The use of the funds in the account may require approval by the WRHA.

1080 Powers Street
Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of $15,000 (2009 - $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.

1084 Powers Street
Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of $13,700 (2009 - $13,700). 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 CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. This agreement expired with the repayment of the CMHC loan.

9. Federal assistance

1084 Powers Street received federal assistance through CMHC pursuant to section 56.1 of the National Housing Act to reduce mortgage interest to 2% to enable the project to provide housing to low income individuals. The amount of assistance received in the year was $nil (2009 - $36,761).

10. Provincial home care

1084 Powers Street received $323,313 (2009 - $312,382) from the WRHA - Home Care Division during the year as a reimbursement of staff salaries and benefits paid. Effective December 1, 2008, a service purchase agreement changed the funding model to a fixed amount, and Luther Home Corporation is able to retain surpluses, if applicable.

11. Residential support program

364 Leila Avenue received $322,157 (2009 - $313,868) from Family Services and Housing during the year for residential services.

12. Economic dependence

A significant portion of Luther Home's revenues are received from the WRHA and MHRC. Of total revenue, 66% (2009 - 72%) is from these organizations.

13. 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 it's 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.

14. Commitments

The Organization has entered into various lease agreements with future estimated minimum annual payments as follows:

2011	2,500
2012	1,800
	4,300

15. Comparative figures

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

Luther Home Corporation
Statement of Operations
Schedule 1 - Long Term Care
For the year ended March 31, 2010

	2010	2009
Revenues from resident services		
Winnipeg Regional Health Authority	**3,989,455**	3,757,488
Amortization of deferred contributions	**56,520**	57,960
Residential charges	**1,164,622**	1,125,482
	5,210,597	4,940,930
Offset revenues		
Dietetics	**122,438**	114,411
Interest	**13,728**	22,915
Parking	**7,661**	7,128
Project maintenance	**85,064**	82,825
Other	**41,769**	38,887
Unrealized gain on investments	**-**	19,296
	270,660	285,462
	5,481,257	5,226,392
Expenses		
Administration	**84,052**	90,838
Allocation to replacement reserve	**29,464**	31,484
Amortization of capital assets	**181,876**	167,623
Food	**251,101**	233,756
Interest on long term debt	**35,778**	52,471
Maintenance and repairs	**79,388**	110,465
Medical supplies	**100,279**	76,073
Other supplies and expenses	**142,020**	109,840
Purchased services	**27,086**	23,759
Salaries and benefits	**4,507,911**	4,134,858
Utilities	**142,752**	169,607
	5,581,707	5,200,774
Excess (deficiency) of revenues over expenses	**(100,450)**	25,618

Luther Home Corporation
Statement of Operations
Schedule 2 - 1080 Powers
For the year ended March 31, 2010

	2010	2009
Revenues		
Manitoba Housing Renewal Corporation - subsidy	**279,631**	279,631
Rental revenue	**227,482**	223,985
Other	**6,922**	6,091
	514,035	509,707
Expenses		
Administration	**13,200**	13,200
Allocation to replacement reserve	**15,000**	15,000
Amortization of capital assets	**43,587**	39,487
Cable vision	**14,404**	13,184
Electricity	**30,808**	37,967
Insurance	**3,240**	3,263
Interest on long term debt	**213,061**	217,160
Maintenance and repairs	**72,024**	71,238
Natural gas	**21,930**	27,443
Professional fees	**3,000**	3,000
Property taxes	**24,277**	22,984
Water	**14,613**	13,686
	469,144	477,612
Disallowed expenditures repayed to Manitoba Housing Renewal Corporation	**25,621**	-
Excess subsidy due to Manitoba Housing Renewal Corporation	**44,891**	32,095
	539,656	509,707
Deficiency of revenues over expenses	**(25,621)**	-

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Luther Home Corporation
Statement of Operations
Schedule 3 - 1084 Powers
For the year ended March 31, 2010

	2010	2009
Revenues		
Canada Mortgage and Housing Corporation	-	36,761
Rental revenue	293,475	292,367
Other	9,278	10,905
	302,753	340,033
Expenses		
Administration	17,700	17,520
Allocation to replacement reserve	13,700	13,700
Amortization of capital assets	-	66,835
Cablevison	13,672	14,763
Electricity	21,374	19,743
Insurance	3,804	3,514
Interest on long term debt	9,671	11,879
Janitorial services	13,017	10,198
Maintenance and repairs	76,697	91,436
Natural gas	25,443	42,195
Other supplies and expenses	314	1,005
Professional fees	3,000	3,000
Property taxes	22,851	22,851
Security	1,712	1,703
Water	13,925	15,171
	236,880	335,513
Excess of revenues over expenses	65,873	4,520

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Luther Home Corporation
Statement of Operations
Schedule 4 - 364 Leila
For the year ended March 31, 2010

	2010	2009
Revenues		
Province of Manitoba - residential support program	**322,157**	322,993
Other	**19,935**	5,608
	342,092	328,601
Expenses		
Administration	**6,000**	4,500
Amortization of capital assets	**4,998**	4,538
Electricity	**3,430**	3,518
Food supplies	**20,147**	15,975
Insurance	**425**	423
Interest on long term debt	**-**	10,203
Janitorial services	**2,818**	4,169
Maintenance and repairs	**19,527**	39,093
Natural gas	**631**	1,279
Other supplies and expenses	**6,369**	5,559
Professional fees	**3,000**	3,000
Property taxes	**6,004**	6,004
Salaries and benefits	**234,539**	227,716
Telephone	**3,408**	3,822
Water	**2,421**	2,354
	313,717	332,153
Excess (deficiency) of revenues over expenses	**28,375**	(3,552)

Luther Home Corporation
Statement of Operations
Schedule 5 - Adult Day Program
For the year ended March 31, 2010

	2010	2009
Revenues		
Winnipeg Regional Health Authority	**100,344**	93,912
Participant charges	**16,060**	17,494
	116,404	111,406
Expenses		
Employee benefits	**9,985**	8,875
Other supplies and expenses	**12,597**	14,203
Salaries	**44,980**	42,438
Travel	**49,177**	45,149
	116,739	110,665
Excess (deficiency) of revenues over expenses	**(335)**	741

Schedule 6 - Home Care Program

For the year ended March 31, 2010

	2010	2009
Revenue		
Winnipeg Regional Health Authority	**323,305**	312,382
Expenses		
Employee benefits	**52,880**	48,482
Other supplies and expenses	**7,200**	6,460
Salaries	**258,751**	246,795
	318,831	301,737
Excess of revenue over expenses	**4,474**	**10,645**

Luther Home Corporation
Statement of Operations
Schedule 7 - Management Services
For the year ended March 31, 2010

	2010	2009
Revenue		
Other	**19,990**	26,453
Expenses		
Amortization of capital assets	**17,020**	19,130
Board meeting	**-**	830
Miscellaneous	**1,617**	2,644
Salaries and benefits	**11,572**	-
Scholarship	**998**	499
Staff appreciation	**7,881**	6,750
Tenant and staff gifts	**5,749**	4,606
40th anniversary	**14,558**	-
	59,395	34,459
Deficiency of revenue over expenses	**(39,405)**	**(8,006)**

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Luther Home Corporation
Statement of Operations
Schedule 8 - Memorial Fund
For the year ended March 31, 2010

	2010	2009
Revenue		
General contributions	**27,005**	27,729
Expenses		
Miscellaneous	**23,940**	4,255
Music therapy	**-**	267
	23,940	4,522
Excess of revenue over expenses	**3,065**	**23,207**

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Luther Home Corporation
Schedule 9 - Supplementary Information
For the year ended March 31, 2010

	Long Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
Replacement Reserve					
Reserve for Capital Assets					
Opening balance	48,446	226,899	-	-	275,345
Current allocation	23,680	15,000	13,700	-	52,380
Interest earned	938	8,788	-	-	9,726
Current expenditures	(21,090)	(15,000)	(13,700)	-	(49,790)
Ending balance	**51,974**	**235,687**	-	-	**287,661**
Reserve for Major Repairs					
Opening balance	45,022	-	-	-	45,022
Current allocation	4,776	-	-	-	4,776
Interest earned	986	-	-	-	986
Current expenditures	(38,453)	-	-	-	(38,453)
Ending balance	**12,331**	-	-	-	**12,331**
Reserve for Insurance deductible					
Opening balance	4,032	-	-	-	4,032
Current allocation	1,008	-	-	-	1,008
Ending balance	**5,040**	-	-	-	**5,040**
Total					**305,032**
Capital Assets and Accumulated Depreciation					
Capital Assets					
Opening balance	5,469,926	2,864,925	1,925,129	230,327	10,490,307
Additions	281,361	-	-	23,508	304,869
Ending balance	5,751,287	2,864,925	1,925,129	253,835	10,795,176
Accumulated Depreciation					
Opening balance	2,617,828	303,194	1,296,335	91,599	4,308,956
Current year depreciation	198,225	43,587	-	4,998	246,809
Ending balance	2,816,053	346,781	1,296,335	96,597	4,555,765
Net book value					**6,239,411**
Subsidy Surplus					
Opening balance	-	-	69,313	-	69,313
Interest earned	-	-	2,684	-	2,684
Ending balance	-	-	71,997	-	71,997
Long term debt					
Opening balance	857,630	2,167,161	-	-	3,024,791
Principal payment	119,585	43,587			163,172
Ending balance	738,045	2,123,574	-	-	2,861,619
Less: current portion and term loans due on demand	457,222	48,200	-	-	505,422
	280,823	2,075,374	-	-	2,356,197

MNP

Schedule 10 - Combined Statement of Revenues and Expenditures

For the year ended March 31, 2010

	Other	Long Term Care	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Adult Day Program	Home Care Program	Management Services	Memorial Fund (Restricted)	2010 Total	2009 Total
Revenues											
Regional Health Authority	-	3,989,455	-	-	-	100,344	323,305	-	-	**4,413,104**	4,163,782
Manitoba Housing Renewal Corporation	-	-	279,631	-	-	-	-	-	-	**279,631**	279,631
Canada Mortgage and Housing Corporation	-	-	-	-	-	-	-	-	-	**-**	36,761
Residential support program	-	-	-	-	322,157	-	-	-	-	**322,157**	322,993
Rental	-	1,164,622	227,482	293,475	-	16,060	-	-	-	**1,701,639**	1,659,328
Amortization of deferred contributions	-	56,520	-	-	-	-	-	-	-	**56,520**	57,960
Interest income	-	13,728	-	-	-	-	-	-	-	**13,728**	53,664
Other	-	256,932	6,922	9,278	19,935	-	-	19,990	27,005	**340,062**	308,584
	-	5,481,257	514,035	302,753	342,092	116,404	323,305	19,990	27,005	**7,126,841**	6,882,703
Expenditures											
Allocation to replacement reserve	-	29,464	15,000	13,700	-	-	-	-	-	**58,164**	60,184
Amortization	-	181,876	43,587	-	4,998	-	-	17,020	-	**247,481**	297,613
Interest on long term debt	-	35,778	213,061	9,671	-	-	-	-	-	**258,510**	291,713
Other	-	656,840	173,140	99,423	55,043	61,774	7,200	42,375	23,940	**1,119,735**	972,353
Purchased services and supplies	-	27,086	-	-	-	-	-	-	-	**27,086**	77,718
Utilities	-	142,752	94,868	101,069	16,319	-	-	-	-	**355,008**	410,587
Salaries and benefits	-	4,507,911	-	13,017	237,357	54,965	311,631	-	-	**5,124,881**	4,719,362
	-	5,581,707	539,656	236,880	313,717	116,739	318,831	59,395	23,940	**7,190,865**	6,829,530
Excess (deficiency) of revenues over expenses before benefit bank value change	-	(100,450)	(25,621)	65,873	28,375	(335)	4,474	(39,405)	3,065	**(64,024)**	53,173
Employee benefit bank value change	(79,035)	-	-	-	-	-	-	-	-	**(79,035)**	(55,888)
Excess (deficiency) of revenues over expenditures	(79,035)	(100,450)	(25,621)	65,873	28,375	(335)	4,474	(39,405)	3,065	**(143,059)**	(2,715)

SIMON HALL CHARTERED ACCOUNTANT INC.

/ '08 Edmonton Street
Winnipeg, Manitoba
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office@simonhall.ca (E)

AUDITOR'S REPORT

TO THE DIRECTORS,
M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
Winnipeg, Manitoba.

We have audited the statement of financial position of the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2010 and the statements of operations, of changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to other revenues, excess of revenues over expenditures, assets and net assets.

In our opinion, except for 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 paragraph, these financial statements present fairly, in all material respects, the financial position of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SIMON HALL
CHARTERED ACCOUNTANT

May 6, 2010
Winnipeg, Manitoba

SIMON HALL CHARTERED ACCOUNTANT INC.

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SUPPLEMENTARY AUDIT REPORT

This supplementary audit report is given to satisfy the obligations of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. to the Winnipeg Regional Health Authority. We report as follows:

a) In our opinion the accounting procedures and systems of control used during 2009/2010 by the M.F.L. 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 our knowledge and belief, been applied for the purposes of the Centre following processes and procedures authorized by its Board.

c) Our 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 6, 2010
Winnipeg, Manitoba

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2010

	Operating Fund	Special Projects Fund	Capital Asset Fund	Investment In Union Centre Fund	Total 2010	Total 2009
	$	$	$	$	$	$
CURRENT ASSETS:						
Cash (note 3)	182,597	-	-	-	182,597	158,981
Short term investments (note 4)	157,361	175,000	-	-	332,361	328,701
Accounts receivable (note 5)	99,399	-	-	-	99,399	154,535
Prepaid expenses	-	-	-	-	-	-
Total Current Assets	439,357	175,000	-	-	614,357	642,217
CAPITAL ASSETS: (note 6)	-	-	718	-	718	1,653
INVESTMENTS: (note 7)	-	-	-	204,669	204,669	204,669
TOTAL ASSETS	439,357	175,000	718	204,669	819,744	848,539
CURRENT LIABILITIES:						
Accounts payable & accrued liabilities (note 8)	184,932	-	-	-	184,932	160,879
Repayable to WRHA (note 9)	132,181	-	-	-	132,181	103,082
Deferred revenue (note 10)	10,338	-	-	-	10,338	46,330
Total Current Liabilities	327,451	-	-	-	327,451	310,291
DEFERRED CONTRIBUTIONS:						
Capital assets (note 11)	-	-	718	-	718	1,656
Total Deferred Contrib.	-	-	718	-	718	1,656
CONTINGENT LIABILITIES: (note 12)						
FUND BALANCES:						
Invested in Union Ctr.	-	-	-	204,669	204,669	204,669
Internally restricted	-	175,000	-	-	175,000	175,000
Unrestricted	111,906	-	-	-	111,906	156,923
Total Fund Balances	111,906	175,000	-	204,669	491,575	536,592
TOTAL LIABILITIES & FUND BALANCES	439,357	175,000	718	204,669	819,744	848,539

APPROVED BY BOARD:

_________________ : Director _________________ : Director

_________________ : Director

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2010

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2010 $**	Total 2009 $
REVENUES:						
WRHA: Medical Clinic	818,891	-	-	-	**818,891**	769,349
WRHA: recoveries	(29,099)	-	-	-	**(29,099)**	(21,530)
Interest & other	4,275	-	-	-	**4,275**	11,800
MB Labour & Immigration	90,673	-	-	-	**90,673**	78,417
Fundraising	6,277	-	-	-	**6,277**	8,857
WCB Health Projects	61,206	-	-	-	**61,206**	146,526
Deferred contribution for capital assets	-	-	885	-	**885**	935
Repayment of funding	-	-	-	-	-	-
United Way Projects	-	-	-	-	-	-
Deferred revenue in	36,793	-	-	-	**36,793**	-
Deferred revenue out	-	-	-	-	-	(30,759)
Total Revenues	989,016	-	885	-	**989,901**	963,595
EXPENDITURES:	1,033,986	-	935	-	**1,034,921**	954,075
EXCESS OF REVENUE OVER EXPENDITURES	(44,970)	-	(50)	-	**(45,020)**	9,520

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2010

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2010 $	Total 2009 $
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization on equip	-	-	935	-	935	935
Audit & accounting	10,971	-	-	-	10,971	8,835
Computer software &	5,935	-	-	-	5,935	3,514
Bank charges	-	-	-	-	-	5
Delivery	216	-	-	-	216	180
Employee benefits	76,197	-	-	-	76,197	72,061
Equipment rental & minor purchases	12,323	-	-	-	12,323	24,095
Fundraising	-	-	-	-	-	-
Insurance	4,435	-	-	-	4,435	4,256
Memberships	250	-	-	-	250	250
Legal	120	-	-	-	120	20
License fees	992	-	-	-	992	600
Meeting Expense	1,236	-	-	-	1,236	818
Miscellaneous	3,946	-	-	-	3,946	1,158
Newsletter	11,727	-	-	-	11,727	13,334
Printing/Stationery & Office Supplies	19,624	-	-	-	19,624	13,404
Postage	1,281	-	-	-	1,281	669
Pre-retirement	2,457	-	-	-	2,457	5,026
Publications	5,653	-	-	-	5,653	12,765
Public relations	25,073	-	-	-	25,073	8,590
Purchased services	106,277	-	-	-	106,277	89,314
Repairs & main	-	-	-	-	-	15,552
Rent	76,385	-	-	-	76,385	70,509
Staff education & recruitment	2,050	-	-	-	2,050	2,622
Staff parking	3,880	-	-	-	3,880	3,421
Staff travel & exp.	9,340	-	-	-	9,340	6,699
Stress Initiative	626	-	-	-	626	473
Stretch/Massage/Breathe	1,758	-	-	-	1,758	4,764
Telephone	8,150	-	-	-	8,150	6,146
Wages & salaries	643,084	-	-	-	643,084	584,060
Total Operating Expenditures	1,033,986	-	935	-	1,034,921	954,075

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN FUND BALANCES

AS AT MARCH 31, 2010

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2010 $**	Total 2009 $
Fund balance, beginning of year	156,926	175,000	-	204,669	**536,595**	527,072
Surplus (deficiency) for the year	(45,020)	-	-	-	**(45,020)**	9,520
Purchase of capital assets	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Closing fund balance	111,906	175,000	-	204,669	**491,575**	536,592

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2010

	2010 $	2009 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	(45,020)	9,520
Add: amortization	935	935
	(44,085)	10,455
Change in working capital:		
Accounts receivable	55,139	(58,481)
Short term investments	(3,660)	(7,680)
Prepaid expenses	-	-
Accounts payable & accrued liabilities	24,053	(80)
Repayable to WRHA	29,099	13,005
Deferred revenue	(35,992)	25,440
	68,639	(27,796)
Cash from (used for) operations	24,554	(17,341)
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	(938)	(984)
Cash from (used for) investing & financing	(938)	(984)
Increase (decrease) in cash for the year	23,616	(18,325)
Cash, beginning of year	158,981	177,306
Cash, end of year (note 3)	182,597	158,981

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

1. FORM OF ORGANIZATION

M.F.L. 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.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

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

	2010	2009
	$	$
Operating	182,510	158,894
Shares	87	87
	182,597	158,981

"See Auditor's Report"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

4. SHORT TERM INVESTMENTS

	2010	2009
	$	$
Daily interest account	332,361	328,701
Term deposits	-	-
Surplus shares	-	-
	332,361	328,701

5. ACCOUNTS RECEIVABLE

	2010	2009
Trade receivables	97,354	151,358
Receiver General (GST)	2,045	3,177
	99,399	154,535

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
	$	$	$	$
Audio visual equipment	11,738	(11,738)	-	-
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,052	(28,944)	108	499
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(34,112)	-	-
Security system	574	(574)	-	-
Phone system	7,700	(7,090)	610	1,155
Total	247,846	(247,128)	718	1,654

7. INVESTMENT IN UNION CENTRE INC.

	2010	2009
Union Centre Inc.	204,669	204,669

Principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993. Interest-free thereafter. There are no fixed repayment terms.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	$	$
Trade payables	47,507	35,517
Accrued liabilities	125,254	112,638
Trust liabilities	12,171	12,719
	184,932	160,874

9. REPAYABLE TO WRHA

Revenue in excess of expenditures:

	2010	2009
2005/2006	17,768	17,768
2006/2007	35,482	35,482
2007/2008	28,302	28,302
2008/2009	21,530	21,530
2009/2010	29,099	-
	132,181	103,082

10. DEFERRED REVENUE

	2010	2009
Province of Manitoba: Labour & Immigration	3,938	9,971
WCB: Wings of Change	-	20,150
WCB: Rural work Places	-	10,609
WRHA: Insurance reserve	6,400	5,600
	10,338	46,330

11. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	WRHA	Bldg. Other	WCB Programs	2010	2009
	$	$	$	$	$
Capital assets	29,663	194,235	23,949	247,847	247,847
Accumulated amortization	(28,945)	(194,235)	(23,949)	(247,129)	(246,191)
Deferred contributions for capital assets	718	-	-	718	1,656

"See Auditor's Report"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

12. 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.

13. 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	63,292	-	136	63,428
Occupational Health Specialist	67,278	-	14	67,292
Occupational Health Nurses (Two positions)	163,313	-	1,013	164,326
Finance/Office Admin	68,393	-	-	68,393

14. COMPARATIVE FIGURES

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

15. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2010

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	W.C.B. PAGE 16	MANITOBA LABOUR	Total Operating Fund 2010	Total Operating Fund 2009
	$	$	$	$	$	$
REVENUES:						
WRHA: Medical Clinic	818,891	-	-	-	818,891	769,349
: recoveries	(29,099)	-	-	-	(29,099)	(21,530)
Interest & other	100	4,175	-	-	4,275	11,800
MB Labour & Immigration	-	-	-	90,673	90,673	78,417
Fundraising	-	6,277	-	-	6,277	8,857
WCB Projects	-	-	61,206	-	61,206	146,526
Deferred contributions for capital assets	885	-	-	-	885	935
Deferred revenue in	-	-	30,760	6,033	36,793	-
Deferred revenue out	-	-	-	-	-	(30,759)
Total Revenues	790,777	10,452	91,966	96,706	989,901	963,595
EXPENDITURES - OPERATING:						
Total Operating Expenditures	810,142	11,727	116,346	96,706	1,034,921	954,075
Excess (Deficiency) of Revenues over Expenditures	(19,365)	(1,275)	(24,380)	-	(45,020)	9,520

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONT'D.

FOR THE YEAR MARCH 31, 2010

OPERATING FUND EXPENDITURE BREAKDOWN

	WRHA	Donations & Other Programs	WCB	MANITOBA LABOUR	Total Operating Fund 2010	Total Operating Fund 2009
	$	$	$	$	$	$
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization	935	-	-	-	935	935
Accreditation fees	-	-	-	-	-	-
Auditing/accounting	10,971	-	-	-	10,971	8,835
Bank charges	-	-	-	-	-	5
Computer software & service	5,935	-	-	-	5,935	3,514
Delivery	216	-	-	-	216	180
Employee benefits	76,197	-	-	-	76,197	72,061
Equipment rental & minor purchases	12,323	-	-	-	12,323	24,095
Fundraising	-	-	-	-	-	-
Memberships	250	-	-	-	250	250
Intervention grant	-	-	-	-	-	-
Insurance	4,435	-	-	-	4,435	4,256
Legal	120	-	-	-	120	20
License fees	992	-	-	-	992	600
Meeting Expense	1,236	-	-	-	1,236	818
Miscellaneous	3,946	-	-	-	3,946	1,158
Newsletter	-	11,727	-	-	11,727	13,334
Office supplies/Printing/ Stationery	8,239	-	3,826	7,559	19,624	13,404
Postage	1,281	-	-	-	1,281	669
Pre-retirement	2,457	-	-	-	2,457	5,026
Publications	5,653	-	-	-	5,653	12,765
Public relations	8,382	-	16,691	-	25,073	8,590
MB Labour & Immig Purchased services	12,842	-	4,765	88,670	106,277	89,314
Rent	76,385	-	-	-	76,385	70,509
Repairs/maintenance	-	-	-	-	-	15,552
Staff education & recruitment	2,050	-	-	-	2,050	2,622
Staff parking	3,880	-	-	-	3,880	3,421
Staff travel & expenses	1,024	-	7,839	477	9,340	6,699
Stress initiative	626	-	-	-	626	473
Stretch, Massage, Breathe	1,758	-	-	-	1,758	4,764
Telephone	8,150	-	-	-	8,150	6,146
Wages & salaries	559,859	-	83,225	-	643,084	584,060
Total Operating Expenditures	810,142	11,727	116,346	96,706	1,034,921	954,075

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2010

WRHA FUNDED OPERATING PROGRAMS

	BUDGET 2010 $	ACTUAL 2010 $	ACTUAL 2009 $
REVENUES:			
WRHA: Medical Clinic	779,849	818,891	769,349
: recoveries	-	(29,099)	(21,530)
Interest & other	-	100	2,834
Deferred contributions for capital assets	-	885	935
Deferred revenue in	-	-	-
Deferred revenue out	-	-	-
Total Revenues	779,849	790,777	751,588
EXPENDITURES - OPERATING:			
Accreditation Fees	-	-	-
Amortization of equipment	-	935	935
Audit & accounting	8,900	10,971	8,835
Bank charges & interest	20	-	5
Computer software & services	5,000	5,935	3,514
Delivery	200	216	180
Employee benefits	73,988	76,197	72,061
Equipment rental & minor purchases	9,765	12,323	24,095
Memberships	250	250	250
Insurance	4,400	4,435	4,256
Legal	100	120	20
Licence fees	1,000	992	600
Meeting expenses	800	1,236	818
Miscellaneous	1,000	3,946	1,158
Pre-retirement expenses	-	2,457	5,026
Printing/stationery/office	10,000	8,239	9,547
Postage	1,000	1,281	669
Public relations	5,400	8,382	5,201
Publications	6,000	5,653	12,765
Purchased services	7,000	12,842	4,091
Rent	70,500	76,385	70,509
Repairs & maintenance	300	-	15,552
Staff education & recruitment	3,000	2,050	2,578
Staff parking	3,000	3,880	3,421
Staff travel & expenses	2,000	1,024	845
Stress initiative	-	626	473
Stretch, Massage, Breathe	-	1,758	4,764
Telephone	7,200	8,150	6,146
Wages & salaries	559,026	559,859	482,877
Total Operating Expenditures	779,849	810,142	741,191
EXCESS OF REVENUE OVER EXPENDITURES	-	(19,365)	10,397

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2010

WORKERS COMPENSATION BOARD FUNDED OPERATING PROGRAMS

	Rural Workplaces in MB	Wings of Change Aboriginal	Modified Work Practices	Total 2010	Total 2009
	$	$		$	$
REVENUES:					
WCB revenue	45,206	16,000	-	61,206	146,526
Deferred contribution					
Repayment of funding	-	-	-	-	-
Deferred revenue in	10,609	20,151	-	30,760	-
Deferred revenue out	-	-	-	-	(30,759)
Total Revenues	55,815	36,151	-	91,966	115,767
EXPENDITURES:					
Amortization of Equipment	-	-	-	-	-
Education	-	-	-	-	44
Equipment	-	-	-	-	-
Office supplies	1,655	2,171	-	3,826	3,856
Printing	-	-	-	-	-
Public relations	10,612	2,162	3,917	16,691	3,389
Purchased services	-	4,765	-	4,765	1,440
Telephone	-	-	-	-	-
Travel	2,518	3,302	2,019	7,839	5,854
Wages	45,774	35,278	2,173	83,225	101,183
Total Operating Expenditures	60,559	47,678	8,109	116,346	115,766
Excess of Revenue Over Expenditures	(4,744)	(11,527)	(8,109)	(24,380)	1

"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

Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the statement of financial position of Main Street Project, Inc. as at March 31, 2010 and the statements of operations, changes in fund balances, other comprehensive (deficiency) excess of revenues over expenses and cumulative net unrealized gains and losses in available for sale financial assets for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives part of its revenue from the general public in the form of donations which are not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fundraising events and contributed material and services revenue, (deficiency) excess of revenues over expenses, current assets and net assets.

Note 2(d) 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.

In our opinion, except as explained in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations, changes in fund balances, other comprehensive (deficiency) excess of revenues over expenses, cumulative net unrealized gains and losses in available for sale financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Chartered Accountants

Winnipeg, Canada
May 12, 2010

Main Street Project, Inc.
Statements of Operations and Changes in Fund Balances
Year Ended March 31

	Operating Fund	Restricted Funds (Note 7)	Capital Fund	2010 Total	2009 Total
Revenues					
Grants	$2,541,344	$ 1,008	$ -	**$2,542,352**	$2,083,127
Per diem payments	824,213	-	-	**824,213**	998,404
Donations	-	35,926	-	**35,926**	22,297
Interest	5,103	2,569	-	**7,672**	11,052
Other	2	-	68,150	**68,152**	68,614
	3,370,662	39,503	68,150	**3,478,315**	3,183,494
Expenses					
Crisis and Detoxification Centre (Page 11)	1,378,993	-	13,040	**1,392,033**	1,456,443
I.P.D.A. (Page 12)	642,869	-	4,853	**647,722**	331,219
Mainstay - Residential Component (Page 13)	149,441	-	70,169	**219,610**	201,947
Mainstay - Client Services (Page 14)	806,443	-	8,534	**814,977**	389,602
Transition Teams (Page 15)	-	-	-	-	301,588
Opportunities Ahead (Page 16)	95,992	-	893	**96,885**	123,043
Shelter (Page 17)	356,496	-	3,662	**360,158**	262,674
	3,430,234	-	101,151	**3,531,385**	3,066,516
(Deficiency) excess of revenues over expenses	$ (59,572)	$ 39,503	$ (33,001)	**$ (53,070)**	$ 116,978

	Operating Fund	Restricted Funds (Note 7)	Capital Fund	2010 Total	2009 Total
Fund balances, beginning of year	$ 258,062	$ 294,291	$ 50,279	**$ 602,632**	$ 485,654
(Deficiency) excess of revenues over expenses	(59,572)	39,503	(33,001)	**(53,070)**	116,978
Property and equipment additions	(12,364)	-	12,364	-	-
Net unrealized gain on available for sale financial assets (Page 3)	-	17,240	-	**17,240**	-
Interfund transfers (Note 7)	10,955	(10,955)	-	-	-
Fund balances, end of year	$ 197,081	$ 340,079	$ 29,642	**$ 566,802**	$ 602,632

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statements of Other Comprehensive (Deficiency) Excess of Revenues Over Expenses and Cumulative Net Unrealized Gains and Losses in Available for Sale Financial Assets
Year Ended March 31

	2010	2009
(Deficiency) excess of revenues over expenses	$ (53,070)	$ 116,978
Net unrealized gains on available for sale financial assets	17,240	-
Other comprehensive (deficiency) excess of revenues over expenses	$ (35,830)	$ 116,978
Cumulative net unrealized gains on available for sale financial assets, beginning of year	$ -	$ -
Changes in net unrealized gains on available for sale financial assets	17,240	-
Cumulative net unrealized gains on available for sale financial assets, end of year	$ 17,240	$ -

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statement of Financial Position

March 31	2010	2009
Assets		
Current		
Cash and term deposits	$ 187,950	$ 323,818
Receivables (Note 3)	380,609	251,003
Prepaids	26,284	27,026
Funds held in trust (Note 4)	8,147	9,498
	602,990	611,345
Property and equipment (Note 5)	712,115	748,808
Restricted funds (Note 7)	340,079	294,291
	$ 1,655,184	$ 1,654,444

Liabilities		
Current		
Payables and accruals	$ 358,493	$ 291,774
Current portion of long-term debt (Note 6)	17,153	28,813
Funds held in trust (Note 4)	8,147	9,498
	383,793	330,085
Long-term debt (Note 6)	704,589	721,727
	1,088,382	1,051,812
Fund Balances		
Unrestricted	197,081	258,062
Restricted (Note 7)	340,079	294,291
Invested in property and equipment	29,642	50,279
	566,802	602,632
	$ 1,655,184	$ 1,654,444

On behalf of the Board

________________ Director ________________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Main Street Project, Inc. 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 has adopted both of the sections for the fiscal year ended March 31, 2010. 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 (deficiency) excess 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 building, as follows:

Building - 71 Martha		annual mortgage principal reduction
Buildings - 75 and 77 Martha	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.

3. Receivables

	2010	2009
Province of Manitoba	$ 64,355	$ 88,859
City of Winnipeg	24,000	-
City of Winnipeg Police Department	148,008	90,960
National Homelessness Initiative	25,120	16,854
University of Winnipeg	8,845	-
Winnipeg Regional Health Authority (wage stabilization)	87,122	34,771
Winnipeg Regional Health Authority (additional funding)	11,229	12,869
Goods and Services Tax recoverable	9,798	5,774
Other	2,132	916
	$ 380,609	$ 251,003

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.

5. Property and equipment

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	$ 47,410	$ -	$ 47,410	$ 47,410
Building - 71 Martha	554,295	160,842	393,453	409,412
Buildings - 75 and 77 Martha	421,563	192,861	228,702	235,429
Furniture and equipment	215,188	173,133	42,055	55,953
Vehicles	1,099	604	495	604
	$ 1,239,555	$ 527,440	$ 712,115	$ 748,808

6. Long-term debt

	2010	2009
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.	$ 721,742	$ 737,701
Bank loan, repayable in monthly payments of $6,440 plus interest at a rate of prime less 1%, due December 1, 2009.	-	12,839
	721,742	750,540
Less: current portion	(17,153)	(28,813)
	$ 704,589	$ 721,727

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CHARTERED ACCOUNTANTS

6. Long-term debt (continued)

The mortgage is secured by a general security agreement over the building.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2011	$ 17,153
2012	18,419
2013	19,779
2014	21,239
2015	22,807

7. Restricted funds

	Staff Development Fund	Insurance Reserve	Replacement Reserve	Donations Reserve	**2010 Total**	2009 Total
Balance, beginning of year	$ 19,585	$ 7,048	$ 48,197	$ 219,461	**$ 294,291**	$ 284,104
Excess of revenues over expenses	176	1,008	97	38,222	**39,503**	32,040
Property and equipment additions	-	-	-	-	-	(13,489)
Transfer to Operating Fund	-	-	(8,932)	(2,023)	**(10,955)**	(8,364)
Net unrealized gains on available for sale financial assets	-	-	-	17,240	**17,240**	-
Balance, end of year	$ 19,761	$ 8,056	$ 39,362	$ 272,900	**$ 340,079**	$ 294,291

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.

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. Contingent liability

The organization has been notified by the United Way that its employee pension fund has a solvency deficiency. The estimate of the organization's potential shortfall is $313,000. The organization will be required to satisfy this liability over a five or ten year period on a quarterly basis.

10. 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.

11. 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.

12. 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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CHARTERED ACCOUNTANTS

13. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

STEFANSON LEE ROMANIUK
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of
Middlechurch Home of Winnipeg Inc.

We have audited the non-consolidated statement of financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2010 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Middlechurch Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 7, 2010

Stefanson Lee Romaniuk
Chartered Accountants

*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, 2010

		2010	2009
Assets			
Cash	$	461,516	475,806
Restricted cash (note 3)		281,671	252,791
Accounts receivable		17,160	26,888
Receivable from Winnipeg Regional Health Authority (note 4)		760,253	528,381
Vacation pay recoverable (note 13)		487,714	487,714
Prepaid expenses		51,232	52,033
Inventory		45,627	41,738
Current portion of long-term receivables (note 5)		59,220	59,220
Due from Residents' Trust Fund		3,578	-
		2,167,971	1,924,571
Long-term receivables (note 5)		78,541	137,761
Employee future pre-retirement benefits recoverable (note 12)		795,441	712,797
Property and equipment (note 6)		6,505,095	6,932,257
	$	9,547,048	9,707,386
Liabilities, Deferred Contributions and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	$	695,540	679,146
Advances payable (note 8)		265,413	211,220
Vacation payable (note 13)		761,541	743,388
Due to Residents' Trust Fund		-	2,262
Current portion of long-term debt (note 9)		84,348	82,948
		1,806,842	1,718,964
Long-term debt (note 9)		328,853	413,401
Employee future pre-retirement benefits payable (note 12)		818,592	735,948
Deferred contributions (note 10)			
Expenses for future periods		31,165	19,473
Property and equipment		5,152,438	5,437,782
		8,137,890	8,325,568
Net assets			
Invested in property and equipment		1,094,249	1,226,967
Internally restricted			
Donation		242,220	208,113
Auxiliary		5,848	9,731
Unrestricted		66,841	(62,993)
		1,409,158	1,381,818
	$	9,547,048	9,707,386

APPROVED BY THE BOARD:

________________________ **DIRECTOR**

________________________ **DIRECTOR**

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations
for the year ended March 31, 2010

		Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2010 Total	2009 Total
Revenue						
Residential charges	$	-	-	3,287,968	3,287,968	3,200,000
Adult Day Program recoveries		-	-	34,327	34,327	32,566
		-	-	3,322,295	3,322,295	3,232,566
Winnipeg Regional Health Authority						
Baseline funding		23,928	-	9,205,175	9,229,103	8,492,205
Community service program		-	-	46,585	46,585	46,585
Adult Day Program		-	-	260,382	260,382	198,000
		23,928	-	9,512,142	9,536,070	8,736,790
Recoveries and other revenue		-	-	285,766	285,766	294,288
Amortization of deferred contributions related to property and equipment (note 10)		464,747	-	-	464,747	500,914
Interest income		-	661	2,188	2,849	26,828
Donation revenue		-	105,640	-	105,640	103,248
Auxiliary donations and other revenue		-	5,129	-	5,129	6,413
Total revenue		488,675	111,430	13,122,391	13,722,496	12,901,047
Total expenses (Schedule 1)		637,677	69,722	12,920,916	13,628,315	12,791,420
Excess (Deficiency) of revenue over expenses, before the undernoted		(149,002)	41,708	201,475	94,181	109,627
Winnipeg Regional Health Authority employee future pre-retirement benefits recoverable		-	-	82,644	82,644	5,186
Employee future pre-retirement benefits expense		-	-	(82,644)	(82,644)	(5,186)
Excess (deficiency) of revenue over expenses	$	(149,002)	41,708	201,475	94,181	109,627

MIDDLECHURCH HOME OF WINNIPEG INC.
Non-Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2010

		Invested in Property and Equipment	Internally Restricted		Unrestricted	2010 Total	2009 Total
			Donation	Auxiliary			
Balance, beginning of year	$	1,226,967	208,113	9,731	(62,993)	1,381,818	1,272,191
Excess (deficiency) of revenue over expenses		(149,002)	38,337	3,371	201,475	94,181	109,627
Transfer of funds for reserve repayment		-	4,800	-	(4,800)	-	-
Transfer of funds for purchase of equipment		16,284	(9,030)	(7,254)	-	-	-
Amount repayable to the Winnipeg Regional Health Authority (note 2)		-	-	-	(66,841)	(66,841)	-
Balance, end of year	$	1,094,249	242,220	5,848	66,841	1,409,158	1,381,818

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows
for the year ended March 31, 2010

		2010	2009
Cash from operating activities			
Excess of revenue over expenses	$	94,181	109,627
Adjustments for non-cash items			
Amortization of capital assets		637,677	624,560
Amortization of deferred contributions		(464,747)	(500,914)
		267,111	233,273
Increase in deferred contributions relating to expenses for future periods, net		11,692	(3,977)
Change in the following			
Accounts receivable		9,728	(8,738)
Receivable from Winnipeg Regional Health Authority		(231,872)	(208,719)
Prepaid expenses		800	(16,559)
Inventory		(3,889)	(1,109)
Restricted cash		(28,880)	68,270
Employee future pre-retirement benefits recoverable		(82,644)	(5,186)
Accounts payable and accrued liabilities		16,394	77,661
Advances payable		54,193	(212,030)
Vacation payable		18,153	85,517
Due to residents' trust fund		(2,262)	2,262
Due from residents' trust fund		(3,578)	931
Employee future pre-retirement benefits payable		82,644	5,186
		107,590	16,782
Financing and investing activities			
Repayments on long-term debt		(83,148)	(99,142)
Change in long-term receivables		59,220	76,533
Contributions received related to property and equipment		179,403	101,558
Purchase of property and equipment		(210,514)	(219,833)
Repayment of surplus		(66,841)	-
		(121,880)	(140,884)
Decrease in cash		(14,290)	(124,102)
Cash position, beginning of year		475,806	599,908
Cash position, end of year	$	461,516	475,806

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2010

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, 2010 and 2009 and for the years then ended are as follows:

		2010	2009
Financial position			
Total assets	$	4,732,787	4,385,978
Total liabilities	$	4,457,903	4,132,926
Total net assets		274,884	253,053
	$	4,732,787	4,385,979
Results of operations:			
Total revenue	$	331,102	330,510
Total expenses		309,270	297,928
Excess of revenue over expense	$	21,832	32,582

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2010

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, 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 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, 2010

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 50% of the operating surplus to a maximum of 1% of the current year operating expenditures as provided by the WRHA. 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 and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%), a rate of salary increase of 4.0% (2009 - 3.5%), plus an age-related merit/promotion scale with no provision for disability.

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, 2010

3. Restricted cash:

	2010	2009
Restricted for capital asset replacement	$ 16,531	31,857
Restricted for expenses for future periods	12,791	3,090
Internally restricted		
Donation	246,501	208,113
Auxiliary	5,848	9,731
	$ 281,671	252,791

4. Receivable from Winnipeg Regional Health Authority:

	2010	2009
Receivable relating to		
Employee retirement benefits	$ 250,183	172,317
Salaries and other	766,606	609,171
	1,016,789	781,488
Payable relating to		
Resident charges	189,695	253,107
Surplus repayment	66,841	-
	$ 760,253	528,381

5. Long-term receivables:

	2010	2009
Long-term receivables from Winnipeg Regional Health Authority		
Fire sprinkler system	$ 97,504	117,004
Roof resurfacing	40,257	79,977
	137,761	196,981
Current portion	59,220	59,220
	$ 78,541	137,761

6. Property and equipment:

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Land	$ 1	-	1	1
Land improvements				
Courtyard	593,617	494,727	98,890	128,750
Personal Care Home	819,984	737,985	81,999	122,998
Buildings				
Personal Care Home	13,379,573	7,903,752	5,475,821	5,832,512
Sewage Treatment Plant	663,575	287,018	376,557	398,707
Garage	50,612	22,774	27,838	30,368
Computer equipment and furniture	3,631,594	3,187,605	443,989	418,921
	$ 19,138,956	12,633,861	6,505,095	6,932,257

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2010

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, 2010 and 2009.

8. Advances payable:

Advances payable from the Winnipeg Regional Health Authority are unsecured, non-interest bearing and have no fixed terms of repayment.

9. Long-term debt:

	2010	2009
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5.75%, maturing in 2018	$ 275,440	299,368
Royal Bank of Canada term loan, with monthly payments of $1,625 including interest at prime less 0.50%, maturing December 2013, supported by a letter of comfort from WRHA	97,504	117,004
Royal Bank of Canada term loan, with monthly payments of $3,310 plus interest at prime less 0.50%, maturing March 2011, supported by a letter of comfort from WHRA	40,257	79,977
	413,201	496,349
Current portion	84,348	82,948
	$ 328,853	413,401

Principal payments due in each of the next five years and thereafter are approximately as follows:

2011	$ 84,348
2012	46,649
2013	47,683
2014	49,347
2015	51,113
2016 and thereafter	134,061

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2010

10. Deferred contributions:

Expenses for future periods

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

		2010	2009
Balance, beginning of year	$	19,473	23,450
Additional contributions received		16,996	11,695
Less amount transferred to deferred contributions - property and equipment		(5,304)	(15,672)
		31,165	19,473

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	$	5,135,406	5,405,922
Unspent contributions		17,032	31,860
	$	5,152,438	5,437,782

11. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

		2010	2009
Revenues			
Administration fees	$	-	6,000
Water charges		5,040	4,800
Insurance fees		4,411	4,245
Maintenance		8,339	8,288

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. Net resources of the Foundation amount to $38,673 (2009 - $21,304) 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, 2010

12. 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, 2010, the employee future pre-retirement benefits recoverable from WRHA aggregates $795,441 (2009 - $712,797) 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 $521,616 (2009 - $499,767) 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.

13. 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, 2010 is $761,541 (2009 - $743,388). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714.

14. 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.

15. Comparative figures:

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

MIDDLECHURCH HOME OF WINNIPEG INC.

Schedule 1 - Schedule of Expenses
for the year ended March 31, 2010

	Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2010 Total	2009 Total
Expenses					
Salaries	$ -	41,208	8,808,111	8,849,319	8,593,057
Employee benefits	-	-	1,603,625	1,603,625	1,488,173
Manitoba Payroll tax	-	-	186,892	186,892	178,251
Medical supplies	-	-	27,331	27,331	26,395
Incontinent supplies	-	-	100,615	100,615	102,972
Purchased services	-	-	107,774	107,774	119,491
Other supplies and expenses	-	-	1,293,182	1,293,182	1,040,300
Shop and tavern	-	-	17,715	17,715	16,803
Professional fees	-	-	15,562	15,562	25,267
Plant maintenance	-	-	400,493	400,493	233,683
Cafeteria	-	-	43,486	43,486	48,972
Miscellaneous					
Donation	-	26,757	-	26,757	17,064
Auxiliary	-	1,757	-	1,757	8,868
Amortization of property and equipment	637,677	-	-	637,677	624,560
Interest on long-term debt	-	-	21,423	21,423	29,480
	637,677	69,722	12,626,209	13,333,608	12,553,336
Adult Day Program					
Salaries			83,669	83,669	102,100
Employee benefits			16,697	16,697	18,455
Manitoba Payroll Tax			1,774	1,774	2,198
Food			22,744	22,744	26,482
Transportation			133,368	133,368	70,082
Other supplies			36,455	36,455	18,767
	-	-	294,707	294,707	238,084
Total expenses	$ 637,677	69,722	12,920,916	13,628,315	12,791,420

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Auditors' Report

To the Members of
MOUNT CARMEL CLINIC:

We have audited the statement of financial position of **MOUNT CARMEL CLINIC** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Clinic's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2010 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 6, 2010

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31	2010	2009
Assets		
Current Assets		
Cash	$ 902,625	$ 1,096,784
Short-term investments	1,617,551	1,117,353
Accounts receivable (Note 2)	138,996	125,255
Due from WRHA (Note 3)	554,487	476,474
Inventories	80,035	94,271
Prepaid expenses	19,656	19,997
Vacation entitlements receivable (Note 4)	381,653	381,653
	3,695,003	3,311,787
Retirement obligation receivable (Note 13)	569,364	473,813
Capital assets (Note 5)	3,054,100	3,026,181
Due from Mount Carmel Clinic Foundation	335,288	130,030
	$ 7,653,755	$ 6,941,811
Liabilities and Net Assets		
Current		
Accounts payable and accruals	$ 872,858	$ 853,804
Due to WRHA (Note 6)	200,318	55,647
Accrued vacation entitlements (Note 4)	384,880	474,733
Deferred revenue (Note 7)	1,051,572	834,646
	2,509,628	2,218,830
Accrued retirement obligations (Note 13)	659,686	591,794
Deferred Contributions (Note 8)		
Expenses of future periods	185,739	106,770
Capital assets	2,402,272	2,433,854
	5,757,325	5,351,248
Commitments and contingencies (Note 12)		
Net assets (Page 5)	1,896,430	1,590,563
	$ 7,653,755	$ 6,941,811

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.

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2010	2009
Revenue		
Winnipeg Regional Health Authority (Note 11)	$ 7,162,304	$ 6,571,065
Pharmacy sales	1,382,712	1,445,142
Other	731,095	626,621
Mental Health Commission of Canada	667,190	-
Province of Manitoba	569,795	668,550
Health Canada	96,622	300,345
United Way of Winnipeg	128,700	126,102
Amortization of deferred contributions	132,650	124,894
Medical program	63,048	80,721
Dental revenue	76,132	71,330
Parent fees	29,190	28,311
Investment income	6,662	23,787
Donations	5,443	10,441
	11,051,543	10,077,309
Expenditures		
Salaries	6,841,667	6,211,195
Program supplies and other expenses	1,078,476	889,417
Employee benefits	927,507	792,459
Drugs	795,153	847,275
Maintenance and repairs	228,614	219,505
Office supplies and expenses	211,982	237,693
Amortization of capital assets	184,566	180,609
Charitable drug program	160,662	205,437
Utilities	152,779	148,078
Other occupancy costs	96,573	75,889
Travel, meetings and conferences	81,576	72,256
Bank charges and interest	13,780	14,156
	10,773,335	9,893,969
Excess of revenue over expenditures before other items	278,208	183,340
Other items		
Change in accrued retirement obligations		
WRHA funding accrued	95,551	47,000
Liability for the year	(67,892)	(43,947)
	27,659	3,053
Excess of revenue over expenditures for the year (Page 5)	$ 305,867	$ 186,393

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)	2010 Total	2009 Total
Net assets, beginning of year	$ 558,576	$ (3,861)	$ 112,410	$ 350,607	$ 572,831	$ 1,590,563	$ 1,404,170
Excess (deficiency) of revenue over expenditures for the year (Page 4)	351,683	-	5,427	793	(52,036)	305,867	186,393
Interfund transfers	(328,160)	-	(5,015)	221,758	111,417	-	-
Net assets, end of year (Page 3)	$ 582,099	$ (3,861)	$ 112,822	$ 573,158	$ 632,212	$ 1,896,430	$ 1,590,563

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	2010	2009
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 305,867	$ 186,393
Amortization of capital assets	184,566	180,609
Amortization of deferred contributions	(132,650)	(124,894)
	357,783	242,108
Changes in non-cash working capital		
Accounts receivable	(13,741)	182,166
Due from WRHA	(78,013)	(161,485)
Inventories	14,236	33,620
Prepaid expenses	341	(4,517)
Accounts payable and accruals	19,054	171,836
Due to WRHA	144,671	23,252
Accrued vacation entitlements	(89,853)	57,601
Deferred revenue	216,926	145,649
	213,621	448,122
Retirement obligation assets	(95,551)	(47,000)
Accrued retirement obligations	67,892	43,947
	543,745	687,177
Cash Flows from Financing Activities		
Receipt of Deferred contributions related to capital assets	63,737	116,779
Receipt of Deferred contributions related to expenses of future periods	116,300	66,000
	180,037	182,779
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(212,485)	(32,927)
Increase in investments	(500,198)	(1,002,087)
Due from Mount Carmel Clinic Foundation Inc.	(205,258)	147,752
	(917,941)	(887,262)
Net decrease in cash and cash equivalents	(194,159)	(17,306)
Cash and cash equivalents, beginning of year	1,096,784	1,114,090
Cash and cash equivalents, end of year	$ 902,625	$ 1,096,784

Supplementary Information

	2010	2009
Interest paid	$ 13,780	$ 14,156

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

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 Clinic 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 funding arrangements approved by WRHA with respect to the year ended March 31, 2010.

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, 2010

Capital Assets

Purchased capital assets are recorded at cost. 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 Mount Carmel 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 utilizes various financial instruments.

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

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
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Related Parties	Loans and receivables	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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Clinic, are as follows:

Future for Not-for-Profit Organizations (NPO) - In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

The Clinic continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

Mount Carmel Clinic is a 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 (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 Clinic at the Board's 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.

Donation Fund

The Donation Fund records donor receipts and interest on investments and disburses the funds based on specific instructions or board approval.

Capital Fund

The Capital Fund is used to fund the Clinic's renovation projects and the purchase of equipment and furnishings.

Invested in Capital Assets

Invested in Capital Assets represents the Clinic's net assets that are not available for other purposes because they have been invested in capital assets. (See Note 10)

2. Accounts Receivable

	2010	2009
Receivable from clinic services	$ **112,790**	$ 95,460
Other receivables	**26,206**	29,795
	$ **138,996**	$ 125,255

3. Due from WRHA

	2010	2009
2005/06 funding adjustment	$ 58,037	$ 58,037
2007/08 funding adjustment	-	17,043
2008/09 funding adjustment	62,436	242,165
2007/08 Day Care funding	-	90,382
2008/09 Day Care funding	-	68,847
2009/10 funding adjustment	434,014	-
	$ 554,487	$ 476,474

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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ 474,733	$ 417,132
Net increase (decrease) in accrued vacation entitlements	(89,853)	57,601
Balance, end of year	$ 384,880	$ 474,733

For the year ended March 31, 2010

5. Capital Assets

	2010 Cost	2010 Accumulated Amortization	2009 Cost	2009 Accumulated Amortization
Landscaping	$ 222,702	$ -	$ 222,702	$ -
Buildings	4,860,741	2,326,645	4,702,494	2,202,176
Furniture, fixtures and equipment	413,847	199,748	413,846	158,364
Computer equipment	45,622	26,218	45,622	17,070
Automobiles	66,952	57,390	66,952	47,825
Construction-in-progress	54,237	-	-	-
	$ 5,664,101	$ 2,610,001	$ 5,451,616	$ 2,425,435
Cost less accumulated amortization		$ 3,054,100		$ 3,026,181

6. Due to WRHA

	2010	2009
Medical remuneration	$ 62,254	$ 55,647
Bridge funding	138,064	-
	$ 200,318	$ 55,647

For the year ended March 31, 2010

7. Deferred Revenue

	2010	2009
Operating Fund		
Day Care Subsidy Advance	$ 15,510	$ 15,510
Day Care Grant	85,681	16,188
Dental	24,721	24,721
Fetal Alcohol Program	-	101,377
Other	110,249	114,100
Parenting Student Program	38,377	34,371
Primary Health	88,969	73,102
FACT Coalition	18,309	43,595
Come in You're Welcome	232,255	241,927
Homelessness Initiative	64,097	-
Administration	45,560	-
	723,728	664,891
Donation Fund		
Sage House	28,369	26,217
Mount Carmel Foundation	277,650	123,101
Child Day Care Centre	21,825	20,437
	327,844	169,755
	$ 1,051,572	$ 834,646

8. Deferred Contributions

Expenses of future periods

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

	2010	2009
Balance, beginning of year	$ 106,770	$ 40,770
Add amounts received during year	111,500	61,200
Less amounts used during year	(37,331)	-
Transfer from Day Care	4,800	4,800
Balance, end of year	$ 185,739	$ 106,770

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.

	2010	2009
Balance, beginning of year	$ 2,433,854	$ 2,441,969
Additional contributions received	63,737	116,779
Transferred from deferred contributions - expenses of future periods	37,331	-
Less amounts amortized to revenue	(132,650)	(124,894)
Balance, end of year	$ 2,402,272	$ 2,433,854

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 (2.25% effective rate). The balance in the line of credit at year end was $NIL (2009 - $NIL). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

For the year ended March 31, 2010

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 3,054,100	$ 3,026,181
Less amounts financed by		
Deferred contributions	2,402,272	2,433,854
Advances from other funds (net of cash on deposit)	19,616	19,496
	$ 632,212	$ 572,831

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

	2010	2009
Deficiency of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 132,650	$ 124,894
Amortization of capital assets	(184,566)	(180,609)
Other items (net)	(120)	(121)
	$ (52,036)	$ (55,836)
Net changes in investment in capital assets		
Purchase of capital assets	$ 212,485	$ 32,927
Amounts funded by		
Deferred contributions	(101,068)	(116,779)
Advances to (from) other funds	-	121,063
	$ 111,417	$ 37,211

11. Revenue from the WRHA

	2010	2009
Revenue as per WRHA final funding document (March 31, 2010 EFT)	$ 6,471,400	$ 6,268,841
Add:		
Midwifery	28,954	31,197
Wound clinic security	24,999	23,455
Out of Globe		
Pre-retirement leave	75,798	13,569
MNU agreement	-	84,148
MMA Agreement	-	11,082
CUPE Agreement	196,547	87,812
Non Union Agreement	-	10,100
Group health	29,976	-
Wage standardization	36,315	25,544
Skim program	-	1,921
Community Development	141,003	-
X-Ray Processor	7,665	-
	541,257	288,828
Add (deduct):		
Medical remuneration	178,575	(23,252)
Total funding approved by WRHA	7,191,232	6,534,417
Add:		
Day Care operations	68,572	68,848
Deduct:		
Day Hospital Restructuring	(89,500)	(24,200)
Reserve for major repairs	(7,000)	(7,000)
Deferred revenue - insurance deductible	(1,000)	(1,000)
	(97,500)	(32,200)
Revenue from WRHA	$ 7,162,304	$ 6,571,065

12. Commitments and Contingencies

A) 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, 2010, 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.

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 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, 2010.

The Clinic is a named insured under the WRHA policy with HIROC.

C) The Clinic leases equipment under the provisions of operating leases which expire up to October 2014. Commitments to expire are as follows:

2011	$	13,111
2012		8,596
2013		6,733
2014		1,620
2015		731

13. Employee Future Benefits

a) 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 based upon the following:

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

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4% (2009 - 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 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 2006/07, 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	$ 387,859	$ 387,859
Winnipeg Regional Health Authority	181,505	85,954
	$ 569,364	$ 473,813

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	$ 591,794	$ 547,847
Net increase in pre-retirement entitlements	67,892	43,947
Balance, end of year	$ 659,686	$ 591,794

b) 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 $46,300, 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, 2008 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 $299,355 (2009 - $277,318) 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:

	2010	2009
Accounts receivable	$ 138,996	$ 125,255
Due from WRHA	554,487	476,474
Vacation entitlements receivable	381,653	381,653
Retirement obligations receivable	569,364	473,813
	$ 1,644,500	$ 1,457,195

Accounts receivable: The Clinic 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 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.

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. Its cash is held in short-term or variable rate products.

15. Financial Risk Management (continued)

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 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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Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the statement of financial position of Nine Circles Community Health Centre Inc. as at March 31, 2010 and the statements of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Nine Circles Community Health Centre Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 14, 2010

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31 — 2010 / 2009

	Operating Fund	Capital Fund	Ed Mousseau Fund	**Total 2010**	Total 2009
Revenues					
Winnipeg Regional Health Authority	$3,569,422	$ -	$ -	**$3,569,422**	$2,540,166
AIDS Community Action Program	221,999	-	-	**221,999**	303,000
Grants	167,123	-	-	**167,123**	255,681
Interest income	23,397	-	397	**23,794**	35,409
Donations	12,132	-	-	**12,132**	13,230
Other	8,000	-	-	**8,000**	1,233
Amortization of deferred contributions	-	12,015	-	**12,015**	29,689
	4,002,073	12,015	397	**4,014,485**	3,178,408
Expenses					
Operating Fund (Page 11)	3,724,527	-	-	**3,724,527**	2,981,041
Amortization	-	14,534	-	**14,534**	32,467
Interest on capital lease	-	4,861	-	**4,861**	888
	3,724,527	19,395	-	**3,743,922**	3,014,396
Excess (deficiency) of revenues over expenses before under noted items	277,546	(7,380)	397	**270,563**	164,012
Pre-retirement leave (Note 10)					
Recovery (expense)	30,242	-	-	**30,242**	(5,034)
Current year (increase) reduction of obligation	(33,984)	-	-	**(33,984)**	6,820
Excess (deficiency) of revenues over expenses	$ 273,804	$ (7,380)	$ 397	**$ 266,821**	$ 165,798

See accompanying notes to the financial statements.

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Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances

March 31				**2010**	2009
	Unrestricted Funds	Invested in Capital Assets	Ed Mousseau Fund	**Total**	Total
Fund balance, beginning of year	$ 482,490	$ 5,346	$ 8,092	**$ 495,928**	$ 330,130
Excess (deficiency) of revenues over expenses	273,804	(7,380)	397	**266,821**	165,798
Transfer to Capital Fund	(16,077)	16,077	-	**-**	-
Fund balance, end of year	$ 740,217	$ 14,043	$ 8,489	**$ 762,749**	$ 495,928

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	2010	2009
		(Note 15)
Assets		
Current		
Cash and short-term investments (Note 3)	**$1,587,780**	$1,398,881
Receivables	**108,465**	122,900
Due from Winnipeg Regional Health Authority	**522,953**	114,275
Prepaids	**5,646**	5,415
	2,224,844	1,641,471
Long-term investments	**138,752**	138,354
Capital assets (Note 4)	**76,102**	89,637
	$2,439,698	$1,869,462

Liabilities		
Current		
Payables and accruals	**$ 496,926**	$ 250,757
Funds held in trust (Note 5)	**13,519**	15,470
Deferred contributions		
General operations (Note 6)	**849,664**	802,219
Current portion of obligation under capital lease (Note 7)	**15,696**	15,696
	1,375,805	1,084,142
Deferred contributions		
Related to capital assets (Note 8)	**6,419**	18,434
Restricted contributions (Note 9)	**130,262**	130,262
Pre-retirement leave (Note 10)	**124,519**	90,535
Obligation under capital lease (Note 7)	**39,944**	50,161
	1,676,949	1,373,534
Fund Balances		
Operating Fund	**740,217**	482,490
Capital Fund	**14,043**	5,346
Ed Mousseau Fund	**8,489**	8,092
	762,749	495,928
	$2,439,698	$1,869,462

Commitments (Notes 11)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

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1. Nature of operations

Nine Circles Community Health Centre Inc. 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, 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:

	2010	2009
Cash	$ 627,536	$ 918,631
Cash held in trust	10,244	14,653
Assiniboine Credit Union GIC, bearing interest at 1.5%, maturing and renewed annually on March 19th	200,000	465,597
Assiniboine Credit Union GIC, bearing interest at 2.0%, maturing and renewed annually on March 19th	750,000	-
	$1,587,780	$1,398,881

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4. Capital assets

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Equipment	$ 52,077	$ 50,474	$ 1,603	$ 3,213
Computer equipment	72,594	66,004	6,590	11,464
Computer software	34,311	34,311	-	-
Leaseholds	87,970	79,670	8,300	8,603
Equipment under capital lease	67,482	7,873	59,609	66,357
	$ 314,434	$ 238,332	$ 76,102	$ 89,637

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:

	2010	2009
Beginning balance	$ 802,219	$ 467,581
Grant revenue recognized during the year	(179,255)	(427,496)
Contributions received during the year	226,700	762,134
Ending balance	$ 849,664	$ 802,219

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7. Obligation under capital lease

	2010	2009
Obligation under capital lease	$ 65,790	$ 81,756
Less: amount representing interest at 8.63%	10,150	15,899
	55,640	65,857
Less: current portion of obligation	15,696	15,696
	$ 39,944	$ 50,161

Approximate future minimum lease payments in the next five years are as follows:

2011	$ 15,696
2012	15,696
2013	15,696
2014	15,696
2015	3,006
	$ 65,790

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $6,419 (2009 - $18,434) 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. 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.

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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 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 (decreased) by $33,984 (2009 - $(6,820)).

A portion of the pre-retirement benefits for the current year of $30,242 (2009 - $(5,034)) were funded by (repayable to) Winnipeg Regional Health Authority during the year.

11. 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 is as follows:

2011	$	247,759
2012		247,460
2013		246,563
2014		246,563
2015		253,205

12. Economic dependence

The volume of financial activity undertaken by Nine Circles Community Health Centre 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.

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. Statement of cash flows

This statement has not been presented as management does not believe it provides additional meaningful information.

15. 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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Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects

Year Ended March 31	2010	2009
Salaries	**$1,975,436**	$1,604,931
Physician salaries and benefits	**741,462**	437,930
Employee benefits	**303,035**	238,236
Health and education tax	**43,125**	27,298
Medical	**31,987**	27,081
Purchased and professional services	**103,431**	187,376
Rent and insurance	**230,993**	187,534
Maintenance	**145,835**	127,235
Travel and course fees	**40,406**	56,578
General expenses	**206,037**	229,592
	3,821,747	3,123,791
Less: recoveries	**(97,220)**	(142,750)
	$3,724,527	$2,981,041

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Lazer Grant LLP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

AUDITORS' REPORT

To the Members of Nor' West Co-op Community Health Centre, Inc.

We have audited the statement of financial position of Nor' West Co-op Community Health Centre, Inc. as at March 31, 2010 and the statements of revenues and expenses and changes in net assets for the year then ended. These financial statements are the responsibility of the co-operative's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the co-operative as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lazer Grant LLP

Winnipeg, MB
June 8, 2010

CHARTERED ACCOUNTANTS

300-309 McDermot Avenue, Winnipeg, Manitoba R3A 1T3
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NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Financial Position

March 31, 2010

		2010		2009
ASSETS				
CURRENT				
Cash and short term deposits	$	**1,355,591**	$	1,122,098
Accounts receivable *(Note 4)*		**152,483**		130,368
Vacation entitlement receivable		**46,693**		46,693
		1,554,767		1,299,159
CAPITAL ASSETS *(Note 5)*		**25,818**		36,415
	$	**1,580,585**	$	1,335,574
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities *(Note 6)*	$	**314,077**	$	193,958
Vacation entitlement payable		**169,489**		164,956
Deferred revenue *(Note 7)*		**120,404**		49,743
		603,970		408,657
DEFERRED CONTRIBUTIONS *(Note 8)*		**25,816**		36,413
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 9)*		**139,886**		106,856
		769,672		551,926
NET ASSETS *(Note 10)*		**810,913**		783,648
	$	**1,580,585**	$	1,335,574

LEASE COMMITMENTS *(Note 12)*

ECONOMIC DEPENDENCE *(Note 13)*

ON BEHALF OF THE BOARD

____________________ *Director*

____________________ *Director*

NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Revenues and Expenses

Year Ended March 31, 2010

	Health Centre (Schedule 1)	Early Learning & Child Care Centre (Schedule 2)	**2010**	2009
REVENUES	$ 2,984,606	$ 556,015	**$ 3,541,159**	$ 3,346,343
EXPENSES				
Accounting and computer fees	24,279	-	**24,279**	25,268
Administrative	88,036	22,340	**110,914**	134,575
Amortization	18,691	-	**18,691**	18,633
Bad debts	-	12,549	**12,549**	-
Evaluation fees	75	-	**75**	11,000
Information technologist	9,273	-	**9,273**	11,293
Medical supplies	22,003	-	**22,003**	17,747
Pre-retirement	39,252	(6,220)	**33,032**	25,705
Professional fees	7,440	-	**7,440**	8,892
Program	119,328	44,090	**163,418**	153,660
Rent	93,272	19,030	**112,302**	109,070
Repairs and maintenance	27,385	4,521	**31,906**	30,332
Salaries and benefits	2,465,063	459,421	**2,924,484**	2,727,318
Service contracts	5,326	-	**5,326**	8,109
Staff training	20,913	-	**20,913**	39,965
Travel	21,767	-	**21,767**	27,296
	2,962,103	555,731	**3,518,372**	3,348,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 22,503	$ 284	**$ 22,787**	$ (2,520)

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2010

	Membership	Invested in Capital Assets	Internally Restricted	Restricted Insight Mentor Program	Restricted Community Development	Restricted Family Violence	Restricted IWCS	Restricted Women's Place	Surplus subject to WRHA audit	Unrestricted	2010	2009
HEALTH CENTRE												
NET ASSETS - BEGINNING OF YEAR	$ 1,976	$ 2	$ 103,500	$ 73,864	$ (5,309)	$ 106,769	$ 122,466	$ (20,813)	$ 77,408	$ 283,889	$ **743,752**	$ 741,472
Membership	13	-	-	-	-	-	-	-	-	-	**13**	10
Year End Assessments- 2007-08 Surplus adjustment	-	-	-	-	-	-	-	-	4,465	-	**4,465**	(4,465)
Excess (deficiency) of revenue over expenses	-	-	-	(9,908)	7,606	43,200	16,014	(82,363)	6,806	41,148	**22,503**	6,735
BALANCE END OF THE YEAR	1,989	2	103,500	63,956	2,297	149,969	138,480	(103,176)	88,679	325,037	**770,733**	743,752
EARLY LEARNING & CHILD CARE CENTRE												
BALANCE BEGINNING OF YEAR	170	-	-	-	-	-	-	-	-	39,726	**39,896**	49,151
Excess (deficiency) of revenue over expenses	-	-	-	-	-	-	-	-	-	284	**284**	(9,255)
BALANCE END OF THE YEAR	170	-	-	-	-	-	-	-	-	40,010	**40,180**	39,896
TOTAL NET ASSETS	$ 2,159	$ 2	$ 103,500	$ 63,956	$ 2,297	$ 149,969	$ 138,480	$ (103,176)	$ 88,679	$ 365,047	$ **810,913**	$ 783,648

1. PURPOSE OF ORGANIZATION

Nor' West Co-op Community Health Centre Inc. (the "co-operative") works in partnership with the community to promote health and well being in its geographic neighbourhoods and identified populations in Winnipeg, Manitoba. The co-operative was incorporated November 23, 1972 without share capital, 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

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. Actual results could differ from these estimates.

Fund accounting

The Health Centre fund reports the assets, liabilities, 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 assets, liabilities, 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.

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 to be capped at the balance as at March 31, 2004.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 hardware	3 years	straight-line method
Computer software	3 years	straight-line method
Furniture, fixtures, and equipment	5 years	straight-line method
Leasehold improvements	5 years	straight-line method

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions and grants 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.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and short term deposits, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

The organization provides credit to its clients in the normal course of its operations. It maintains provisions for doubtful accounts on a continuing basis and adjusts bad debts to income. The organization does not normally require a guarantor for its trade accounts receivable.

To minimize credit risk, the organization maintains accounts receivable with several clients, none of whom pose a significant risk individually.

4. ACCOUNTS RECEIVABLE

		2010		2009
Health Centre				
Goods and services tax	$	**9,793**	$	8,731
Winnipeg Regional Health Authority		**52,631**		70,798
Grants		**61,918**		6,002
Other		**5,116**		3,530
		129,458		89,061
Early Learning Child Care Centre				
Goods and services tax		**-**		1,487
Day care fees		**17,073**		31,965
Disability funding grant		**5,952**		7,855
		23,025		41,307
Grand total	$	**152,483**	$	130,368

5. CAPITAL ASSETS

		Cost		Accumulated amortization		**2010 Net book value**		2009 Net book value
Computer hardware	$	49,160	$	44,918	$	**4,242**	$	4,989
Computer software		16,646		16,646		**-**		-
Furniture, fixtures, and equipment		74,243		65,514		**8,729**		16,937
Leasehold improvements		23,474		10,627		**12,847**		14,489
	$	163,523	$	137,705	$	**25,818**	$	36,415

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2010		2009
Health Centre				
Winnipeg Regional Health Authority	$	**130,619**	$	41,383
Trade payables		**74,546**		50,148
Accrued audit fees		**8,698**		6,865
Salaries		**82,181**		76,657
Other		**3,859**		3,933
		299,903		178,986

(continues)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(continued)*

Early Learning Child Care Centre		
Accrued audit fees	-	1,898
Subsidy advances	**8,680**	8,680
Salaries	**1,208**	(199)
Other	**4,286**	4,593
	14,174	14,972
Grand total	**$ 314,077**	$ 193,958

The repayable subsidy 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 contributions balance are as follows:

	2010	2009
Beginning balance	**$ 49,743**	$ 50,248
Less: amounts recognized as revenue in the year	**(37,388)**	(29,514)
Add: amounts received related to the following year	**108,049**	29,009
	$ 120,404	$ 49,743

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:

	2010	2009
Beginning balance	**$ 36,413**	$ 54,365
Contributions	**8,094**	-
Amounts recognized as revenue	**(18,691)**	(17,952)
	$ 25,816	$ 36,413

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 2009-2010, the Winnipeg Regional Health Authority agreed to provide pre-retirement funding of 65.1% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to $nil (2009 - $23,556)

During 2010, the benefit obligation earned by employees as at March 31, 2010 was actuarially determined to be $139,886. This has been reported as a liability on the Statement of Financial Position.

10. NET ASSETS

	2010	2009
Membership - Health	$ **1,989**	$ 1,976
Membership - Daycare	**170**	170
Invested in capital assets	**2**	2
Internally restricted	**103,500**	103,500
Restricted - InSight Mentor Program	**63,956**	73,864
Restricted - Family Violence	**149,969**	106,769
Restricted - Community Development	**2,297**	(5,309)
Restricted - Immigrant Women's Counselling	**138,480**	122,466
Restricted - Women's Place	**(103,176)**	(20,813)
Restricted - surplus subject to WRHA audit	**88,679**	77,408
Unrestricted - Health	**325,037**	283,889
Unrestricted - Daycare	**40,010**	39,726
	$ **810,913**	$ 783,648

11. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of $146,420 (2009 - $140,477). 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:

2011	$ 112,699
2012	58,760
2013	20,350
	$ 191,809

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 flow has been omitted as it would not provide additional meaningful information not readily determinable from other financial information provided.

	Primary Heath Care Program	InSight Mentor Program	Project Choices	Foot Care Program	Community Development Programs *(Schedule 3)*	Women's Counseling Programs *(Schedule 4)*	Parent Child Coalition	Capital assets	2010	2009
Revenue										
Community Connections/Urban Green	$ -	$ -	$ -	$ -	$ 16,191	$ -	$ -	$ -	$ 16,191	$ 16,553
Family Services and Housing	-	-	-	-	220,000	636,800	-	-	856,800	827,294
Healthy Child Manitoba	-	222,100	28,555	-	23,637	-	103,591	-	377,883	329,062
Interest income	37,848	-	-	-	-	-	-	-	37,848	36,540
Investors Group	-	-	-	-	5,350	-	-	-	5,350	5,552
Jewish Foundation	-	-	-	-	-	-	-	-	-	2,150
LITE	-	-	-	-	5,000	-	-	-	5,000	-
Manitoba Arts Council	-	-	-	-	8,370	-	-	-	8,370	3,338
Manitoba Cooperative Association	-	-	-	-	1,250	-	-	-	1,250	-
Manitoba Health and Healthy Living	-	-	-	-	6,000	-	-	-	6,000	-
Manitoba Housing Authority	-	-	-	-	24,745	-	-	-	24,745	24,745
Manitoba Justice	-	-	-	-	24,000	-	-	-	24,000	24,000
Manitoba Labour and Immigration	-	-	-	-	62,398	-	-	-	62,398	67,015
Other payment sources	3,300	-	-	-	23,579	1,050	-	-	27,929	32,597
Public Health Authority	-	-	-	-	-	-	-	-	-	9,415
United Way	-	-	-	-	257,312	-	-	-	257,312	244,780
University of Winnipeg	-	-	-	-	5,000	-	-	-	5,000	-
Winnipeg Foundation	-	-	-	-	22,345	-	-	-	22,345	17,500
Winnipeg Regional Heath Authority	1,118,471	-	-	218,271	-	-	-	-	1,336,742	1,205,559
Amortization of deferred contributions	-	-	-	-	-	-	-	18,691	18,691	17,952
Deferred revenue	-	-	(28,017)	-	(80,693)	-	-	-	(108,710)	(45,398)
	$ 1,159,619	$ 222,100	$ 538	$ 218,271	$ 624,484	$ 637,850	$ 103,591	$ 18,691	$ 2,985,144	$ 2,818,654
Expenses										
Accounting and computer fees	6,012	2,127	-	1,440	6,385	8,315	-	-	24,279	25,268
Administrative	30,062	5,813	538	7,329	20,790	19,970	4,072	-	88,574	106,569
Amortization	-	-	-	-	-	-	-	18,691	18,691	18,633
Evaluation fees	75	-	-	-	-	-	-	-	75	11,000
Equipment Expense	-	832	-	-	7,522	-	-	-	8,354	-
Information technologist	8,238	440	-	205	280	110	-	-	9,273	11,293
Medical supplies	13,658	-	-	8,345	-	-	-	-	22,003	17,747
Pre-retirement	15,231	(17,406)	-	(42,674)	33,964	42,052	8,085	-	39,252	16,298
Professional fees	6,340	1,100	-	-	-	-	-	-	7,440	8,892
Program	18,707	10,537	-	16,808	47,790	19,814	5,672	-	119,328	110,474
Rent	60,444	1,150	-	-	-	31,678	-	-	93,272	96,176
Repairs and maintenance	17,529	-	-	-	-	1,502	-	-	19,031	28,539
Salaries and benefits	929,403	214,560	-	216,327	492,718	527,115	84,940	-	2,465,063	2,285,660
Service contracts	4,280	-	-	-	-	1,046	-	-	5,326	8,109
Staff training	4,670	1,165	-	1,475	5,663	7,735	205	-	20,913	39,965
Travel-staff	2,020	11,690	-	4,012	1,766	1,662	617	-	21,767	27,296
	$ 1,116,669	$ 232,008	$ 538	$ 213,267	$ 616,878	$ 660,999	$ 103,591	$ 18,691	$ 2,962,641	$ 2,811,919
Excess (deficiency) of revenues over expenses	$ 42,950	$ (9,908)	$ -	$ 5,004	$ 7,606	$ (23,149)	$ -	$ -	$ 22,503	$ 6,735

NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Early Learning & Child Care Centre *(Schedule 2)*

Year Ended March 31, 2010

		2010		2009
REVENUE				
Child care fees	$	**147,328**	$	239,267
Operating grant		**189,494**		172,279
Province of Manitoba - Subsidy		**78,649**		6,002
Province of Manitoba - Disability Grant		**118,480**		94,882
Training Grant		**17,797**		7,161
Interest		**2,398**		2,660
Other		**1,869**		5,438
		556,015		527,689
EXPENSES				
Administrative		**22,340**		28,007
Bad debts		**12,549**		-
Pre-retirement		**(6,220)**		9,407
Program		**44,090**		37,880
Rent		**19,030**		18,200
Repairs and maintenance		**4,521**		1,794
Salaries and benefits		**459,421**		441,656
		555,731		536,944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$	**284**	$	(9,255)

	Community Development	Gilbert Park Going Places	2010	2009
REVENUES				
Community Connections/Urban Green	$ 16,191	$ -	$ **16,191**	$ 16,553
Family Services and Housing	-	220,000	**220,000**	204,494
Healthy Child Manitoba	23,637	-	**23,637**	-
Investor Group	5,350	-	**5,350**	5,552
Jewish Foundation	-	-	**-**	2,150
LITE	5,000	-	**5,000**	-
Manitoba Arts Council	8,370	-	**8,370**	3,338
Manitoba Cooperative Association	1,250	-	**1,250**	-
Manitoba Health and Healthy Living	6,000	-	**6,000**	-
Manitoba Housing Authority	24,745	-	**24,745**	24,745
Manitoba Justice	24,000	-	**24,000**	24,000
Manitoba Labour and Immigration	62,398	-	**62,398**	67,015
Other payment sources	12,787	10,792	**23,579**	29,641
United Way	257,312	-	**257,312**	244,780
University of Winnipeg	5,000	-	**5,000**	-
Winnipeg Foundation	22,345	-	**22,345**	17,500
Deferred revenue	(65,693)	(15,000)	**(80,693)**	(37,807)
	$ 408,692	$ 215,792	$ **624,484**	$ 601,961
EXPENSES				
Accounting and computer	3,070	3,315	**6,385**	6,295
Administrative	8,285	12,505	**20,790**	28,312
Equipment Expense	4,142	3,380	**7,522**	-
Information technologist	80	200	**280**	1,240
Pre-retirement	20,012	13,952	**33,964**	9,280
Professional fees	-	-	**-**	97
Program	41,295	6,495	**47,790**	48,096
Repairs and maintenance	-	-	**-**	8,842
Salaries and benefits	319,208	173,510	**492,718**	483,737
Staff training	4,006	1,657	**5,663**	13,200
Travel-staff	1,230	536	**1,766**	2,862
	$ 401,328	$ 215,550	$ **616,878**	$ 601,961
Excess of revenues over expenses	$ 7,364	$ 242	$ **7,606**	$ -

	Family Violence	Immigrant Women's Counseling	Women's Place	2010	2009
REVENUES					
Family Services and Housing	$ 334,800	$ 208,300	$ 93,700	**$ 636,800**	$ 622,800
Other payment sources	-	1,050		**1,050**	320
	$ 334,800	$ 209,350	$ 93,700	**$ 637,850**	$ 623,120
EXPENSES					
Accounting and computer	-	8,315	-	**8,315**	8,392
Administrative	-	19,970	-	**19,970**	25,194
Information technologist	-	110	-	**110**	775
Pre-retirement	23,720	9,410	8,922	**42,052**	(12,955)
Program	4,764	3,755	11,295	**19,814**	18,708
Rent	-	31,678	-	**31,678**	31,311
Repairs and maintenance	-	1,502	-	**1,502**	2,786
Salaries and benefits	263,116	108,640	155,359	**527,115**	562,993
Service contracts	-	1,046	-	**1,046**	648
Staff training	-	7,735	-	**7,735**	3,192
Travel-staff	-	1,175	487	**1,662**	2,682
	$ 291,600	$ 193,336	$ 176,063	**$ 660,999**	$ 643,726
Excess (deficiency) of revenues over expenses	$ 43,200	$ 16,014	$ (82,363)	**$ (23,149)**	$ (20,606)

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Auditors' Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

We have audited the statement of financial position of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 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 21, 2010

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31		2010		2009
Assets				
Current Assets				
Cash	$	**355,407**	$	144,956
Short-term investments (Note 2)		**258,240**		424,715
Accounts receivable		**29,905**		45,110
Employee benefits recoverable (Note 3)		**230,242**		230,242
Inventory - supplies on hand		**27,370**		23,967
Prepaid expenses		**54,572**		20,480
Due from Winnipeg Regional Health Authority (Note 5)		**380,229**		251,308
		1,335,965		1,140,778
Deferred benefit entitlements (Note 3)		**427,763**		379,492
Capital assets (Note 4)		**2,123,869**		2,096,450
	$	**3,887,597**	$	3,616,720
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	**439,823**	$	351,704
Accrued vacation entitlements (Note 3)		**288,124**		249,855
Trust liabilities		**12,030**		12,887
Advances from Winnipeg Regional Health Authority		**112,991**		67,338
		852,968		681,784
Pre-retirement entitlement (Note 3)		**395,026**		346,755
Deferred Contributions				
Externally restricted (Schedule 1)		**122,117**		107,041
Capital assets (Schedule 2)		**2,044,436**		2,030,430
Donations (Schedule 3)		**92,501**		81,558
Reserve for insurance deductible (Schedule 4)		**8,153**		7,153
		2,267,207		2,226,182
Total liabilities and deferred contributions		**3,515,201**		3,254,721
Contingencies (Note 8)		**-**		-
Net assets, unrestricted		**372,396**		361,999
	$	**3,887,597**	$	3,616,720

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		2010		2009
Balance, beginning of year	$	**361,999**	$	356,748
Prior year adjustment		**-**		(33,077)
Excess of revenue for the year		**10,397**		38,328
Balance, end of year	$	**372,396**	$	361,999

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		2010		2009
Revenue				
Winnipeg Regional Health Authority (Note 7)	$	**3,967,278**	$	3,525,962
Residential charges		**1,564,079**		1,568,466
Amortization of deferred contributions related to capital assets		**106,747**		107,960
Adult day care program (Schedule 5)		**101,264**		63,381
Recoveries and offset income		**91,700**		105,041
Mortgage interest subsidy		**45,359**		45,359
Interest earned		**8,416**		12,354
Donations and other		**2,025**		13,045
		5,886,868		5,441,568
Expenditures				
Nursing personal care		**3,337,427**		3,098,854
Food services		**611,328**		605,975
General and administrative		**414,224**		380,725
Plant maintenance		**259,047**		219,753
Housekeeping		**216,127**		209,914
Plant operation		**200,682**		210,651
Recreation		**167,336**		164,677
Laundry and linen		**133,924**		128,737
Amortization		**111,473**		107,960
In-service education		**105,371**		96,535
Adult day care program (Schedule 5)		**101,285**		64,732
Benefit retroactive payments		**61,695**		-
Interest on long-term debt		**39,061**		43,132
Social work		**31,820**		22,472
Donations and other		**1,899**		13,748
		5,792,699		5,367,865
Excess of revenue over expenditures for the year before the undernoted		**94,169**		73,703
Pre-retirement payouts		**(35,501)**		(33,790)
Pre-retirement future benefits expenses (Note 3)		**(48,271)**		(1,585)
Excess of revenue for the year	$	**10,397**	$	38,328

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		2010		2009
Cash Flows from Operating Activities				
Excess of revenue for the year	$	**10,397**	$	38,328
Adjustments for				
Amortization of capital assets		**111,473**		107,960
Amortization of deferred contributions related to capital assets		**(106,747)**		(107,960)
Prior year items		**-**		(33,077)
		15,123		5,251
Changes in non-cash working capital balances				
Accounts receivable		**15,205**		82,377
Due from Winnipeg Regional Health Authority		**(128,921)**		(209,585)
Inventory - supplies on hand		**(3,403)**		430
Prepaid expenses		**(34,092)**		(1,428)
Deferred benefit entitlements		**(48,271)**		(1,585)
Accrued vacation entitlement		**38,269**		8,767
Pre-retirement entitlement		**48,271**		1,585
Advances from Winnipeg Regional Health Authority		**45,653**		(74,740)
Accounts payable and accrued expenses		**88,119**		71,527
Trust liabilities		**(857)**		(1,610)
		19,973		(124,262)
		35,096		(119,011)
Cash Flows from Financing Activities				
Deferred contributions - externally restricted		**15,076**		33,744
Deferred contributions - capital assets		**120,753**		3,750
Deferred contributions - donations		**10,943**		62,399
Reserve for insurance deductible		**1,000**		1,000
		147,772		100,893
Cash Flows from Investing Activities				
Purchase of capital assets and construction, net		**(138,893)**		(3,751)
(Increase) decrease in short-term investments		**166,476**		(16,136)
		27,583		(19,887)
Increase (decrease) in cash and cash equivalents		**210,451**		(38,005)
Cash and cash equivalents, beginning of year		**144,956**		182,961
Cash and cash equivalents, end of year	$	**355,407**	$	144,956

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

For the year ended March 31, 2010

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge. The financial data of the Odd Fellows And Rebekahs Personal Care Home Inc. are excluded since they are not required in assessing the financial operations of the 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.

For the year ended March 31, 2010

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 4.9% (6.7% in 2009), a rate of salary increase of 4.0% (3.5% in 2009) 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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Future for Not-for-Profit Organizations (NPO) - In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

The organization continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

For the year ended March 31, 2010

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

	2010	2009
Steinbach Credit Union, 3.8%, matures Nov 18, 2009	$ -	$ 105,229
Steinbach Credit Union, 3.6%, matures Sept 17, 2009	-	133,937
Steinbach Credit Union, regular savings, 1.95% (2.5% in 2009)	258,240	78,621
CIBC GIC Investment, 2.25%, matures October 5, 2009	-	106,928
	$ 258,240	$ 424,715

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, 2010 reports an obligation of $395,026 ($346,755 in 2009). 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 2010 of $48,271 ($1,585 in 2009) 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.

For the year ended March 31, 2010

4. Capital Assets

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 217,027	$ -	$ -
Buildings	3,476,499	1,697,320	1,779,179	1,783,322
Building addition Special Needs Unit	388,858	151,222	237,636	248,437
Equipment	948,262	841,208	107,054	64,691
Equipment Special Needs Unit	31,771	31,771	-	-
	$ 5,062,417	$ 2,938,548	$ 2,123,869	$ 2,096,450

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:

	2010	2009
2007 fiscal year end	$ (44,747)	$ (44,747)
2008 fiscal year end	(18,542)	(50,715)
2009 fiscal year end	42,460	(155,846)
2010 fiscal year end	(359,400)	-
Balance, end of year	$ (380,229)	(251,308)

6. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

7. Winnipeg Regional Health Authority Operating Income

	2010	2009
Budgeted Items	$ 3,762,183	$ 3,272,878
Current adjustments - Out of Globe	205,095	253,084
Balance, end of year	$ 3,967,278	$ 3,525,962

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, 2010.

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 $220,933 ($218,193 in 2009) 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. Contribution rates were increased on July 1, 2007 to 6.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 8.4% 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.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2010		2009
Reserve for Major Repairs				
Balance, beginning of year	$	**66,520**	$	48,176
Current year funding		**18,344**		18,344
Balance, end of year	$	**84,864**	$	66,520
Equipment Replacements				
Balance, beginning of year	$	**40,521**	$	25,121
Current year funding		**15,400**		15,400
Current year expenditures		**(18,668)**		-
Balance, end of year	$	**37,253**	$	40,521
Total Deferred Contributions - Externally Restricted	$	**122,117**	$	107,041

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2010	2009
Balance, beginning of year	$ 2,030,430	$ 2,134,640
Current year funding	92,416	-
Prior year adjustment	9,669	-
Transfer from deferred contributions - equipment	18,668	3,750
Amortize to revenue	(106,747)	(107,960)
Balance, end of year	$ 2,044,436	$ 2,030,430

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2010		2009
Balance, beginning of year	$	**81,558**	$	19,159
Current year donations		**13,578**		41,287
Current year expenditures		**(2,635)**		(13,393)
Reclass donation		**-**		800
Prior year adjustment		**-**		33,705
Balance, end of year	$	**92,501**	$	81,558

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2010		2009
Balance, beginning of year	$	**7,153**	$	6,153
Current year funding		**1,000**		1,000
Balance, end of year	$	**8,153**	$	7,153

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31	2010	2009
Revenues		
Winnipeg Regional Health Authority	$ 91,656	$ 54,864
Participants	9,608	8,517
	101,264	63,381
Expenditures		
Salaries and benefits	36,410	37,510
Transportation	54,987	17,815
Meals	7,316	6,655
Supplies	1,877	2,083
Health and education levy	695	669
	101,285	64,732
Excess of expenditures for the year	$ (21)	$ (1,351)

To the Members of 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 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 Board is also responsible for recommending the appointment of the Organization's external auditors.

Meyers Norris Penny 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.

May 26, 2010

Chief Executive Officer/Chief Financial Officer

Auditors' Report

To the Board of Directors of Park Manor Personal Care Home Inc.:

We have audited the statement of financial position of Park Manor Personal Care Home Inc. as at March 31, 2010 and the statements of operations and changes in unrestricted net assets including the supporting schedules for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 26, 2010

Chartered Accountants

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

MNP

Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2010

	2010	2009
Assets		
Current		
Cash *(Note 3)*	734,777	621,599
Marketable securities *(Note 4)*	417,943	1,072,237
Accounts receivable *(Note 5)*	30,692	46,714
Prepaid expenses	52,595	28,004
	1,236,007	1,768,554
Capital assets *(Note 6)*	1,624,835	1,706,642
Investments *(Note 7)*	1,467,498	784,616
Receivable from Winnipeg Regional Health Authority	1,111,119	1,207,113
	5,439,459	5,466,925
Liabilities		
Current		
Accounts payable and accruals	1,658,868	1,683,134
Residents' trust payable	2,860	9,651
Current portion of long-term debt *(Note 8)*	74,000	118,000
	1,735,728	1,810,785
Long-term debt *(Note 8)*	227,538	301,120
Deferred contributions *(Note 9)*	1,367,630	1,324,126
	3,330,896	3,436,031
Net Assets		
Unrestricted *(Note 10)*	320,276	332,347
Internally restricted *(Note 11)*	1,788,287	1,698,547
	2,108,563	2,030,894
	5,439,459	5,466,925

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

MNP

	2010	2009
Revenues		
Residential charges	1,702,189	1,662,775
Winnipeg Regional Health Authority		
Operating	3,862,573	3,530,273
Bed grant	7,680	7,680
Medical remuneration	12,960	-
Interest on approved borrowing	18,024	19,392
Year end adjustment *(Note 14)*	(6,991)	(15,983)
Medical salaries	-	2,952
Supplemental funding	112,608	112,608
Accrued wage adjustment	132,547	213,355
Median rate adjustment	96,695	167,310
Pre-retirement leave - current benefits	32,846	13,123
Investment income	126	515
Meal recoveries	69,894	68,676
Housekeeping, maintenance, and administration recoveries	41,125	-
Grant from Adventist Care Foundation	30,000	30,000
Amortization of deferred operating contributions	-	1,355
Amortization of deferred capital contributions	143,136	126,262
Adult Day Program revenue *(Schedule 1)*	164,188	123,522
Support to Seniors in Group Living Program revenue SSGL *(Schedule 2)*	82,360	-
	6,481,594	6,063,815
Expenses		
Amortization	141,789	145,790
Dietary	209,373	205,110
Employee benefits	893,878	824,581
Employee future benefits - vacation	29,100	8,261
General expenses	79,409	80,950
Housekeeping	19,772	19,230
Interest on long-term debt	16,012	23,873
Laundry	10,930	10,647
Linen	5,694	6,974
Medical administration	12,960	2,956
Medical supplies	111,085	117,394
Physical plant	265,792	285,877
Pre-retirement leave	32,846	20,158
Salaries and wages	4,467,260	4,241,783
Therapeutic recreation	3,643	5,551
Travel - local transport	2,300	-
Adult Day Program expenses *(Schedule 1)*	165,193	120,410
SSGL Program expenses *(Schedule 2)*	66,015	-
	6,512,684	6,119,545
Excess (deficiency) of revenues over expenses before the following:	(31,090)	(55,730)
Accrued future employee benefit income *(Note 15)*	66,929	46,283
Accrued future employee benefit expense *(Note 15)*	(66,929)	(46,283)
Excess (deficiency) of revenues over expenses	(31,090)	(55,730)

The accompanying notes are an integral part of these financial statements

	2010 Total	2009 Total
Unrestricted net assets, beginning of year	332,347	388,077
Excess (deficiency) of revenues over expenses	(12,071)	(55,730)
Unrestricted net assets, end of year	320,276	332,347

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. Amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful lives. The annual rates are as follows:

	Rate
Buildings	20 years
Computer equipment	5 years
Equipment	10 years

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expense as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated 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.

Accounts receivable are stated after management's evaluation of 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 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 marketable securities 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.

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.

Financial instruments deferral of section 3862 and 3863:

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation to replace Section 3861 Financial Instruments - Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. As such, not-for-profit organizations continue to apply Section 3861.

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.

3. Cash

Cash earned interest at 0.25% (2009 - 0.25%) at year-end. The Organization has an available line of operating credit to a maximum of $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 $75,000 and the specific assignment of accounts receivable from Manitoba Health.

	2010	*2009*
Unrestricted cash on deposit	**684,646**	554,808
Restricted cash - Major repair	**38,661**	50,901
Restricted cash - Residents' trust	**11,470**	15,890
	734,777	621,599

4. Marketable securities

	2010	*2009*
CIBC Trust Corporation GIC, earning interest at 3.85%, due December 2010	**315,378**	307,484
City of Winnipeg serial debentures, earning interest at 3.90%, due March 2010	-	102,450
Manitoba Builder bonds, earning interest at 4.45%, due June 2009	-	242,004
Money market mutual fund	**102,565**	212,297
Province of New Brunswick bonds, earning interest at 4.50%, due December 2009	-	208,002
	417,943	1,072,237

5. Accounts receivable

	2010	2009
Trade receivables	**19,183**	40,084
Goods and Service Tax receivable	**11,509**	6,630
	30,692	46,714

6. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	2010 Net book value
Land	28,266	-	-	**28,266**	**-**	**28,266**
Buildings	3,383,327	10,064	-	**3,393,391**	**1,963,374**	**1,430,017**
Computer equipment	32,049	-	14,747	**17,302**	**15,125**	**2,177**
Equipment	605,073	49,917	19,064	**635,926**	**471,551**	**164,375**
	4,048,715	59,981	33,811	**4,074,885**	**2,450,050**	**1,624,835**

Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	2009 Net book value
Land	28,266	-	-	28,266	-	28,266
Buildings	3,364,212	19,115	-	3,383,327	1,851,009	1,532,318
Computer equipment	35,714	3,627	7,292	32,049	29,147	2,902
Equipment	563,658	55,544	14,129	605,073	461,917	143,156
	3,991,850	78,286	21,421	4,048,715	2,342,073	1,706,642

7. Investments

	2010	2009
CIBC non-redeemable GIC, earning interest at 1.50%, due May 2012	**204,634**	-
CIBC non-redeemable GIC, earning interest at 1.25%, due September 2014	**253,898**	-
CIBC non-redeemable GIC, earning interest at 3.25%, due May 2011	**216,539**	213,258
CIBC non-redeemable GIC, earning interest at 3.00%, due November 2013	**427,257**	410,959
CIBC non-redeemable GIC, earning interest at 1.00% due December 2014	**201,828**	-
CIBC non-redeemable GIC, earning interest at 3.50%, due May 2013	**163,342**	160,399
	1,467,498	784,616

8. Long-term debt

	2010	*2009*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017.	**238,968**	264,381
Term loan payable in monthly instalments of $3,920 plus interest at prime less 1.0%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due July 2012.	**62,570**	109,610
Term loan payable in monthly instalments of $8,800 plus interest at prime less 0.5%, repaid.	**-**	45,129
	301,538	419,120
Less: current portion	**74,000**	118,000
	227,538	301,120

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2011	74,000
2012	44,000
2013	30,000
2014	32,000
2015	34,000

9. 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 Fund	*Operating Fund*	*2010*	*2009*
Balance, beginning of year	1,321,295	2,831	**1,324,126**	1,206,750
Contributions received during the year				
Donations	46,260	-	**46,260**	32,203
Winnipeg Regional Health Authority				
- Principal repayment	117,576	-	**117,576**	176,616
- Equipment replacement	17,500	-	**17,500**	17,500
- Major repairs	4,296	-	**4,296**	4,296
- Safety and security - lump sum funding	-	-	**-**	13,370
- Insurance deductible	-	1,008	**1,008**	1,008
Recognized as revenue during the year	(143,136)	-	**(143,136)**	(127,617)
Balance, end of year	1,363,791	3,839	**1,367,630**	1,324,126

10. Unrestricted net assets

Unrestricted net assets are comprised of:

	2010	2009
Personal care operations	285,126	312,537
Adult day program	18,805	19,810
SSGL program	16,345	-
	320,276	332,347

11. Restricted net assets

Internally restricted net assets are comprised of:

	2010	2009
Special purpose reserve:		
Balance, beginning of year	1,676,335	1,490,088
Trust contributions	18,693	40,803
Private grants and donations	49,045	30,646
Invested in capital assets	3,193	22,212
Net change in other income (expenses)	41,021	114,798
Balance, end of year	1,788,287	1,698,547

These net assets are restricted in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discretion of the board of directors.

12. Financial instruments

Fair value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's marketable securities and investments are based on quoted market prices.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable and accounts receivable from WRHA.

13. Major Customer

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 71.5% (2009 - 68.6%).

14. Year end adjustment - revenues

The year end adjustment in the revenues section of the Statement of Operations and Changes in Net assets represents the difference between the funding budget and actual for residential charges received from residents. This amount is guaranteed by Winnipeg Regional Health Authority.

15. 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, 2010 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

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 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:

	2010	*2009*
Marketable securities	**417,943**	1,232,636
Investments	**1,467,498**	624,217
Unrestricted net assets	**320,276**	332,347
	2,205,717	2,189,200

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.

17. Statement of cash flows

A statement of change in cash flows has not been prepared because information about financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

18. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

Park Manor Personal Care Home Inc.
Schedule 1 - Adult Day Program
For the year ended March 31, 2010

	2010	*2009*
Revenue		
Winnipeg Regional Health Authority - Operating	**150,264**	109,272
Participant fees	**13,924**	14,250
	164,188	123,522
Expenses		
Benefits	**13,245**	11,372
Health and education tax	**1,541**	1,432
Management fees	**1,040**	1,071
Meals	**10,025**	10,038
Salaries and wages	**68,983**	65,127
Supplies	**3,541**	4,118
Travel	**66,818**	27,252
	165,193	120,410
Excess (deficiency) of revenue over expenses	**(1,005)**	3,112

Park Manor Personal Care Home Inc.
Schedule 2 - SSGL Program
For the year ended March 31, 2010

	2010	*2009*
Revenue		
Winnipeg Regional Health Authority	81,600	-
Winnipeg Regional Health Authority - Donations	760	-
	82,360	-
Expenses		
Benefits	9,695	-
Professional development	210	-
Salaries and wages	50,468	-
Supplies	2,348	-
Telephone	1,054	-
Travel	2,240	-
	66,015	-
Excess of revenue over expenses	16,345	-

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Auditors' Report

To the Directors of
PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the statement of financial position of the **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2010 and the statements of operations, changes in net deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2010 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 21, 2010

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31		2010		2009 (Restated - Note 2)
Assets				
Current Assets				
Cash	$	**32,642**	$	-
Restricted cash		**110,574**		121,175
Accounts receivable (Note 3)		**25,917**		23,928
Inventories		**7,574**		7,546
Prepaid expenses		**4,794**		6,823
Vacation entitlement receivable (Note 4)		**121,948**		121,948
		303,449		281,420
Retirement obligations asset (Note 9)		**202,169**		160,365
Capital assets (Note 5)		**153,042**		239,823
	$	**658,660**	$	681,608
Liabilities and Net Deficiency				
Current Liabilities				
Bank indebtedness (Note 6)	$	**-**	$	41,476
Accounts payable (Note 7)		**350,212**		293,719
Accrued vacation entitlements (Note 4)		**195,970**		161,705
		546,182		496,900
Accrued retirement obligation (Note 9)		**202,169**		160,365
Deferred contributions (Note 8)		**265,955**		359,398
		1,014,306		1,016,663
Net deficiency		**(355,646)**		(335,055)
	$	**658,660**	$	681,608

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 Changes in Net Deficiency

For the year ended March 31	2010	2009
	Total	Total
Net deficiency, beginning of year, as previously reported	**$ (335,055)**	$ (226,207)
Correction of an error (Note 2)	**-**	(79,605)
Net deficiency, beginning of year, restated	**(335,055)**	(305,812)
Deficiency of revenue over expenditures for the year	**(20,591)**	(29,243)
Net deficiency, end of year	**$ (355,646)**	$ (335,055)

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2010	2009
Revenue		
Winnipeg Regional Health Authority	**$ 2,826,237**	$ 2,591,809
Residential charges	**907,021**	918,098
Other income	**2,457**	5,803
	3,735,715	3,515,710
Expenditures		
Drugs and medical supplies	**66,538**	63,568
Interest	**389**	9,115
Office and miscellaneous	**11,512**	16,380
Other supplies and expenses	**36,368**	43,505
Professional fees	**8,259**	12,530
Purchased services	**589,753**	532,904
Repairs and maintenance	**6,462**	1,458
Resident trust fees	**7,318**	8,012
Salaries and benefits	**2,644,668**	2,480,264
Service charges and fees	**9,214**	9,269
Shared building operation expenses (Note 10)	**370,738**	362,933
Telephone	**4,911**	4,830
Travel	**176**	185
	3,756,306	3,544,953
Deficiency of revenue over expenditures before amortization	**(20,591)**	(29,243)
Amortization		
Deferred contributions (Note 8)	**194,153**	257,520
Capital assets	**(194,153)**	(257,520)
	-	-
Deficiency of revenue over expenditures for the year	**$ (20,591)**	$ (29,243)

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	2010	2009
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (20,591)	$ (29,243)
Adjustment for		
Amortization of capital assets	194,153	257,520
	173,562	228,277
Changes in non-cash working capital		
Accounts receivable	(1,989)	11,546
Vacation entitlement receivable	(41,804)	(14,539)
Inventory	(28)	(2,650)
Prepaid expenses	2,029	(1,800)
Accounts payable	56,493	(56,995)
Vacation entitlement payable	76,069	34,319
	264,332	198,158
Cash Flows from Financing Activities		
Deferred contributions	(93,443)	(246,178)
Cash Flows from Investing Activities		
Purchase of capital assets	(107,372)	(2,878)
Net increase (decrease) in cash and cash equivalents	63,517	(50,898)
Cash and cash equivalents, beginning of year	79,699	130,597
Cash and cash equivalents, end of year	$ 143,216	$ 79,699
Represented by:		
Cash	$ 32,642	$ -
Restricted cash	110,574	121,175
Bank indebtedness	-	(41,476)
	$ 143,216	$ 79,699

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.

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, 2010

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	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%

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

For the year ended March 31, 2010

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Future for Not-for-Profit Organizations (NPO)

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

For the year ended March 31, 2010

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.

2. Correction of an Error

During the year, the Home undertook a study of its capital assets and deferred contributions and has determined that the amortization of capital assets and deferred contributions previously reported were misstated based on its accounting policies. Accordingly comparative figures on the statement of financial position for the year ended March 31, 2009 have been adjusted as follows:

	As previously reported	Adjustment	**Restated**
Accumulated Amortization			
Leasehold Improvements	$ 2,012,148	$ 257,856	**$ 2,270,004**
Furniture, fixtures and equipment	305,532	58,282	**363,814**
Deferred Contributions	595,931	(236,533)	**359,398**
Net deficiency	(255,450)	(79,605)	**(335,055)**

3. Accounts Receivable

	2010	2009
Receivable from residents	**$ 11,114**	$ 7,677
GST rebate receivable	**5,580**	5,014
Other	**9,223**	11,237
	$ 25,917	$ 23,928

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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	**$ 161,705**	$ 141,925
Net change in accrued vacation entitlements	**34,265**	19,780
Balance, end of year	**$ 195,970**	$ 161,705

5. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Leasehold improvements	**$ 2,477,195**	**$ 2,442,001**	$ 2,479,172	$ 2,270,004
Furniture, fixtures and equipment	**504,785**	**386,937**	394,469	363,814
	$ 2,981,980	**$ 2,828,938**	$ 2,873,641	$ 2,633,818
Cost less accumulated amortization		**$ 153,042**		$ 239,823

Amortization of capital assets for the year ended March 31, 2010 is $194,153 (2009 - $257,520).

6. Bank Overdraft

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 ($50,000 in 2009), available for operating needs. The overdraft facility bears interest at the bank's prime rate, calculated and payable monthly.

7. Accounts Payable

	2010	2009
Trade accounts payable	**$ 37,915**	$ 40,932
Salaries and employee benefits payable	**82,007**	94,416
Winnipeg Regional Health Authority	**8,839**	45,473
Due to related parties	**221,451**	112,898
	$ 350,212	$ 293,719

8. 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:

	2010	2009 (Restated - Note 2)
Balance, beginning of year, as previously stated	**$ 236,878**	$ 730,510
Correction of an error	**-**	(236,533)
Balance, beginning of year, restated	**236,878**	493,977
Additional contributions received		
Winnipeg Regional Health Authority	**163,000**	257,520
Reserve equipment purchases	**110,316**	-
Less amounts amortized to revenue	**(194,153)**	(257,520)
Contributions applied to debt assumed by Province	**(163,000)**	(257,099)
Balance, end of year	**$ 153,041**	$ 236,878

8. Deferred Contributions (continued)

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.

	2010	2009
Balance, beginning of year	$ 122,520	$ 111,599
Additional contributions received		
Winnipeg Regional Health Authority	100,710	9,975
Interest received	-	1,847
Equipment purchases	(110,316)	(901)
Balance, end of year	112,914	122,520
Total deferred contributions	$ 265,955	$ 359,398

For the year ended March 31, 2010

9. 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, 2010. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	**$ 83,241**	$ 83,241
Winnipeg Regional Health Authority	**118,928**	77,124
	$ 202,169	$ 160,365

9. Employee Future Benefits (continued)

a) Accrued retirement obligation (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	**$ 160,365**	$ 145,826
Net change in pre-retirement entitlements	**41,804**	14,539
Balance, end of year	**$ 202,169**	$ 160,365

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, 2008 indicates 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. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $131,158 (2009 - $117,371) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

	2010	2009
Salary reimbursements paid	$ **232,967**	$ -
Shared building operations expenses	**370,738**	362,933
Management fees paid	**-**	60,000

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 31% of building operation expenses for the year ended March 31, 2010.

Accounts payable includes $221,451 (2009 - $112,898) payable to related parties.

11. 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 9, 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) should be 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.

12. 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.

13. 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:

	2010	2009
Accounts receivable	**$ 25,917**	$ 23,928
Vacation entitlements receivable	**121,948**	121,948
Retirement obligations receivable	**202,169**	160,365
	$ 350,034	$ 306,241

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.

13. 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 (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.

14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

KPMG

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AUDITORS' REPORT

To the Member of St. Amant Inc.

We have audited the statement of financial position of St. Amant Inc. as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 4, 2010

ST. AMANT INC.

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	Operating Fund		Capital Fund		Total	
	2010	2009	2010	2009	2010	2009

Assets

Current assets:						
Cash	$ –	$ 1,827,974	$ 161,202	$ 318,877	$ 161,202	$ 2,146,851
Funds held in trust for residents	402,440	342,037	–	–	402,440	342,037
Accounts receivable	4,182,487	2,900,938	170,535	–	4,353,022	2,900,938
Inventories	179,289	216,616	–	–	179,289	216,616
Prepaid expenses	206,281	218,997	–	–	206,281	218,997
Vacation pay recoverable from Winnipeg Regional Health Authority (note 8)	1,461,198	1,461,198	–	–	1,461,198	1,461,198
Due from St. Amant Foundation Inc. (note 6)	–	904,750	–	(295,952)	–	608,798
Inter-fund balances	2,290,210	1,992,066	(2,290,210)	(1,992,066)	–	–
	8,721,905	9,864,576	(1,958,473)	(1,969,141)	6,763,432	7,895,435
Capital assets (note 2)	–	–	19,647,474	18,483,828	19,647,474	18,483,828
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 8)	1,943,468	1,543,522	–	–	1,943,468	1,543,522
	$ 10,665,373	$ 11,408,098	$ 17,689,001	$ 16,514,687	$ 28,354,374	$ 27,922,785

	Operating Fund 2010	Operating Fund 2009	Capital Fund 2010	Capital Fund 2009	Total 2010	Total 2009

Liabilities, Deferred Contributions and Fund Balances

	Operating Fund 2010	Operating Fund 2009	Capital Fund 2010	Capital Fund 2009	Total 2010	Total 2009
Current liabilities:						
Cheques issued in excess of cash on hand	$ 272,637	$ –	$ –	$ –	$ 272,637	$ –
Accounts payable and accrued liabilities	3,776,672	3,488,706	295	–	3,776,967	3,488,706
Employee vacation payable (note 8)	2,737,602	2,436,083	–	–	2,737,602	2,436,083
Funds held in trust for residents	402,440	342,037	–	–	402,440	342,037
Payable to St. Amant Foundation Inc. (note 6)	(41,784)	–	282,962	–	241,178	–
Advances (note 3)	377,480	377,480	–	–	377,480	377,480
Current portion of long-term debt (note 4)	–	–	6,576,538	5,358,665	6,576,538	5,358,665
	7,525,047	6,644,306	6,859,795	5,358,665	14,384,842	12,002,971
Future employee pre-retirement benefits payable (note 8)	2,221,956	1,822,010	–	–	2,221,956	1,822,010
Long-term debt (note 4)	–	–	311,347	1,661,929	311,347	1,661,929
Deferred contributions (note 5):						
Expenses of future periods	1,557,656	1,377,816	–	–	1,557,656	1,377,816
Capital assets	–	–	6,161,917	5,994,819	6,161,917	5,994,819
	1,557,656	1,377,816	6,161,917	5,994,819	7,719,573	7,372,635
Fund balances:						
Invested in capital assets	–	–	4,141,702	3,285,034	4,141,702	3,285,034
Internally restricted	552,077	1,180,223	–	–	552,077	1,180,223
Unrestricted	(1,191,363)	383,743	–	–	(1,191,363)	383,743
	(639,286)	1,563,966	4,141,702	3,285,034	3,502,416	4,849,000
Excess of appraised value over cost	–	–	214,240	214,240	214,240	214,240
Subsequent event (note 4)						
	$10,665,373	$ 11,408,098	$ 17,689,001	$ 16,514,687	$ 28,354,374	$ 27,922,785

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

June 24, 2010.

Date:

Approved on behalf of the Member of the Corporation:

Date: June 24, 2010

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances

Exhibit 2

Year ended March 31, 2010, with comparative figures for 2009

	Winnipeg Regional Health Authority	Family Services	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2010 Combined	2009 Combined
Revenues:								
Manitoba Family Services	$ –	27,631,251	$ 27,631,251	$ –	$ 27,631,251	$ –	$ 27,631,251	$ 25,174,308
Winnipeg Regional Health Authority	24,849,535	25,000	24,874,535	–	24,874,535	–	24,874,535	23,705,898
Manitoba Health	–	–	–	–	–	83,605	83,605	76,256
Government of Canada	5,053	568,741	573,794	–	573,794	–	573,794	621,970
School divisions	–	376,624	376,624	–	376,624	–	376,624	290,029
Fees	–	319,444	319,444	–	319,444	–	319,444	211,097
Grants	45,713	16,695	62,408	–	62,408	–	62,408	188,178
Other governments	112,803	–	112,803	–	112,803	–	112,803	106,512
Recoveries	368,917	–	368,917	–	368,917	–	368,917	382,770
Investment income	1,195	–	1,195	–	1,195	1,031	2,226	78,684
St.Amant Foundation Inc. donations (note 6)	208,726	121,802	330,528	–	330,528	20,068	350,596	143,692
Amortization of deferred contributions (note 5)	–	–	–	–	–	546,126	546,126	567,767
Gain on sale of capital assets	–	–	–	–	–	109,304	109,304	–
Other programs	198,887	55,250	254,137	–	254,137	–	254,137	209,858
	25,790,829	29,114,807	54,905,636	–	54,905,636	760,134	55,665,770	51,757,019
Expenses:								
Salaries and wages	19,809,986	20,059,813	39,869,799	–	39,869,799	–	39,869,799	36,555,363
Employee benefits	3,618,734	3,558,843	7,177,577	–	7,177,577	–	7,177,577	6,121,661
Purchased services	733,518	54,494	788,012	–	788,012	–	788,012	773,808
Supplies	1,117,319	393,166	1,510,485	–	1,510,485	–	1,510,485	1,319,217
Food	628,865	498,139	1,127,004	–	1,127,004	–	1,127,004	1,025,263
Utilities	584,853	201,141	785,994	–	785,994	–	785,994	866,177
Equipment	179,451	169,319	348,770	–	348,770	–	348,770	260,606
Property taxes	226,985	103,878	330,863	–	330,863	–	330,863	322,956
Repairs and maintenance	142,268	279,016	421,284	–	421,284	–	421,284	362,303
Interest on long-term debt	–	–	–	–	–	237,388	237,388	274,394
Amortization	–	–	–	–	–	2,005,351	2,005,351	1,968,806
Administration and facility cost allocation (note 7)	(2,254,548)	2,254,548	–	–	–	–	–	–
Other	778,483	1,628,550	2,407,033	–	2,407,033	2,794	2,409,827	2,249,454
	25,565,914	29,200,907	54,766,821	–	54,766,821	2,245,533	57,012,354	52,100,010
Excess (deficiency) of revenues over expenses for the year before the undernoted	224,915	(86,100)	138,815	–	138,815	(1,485,399)	(1,346,584)	(342,991)
Future employee pre-retirement benefits revenue (note 8)	399,946	–	399,946	–	399,946	–	399,946	(110,099)
Future employee pre-retirement benefits obligation (note 8)	(399,946)	–	(399,946)	–	(399,946)	–	(399,946)	110,099
Excess (deficiency) of revenues over expenses	224,915	(86,100)	138,815	–	138,815	(1,485,399)	(1,346,584)	(342,991)
Transfer to Capital Fund for purchased capital assets	(1,145,953)	(117,418)	(1,263,371)	(628,146)	(1,891,517)	1,891,517	–	–
Transfer to Capital Fund for principal repayment	(48,205)	(295,555)	(343,760)	–	(343,760)	343,760	–	–
Transfer to Capital Fund for interest	(30,729)	(185,365)	(216,094)	–	(216,094)	216,094	–	–
Transfer of gain on sale of capital assets from Capital Fund	–	109,304	109,304	–	109,304	(109,304)	–	–
Net change in fund balances	$ (999,972)	$ (575,134)	(1,575,106)	(628,146)	(2,203,252)	856,668	(1,346,584)	(342,991)
Fund balances, beginning of year			383,743	1,180,223	1,563,966	3,285,034	4,849,000	5,191,991
Fund balances, end of year			$ (1,191,363)	$ 552,077	$ (639,286)	$ 4,141,702	$ 3,502,416	$ 4,849,000

See accompanying notes to financial statements.

ST. AMANT INC.

Statement of Cash Flows

Year ended March 31, 2010 with comparative figures for 2009

	2010	2009
Cash provided by (used for):		
Operating activities:		
Deficiency of revenues over expenses	$ (1,346,584)	$ (342,991)
Adjustments for:		
Amortization of capital assets	2,005,351	1,968,806
Amortization of deferred contributions	(546,126)	(567,767)
Gain on sale of capital assets	(109,304)	–
Change in the following:		
Accounts receivable	(1,452,084)	332,025
Inventories	37,327	(1,109)
Prepaid expenses	12,716	(86,840)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(399,946)	110,099
Due from/to St. Amant Foundation Inc.	849,976	192,991
Accounts payable and accrued liabilities	288,261	1,100,480
Employee vacation payable	301,519	299,191
Future employee pre-retirement benefits payable	399,946	(110,099)
Net increase in deferred contributions related to expenses of future periods	179,840	109,491
	220,892	3,004,277
Investing activities:		
Purchase of capital assets	(3,213,616)	(1,820,760)
Proceeds on disposal of capital assets	153,923	–
	(3,059,693)	(1,820,760)
Financing activities:		
Increase in deferred contributions related to capital assets	713,224	515,900
Proceeds from long-term debt	957,132	771,659
Repayment of long-term debt	(1,089,841)	(1,142,353)
	580,515	145,206
Increase (decrease) in cash	(2,258,286)	1,328,723
Cash, beginning of year	2,146,851	818,128
Cash (cheques issued in excess of cash on hand), end of year	$ (111,435)	$ 2,146,851
Supplementary cash flow information:		
Interest paid	$ 237,388	$ 274,394
Interest received	2,226	78,684

See accompanying notes to financial statements.

ST. AMANT INC.

Notes to Financial Statements

Year ended March 31, 2010

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) Change in accounting policies:

Effective April 1, 2009, the Organization adopted the Canadian Institute of Chartered Accountant's (CICA) amendments to the 4400 Sections of the CICA Handbook. These amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. Adoption of these recommendations had no significant impact on the financial statements of the Organization for the year ending March 31, 2010.

Effective April 1, 2009, the Organization adopted CICA Handbook Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations* which establishes disclosure standards for entities that choose to classify their expenses by function and allocate expenses from one function to another. The Organization incurs general support expenses (administration and facility costs) that are common to the administration of Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Housing (Family Services) programs. The Organization allocates administration and facility costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Administration expenses are mainly allocated proportionately on the same percentage as the revenue of the WRHA and Family Services programs. Facility expenses are allocated based on the usage as determined by the square footage of the building occupied by WRHA and Family Services programs. The applicable disclosure is included in note 7.

Effective April 1, 2009 the Organization adopted the CICA's amendments to Section 1000 of the CICA Handbook. These amendments clarified the definitions and recognition criteria of assets, liabilities and expenses. Adoption of these recommendations had no significant effect on the financial statements of the Organization for the year ending March 31, 2010.

(b) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the WRHA and 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, 2010. The Organization's Service Purchase Agreement (SPA) with the WRHA continues in effect until March 31, 2012. The SPA with Family Services expired March 31, 2009, however it continues to be in effect until a new agreement is finalized.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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1. **Significant accounting policies (continued):**

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 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 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 government funded operations of the main residential program, developmental day program and community residences.

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.

(c) 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. Under this standard, 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 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

The Organization designated cash, funds held in trust for residents and cheques issued in excess of cash on hand as held-for-trading; accounts receivable, vacation pay recoverable from Winnipeg Regional Health Authority, due from St. Amant Foundation Inc. 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, due 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.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

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

(f) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation (note 4), for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

(g) 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.

(h) 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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1. **Significant accounting policies (continued):**

(i) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(j) Volunteers:

A large number of volunteers donate significant amounts of time in 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.

(k) Future employee pre-retirement benefits:

Future pre-retirement benefits are 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 accrued future pre-retirement benefit includes mortality and withdrawal rates, a discount rate of 4.90 percent (2009 - 6.70 percent) and a rate of salary increase of 4.00 percent (2009 - 3.50 percent) plus an age related merit/promotion scale with no provision for disability.

(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 financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

2. Capital assets:

	Cost or appraised value	Accumulated amortization	2010 Net book value	2009 Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	887,341	301,974	585,367	625,677
Buildings	17,101,457	9,940,905	7,160,552	7,006,522
Building service equipment	5,008,301	2,122,978	2,885,323	3,040,341
Furniture and equipment	6,024,232	5,253,058	771,174	952,173
Automotive	184,803	167,122	17,681	26,022
Software	1,014,059	692,419	321,640	482,546
	30,433,081	18,478,456	11,954,625	12,346,169
Community residences:				
Land	1,217,034	–	1,217,034	1,217,034
Land improvements	2,910	2,065	845	2,204
Buildings	7,429,443	1,321,705	6,107,738	4,407,461
Building service equipment	10,124	8,605	1,519	2,623
Furniture and equipment	1,282,852	1,043,538	239,314	473,144
Automotive	290,312	163,913	126,399	35,193
	10,232,675	2,539,826	7,692,849	6,137,659
	$ 40,665,756	$ 21,018,282	$ 19,647,474	$ 18,483,828

3. Advances:

The Organization has received working capital advances from Manitoba Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

4. Long-term debt:

	2010	2009
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	$ 364,816	$ 413,020
National Bank of Canada - Manitoba Health approved borrowings, due on demand, interest at bank prime rate less 0.5%, payable $4,891 monthly, principal payments, maturing October 2016 (if repayment not demanded by lender on the demand loan)	381,485	440,174
National Bank of Canada, loans payable, due on demand, at interest rates ranging from bank prime to 6.2%, payable $23,568 monthly including principal and interest, maturing at various dates through to September 2014 (if repayment not demanded by lender on the demand loans)	3,504,419	3,388,240
National Bank of Canada, loan payable, due on demand, interest at bank prime, payable $4,445 monthly, principal payments, maturing in December 2022 (if repayment not demanded by lender on the demand loan)	626,645	679,985
National Bank of Canada, loan payable, due on demand, interest at bank prime, payable $7,500 monthly, principal payments, maturing in March 2013 (if repayment not demanded by lender on the demand loan)	262,500	352,500
National Bank of Canada, loans payable, due on demand, interest at bank prime, payable $8,333 monthly, principal payments, maturing in March 2013 (if repayment not demanded by lender on the demand loan)	146,667	246,667
National Bank of Canada – Manitoba Health approved borrowing, due on demand, interest at bank prime less 0.5%, payable $5,875 monthly, principal payments	601,336	–
Province of Manitoba, promissory note, due on demand, unsecured, interest at 4.6%, payable $41,666 monthly, principal payments plus interest, maturing in March 2012 (if repayment not demanded by lender on the demand loan)	1,000,016	1,500,008
	6,887,884	7,020,594
Current portion (including demand loans)	6,576,537	5,358,665
	$ 311,347	$ 1,661,929

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

4. Long-term debt (continued):

The Organization renewed their credit facility with the National Bank subsequent to March 31, 2010. The renewed facility provides a maximum of $8,500,000 in demand loans to finance the acquisition or renovation of group homes by the Organization. The cumulative advances under this facility may not exceed the lower of $8,500,000 and 75 percent of the market value of the group homes securing the facility. At March 31, 2010, the Organization had utilized $3,504,419 of this facility. The renewed 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, letters of comfort from Manitoba Health.

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 2009 and 2010 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 2009 and 2010.

For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

Principal repayments annually, with the demand loans included as a current obligation, are approximately as follows:

2011	$ 6,576,537
2012	57,624
2013	62,101
2014	66,927
2105	72,127
2016	52,568
	$ 6,887,884

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

5. Deferred contributions:

(i) Expenses of future periods:

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

	2010	2009
Balance, beginning of year	$ 1,377,816	$ 1,268,325
Additional contributions received	5,535,282	4,686,625
Unused contributions returned to St. Amant Foundation Inc.	(14,963)	–
Less amounts recognized as revenue	(5,340,479)	(4,577,134)
	$ 1,557,656	$ 1,377,816

(ii) 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.

	2010	2009
Balance, beginning of year	$ 5,994,819	$ 6,046,686
Additional contributions received	713,224	515,900
Less amounts amortized to revenue	(546,126)	(567,767)
	$ 6,161,917	$ 5,994,819

	Grants	Accumulated amortization	2010 Net book value	2009 Net book value
Land improvements	$ 458,095	$ 82,685	$ 375,410	$ 304,609
Buildings	5,245,286	1,878,393	3,366,893	3,429,585
Buildings service equipment	2,106,562	805,047	1,301,515	1,212,944
Furniture and equipment	3,442,453	2,324,354	1,118,099	1,047,681
	$ 11,252,396	$ 5,090,479	$ 6,161,917	$ 5,994,819

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

6. Related party transactions and balance:

The Organization pays rent on eight community residences to St. Amant Foundation Inc. for $80,903 (2009 - $80,903). The Organization charged St. Amant Foundation Inc. $130,068 (2009 - $130,067) for costs related to the parking lot including $90,000 (2009 - $90,000) which has been recorded in deferred contribution related to capital assets.

St. Amant Foundation Inc. has provided funds towards the Organization's operations in the following amounts:

	2010	2009
Community residences program:		
Renovations	$ 7,500	$ –
Client services programs:		
Aboriginal Culture and Initiative Outreach	43,425	10,221
Community support	2,613	227
ABA Program	2,665	4,626
River Road Place	42,998	48,158
St. Amant School	382	6,303
Community Residence Program	17,228	21,226
Daycare	12,298	9,190
Medical	1,057	–
	122,666	99,951
Education and training:		
St. Amant Inc. conference	36,072	7,498
Research program	156,000	–
Other equipment and supplies	8,290	16,176
Capital projects:		
River Road Place	45,211	69,600
Health & Wellness	6,380	–
River Road Child Care	–	6,554
School and developmental services	–	26,124
	51,591	102,278
	$ 382,119	$ 225,903

Of these contributions, $51,591 (2009 - $102,278) have been recorded in deferred contributions related to capital assets.

The due to St. Amant Foundation Inc. of $241,178 (2009 - due from St. Amant Foundation Inc. of $608,798) 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

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7. Allocation of expenses:

The Organization has incurred $3,913,287 (2009 - $3,797,326) of administration expenses and $5,458,135 (2009 - $5,007,085) of facility expenses in fiscal 2010 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 $1,824,926 (2009 - $1,647,836) and $429,622 (2009 - $480,680) of administration and facility expenses to the Family Services programs, respectively. The aggregate of $2,254,548 (2009 - $2,128,516) 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:

(i) 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, 2010, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $2,133,953 (2009 - $1,822,010) 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 Winnipeg Regional Health Authority (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 WRHA, to include the incremental change in the related liability since fiscal 2007, which includes an interest component. The increase recorded in fiscal 2010 was $399,946 (2009 - decrease of $110,099) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2010 aggregates $1,943,468 (2009 - $1,543,522) and has no specified terms of repayment.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2010

8. Employee benefits recoverable and payable (continued):

Additional information about the Organization's employee pre-retirement benefit plan is as follows:

	2010	2009
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 85,439	$ 218,106
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	399,946	(110,099)

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 2010 was 100 percent (2009 - 65.1 percent) of actual pre-retirement benefits paid. The shortfall of nil for 2010 (2009 - $76,119) was paid from funding received for operations.

(ii) 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 $2,134,209 (2009 - $1,920,781) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates are 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE.

(iii) 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, 2010 is $2,737,602 (2009 - $2,436,083). 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: due to/from St. Amant Foundation Inc., advances, loans payable to CMHC and Province of Manitoba promissory note.

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 $5,523,052 (2009 - $5,107,565). 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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AUDITORS' REPORT

To the Board of Directors of
St. Joseph's Residence Inc.

We have audited the statement of financial position of St. Joseph's Residence Inc. as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Residence's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Residence as at March 31, 2010 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, 2010

ST. JOSEPH'S RESIDENCE INC.
Statement of Operations
Year ended March 31, 2010

	2010	2009
REVENUE		
WRHA	$ 4,728,842	$ 4,344,986
Residential charges	1,551,797	1,538,214
Canada Mortgage and Housing Corporation (Note 7)	35,946	35,946
	6,316,585	5,919,146
Amortization of deferred contributions - capital assets	204,863	162,963
Recoveries - general	40,003	67,723
Cafeteria	13,597	15,893
Interest	15,766	31,228
Donations	36,226	86,126
	310,455	363,933
	6,627,040	6,283,079
EXPENSES		
Salaries and wages	4,493,039	4,267,508
Plant operations and maintenance	328,243	363,823
Employee benefits	901,706	697,566
Dietary	209,994	200,557
General services	191,318	187,009
Special services	38,943	38,890
Depreciation	204,300	183,751
Interest on long term debt	34,126	49,431
Housekeeping, laundry and linen	103,424	98,247
Medical supplies	103,596	95,236
Health and education tax	95,267	91,282
	6,703,956	6,273,300
(DEFICIT) SURPLUS BEFORE OTHER ITEMS	(76,916)	9,779
Decrease (increase) for unfunded portion of pre-retirement leave	76,376	(20,924)
DEFICIT FROM WRHA FUNDED PROGRAMS	(540)	(11,145)
Income (loss) from ancillary operations	51	(8,238)
DEFICIT FOR THE YEAR	$ (489)	$ (19,383)

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
As at March 31, 2010

	2010	2009 (Restated - Note 15)
ASSETS		
CURRENT		
Cash and certificates of deposit	$ 873,200	$ 1,007,580
Cash held in trust	27,819	23,997
Accounts receivable	487,187	410,860
Inventory	21,700	31,844
Prepaid expenses	15,983	17,268
Due from WRHA - vacation pay	248,912	248,912
	1,674,801	1,740,461
CAPITAL ASSETS (Note 4)	2,232,523	2,374,683
DUE FROM WRHA - PRE-RETIREMENT LEAVE	629,756	427,722
	$ 4,537,080	$ 4,542,866
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 736,250	$ 726,941
Accrued vacation pay	332,634	317,981
Funds held in trust	29,413	24,661
Current portion of long-term debt (Note 6)	176,765	172,378
	1,275,062	1,241,961
LONG-TERM DEBT (Note 6)	843,685	1,020,318
ACCRUED PRE-RETIREMENT LEAVE (Note 5)	585,489	459,831
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 10)	11,186	27,722
CAPITAL ASSETS (Note 11)	1,069,580	1,040,613
MAJOR REPAIRS (Note 12)	58,334	58,188
	3,843,336	3,848,633
NET ASSETS		
INVESTED IN CAPITAL ASSETS (NOTE 13)	334,829	316,210
UNRESTRICTED	358,915	378,023
	693,744	694,233
	$ 4,537,080	$ 4,542,866

APPROVED BY THE BOARD

Director

Director

ST. JOSEPH'S RESIDENCE INC.
Statement of Changes in Net Assets
Year ended March 31, 2010

	2010			2009
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year, as previously stated	$ 316,210	$ 443,206	$ 759,416	$ 778,799
Adjustments for prior year misstatements (Note 16)	-	(65,183)	(65,183)	(65,183)
Balance beginning of year	316,210	378,023	694,233	713,616
Deficit for the year (Note 13)	(4,576)	4,087	(489)	(19,383)
Investment in capital assets (Note 13)	23,195	(23,195)	-	-
Balance, end of year	$ 334,829	$ 358,915	$ 693,744	$ 694,233

ST. JOSEPH'S RESIDENCE INC.
Statement of Cash Flows
Year ended March 31, 2010

		2010		2009
OPERATING ACTIVITIES				
Deficit for the year	$	**(489)**	$	(19,383)
Items not affecting cash				
Depreciation		**204,300**		183,751
Depreciaiton - ancillary operations		**5,139**		5,139
Amortization of deferred contributions - expenses of future periods		**(86,678)**		(79,194)
Amortization of deferred contributions - capital assets		**(204,863)**		(162,963)
Amortization of deferred contributions - major repairs		**(11,854)**		-
		(94,445)		(72,650)
Changes in non-cash working capital balances				
Accounts receivable		**(76,327)**		151,702
Inventory		**10,144**		(6,578)
Prepaid expenses		**1,285**		(4,972)
Due from WRHA - pre-retirement leave		**(202,034)**		(445)
Accounts payable and accrued liabilities		**9,309**		(354,710)
Accrued vacation pay		**14,653**		22,872
Accrued pre-retirement leave		**125,658**		8,059
		(211,757)		(256,722)
FINANCING ACTIVITIES				
Funds held in trust		**4,752**		3,906
Mortgage repayments		**(104,446)**		(100,297)
Term loan repayments		**(67,800)**		(67,800)
Additional deferred contributions received				
- expenses of future periods		**70,142**		20,676
- capital assets		**233,830**		474,599
- major repairs		**12,000**		12,000
		148,478		343,084
INVESTING ACTIVITIES				
Cash held in trust		**(3,822)**		(9,445)
Capital asset purchases		**(67,279)**		(211,889)
		(71,101)		(221,334)
NET DECREASE IN CASH AND CERTIFICATES OF DEPOSIT		**(134,380)**		(134,972)
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR		**1,007,580**		1,142,552
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$	**873,200**	$	1,007,580

Supplementary information				
Interest paid	$	**34,493**	$	49,808

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. CHANGES IN ACCOUNTING POLICIES

On April 1, 2009, the Residence adopted the changes made to Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

Section 1540 has been amended to include not-for-profit organizations within its scope. As a result, investing and financing activities must be presented separately.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to combine investment in capital assets with unrestricted net assets when no investment in capital assets is internally restricted. As a result, effective April 1, 2009, the Residence has combined the net assets in capital assets balance of $316,210 with the opening balance of unrestricted net assets in the Statement of Change in Net Assets.

It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4430 has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets and amortize and write down those assets in accordance with relevant Handbook Sections.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The adoption of these new standards had no other significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Residence has elected to use the exemption provided by the 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 Residence for the year ended March 31, 2010. 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.

b) *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 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. The related revenue and expense is recorded in the statement of operations for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. The related revenue and expense is recorded in the statement of operations for the current year.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial instruments (continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Future accounting changes

The Accounting Standards Board (AcSB) will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable profit-oriented enterprise with January 1, 2011 as the changeover date. While these standards are not developed with reference to not-for-profit organizations, the AcSB has agreed that a not-for–profit organization can apply IFRS if that approach meets the needs of the users of its financial statements.

The AcSB is also developing a made in Canada alternative set of financial reporting standards for private profit-oriented enterprises. The AcSB has agreed to consider permitting not-for-profit organizations to apply the standards for private enterprises, together with additional standards addressing their unique transactions and circumstances.

Accordingly, the needs of not-for-profit organizations will be considered in the development of the private enterprise standards.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations", to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include: IFRS, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

4. CAPITAL ASSETS

	2010		2009	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	**$ 193,965**	**$ -**	$ 193,965	$ -
Building	**2,994,317**	**1,601,345**	2,994,317	1,480,859
Parking lot	**86,781**	**31,298**	86,781	25,564
Furniture and equipment	**1,575,720**	**1,223,656**	1,507,433	1,153,208
Building service equipment	**316,735**	**78,696**	314,772	62,934
	5,167,518	**2,934,995**	5,097,248	2,722,565
Net Book Value		**$ 2,232,523**		$ 2,374,683

Depreciation expense during the year totalled $209,439 (2009 - $188,890) including $5,139 (2009 - $5,139) recorded in the ancillary operations.

5. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3(d)). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 4.90% (2009 – 6.7%) and a rate of salary increase of 3.5% (2009 – 3.5%) 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 $29,703 (2009 - $38,133).

6. LONG-TERM DEBT

	2010	2009
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	**$ 613,992**	$ 718,438
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	**144,357**	176,817
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	**262,101**	297,441
Total long-term debt	**1,020,450**	1,192,696
Current portion	**176,765**	172,378
	$ 843,685	$ 1,020,318

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
2011	$ 108,965	$ 67,800	**$ 176,765**
2012	113,536	67,800	**181,336**
2013	118,297	67,800	**186,097**
2014	123,260	67,800	**191,060**
2015	128,430	54,275	**182,705**

7. 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 1.5% to enable the project to provide housing to low income individuals. The amount of assistance received in 2010 was $35,946 (2009 - $35,946).

8. 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 $429,951 (2009 - $372,040).

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2009 - $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 $39,742 (2009 - $58,469).

At March 31, 2010 St. Joseph's Residence Inc. had a receivable from Friends of St. Joseph's Residence Inc. in the amount of $40,477 (2009 - $60,417).

9. 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. 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 2012 calendar year with coupon rates ranging between 0.40% and 5.10% (2009 – 0.80% and 4.71%). The fair market value of these fixed income securities as at March 31, 2010 is $504,698 (2009 – $705,205).

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.

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.

10. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

Deferred contributions related to expense 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.

	2010	2009
Balance, beginning of year	**$ 27,722**	$ 86,240
Additional contributions	**70,142**	20,676
Distribution for expenses	**(86,678)**	(79,194)
Balance, end of year	**$ 11,186**	$ 27,722

11. 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:

	2010				2009
	Purchased Capital Assets	**Future Capital Assets**	**Contributed Surplus**	**Total**	Total
Balance beginning of year	$604,837	$174,836	$260,940	**$1,040,613**	$728,977
Additional contributions received	44,084	17,500		**61,584**	306,502
Debt repayment	172,246	-	-	**172,246**	168,097
Amortization	(195,544)	-	(9,319)	**(204,863)**	(162,963)
Balance, end of year	$625,623	$192,336	$251,621	**$1,069,580**	$1,040,613

12. 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:

	2010	2009
Balance, beginning of year	$ 58,188	$ 46,188
Additional contributions	12,000	12,000
Expenditures during the year	(11,854)	-
Balance, end of year	$ 58,334	$ 58,188

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2010	2008
Capital assets	$ 2,232,523	$ 2,374,683
Cash – Future Capital Assets	192,336	174,836
Amounts financed by		
Deferred contributions	(1,069,580)	(1,040,613)
Mortgage payables	(613,992)	(718,438)
Term loans	(406,458)	(474,258)
	$ 334,829	$ 316,210

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

	2010	2009
Depreciation of capital assets included in operations	$ (209,439)	$ (188,890)
Amortization of deferred contributions related to capital assets included in operations	204,863	162,963
	$ (4,576)	$ (25,927)

Net change in invested in capital assets is as follows:

	2010	2009
Purchase of capital assets	$ 67,279	$ 211,889
Increase in deferred contributions	(216,330)	(457,099)
Repayment of term loan	67,800	67,800
Mortgage repayments	104,446	100,297
	$ 23,195	$ (77,113)

14. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan – Manitoba. The Residence's liability under the pension plan is limited to the contributions required during the year under the respective agreements.

Employer contributions made to the plan during the year by the Residence amounted to $272,568 (2009 - $259,650).

15. 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.

16. PRIOR YEAR MISSTATEMENT

During the year, the Residence corrected two prior year misstatements that related to WRHA receivables. The correction to the operating receivable has resulted in a decrease of $109,450 to Accounts receivable as at March 31, 2009 and a decrease to Net Assets as at April 1, 2008. The correction to the pre-retirement leave receivable has resulted in an increase of $44,267 to Due from WRHA – Pre-retirement leave as at March 31, 2009 and an increase to Net Assets as at April 1, 2008.

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CHARTERED ACCOUNTANTS

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Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the statement of financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2010, and the statement of operations and statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from the general public in the form of donations, memberships, sales of promotional materials, honoraria and fundraising projects, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenditures, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 21, 2010

Booke & Partners
Chartered Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Operations

Year Ended March 31	2010	2009
		(Note 14)
Revenues (Page 11)	$ 1,556,795	$ 1,448,430
Expenditures (Page 11)	1,499,534	1,430,026
Excess of revenues over expenditures from operations	57,261	18,404
Pre-retirement leave recovery (Note 10)	19,624	3,918
Pre-retirement leave expense (Note 10)	(20,590)	(3,918)
Excess of revenues over expenditures	$ 56,295	$ 18,404

See accompanying notes to the financial statements.

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Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Relocation Reserve	Operating Fund	2010	2009
Balance, beginning of year	$ 48,497	$ 64,873	**$ 113,370**	$ 94,966
Excess of revenues over expenditures	-	56,295	**56,295**	18,404
Interfund transfer	(48,497)	48,497	**-**	-
Balance, end of year	$ -	$ 169,665	**$ 169,665**	$ 113,370

See accompanying notes to the financial statements.

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Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2010	2009
Assets		
Operating Fund		
Current		
Cash and short term deposits	$ 613,061	$ 299,354
Receivables (Note 4)	87,559	152,064
Prepaids	7,110	47,206
	707,730	498,624
Capital assets (Note 5)	81,192	41,723
	788,922	540,347
Relocation Reserve		
Current		
Cash	-	48,497
	$ 788,922	$ 588,844

	2010	2009
Liabilities		
Operating Fund		
Current		
Payables and accruals (Note 6)	$ 135,633	$ 223,804
Deferred revenue (Note 7)	325,957	147,748
	461,590	371,552
Pre-retirement leave (Note 10)	90,225	69,635
Deferred contributions related to capital assets (Note 8)	67,442	34,287
	619,257	475,474
Fund balance	169,665	64,873
	788,922	540,347
Relocation Reserve		
Fund balance	-	48,497
	$ 788,922	$ 588,844

Commitments (Note 9)

On behalf of the Board

_________________ Director _________________ Director

See accompanying notes to the financial statements.

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Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31

	2010			2009
	Operating Fund	Relocation Fund	**Total**	Total
Cash flows from operating activities				
Cash received from:				
Winnipeg Regional Health Authority	$ 1,117,497	$ -	**$ 1,117,497**	$ 906,268
Brandon Regional Health Authority	1,200	-	**1,200**	-
Province of Manitoba	116,244	-	**116,244**	182,164
Government of Canada	238,267	-	**238,267**	282,420
United Way	121,192	-	**121,192**	122,150
Foundations	53,575	-	**53,575**	(1,100)
Donations	537	-	**537**	3,798
Interest	123	-	**123**	2,930
Other sources	184,031	-	**184,031**	(25,713)
Cash paid for:				
Human resources and benefits	(1,089,530)	-	**(1,089,530)**	(900,884)
Materials and services	(419,615)	-	**(419,615)**	(460,110)
Interest	(510)	-	**(510)**	(375)
Net cash generated from operating activities	323,011	-	**323,011**	111,548
Cash flows used in financing and investing activities				
Purchase of capital assets	(57,801)	-	**(57,801)**	(21,446)
Net increase in cash	265,210	-	**265,210**	90,102
Cash beginning of year	299,354	48,497	**347,851**	257,749
Interfund adjustments	48,497	(48,497)	**-**	-
Cash end of year	$ 613,061	$ -	**$ 613,061**	$ 347,851

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) Fund accounting

Revenue and expenses related to program delivery and administration activities are reported in the Operating Fund.

The Relocation Reserve is available to fund future purchases for the anticipated relocation. The organization relocated during the year and has transferred the funds of the Relocation Reserve to the Operating Fund.

b) Revenue recognition

Sexuality Education Resource Centre Manitoba, 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) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided on the declining balance basis at annual rates estimated to write off the assets over their estimated useful lives as follows:

Computers	20%
Furniture and equipment	20%
Leasehold improvements	Over the life of the lease

2. Summary of significant accounting policies - continued

d) Allocation of expenses

Sexuality Education Resource Centre Manitoba, Inc. 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.

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 4.9% (2009 - 6.7%), a rate of salary increase of 4.0% (2009 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

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 and short term deposits, receivables, and payables and accruals. 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. Change in accounting policy

Effective April 1, 2009, the organization adopted the new recommendations of the Canadian Institute of Chartered Accountants in Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations. Section 4470 provides standards for how expenses may be allocated among functions of an organization and the disclosure required. The adoption of this new standard does not have a material impact on the organization's financial statements and does not result in any changes to the values previously reported in these financial statements.

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4. Receivables

	2010	2009
Receivable from Winnipeg Regional Health Authority	**$ 44,631**	$ 83,990
Grants receivable	**7,641**	60,047
Other receivables	**35,287**	8,027
	$ 87,559	$ 152,064

5. Capital assets

	Cost	Accumulated Amortization	2010 Net Book Value
Winnipeg			
Computers	**$ 82,921**	**$ 55,258**	**$ 27,663**
Furniture and equipment	**70,972**	**27,781**	**43,191**
Brandon			
Computers	**10,880**	**9,679**	**1,201**
Furniture and equipment	**663**	**647**	**16**
Leasehold improvements	**9,436**	**315**	**9,121**
	$ 174,872	**$ 93,680**	**$ 81,192**

	Cost	Accumulated Amortization	2009 Net Book Value
Winnipeg			
Computers	$ 82,921	$ 48,343	$ 34,578
Furniture and equipment	22,607	16,983	5,624
Brandon			
Computers	10,880	9,379	1,501
Furniture and equipment	663	643	20
	$ 117,071	$ 75,348	$ 41,723

6. Payables and accruals

	2010	2009
Vacation pay and salary accrual	**$ 74,318**	$ 105,517
Trade	**61,315**	118,287
	$ 135,633	$ 223,804

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7. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

Balance, beginning of year	$ 147,748	$ 180,380
Less amount recognized as revenue in the year	(52,315)	(51,973)
Add amount received related to the following year	230,524	19,341
Balance, end of year	$ 325,957	$ 147,748

8. Deferred contributions related to capital assets

Deferred contributions related to property and equipment represent grants and contributions for computers. Deferred contributions are amortized on the schedule of operations. Amortization was provided in the current year for $16,845 (2009 - $6,152).

9. 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 2 of the lease term in the amount of approximately $4,000 per year, to be increased by 2% annually.

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.

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10. Pre-retirement leave benefits - continued

Change in obligation	2010	2009
Opening balance	$ 69,635	$ 65,717
Increase in obligation	20,590	3,918
	$ 90,225	$ 69,635

Pre-retirement leave		
Current year recovery	$ 19,624	$ 3,918
Current year expense	(20,590)	(3,918)
	$ (966)	$ -

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, $38,322 (2009 - $31,354) 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 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.

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

	2010	2009
		(Note 14)
	Total	Total
Revenues		
Winnipeg Regional Health Authority		
Fixed payments	954,496	$ 845,911
Other funding	30,000	-
Capital grant (Note 8)	16,845	6,152
Brandon Regional Health Authority	34,951	-
Government of Canada		
Health Canada	232,977	242,722
Justice	-	21,048
Multiculturalism	-	558
Province of Manitoba		
Manitoba Health	33,772	89,737
Manitoba Labour and Immigration	99,490	78,024
United Way		
Winnipeg	109,775	109,650
Brandon	12,500	12,500
Winnipeg Foundation	15,607	-
Canadian Women's Foundation	7,623	-
Donations	537	-
Resource materials	-	3,798
Interest	123	2,930
Admin fee recoveries and other	8,099	35,400
	1,556,795	1,448,430
Expenditures		
Salaries	619,631	597,122
Contract fees	345,107	251,766
Honoraria	9,687	17,362
Benefits	102,816	91,221
Amortization	18,332	7,750
Annual General Meeting	1,343	8,277
Bank charges and interest	510	375
Board	141	767
Project training costs	64,185	40,647
Evaluation	4,164	33,359
Insurance	1,584	3,737
Membership and dues	3,280	1,929
Office supplies and services	40,276	30,533
Postage and delivery	5,550	3,399
Professional development	4,503	8,605
Professional fees	8,170	7,013
Program costs	62,485	157,602
Promotion	15,571	16,291
Occupancy	118,814	74,883
Other	6,030	2,408
Repairs and maintenance	30,382	34,481
Travel	13,132	15,894
Telephone	23,843	24,606
	1,499,534	1,430,026
Excess of revenue over expenditures	57,261	$ 18,404

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Auditors' Report

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG

We have audited the statement of financial position of THE CONVALESCENT HOME OF WINNIPEG as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home as at March 31, 2010 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 21, 2010

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31	2010	2009
Assets		
Current Assets		
Accounts receivable (Note 2)	$ 223,168	$ 129,349
Prepaid expenses	9,125	8,548
Vacation entitlement receivable (Note 3)	171,526	171,526
Short-term investments (Note 5)	254,089	330,441
	657,908	639,864
Retirement obligations receivable (Note 12)	331,918	276,262
Restricted cash and investments (Note 4)	115,634	143,674
Capital assets (Note 6)	1,627,320	1,283,244
	$ 2,732,780	$ 2,343,044
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 7)	$ 251,657	$ 333,364
Accounts payable and accrued charges (Note 8)	427,754	337,432
Residents' Trust Fund	16,115	15,734
Accrued vacation entitlements (Note 3)	237,600	216,818
Total current liabilities before callable debt	933,126	903,348
Callable debt (Note 9)	458,298	168,037
Total current liabilities	1,391,424	1,071,385
Accrued retirement obligations (Note 12)	261,235	205,058
Contingencies and Commitments (Note 13)		
Deferred Contributions (Note 10)		
Capital assets	699,462	709,523
Expenses of future periods	114,291	128,280
	813,753	837,803
Net assets	266,368	228,798
	$ 2,732,780	$ 2,343,044

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.

For the year ended March 31				2010	2009
		Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$	405,684	$ (176,886)	$ 228,798	$ 511,876
Excess (deficiency) of revenue over expenditures for the year		(4,941)	42,511	37,570	(283,078)
Transfer to (from) unrestricted		68,817	(68,817)	-	-
Balance, end of year	$	469,560	$ (203,192)	$ 266,368	$ 228,798

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

For the year ended March 31				2010	2009
	Budget	Operations	Capital	Total	Total
Revenue					
Winnipeg Regional Health Authority	$ 3,049,932	$ 3,413,447	$ -	$ 3,413,447	$ 3,091,345
Residential charges	1,500,000	1,534,116	-	1,534,116	1,497,616
Offset income	43,540	63,131	-	63,131	33,428
Unrealized gain (loss) on investments	5,000	74,890	-	74,890	(92,569)
Realized gain on investments	-	742	-	742	5,770
Amortization of deferred contributions related to capital assets	-	-	73,297	73,297	64,233
	4,598,472	5,086,326	73,297	5,159,623	4,599,823
Expenditures					
Operating (Page 25)	4,520,272	5,031,205	-	5,031,205	4,801,950
Interest	16,500	12,610	-	12,610	16,718
Amortization of capital assets	61,700	-	78,238	78,238	64,233
	4,598,472	5,043,815	78,238	5,122,053	4,882,901
Excess (deficiency) of revenue over expenditures before other items	-	42,511	(4,941)	37,570	(283,078)
Other Items					
Retirement obligation					
WRHA funding accrued	-	56,177	-	56,177	(521)
Increase in liability for the year	-	(56,177)	-	(56,177)	521
Excess (deficiency) of revenue over expenditures for the year	$ -	$ 42,511	$ (4,941)	$ 37,570	$ (283,078)

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31		2010		2009
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenditures for the year	$	**37,570**	$	(283,078)
Adjustments for				
Amortization of capital assets		**78,238**		64,233
Change in retirement obligations receivable		**(55,656)**		-
Change in accrued retirement obligations		**56,177**		(521)
Net increase (decrease) in deferred contributions - capital assets		**(10,061)**		344,393
Net decrease in deferred contributions - expenses of future periods		**(13,989)**		(104,256)
Changes in fair value of investments		**(74,890)**		92,569
		17,389		113,340
Changes in non-cash working capital (Note 14)		**45,129**		42,357
		62,518		155,697
Cash Flows from Financing Activities				
Advances of callable debt		**324,907**		-
Repayment of callable debt		**(34,646)**		(27,120)
		290,261		(27,120)
Cash Flows from Investing Activities				
Purchase of capital assets		**(422,311)**		(384,813)
Net disposal of investments		**151,239**		26,000
		(271,072)		(358,813)
Net increase (decrease) in cash and cash equivalents		**81,707**		(230,236)
Bank indebtedness, beginning of year		**(333,364)**		(103,128)
Bank indebtedness, end of year	$	**(251,657)**	$	(333,364)
Supplementary Cash Flow Information				
Interest paid on a cash basis	$	**12,610**	$	16,718

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, 2010.

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 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.

For the year ended March 31, 2010

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.

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
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlement receivable	Loans and receivables	Amortized cost
Short-term investments	Held for trading	Fair value
Retirement obligation 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
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Accrued retirement obligation	Other financial liabilities	Amortized cost
Residents' trust fund	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, 2010

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

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statements by Not-for-Profit Organizations

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

For the year ended March 31, 2010

1. Entity Definition

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 Personal Care Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - 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 Convalescent Home of Winnipeg.

2. Accounts Receivable

	2010	2009
Winnipeg Regional Health Authority		
Pre-retirement leave	$ **39,744**	$ 39,744
Companion services	**-**	3,650
Gastric feed	**-**	17,581
Loan funding variance	**45,711**	4,335
Other	**15,615**	-
2007/2008 wage accruals	**-**	74,249
2008/2009 wage accruals	**124,183**	88,588
2009/2010 wage accruals	**75,237**	-
	300,490	228,147
Residential charges payable	**(163,905)**	(169,443)
Net receivable from WRHA	**136,585**	58,704
Receivable from Residents	**45,231**	40,799
Other	**3,650**	-
Accrued interest	**368**	1,500
G.S.T. receivable	**35,755**	23,621
Benefit Fund receivable	**1,579**	3,150
Parking Fund receivable	**-**	1,575
	$ **223,168**	$ 129,349

For the year ended March 31, 2010

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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ 216,818	$ 204,678
Net increase in accrued vacation entitlements	20,782	12,140
Balance, end of year	$ 237,600	$ 216,818

4. Restricted Cash and Investments

	2010	2009
Reserve for insurance deductible	$ **(932)**	$ 8,034
Reserve for equipment replacement	**38,918**	38,568
Reserve for major repair	**76,305**	81,338
Surplus of restricted investments	**1,343**	-
Residents' Trust Fund	**-**	15,734
	$ **115,634**	$ 143,674

The reserve for insurance deductible, reserve for equipment replacement, and reserve for major repair is made up of GIC's with interest payable at 0.65%.

5. Short-term Investments

	2010	2009
Mutual funds	$ **254,089**	$ 330,441

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.

For the year ended March 31, 2010

6. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	1,880,821	868,467	1,871,834	830,927
Computer equipment	142,084	142,084	142,084	136,621
Computer software	55,313	55,313	55,313	55,313
Furniture - sun room	83,017	46,259	81,056	30,015
Furniture and equipment	1,241,026	679,087	829,660	660,096
	$ 3,418,530	$ 1,791,210	$ 2,996,216	$ 1,712,972
Cost less accumulated amortization		$ 1,627,320		$ 1,283,244

7. Bank Indebtedness

	2010	2009
Credit facility agreement	$ 251,657	$ 333,364

The credit facility agreement is with the CIBC up to a maximum of $350,000, bears interest at the bank prime rate.

8. Accounts Payable and Accrued Charges

	2010	2009
Accounts payable - trade	$ 179,017	$ 84,439
Accrued property taxes	7,695	7,695
Accrued audit fees	13,200	12,000
Accrued salaries and other	227,842	233,298
	$ 427,754	$ 337,432

9. Callable Debt

		2010		2009
Loans payable				
CIBC - fire and safety loan, payable in semi-monthly instalments of $1,475 plus interest at bank prime, callable on demand	$	**133,391**	$	168,037
CIBC - emergency generator loan, payable in monthly instalments of $3,524 plus interest at bank prime plus 1.50%, callable on demand		**324,907**		-
	$	**458,298**	$	168,037

The CIBC loans payable are 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 loans payable are 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.

Principal repayments required over the next five years are as follows if debt is not called on demand:

2011	$	77,689
2012		77,689
2013		77,689
2014		69,480
2015		42,289

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.

	2010	2009
Balance, beginning of year	**$ 709,523**	$ 365,130
Contributions received		
WRHA	**45,622**	15,720
The Convalescent Home of Winnipeg - Benefit Fund	**-**	269,102
Transfer from unspent equipment reserve	**14,350**	123,804
Transfer from unspent repairs reserve	**9,187**	-
Transfer from unspent insurance reserve	**10,000**	-
Contributions spent on capital debt	**(15,923)**	-
Less amounts amortized to revenue	**(73,297)**	(64,233)
Balance, end of year	**$ 699,462**	$ 709,523

10. Deferred Contributions (continued)

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.

	2010	2009
Reserve for basic equipment		
Balance, beginning of year	$ 38,568	$ 147,672
Additions	14,700	14,700
Purchase of capital assets	(14,350)	(123,804)
Balance, end of year	38,918	38,568
Reserve for major repairs		
Balance, beginning of year	81,652	77,812
Additions	3,840	3,840
Purchase of capital assets	(9,187)	-
Balance, end of year	76,305	81,652
Reserve for insurance deductible		
Balance, beginning of year	8,060	7,052
Additions	1,008	1,008
Purchase of capital assets	(10,000)	-
Balance, end of year	(932)	8,060
Total expenses of future periods	$ 114,291	$ 128,280

For the year ended March 31, 2010

11. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 1,627,320	$ 1,283,244
Amounts financed by		
Deferred contributions	(699,462)	(709,523)
Fire and safety loan payable	(133,391)	(168,037)
Emergency generator loan payable	(324,907)	-
	$ 469,560	$ 405,684

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

	2010	2009
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 73,297	$ 64,233
Amortization of capital assets	(78,238)	(64,233)
	$ (4,941)	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 422,314	$ 384,809
Repayment of capital debt	15,923	-
Repayment of construction loan	34,646	27,120
Amounts funded by		
WRHA capital asset funding	(45,622)	(15,720)
Transfer from equipment reserve	(14,350)	(123,804)
Transfer from repairs reserve	(9,187)	-
Transfer from insurance reserve	(10,000)	-
Benefit Fund	-	(269,102)
Emergency generator loan	(324,907)	-
	$ 68,817	$ 3,303

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, 2010. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 3.5%) 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 2006/07, 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	**$ 235,519**	$ 235,519
Winnipeg Regional Health Authority	**96,399**	40,743
	$ 331,918	$ 276,262

12. Employee Future Benefits (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2010	2009
Balance, beginning of year	$ **205,058**	$ 205,579
Net increase (decrease) in pre-retirement entitlements	**56,177**	(521)
Balance, end of year	$ **261,235**	$ 205,058

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, 2008 indicates 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. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $186,529 (2009 - $154,031) 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, 2010, 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, 2010.

The Home is a named insured under the WRHA policy with HIROC.

14. Changes in non-cash Working Capital

	2010	2009
Accounts receivable	$ (93,819)	$ (78,708)
Restricted cash and investments	28,040	97,478
Prepaid expenses	(577)	(1,319)
Accrued vacation entitlements	20,782	12,140
Accounts payable and accrued charges	90,322	10,547
Residents' Trust Fund	381	2,219
	$ 45,129	$ 42,357

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 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:

	2010	2009
Accounts receivable	$ 223,168	$ 129,349
Vacation entitlements receivable	171,526	171,526
Retirement obligations receivable	331,918	276,262
	$ 726,612	$ 577,137

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 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, vacation entitlement receivable and retirement obligations receivable and accounts payable and accrued charges 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.

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AUDITORS' REPORT

To the Governing Council of The Salvation Army in Canada

We have audited the statement of financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Lodge's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Lodge as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 27, 2010

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

		2010		2009
Assets				
Current assets:				
Cash (note 4)	$	218,787	$	165,642
Accounts receivable		10,565		25,513
Prepaid expenses		1,249		960
Inventory		24,187		14,979
Employee benefits recoverable from Winnipeg Regional Health Authority [note 9(b)]		271,682		271,682
		526,470		478,776
Cash held for restricted purposes (note 5)		157,981		191,607
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 9[(a)]		449,217		319,761
Capital assets (note 6)		3,150,836		3,353,489
Deferred grant receivable (note 7)		44,685		47,607
Trust assets - residents		20,657		17,820
	$	4,349,846	$	4,409,060
Liabilities, Deferred Contributions and Net Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities [note 8[(a)]	$	456,928	$	445,895
Accrued vacation payable		370,920		323,418
Advances from and amounts due to Winnipeg Regional Health Authority [note 8(b)]		240,444		274,781
Demand loans payable and current portion of long-term debt (note 11)		388,961		702,835
		1,457,253		1,746,929
Accrued pre-retirement benefits [note 9(a)]		488,686		359,230
Long-term debt (note 11)		321,020		350,979
Trust liability - residents		20,657		17,820
Deferred contributions (note 10)		2,569,577		2,427,459
Net deficiency:				
Invested in capital assets (note 12)		60,251		68,751
Internally restricted		137,307		99,968
Unrestricted		(704,905)		(662,076)
		(507,347)		(493,357)
Continuity of operations (note 1)				
	$	4,349,846	$	4,409,060

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, 2010, with comparative figures for 2009

	WRHA services	Adult day care	Other services	Total unrestricted	Internally restricted	Capital	2010 Total	2009 Total
Revenue								
Winnipeg Regional Health Authority	$ 4,878,445	$ 172,008	$ –	$ 5,050,453	$ –	$ –	$ 5,050,453	$ 4,634,859
Participant fees	–	25,044	–	25,044	–	–	25,044	21,901
Residential charges	2,302,893	–	–	2,302,893	–	–	2,302,893	2,176,060
Contributed services	–	–	56,868	56,868	–	–	56,868	86,400
Amortization of deferred contributions (note 10)	–	–	–	–	–	277,120	277,120	279,617
Dietary services	42,765	–	–	42,765	–	–	42,765	37,702
Red Shield Appeal (note 15)	–	–	65,000	65,000	–	–	65,000	60,000
Donations and fundraising	–	–	–	–	67,759	–	67,759	54,941
Other income	22,137	–	–	22,137	–	–	22,137	37,530
	7,246,240	197,052	121,868	7,565,160	67,759	277,120	7,910,039	7,389,010
Expenses:								
Administration (note 15)	95,434	–	65,000	160,434	–	–	160,434	145,072
Amortization (note 12)	–	–	–	–	–	285,620	285,620	288,117
Contributed services	–	–	53,845	53,845	–	–	53,845	96,780
Employee benefits	870,464	14,278	–	884,742	–	–	884,742	793,627
Interest on long-term debt (note 11)	33,911	–	–	33,911	–	–	33,911	57,826
Medical supplies	112,687	–	–	112,687	–	–	112,687	140,619
Operating expenses	450,449	99,947	–	550,396	30,420	–	580,816	568,840
Payroll tax	104,933	1,598	–	106,531	–	–	106,531	101,834
Physical plant	390,678	–	–	390,678	–	–	390,678	387,128
Pre-retirement leave costs [note 9(a)]	10,067	–	–	10,067	–	–	10,067	12,406
Salaries	5,230,408	74,290	–	5,304,698	–	–	5,304,698	4,951,893
	7,299,031	190,113	118,845	7,607,989	30,420	285,620	7,924,029	7,544,142
Excess (deficiency) of revenue over expenses	$ (52,791)	$ 6,939	$ 3,023	$ (42,829)	$ 37,339	$ (8,500)	$ (13,990)	$ (155,132)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Invested in capital assets	Internally restricted	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	$ 68,751	$ 99,968	$ (662,076)	$ (493,357)	$ (338,225)
Excess (deficiency) of revenue over expenses	(8,500)	37,339	(42,829)	(13,990)	(15,132)
Balance, end of year	$ 60,251	$ 137,307	$ (704,905)	$ (507,347)	$ (493,357)

See accompanying notes to financial statements.

THE SALVATION ARMY GOLDEN WEST CENTENNIAL LODGE

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Operating activities:		
Deficiency of revenue over expenses	$ (13,990)	$ (155,132)
Items not affecting cash:		
Amortization of capital assets	285,620	288,117
Amortization of deferred contributions	(277,120)	(279,617)
	(5,490)	(146,632)
Changes in non-cash working capital balances:		
Accounts receivable	14,948	(11,394)
Prepaid expenses	(289)	484
Inventory	(9,208)	825
Employee benefits recoverable	–	30,868
Future employee pre-retirement benefits recoverable	(129,456)	(14,957)
Accrued pre-retirement benefits	129,456	14,957
Accrued vacation payable	47,502	20,186
Advances from and due to Winnipeg Regional Health Authority	(34,337)	6,601
Accounts payable and accrued liabilities	11,033	43,997
	24,159	55,065
Financing activities:		
Grants received	2,922	2,731
Additional deferred contributions received	419,238	515,771
Repayments of long-term debt	(343,833)	(342,333)
	78,327	176,169
Investing activities:		
Capital asset purchases	(82,967)	(105,725)
Change in cash held for restricted purposes	33,626	(68,578)
	(49,341)	(174,303)
Increase (decrease) in cash	53,145	(53,199)
Cash, beginning of year	165,642	218,841
Cash, end of year	$ 218,787	$ 165,642
Supplementary cash flow information:		
Interest paid	$ 34,060	$ 58,041

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial Lodge (the Lodge) is owned and operated by The Governing Council of The Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes. It is governed by the Board of management of Golden West Centennial Lodge and is associated to The Salvation Army Territorial Headquarters (THQ), the primary charitable entity of the Territory.

The Lodge is a not-for-profit organization under the *Income Tax Act* and accordingly is exempt from income taxes under Section 149.

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, 2010. At March 31, 2010, the Lodge's current liabilities exceed its current assets by $930,783 (2009 - $1,268,153). The Lodge also has a net asset deficiency of $507,347 (2009 - $493,357) at March 31, 2010, mainly as a result of losses from operations in the current and prior year and fiscal years prior to fiscal 2007.

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 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.

(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.

2. Significant accounting policies (continued):

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.

(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.

2. Significant accounting policies (continued):

The Lodge has recorded an accrual basis 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) Due from Winnipeg Regional Health Authority - 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 Winnipeg Regional Health Authority (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.

(g) Internally restricted net assets:

Internally restricted net assets 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 net assets 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.

2. **Significant accounting policies (continued):**

Cash and cash held for restricted purposes are designated as held-for-trading. Accounts receivable, employee pre-retirement benefits and future employee 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 its financial statements.

(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.

2. Significant accounting policies (continued):

(k) Change in accounting policies:

(i) Amendments to accounting standards that apply to not-for-profit organizations:

Effective April 1, 2009, the Lodge adopted the CICA amendments to Section 4400 of the CICA Handbook. Amongst other items, these amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. As a result of adoption of these recommendations the Lodge has changed the presentation of the statement of operations for the year ended March 31, 2010.

(ii) Amendments to Section 1000, *Financial Statement Concepts*:

Effective April 1, 2009, the Lodge adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statement for the year ended March 31, 2010.

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 receivables 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.

3. Financial instruments (continued):

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:

	2010	2009
Cash	$ 201,531	$ 93,930
THQ general deposit account	17,256	71,712
	$ 218,787	$ 165,642

5. Cash held for restricted purposes:

	2010	2009
THQ Capital Deposit Account (CDA)	$ 65,311	$ 122,240
Internally restricted net assets [note 2(g)]	92,670	69,367
	$ 157,981	$ 191,607

Funds held in the capital deposit account represent funds that are restricted for capital purposes; however, these funds can be withdrawn for operating purposes with agreement of Divisional Headquarters (DHQ), provided the foreseeable capital needs of the Lodge have been met.

6. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ 55,159	$ –	$ 55,159	$ 55,159
Buildings	998,208	797,822	200,386	220,349
Building expansion	5,744,613	3,351,087	2,393,526	2,585,012
Major equipment	305,697	100,578	205,119	164,239
Nurse call system	165,263	11,020	154,243	159,754
Roof expansion	220,032	123,674	96,358	118,362
Office furniture and equipment	244,209	221,625	22,584	40,922
Computer hardware and software	41,252	17,791	23,461	9,692
	$ 7,774,433	$ 4,623,597	$ 3,150,836	$ 3,353,489

Title to the Lodge's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Lodge.

7. 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.

8. Current liabilities:

(a) Accounts payable and accrued liabilities consist of:

	2010	2009
Accounts payable	$ 159,815	$ 77,668
Accrued salaries and benefits	295,113	366,078
Accrued interest	2,000	2,149
	$ 456,928	$ 445,895

8. Current liabilities (continued):

(b) Advances from and amounts due to WRHA:

During the fiscal year, the Lodge received advances from the WRHA in the amount of $145,000 (2009 - $167,390) for funding commitments relating to wage settlements for the 2009/10 fiscal year. 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.

9. Employee benefits:

(a) Pre-retirement benefits:

The Lodge has undertaken an actuarial valuation as of March 31, 2010 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 4.9 percent (2009 - 6.70 percent) and a rate of salary increase of 4.0 percent (2009 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 – 3.0 percent (2009 - 0 - 1.3 percent) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $10,067 (2009 - $12,406).

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 $449,217 at March 31, 2010 (2009 - $319,761) 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.

10. 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 5).

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

			2010	2009
	Purchased capital assets	Future capital purchases and major repairs	Total	Total
Balance, beginning of year	$ 2,230,924	$ 196,535	$ 2,427,459	$ 2,191,305
Additional contributions received:				
Mortgage/loan payments (note 11)	343,833	–	343,833	342,333
Capital assets and major repairs	–	91,007	91,007	177,992
Other	–	6,269	6,269	1,290
	2,574,757	293,811	2,868,568	2,712,920
Transfers as a result of capital asset purchases	82,967	(82,967)	–	–
Major repairs	–	(21,871)	(21,871)	(444)
Amortization	(277,120)	–	(277,120)	(279,617)
Additional loan payments	–	–	–	(5,400)
Balance, end of year	$ 2,380,604	$ 188,973	$ 2,569,577	$ 2,427,459

Contributions received for capital assets and major repairs includes $32,202 received through the Salvation Army CDA (2009 - $107,422).

11. Long-term debt:

		2010		2009
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	$	322,100	$	618,500
Canada Mortgage and Housing Corporation, mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020		350,978		373,931
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		36,903		61,383
		709,981		1,053,814
Current portion		388,961		702,835
	$	321,020	$	350,979

Principal and interest payments are funded by the Province of Manitoba via the WRHA. Principal payments are recorded in deferred contributions (note 10).

Principal payments expected in the next five years are as follows:

2011	$	345,438
2012		64,399
2013		28,113
2014		30,079
2015		32,183
	$	500,212

During the year, interest expense relating to the debt funded amounted to $33,911 (2009 - $57,826).

12. Invested in capital assets:

Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	$ 3,150,836	$ 3,353,489
Amounts financed by:		
Deferred contributions - purchased capital assets (note 10)	(2,380,604)	(2,230,924)
Long-term debt	(709,981)	(1,053,814)
Balance, end of year	$ 60,251	$ 68,751

13. Internally restricted funds:

The internally restricted fund balances comprise the following:

	2010	2009
Donations	$ 123,979	$ 88,599
Programs	13,328	11,369
	$ 137,307	$ 99,968

14. 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.

14. 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, 2007 reported the Plan had a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. The deficiency will be funded by special payments out of current contributions. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $288,157 (2009 - $276,670) and are included in employee benefits expense in the statement of operations.

15. Related party transactions:

During the year, the Lodge had the following transactions and balances with The Salvation Army:

	2010	2009
Red Shield Appeal funding designated for supervision	$ 65,000	$ 60,000
Territorial Headquarters supervision expense	65,000	50,000

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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Auditors' Report

To the Board of Directors of
THE SHARON HOME, INC.

We have audited the statement of financial position of **THE SHARON HOME, INC.** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2010

THE SHARON HOME, INC.
Statement of Financial Position

March 31	2010	2009 (Restated - Note 2)
Assets		
Current Assets		
Cash and investments	$ 2,472,302	$ 1,443,813
Accounts receivable (Note 4)	332,859	396,165
Due from Winnipeg Regional Health Authority (Note 5)	517,584	-
Prepaid expenses	97,710	104,720
Vacation entitlements receivable (Note 6)	603,753	603,753
	4,024,208	2,548,451
Loan receivable (Note 7)	70,989	70,989
Capital assets (Note 8)	40,675,806	45,879,950
Pre-retirement entitlements receivable (Note 9)	1,297,759	1,158,110
	$ 46,068,762	$ 49,657,500
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 10)	$ 1,862,126	$ 2,162,126
Demand bank loans (Note 11)	49,303	4,289,463
Accounts payable (Note 12)	1,068,128	942,815
Due to Winnipeg Regional Health Authority (Note 5)	-	245,347
Accrued vacation entitlements (Note 6)	676,221	660,700
Current portion of mortgages payable (Note 13)	1,102,550	1,151,422
Current portion of notes payable (Note 14)	921,670	718,750
	5,679,998	10,170,623
Mortgages payable (Note 13)	19,661,200	21,599,106
Notes payable (Note 14)	8,100,340	5,031,250
Deferred contributions (Notes 2 and 15)	10,325,482	10,268,493
Accrued pre-retirement obligations (Note 9)	1,186,160	1,046,511
	44,953,180	48,115,983
Contingencies (Note 16)		
Net Assets		
Invested in capital assets	442,906	878,568
Unrestricted	672,676	662,949
	1,115,582	1,541,517
	$ 46,068,762	$ 49,657,500

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			2010	2009
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, as previously reported	$ (619,564)	$ 662,949	$ 43,385	$ 782,728
Change in accounting policy (Note 2)	1,498,132	-	1,498,132	1,249,231
Balance, beginning of year, restated	878,568	662,949	1,541,517	2,031,959
Excess (deficiency) of revenue over expenditures for the year	(435,662)	9,727	(425,935)	(490,442)
Balance, end of year	$ 442,906	$ 672,676	$ 1,115,582	$ 1,541,517

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		2010		2009 (Restated - Note 2)
Revenue				
Winnipeg Regional Health Authority	$	**9,185,625**	$	9,602,578
Capital funding Winnipeg Regional Health Authority		**100,033**		356,345
Capital funding Manitoba Health		**1,510,427**		564,165
Future pre-retirement benefit revenue		**139,649**		(2,457)
Residential charges		**3,866,000**		3,725,610
Contributions from the Sharon Home Fund Inc.		**36,798**		60,083
Other income		**35,260**		53,288
Adult Day Program (Page 23)		**-**		-
		14,873,792		14,359,612
Expenditures				
Administration		**522,236**		556,051
Communications		**-**		84,843
Employee benefits		**1,884,738**		1,644,443
Housekeeping		**514,140**		552,144
Information technology		**41,192**		41,194
Interest and carrying charges on land for future improvement		**36,798**		60,083
Interest				
Short-term debt		**1,097**		5,288
Long-term debt		**1,609,363**		915,222
Laundry and linen		**409,395**		343,599
Nutrition and food services		**1,433,084**		1,464,484
Occupational therapy		**-**		2,365
Pandemic Prepardness		**6,748**		-
Plant maintenance		**336,465**		359,054
Plant operation		**785,344**		896,697
Relocation		**-**		267,534
Resident care		**6,907,811**		6,567,410
Security		**-**		20,419
Social work		**64,325**		62,969
Spiritual care		**30,717**		48,585
Staff development		**22,284**		22,951
Therapeutic recreation		**255,863**		263,583
Volunteer services		**2,465**		22,062
		14,864,065		14,200,980
Excess of revenue over expenditures before amortization and other item		**9,727**		158,632
Amortization				
Deferred contributions (Notes 2 and 15)		**1,172,259**		883,816
Capital assets		**(1,341,681)**		(1,532,890)
Deficiency of revenue over expenditures for year before other item		**(159,695)**		(490,442)
Other Item				
Loss on disposal of assets		**(266,240)**		-
Deficiency of revenue over expenditures for the year	$	**(425,935)**	$	(490,442)

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	2010	2009 (Restated - Note 2)
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ **(425,935)**	$ (490,442)
Amortization of capital assets	**1,341,681**	1,532,890
Amortization of deferred contributions related to capital assets	**(1,172,259)**	(883,816)
Loss on disposal of capital assets	**266,240**	-
	9,727	158,632
Changes in non-cash working capital		
Accounts receivable	**63,306**	2,498,836
Due from Winnipeg Regional Health Authority	**(762,931)**	319,428
Prepaid expenses	**7,010**	2,835
Accounts payable and accrued liabilities	**125,313**	(2,974,543)
Accrued vacation pay	**15,521**	(2,416)
Pre-retirement benefits recoverable	**(139,649)**	2,457
Accrued pre-retirement benefits	**139,649**	(2,457)
	(542,054)	2,772
Cash Flows from Financing Activities		
Change in bank indebtedness	**(300,000)**	(18,765,405)
Change in mortgages payables	**(1,986,778)**	21,819,241
Change in demand bank loans	**(4,240,160)**	4,102,610
Change in note payable	**3,272,010**	(718,750)
	(3,254,928)	6,437,696
Cash Flows from Investing Activities		
Purchase of capital assets	**(493,758)**	(8,483,098)
Proceeds on disposition of capital assets	**4,089,981**	-
Deferred contributions received related to capital assets	**1,229,248**	2,184,708
	4,825,471	(6,298,390)
Net increase in cash and cash equivalents during the year	**1,028,489**	142,078
Cash and cash equivalents, beginning of year	**1,443,813**	1,301,735
Cash and cash equivalents, end of year	$ **2,472,302**	$ 1,443,813
Supplementary Information		
Interest paid	$ **1,610,460**	$ 920,510

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, 2010.

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.

For the year ended March 31, 2010

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 50 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

For the year ended March 31, 2010

Financial Instruments (continued)

Bank indebtedness	Other financial liabilities	Amortized cost
Demand bank loans	Other financial liabilities	Amortized cost
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 October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO accounting standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting Board standards (PSAB) with NPO standards added. The PSAB agreed that there was sufficient support to develop an NPO series of standards to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB standards. The two Boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

For the year ended March 31, 2010

1. Entity Definition

The Sharon Home, Inc. 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. Change in Accounting Policy - Deferred Contributions Related to Capital Assets

During the year, the Home changed its accounting policy for the amortization of deferred contributions to a straight line method that equals the amortization period of the capital asset to which the deferred contribution relates. As part of this change, deferred contributions, excess (deficiency) of revenue over expenditures and net assets invested in capital assets have been retroactively restated. The comparative figures for the year ended March 31, 2009 have been restated as follows:

	As Previously Reported	Adjustment	**Restated**
Deferred contributions	11,766,625	$ (1,498,132)	$ **10,268,493**
Net assets, beginning of year	782,728	1,249,231	**2,031,959**
Net assets, end of year	43,385	1,498,132	**1,541,517**
Excess (deficiency) of revenue over expenditures for the year	(739,343)	248,901	**(490,442)**
Amortization of deferred contributions	634,915	248,901	**883,816**

3. 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.

4. Accounts Receivable

	2010	2009
Receivable from residents	$ **22,731**	$ 37,209
GST rebate receivable	**8,296**	16,785
The Sharon Home Fund Inc. (related party)	**265,165**	283,131
Other	**36,667**	59,040
	$ **332,859**	$ 396,165

5. Due from (to) WRHA

	2010	2009
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**	28,127
2008/2009 funding adjustment	**86,241**	(218,654)
2009/2010 funding adjustment	**454,035**	-
	$ **517,584**	$ (245,347)

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 and 2008/2009 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.

6. 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:

	2010	2009
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:

	2010	2009
Balance, beginning of year	$ **660,700**	$ 663,116
Net (decrease) increase in accrued vacation entitlements	**15,521**	(2,416)
Balance, end of year	$ **676,221**	$ 660,700

7. 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.

8. Capital Assets

	2010		2009	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Kanee Centre				
Land	$ -	$ -	$ 558,008	$ -
Buildings	-	-	12,301,262	8,593,775
Simkin Centre				
Land	**786,418**	**-**	786,418	-
Building	**40,068,202**	**3,460,283**	39,843,598	2,458,924
Equipment	**3,427,024**	**1,460,713**	5,723,915	3,595,710
Land held for future development	**1,315,158**	**-**	1,315,158	-
	$ 45,596,802	**$ 4,920,996**	$ 60,528,359	$ 14,648,409
Cost less accumulated amortization		**$ 40,675,806**		$ 45,879,950

9. 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

9. Employee Future Benefits (continued)

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2010. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.9% (2009 - 6.7%) and a rate of salary increase of 4.0% (2009 - 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 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 2006/07, 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.

	2010	2009
Employee future benefits recoverable from		
Manitoba Health	$ **967,427**	$ 967,427
Winnipeg Regional Health Authority	**330,332**	190,683
	$ **1,297,759**	$ 1,158,110

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2010	2009
Balance, beginning of the year	$ **1,046,511**	$ 1,048,968
Net (decrease) increase in pre-retirement entitlements	**139,649**	(2,457)
Balance, end of year	$ **1,186,160**	$ 1,046,511

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.

9. 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, together 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, 2008 indicates 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. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $534,968 (2009 - $509,533) and are included in the statement of operations.

10. Bank Indebtedness

	2010	2009
Credit facility agreement	$ 1,000,000	$ 1,000,000
Sponsor contribution loan	862,126	1,162,126
	$ 1,862,126	$ 2,162,126

The credit facility agreement is with the Royal Bank up to a maximum of $1,000,000, bears interest at the bank prime rate or the Flex Financing (Bankers Acceptance) rate. 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% payable upon receipt of contributions from the capital campaign.

11. Demand Bank Loans

	2010	2009
Phase II renovations	$ 49,303	$ 88,663
Construction demand loan	-	4,200,800
	$ 49,303	$ 4,289,463

The Phase II renovations loan bears interest at prime rate minus 0.75% (3.00% as of March 31, 2010) repayable in equal monthly payments of $3,280 plus interest.

12. Accounts Payable

	2010	2009
Trade accounts payable	$ **423,101**	$ 382,261
Accrued liabilities	**96,955**	193,630
Salaries and employee benefits payable	**548,072**	366,924
	$ **1,068,128**	$ 942,815

13. Mortgages Payable

	2010	2009
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 2029.	$ **20,763,750**	$ 21,866,250
Mortgage payable Canada Mortgage and Housing Corporation - repaid during the year.	**-**	304,870
Mortgage payable Canada Mortgage and Housing Corporation - repaid during the year.	**-**	347,681
Mortgage payable Canada Mortgage and Housing Corporation - repaid during the year.	**-**	119,663
Mortgage payable Canada Mortgage and Housing Corporation - repaid during the year.	**-**	112,064
	20,763,750	22,750,528
Current portion of mortgages payable	**1,102,550**	1,151,422
	$ **19,661,200**	$ 21,599,106

13. Mortgages Payable (continued)

Principal repayments required over the next five years are as follows:

2011	$ 1,102,550
2012	1,102,550
2013	1,102,550
2014	1,102,550
2015	1,102,550
Subsequent years	15,251,000
	$ 20,763,750

14. Notes Payable

	2010	2009
Province of Manitoba - with interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	$ **5,031,250**	$ 5,750,000
Province of Manitoba - with interest at 5.05%, requiring monthly principal payments of $16,910 plus interest, maturing November 30, 2029.	**3,990,760**	-
	9,022,010	5,750,000
Current portion of notes payable	**921,670**	718,750
	$ **8,100,340**	$ 5,031,250

The notes payable are secured by the related property at the Simkin Centre.

Minimum principal repayments required under the terms of the note payable are as follows:

2011	$ 921,670
2012	921,670
2013	921,670
2014	921,670
2015	921,670
Subsequent years	4,413,660
	$ 9,022,010

15. 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:

	2010	2009 (Restated - Note 2)
Balance, beginning of year, as previously stated	**$ 10,268,493**	$ 10,216,832
Change in accounting policy (Note 2)	**-**	(1,249,231)
Balance, beginning of year, restated	**10,268,493**	8,967,601
Contributions	**1,229,248**	2,184,708
Less amounts amortized to revenue	**(1,172,259)**	(883,816)
Balance, end of year	**$ 10,325,482**	$ 10,268,493

The balances as at March 31, 2010 and 2009 consist of the following:

	2010	2009
Deferred contributions relating to capital assets	**$ 10,099,252**	$ 10,094,567
Unspent funding for equipment	**200,274**	165,274
Unspent funding for major repairs	**25,956**	8,652
Balance, end of year	**$ 10,325,482**	$ 10,268,493

16. Contingencies

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, 2010.

The Home is a named insured under the WRHA policy with HIROC.

17. 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, 2010 and 2009 and for the years then ended are as follows:

	2010	2009
Financial position		
Total assets	$ 1,855,787	$ 2,005,176
Total liabilities	$ 270,761	$ 312,931
Total fund balances	1,585,026	1,692,245
Balance, end of year	$ 1,855,787	$ 2,005,176

	2010	2009
Results of operations		
Total revenue	$ 647,436	$ 1,099,385
Total expenses	(134,141)	(123,775)
Excess of revenue over expenses before the following:	513,295	975,610
Contributions to The Sharon Home, Inc.	(620,514)	(885,741)
Excess (deficiency) of revenue over expenses	$ (107,219)	$ 89,869
Cash flows		
Cash provided by operating activities	$ (143,992)	$ (2,310,267)
Cash used in investing activities	(9,107)	(28,218)
Decrease in cash	$ (153,099)	$ (2,338,485)

17. Related Entity (continued)

During the fiscal year 2010 the Home charged the Fund on a cost recovery basis $134,141 (2009 - $123,775) for administrative and special program expenditures. During the fiscal year 2010, the Fund contributed $36,798 (2009 - $60,083) 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, 2010, included in accounts receivable is an amount of $265,165 (2009 - $283,131) receivable from the Fund, of which $104,181 (2009 - $91,883) 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 15).

18. Resident Trust Funds

Included in the cash and accounts payable are funds held in trust for the Home's residents totalling $27,071 (2009 - $19,651).

19. Restricted Cash

Cash in the amount of $226,230 (2009 - $173,926) is restricted for capital asset purchases.

20. 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.

21. 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:

	2010	2009
Accounts receivable	$ **332,859**	$ 396,165
Due from (to) Winnipeg Regional Health Authority	**517,584**	(245,347)
Vacation entitlements receivable	**603,753**	603,753
Retirement obligations receivable	**1,297,759**	1,158,110
	$ **2,751,955**	$ 1,912,681

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 (to) 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.

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.

21. 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.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31		2010		2009
Revenue				
Province of Manitoba	$	**81,360**	$	67,968
Participants' fees		**13,376**		13,217
		94,736		81,185
Expenses				
Salaries - general		**41,816**		39,836
Other		**69,517**		62,850
		111,333		102,686
Deficiency of revenue over expenses		**(16,597)**		(21,501)
Deficiency receivable from WRHA		**16,597**		21,501
Ending balance	$	**-**	$	-

To the Members 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.

Meyers Norris Penny 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.

May 31, 2010

Executive Director

Assistant Executive Director

Auditors' Report

To the Board of Directors of West Park Manor Personal Care Home Inc.:

We have audited the statement of financial position of West Park Manor Personal Care Home Inc. as at March 31, 2010 and the statements of operations and changes in unrestricted net assets for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 31, 2010

Chartered Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2010

	2010	2009
Assets		
Current		
Cash *(Note 3)*	331,224	290,150
Short term investments *(Note 4)*	1,679,211	2,022,296
Accounts receivable *(Note 5)*	26,368	68,873
Prepaid expenses and deposits	110,503	224,270
	2,147,306	2,605,589
Capital assets *(Note 6)*	1,425,892	1,409,920
Investments *(Note 7)*	341,797	-
Deferred charges - future employee benefits *(Note 8)*	697,049	604,869
Receivable from Winnipeg Regional Health Authority	776,611	999,252
	5,388,655	5,619,630
Liabilities		
Current		
Accounts payable and accruals	1,492,403	1,771,738
Trust funds payable	222,776	205,740
Current portion of long-term debt *(Note 9)*	472,000	585,986
	2,187,179	2,563,464
Long-term debt *(Note 9)*	795,911	832,619
Deferred contributions *(Note 10)*	578,600	509,979
Accrued future employee benefits *(Note 8)*	754,385	662,205
	4,316,075	4,568,267
Net Assets		
Unrestricted	268,507	248,849
Invested in capital assets	165,082	152,811
Internally restricted *(Note 11)*	638,991	649,703
	1,072,580	1,051,363
	5,388,655	5,619,630

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

MNP

West Park Manor Personal Care Home Inc.
Statement of Operations
For the year ended March 31, 2010

	2010	2009
Revenues		
Residential charges	2,924,595	2,849,559
Winnipeg Regional Health Authority		
Operating	4,451,039	4,672,763
Bed grant	11,712	11,701
HEBP enhanced health care plan	38,961	-
Interest on approved borrowing	79,848	75,840
Year end adjustment *(Note 15)*	(3,877)	(150,145)
Medical salaries	18,816	3,816
Pre-retirement leave amortization	78,188	16,085
Wages accrual - Manitoba Nurses Union	316,714	200,877
H1N1 and Physical Intellectual Emotional Capabilities Environment Social education	10,619	-
Over-cost funding 1:1 care	17,688	3,807
Median rate adjustment per diem	446,771	411,640
Non median rate funding	171,850	171,864
CUPE related wages	242,259	109,612
Other	465,207	364,503
Amortization of deferred operating contributions *(Note 10)*	2,210	-
Amortization of deferred capital contributions *(Note 10)*	114,225	93,723
	9,386,825	8,835,645
Expenses		
Amortization	170,799	178,694
Dietary services and supplies	350,913	310,341
Employee benefits	1,285,866	1,259,655
Employee benefits - pre-retirement leave	78,188	24,708
General administration	105,644	104,836
H1N1 pandemic planning	6,274	-
Health and safety	50,434	62,469
Housekeeping	32,577	38,846
Interest on long-term debt	73,880	84,585
Laundry	34,633	21,552
Linen	501	487
Medical salaries	17,815	3,154
Nursing services and supplies	204,761	205,984
Recreation and handicraft supplies	12,611	16,090
Repairs and maintenance	117,173	103,283
Salaries and wages	6,513,662	6,194,036
Utilities	311,436	343,348
	9,367,167	8,952,068
Excess (deficiency) before the following:	19,658	(116,423)
Accrued future employee benefit income *(Note 8)*	92,180	55,672
Accrued future employee benefit expense *(Note 8)*	(92,180)	(55,672)
Excess (deficiency) of revenues over expenses	19,658	(116,423)

The accompanying notes are an integral part of these financial statements

MNP

West Park Manor Personal Care Home Inc.
Statement of Changes in Unrestricted Net Assets
For the year ended March 31, 2010

	2010	*2009*
Unrestricted net assets, beginning of year	248,849	365,272
Excess (deficiency) of revenues over expenses	19,658	(116,423)
Unrestricted net assets, end of year	268,507	248,849

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

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:

	Rate
Buildings	40 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 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. **Accounting policies** *(Continued from previous page)*

Long-lived assets

Long-lived assets consists 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/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 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.

Financial Instruments deferral of section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments - Dislcosures and Section 3863 Financial Instruments - Presentation to replace Section 3861 Financial Instruments - Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. As such, not-for-profit organizations continue to apply Section 3861.

3. **Cash**

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Bank accounts earn interest at 0.25% (2009 - 0.50%) as at year-end.

	2010	*2009*
Bank	313,745	272,671
Restricted cash - equipment and repairs	17,479	17,479
	331,224	290,150

4. **Short term investments**

	2010	*2009*
Money market mutual funds	1,679,211	2,022,296

5. **Accounts receivable**

	2010	*2009*
Trade receivables	17,551	35,975
Goods and Services Tax receivable	8,817	32,898
	26,368	68,873

6. **Capital assets**

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2010* Net book value
Land	132,920	-	-	132,920	-	132,920
Buildings	2,219,716	169,042	-	2,388,758	1,484,591	904,167
Equipment	1,959,184	17,729	-	1,976,913	1,588,108	388,805
	4,311,820	186,771	-	4,498,591	3,072,699	1,425,892

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2009* Net book value
Land	128,980	3,940	-	132,920	-	132,920
Buildings	2,193,659	28,211	2,154	2,219,716	1,424,872	794,844
Equipment	1,869,457	89,727	-	1,959,184	1,477,028	482,156
	4,192,096	121,878	2,154	4,311,820	2,901,900	1,409,920

7. **Investments**

	2010	*2009*
Guaranteed investment certificate, earning interest at 2.50%, maturing April 1, 2011	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. In 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, 2010 fiscal year the Organization incurred employee future benefitsof $92,180 (2009 - $55,672) and a receivable from for the same amount was recorded as directed by Manitoba Health and the WRHA.

9. Long-term debt

	2010	2009
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 $542,000 (2009 - $587,000), due August 1, 2023.	833,856	868,282
Term loan bearing interest at prime minus 0.50%, payable in monthly instalments of $3,550 plus interest, secured with a general security agreement, due December 31, 2010.	71,000	113,600
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 December 31, 2010.	108,970	139,390
Term loan bearing interest at prime minus 0.50%, payable in montly instalments of $2,119 plus interest, secured with a general security agreement, due December 31, 2010.	101,632	127,060
Term loan bearing interest at prime minus 0.50%, payable in montly instalments of $1,485 plus interest, secured with a general security agreement, due December 31, 2010.	152,453	170,273
	1,267,911	1,418,605
Less: current portion	472,000	585,986
	795,911	832,619

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	472,000
2010	41,000
2011	45,000
2012	48,000
2013	52,000

10. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital Fund	*Insurance*	*2010*	*2009*
Balance, beginning of year	497,422	12,557	**509,979**	438,087
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	148,846	-	**148,846**	129,405
- Equipment replacement	26,250	-	**26,250**	26,250
- Major repairs	7,944	-	**7,944**	7,944
- Insurance deductible	-	2,016	**2,016**	2,016
Recognized as revenue during the year	(114,225)	(2,210)	**(116,435)**	(93,723)
Balance, end of year	566,237	12,363	**578,600**	509,979

11. Internally restricted net assets

Non-operating income reserve	*2010*	*2009*
Balance, beginning of year	**621,470**	601,708
Interest	**17,043**	63,323
Other	**(15,299)**	(14,061)
Payments/expenditures	**(184)**	(126)
Transfer to Capital Fund	**(12,272)**	(29,374)
Balance, end of year	**610,758**	621,470
Reserve for major repairs	**28,233**	28,233
	638,991	649,703

These net assets have been restricted by the board of directors.
The use of such assets is at the discrection of the board of directors.

The accompanying notes are an integral part of these financial statements.

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.

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. Statement of cash flows

A statement of change in cash flows has not been prepared because the information about operating, financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

15. Year end adjustment

The year end 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 renumeration payments made to physicians. The amount has been set up as a payable to Winnipeg Regional Health Authority (WRHA).

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:

	2010	*2009*
Short-term investments	**1,679,211**	2,022,296
Investments	**341,797**	-
Unrestricted net assets	**268,507**	248,849
Invested in capital assets	**165,082**	152,811
	2,454,597	2,423,956

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.

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Directors of
Women's Health Clinic Inc.

We have audited the statement of financial position of Women's Health Clinic Inc. as at March 31, 2010 and the statements of financial activities, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Women's Health Clinic Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2010 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 20, 2010

Chartered Accountants

Women's Health Clinic Inc.
Statement of Financial Activities

Year Ended March 31 — **2010** / 2009

	Operating Fund	Donation Fund	Capital Fund	**Total** (2010)	Total (2009)
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$3,073,261	$ -	$ -	**$3,073,261**	$2,897,977
Capital payments	-	-	17,836	**17,836**	17,375
United Way of Winnipeg	221,384	2,700	-	**224,084**	213,548
Province of Manitoba	355,451	3,953	-	**359,404**	202,239
Medical supplies	73,779	4,126	-	**77,905**	90,160
Membership	2,005	-	-	**2,005**	970
Miscellaneous	4,761	-	-	**4,761**	39,172
Investment income	-	5,437	-	**5,437**	14,223
Health Canada	21,931	-	-	**21,931**	126,586
The Winnipeg Foundation	11,176	-	-	**11,176**	40,646
Annual general meeting	840	-	-	**840**	830
Fee for service	373,887	-	-	**373,887**	332,536
Contributions and fundraising	-	23,223	15,631	**38,854**	43,287
Rent	-	-	33,900	**33,900**	18,900
	4,138,475	39,439	67,367	**4,245,281**	4,038,449
Expenses					
Operating Fund (Page 11)	4,040,488	-	-	**4,040,488**	3,852,561
Donation Fund (Page 12)	-	22,869	-	**22,869**	65,146
Amortization	-	-	75,954	**75,954**	65,096
Interest on mortgage	-	-	13,428	**13,428**	25,857
	4,040,488	22,869	89,382	**4,152,739**	4,008,660
Excess (deficiency) of revenues over expenses before under noted items	97,987	16,570	(22,015)	**92,542**	29,789
Pre-retirement leave (Note 11)					
Current year recovery	54,136	-	-	**54,136**	14,216
Expense	(54,136)	-	-	**(54,136)**	(14,216)
Excess (deficiency) of revenues over expenses	$ 97,987	$ 16,570	$ (22,015)	**$ 92,542**	$ 29,789

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	**2010 Total**	2009 Total
Fund balance, beginning of year	$ 242,169	$ 141,021	$ (64,125)	**$ 319,065**	$ 289,276
Excess (deficiency) of revenues over expenses	97,987	16,570	(22,015)	**92,542**	29,789
Fund balance, end of year	$ 340,156	$ 157,591	$ (86,140)	**$ 411,607**	$ 319,065

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2010	2009
		(Note 13)
Assets		
Current		
Cash (Note 3)	**$ 631,253**	$ 977,860
Receivables	**575,225**	312,324
Due from Winnipeg Regional Health Authority	**189,500**	98,377
Inventories	**23,699**	32,603
Prepaids	**11,484**	12,415
	1,431,161	1,433,579
Capital assets (Note 4)	**924,308**	924,126
	$2,355,469	$2,357,705

	2010	2009
Liabilities		
Current		
Payables and accruals	**$ 493,165**	$ 603,988
In Trust for Disabled Women's Network	**256**	256
Deferred revenue	**10,969**	9,995
Deferred contributions		
Operating Fund (Note 5)	**435,249**	411,207
Demand loans (Note 7)	**504,598**	553,067
	1,444,237	1,578,513
Deferred contributions		
Related to capital assets (Note 6)	**258,680**	273,318
Pre-retirement leave (Note 11)	**240,945**	186,809
	1,943,862	2,038,640
Fund Balances		
Operating Fund	**340,156**	242,169
Donation Fund	**157,591**	141,021
Capital Fund	**(86,140)**	(64,125)
	411,607	319,065
	$2,355,469	$2,357,705

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	2010	2009
Cash derived from (applied to)		
Operating		
Excess of revenues over expenses	**$ 92,542**	$ 29,789
Amortization	**75,954**	65,096
Amortization of deferred contributions	**(33,467)**	(28,368)
	135,029	66,517
Change in non-cash operating assets and liabilities (Note 8)	**(375,860)**	146,046
	(240,831)	212,563
Investing		
Purchase of capital assets	**(76,136)**	(34,806)
Funding received to purchase capital assets	**18,829**	11,216
	(57,307)	(23,590)
Financing		
Repayment of demand loan	**(48,469)**	(36,063)
Net (decrease) increase in cash	**(346,607)**	152,910
Cash, beginning of year	**977,860**	824,950
Cash, end of year	**$ 631,253**	$ 977,860

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Women's Health Clinic Inc. 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
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, funds held in trust, demand loans, and pre-retirement leave. The fair values of cash, receivables, due from Winnipeg Regional Health Authority, payables and accruals, funds held in trust, demand loans, and pre-retirement leave 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 in the amount of $25,000 which is not being used at March 31, 2010 nor at March 31, 2009.

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CHARTERED ACCOUNTANTS

4. Capital assets

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	940,922	242,692	**698,230**	708,157
Computers	64,559	35,410	**29,149**	32,686
Furniture and fixtures	53,480	39,208	**14,272**	16,498
Security system	46,719	25,400	**21,319**	24,863
Medical equipment	47,746	16,408	**31,338**	11,922
	$ 1,283,426	$ 359,118	**$ 924,308**	$ 924,126

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2010	2009
Health Canada	**$ 3,127**	$ 4,846
United Way of Winnipeg	**-**	6,674
Province of Manitoba	**5,194**	8,546
Winnipeg Regional Health Authority	**376,371**	361,487
Healthy Child Manitoba	**10,126**	10,126
Winnipeg Foundation	**18,877**	12,140
CWHN	**1,500**	1,500
Healthy Baby	**20,054**	5,888
	$ 435,249	$ 411,207

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $258,680 (2009 - $273,318) represent grants and donations for building, computers, furniture and fixtures and medical equipment. Deferred contributions are amortized on the statement of financial activities.

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CHARTERED ACCOUNTANTS

7. Demand loans

	2010	2009
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 504,598**	$ 550,722
Loan, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $200, due on demand	**-**	2,345
	$ 504,598	$ 553,067

The Organization's land and building are pledged as security for the debt.

Principal repayments of the demand loan obligation estimated to be required in each of the next five years are as follows:

2011	$ 30,355
2012	32,041
2013	33,933
2014	35,937
2015	38,058
	$ 170,324

8. Change in non-cash operating assets and liabilities

	2010	2009
Receivables and due from Winnipeg Regional Health Authority	**$ (354,024)**	$ (109,945)
Inventories	**8,904**	(2,387)
Prepaids	**931**	(3,602)
Payables and accruals	**(56,687)**	181,352
Funds held in trust	**-**	166
Deferred revenue and deferred contributions	**25,016**	80,462
	$ (375,860)	$ 146,046

9. 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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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, 2010, the Organization's contributions to the Endowment Fund totaled $83,529 (2009 - $74,112). The market value of the Endowment Fund at March 31, 2010 is $137,427 (2009 - $99,286).

11. 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 $54,136 (2009 - $14,216).

A portion of the pre-retirement benefits for the current year of $54,136 (2009 - $14,216) were funded by Winnipeg Regional Health Authority during the year.

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. 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

	2010	2009
Salaries	**$2,554,759**	$2,409,490
Employee benefits	**363,148**	323,998
Purchased services	**443,752**	437,210
Community relations	**17,179**	18,598
Association membership fees	**2,919**	1,103
Bad debt (recovery)	-	(177)
Insurance	**9,402**	3,044
Postage	**12,033**	16,728
Printing, stationery and office supplies	**68,618**	89,010
Professional fees	**14,826**	20,177
Accounting and computer fees	**7,835**	16,288
Staff recruitment	**6,160**	699
Staff training	**6,625**	14,218
Telephone	**31,278**	32,076
Other supplies	**27,571**	39,467
Medical and surgical supplies	**122,767**	101,484
Purchases of medical supplies inventories	**104,759**	94,646
Repairs and maintenance	**67,242**	34,024
Health education materials	**6,631**	6,914
Occupancy costs	**97,984**	106,473
Utilities	**55,941**	70,629
Volunteer services	**552**	702
Lectures and honorariums	**181**	468
Travel	**18,326**	15,292
	$4,040,488	$3,852,561

See accompanying notes to the financial statements.

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Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31	2010	2009
Volunteer appreciation	$ 561	$ 3,987
Fundraising	7,391	10,295
Programs	5,500	36,905
Winnipeg Foundation "Women's Health Clinic Fund" (Note 10)	9,417	13,959
	$ 22,869	$ 65,146

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Deloitte.

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AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2010 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 27, 2010

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Operations
Year Ended March 31, 2010

		2010	2009
REVENUE			
Patient services - Winnipeg Regional Health Authority		$ 2,531,424	$ 2,450,450
Block Funding Prosthetics - Winnipeg Regional Health Authority		-	212,000
Sales of prosthetics/orthotics - other revenue		114,366	34,743
Sales of prosthetics/orthotics fees for service		1,127,813	451,511
Restricted donations Children's Rehabilitation Foundation Inc. (Note 10b)		314,753	555,280
MB FASD Centre		54,336	-
Stepping Out Saturdays		169,500	-
Sales of assistive devices		64,180	100,792
School therapy program		1,802,360	1,682,846
Provincial Outreach Therapy for Children program		557,600	552,600
Childrens' Therapy Initiative (Note 11)		122,525	90,855
Research revenue		11,279	18,173
Miscellaneous		102,329	72,657
		6,972,465	6,221,907
EXPENSES			
Salaries		2,278,126	2,161,538
Employee benefits and costs		526,053	428,109
Prosthetics and Orthotics supplies		215,529	131,610
Special devices supplies		159,978	161,662
Other supplies and expenses		209,985	166,187
Restricted expenditures Children's Rehabilitation Foundation Inc.		288,966	536,313
School therapy salaries and other costs		1,821,102	1,682,831
Provincial Outreach Therapy for Children salaries and other costs		560,623	566,677
Childrens' Therapy Initiative and other costs (Note 11)		105,282	63,643
Repairs and maintenance		34,920	33,037
Utilities, insurance and taxes		69,714	78,354
Purchased services		53,822	62,308
MB FASD Centre		54,263	-
Stepping Out Saturdays		27,804	-
Research expense		13,088	4,962
		6,419,255	6,077,231
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING		553,210	144,681
OTHER INCOME (EXPENSES)			
Amortization of deferred contributions		70,414	59,409
Amortization of capital assets		(76,175)	(56,509)
Interest income		4,783	15,249
Funding adjustments relating to prior years		2,092	25,115
		1,115	43,264
EXCESS OF REVENUE OVER EXPENSES		$ 554,324	$ 187,945

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Financial Position
March 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash and short-term investments	$ 634,720	$ 889,984
Accounts receivable (Note 4)	1,051,063	550,623
Inventory	235,447	238,163
Prepaid expenses	15,764	19,692
Accounts receivable - vacation pay - WRHA (Note 3e)	155,997	155,997
	2,092,991	1,834,459
Restricted cash	25,396	25,588
Investments in GIC	300,000	-
Accounts receivable - employee future benefits (Note 3e)	177,312	189,236
Capital assets (Note 5)	362,594	258,584
	$ 2,958,293	$ 2,307,867
LIABILITIES		
CURRENT		
Accounts payable	$ 221,269	$ 340,886
Accrued vacation pay - WRHA (Note 3e)	192,412	177,812
Accrued vacation pay - other funders	59,305	55,901
	472,986	574,599
Accrued employee future benefits (Note 6)	554,494	468,632
Deferred contributions related to capital assets (Note 7)	300,557	188,704
	1,328,037	1,231,935
NET ASSETS (Note 11)		
Restricted POTC	110,788	113,811
Restricted Childrens' Therapy	86,945	69,702
Restricted School Therapy	72,865	91,607
Restricted Prosthetics and Orthotics	68,656	69,488
Restricted Stepping Out Saturdays	141,696	-
Equipment Reserve	400,000	-
Unrestricted	749,306	731,324
	1,630,256	1,075,932
	$ 2,958,293	$ 2,307,867

APPROVED BY THE BOARD

.... Director

.... Director

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2010

	2010								2009
	POTC Restricted	Childrens' Therapy Restricted	School Therapy Restricted	Prosthetics & Orthotics Restricted	Stepping Out Saturdays Restricted	Equipment Reserve	Unrestricted	**Total**	Total
Balance, beginning of year	$ 113,811	$ 69,702	$ 91,607	$ 69,488	$ -	$ -	$ 731,324	$ 1,075,932	$ 897,271
Repayment of prior year surplus	-	-	-	-	-	-	-	-	(9,284)
Excess of revenue over expenses (expenses over revenue)	(3,023)	17,243	(18,742)	399,168	141,696	-	17,982	554,324	187,945
Transfer to Equipment Reserve (Note 11)	-	-	-	(400,000)	-	400,000	-	-	-
Balance, end of year	$ 110,788	$ 86,945	$ 72,865	$ 68,656	$ 141,696	$ 400,000	$ 749,306	$ 1,630,256	$ 1,075,932

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 554,324	$ 187,945
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	76,175	56,509
Amortization of deferred contributions	(70,414)	(59,409)
Employee future benefits	115,790	26,854
	675,875	211,899
Net change in non-cash working capital balances related to operations	(613,413)	9,590
	62,462	221,489
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets	182,267	22,600
Changes in cash restricted for purchases of capital assets	192	(15,227)
Repayment of prior year surplus	-	(9,284)
	182,459	(1,911)
INVESTING ACTIVITIES		
Purchase of capital assets	(180,185)	(10,286)
Investments in GIC	(300,000)	-
	(480,185)	(10,286)
NET (DECREASE) INCREASE IN CASH POSITION	(235,264)	209,292
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	869,984	660,692
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 634,720	$ 869,984

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. CHANGES IN ACCOUNTING POLICIES

On April 1, 2009, the Centre adopted the changes made to Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

Section 1540 has been amended to include not-for-profit organizations within its scope. As a result, investing and financing activities are now presented separately.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to combine investment in capital assets with unrestricted net assets when no investment in capital assets is internally restricted. As a result, effective April 1, 2009, the Centre has combined the net assets in capital assets balance of $95,468 with the opening balance of Unrestricted net assets in the Statement of Change in Net Assets.

It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions. As a result, the Centre now presents only revenue and expenses related to Children's therapy Initiative for its principal activities (see Note 11).

Section 4430 has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets and amortize and write down those assets in accordance with relevant Handbook Sections.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The adoption of these new standards had no other significant impact on the financial statements.

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, 2010. 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 Winnipeg Regional Health Authority (WRHA) for programs outlined in the WRHA/RCC Service Purchase Agreement. The Centre is entitled to retain surpluses up to a maximum of 2% of the WRHA global funding.

ii) Other Funding Sources

The Centre receives funding from other sources including Children's Rehabilitation Foundation Inc., Province of Manitoba Family Services, Manitoba Health and school divisions for specified programs.

b) Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is determined on the first in, first out basis.

c) 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

d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Accounts receivable – employee future benefits

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. For certain employees, funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made. Accordingly, for those employees funded by the WRHA, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is accrued and recorded in the same period as the related income.

f) 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.

g) 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 and short-term investments	Held for trading
Investments in GIC	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA	Loans and receivables
Accounts payable	Other liabilities
Accrued vacation entitlements	Other liabilities

The fair value of accounts receivable, amounts due from WRHA, investments in GIC, accounts payable, and accrued vacation entitlements is approximately equal to their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial instruments (continued)

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.

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 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.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

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 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 benefit obligation and the useful life of capital assets. Actual results could differ from these estimates.

i) Future accounting changes

The AcSB will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable profit-oriented enterprise with January 1, 2011 as the changeover date. While these standards are not developed with reference to not-for-profit organizations, the AcSB has agreed that a not-for-profit organization can apply IFRS if that approach meets the needs of the users of its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Future accounting changes (continued)

The AcSB has developed a made in Canada alternative set of financial reporting standards for private profit-oriented enterprises. The AcSB has agreed to consider permitting not-for-profit organizations to apply the standards for private enterprises, together with additional standards addressing their unique transactions and circumstances.

Accordingly, the needs of not-for-profit organizations will be considered in the development of the private enterprise standards.

In March 2010, the AcSB issued an Exposure Draft which provides not-for-profit organizations in the private sector the option to follow accounting principles that are not substantively different from the current accounting policies for not-for-profit organizations. These new standards would be effective for financial years beginning on or after January 1, 2012. The current standards applicable to not-for-profit organizations will remain in effect until organizations have adopted the new standards.

4. ACCOUNTS RECEIVABLE

	2010	2009
Patient services	$ 95,580	$ 88,380
School divisions	166,256	193,971
Manitoba Health - Patient services	567,072	93,925
Winnipeg Regional Health Authority - Operations	143,036	80,784
Due from Children's Rehabilitation Foundation Inc. (Note 10 b))	64,882	79,419
GST Rebate	12,256	9,792
Other	1,981	4,352
	$ 1,051,063	$ 550,623

5. CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 201,555	$ 199,201	$ 2,354	$ -
Equipment and furniture	616,998	392,516	224,482	179,611
Information systems	351,612	215,854	135,758	78,973
	$ 1,170,165	$ 807,571	$ 362,594	$ 258,584

6. ACCRUED EMPLOYEE FUTURE BENEFITS

The Centre undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3(e)). The significant actuarial assumptions adopted in measuring the Centre's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 4.90% (2009 – 6.70%) and a rate of salary increase of 3.5% plus age related merit/promotion scale with no adjustment for disability. Actual payments made during the year for the Centre's pre-retirement leave were $39,770 (2009 - $22,794).

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:

	2010	2009
Balance, beginning of year	**$ 188,704**	$ 225,513
Add: contributions	**182,267**	22,600
Less: amounts amortized to revenue	**(70,414)**	(59,409)
	$ 300,557	$ 188,704

8. 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. 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.

The Centre'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 Centre on behalf of its employees amounted to $281,906 (2009 - $262,545) and are included in the statement of operations.

9. 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.

10. 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 $314,753 to the Centre in the form of cash and capital donations (2009 - $536,313).

11. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, 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 $400,000 to an Equipment Reserve to support the capital needs of rehabilitation engineering.

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:

	2010	2009
Gross funding received by the Centre	**$ 585,800**	$456,800
Disbursement to the third party	**(463,275)**	(365,945)
Revenue earned by the Centre	**122,525**	90,855
Expenses incurred by the Centre	**(105,282)**	(63,643)
Program surplus at the Centre	**$ 17,243**	$ 27,212

Of the $749,306 of Unrestricted net assets, $18,176 was generated in fiscal year 2010 and is still subject to audit by the WRHA. The remaining $731,130 is available for use in supporting the Centre's current and future programs.