

**Churchill Regional Health  
Authority Inc.**

**Financial Statements  
For the year ended March 31, 2004**

# **Churchill Regional Health Authority Inc.**

## **Financial Statements**

**For the year ended March 31, 2004**

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## Auditors' Report

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**To the Board of Directors of  
Churchill Regional Health Authority Inc.**

We have audited the statement of financial position of Churchill Regional Health Authority Inc. (RHA) as at March 31, 2004, 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.

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.

We did not attend the physical inventory taking at March 31, 2004 and March 31, 2003, and we were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to opening and closing inventories, revenue and expenses and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine the inventory quantities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2004, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Portage la Prairie, Manitoba  
May 19, 2004

**Churchill Regional Health Authority Inc.  
Statement of Financial Position**

March 31,	2004	2003
<b>Assets</b>		
<b>Current Assets</b>		
Cash and bank	\$ 275,275	\$ -
Accounts receivable (note 1)	94,400	364,399
Due from Manitoba Health (note 2)	213,626	406,348
Inventory	378,924	441,792
Goods and services tax recoverable	16,697	51,554
Prepaid expenses	37,051	43,852
Accounts receivable - Province of Manitoba	348,158	310,239
	<b>1,364,131</b>	<b>1,618,184</b>
<b>Capital Assets</b> (note 3)	<b>3,869,359</b>	<b>3,544,690</b>
<b>Accounts Receivable - Province of Manitoba</b> (note 4)	<b>197,540</b>	<b>155,480</b>
	<b>\$ 5,431,030</b>	<b>\$ 5,318,354</b>

**Liabilities and Deficiency in Net Assets**

<b>Current Liabilities</b>		
Bank indebtedness - operating	\$ -	\$ 805,899
Bank indebtedness - capital (note 5)	1,581,380	1,451,006
Accounts payable and accrued liabilities	940,619	839,323
Accounts payable - capital	29,005	244,701
Accounts payable - Province of Manitoba	500,000	500,000
Due to Manitoba Health (note 6)	192,400	-
Payable to Churchill RHA Health & Healing Foundation Inc.	-	9,803
Security deposits	10,162	8,369
Vacation, overtime and statutory holiday pay payable	348,158	310,239
Current portion of capital lease obligations (note 7)	19,630	36,545
	<b>3,621,354</b>	<b>4,205,885</b>
<b>Capital Lease Obligations</b> (note 7)	<b>105,727</b>	<b>155,475</b>
<b>Pre-retirement Entitlements</b> (note 4)	<b>197,540</b>	<b>155,480</b>
<b>Deferred Contributions Related to Capital Assets</b> (note 8)	<b>2,030,099</b>	<b>1,551,558</b>
	<b>5,954,720</b>	<b>6,068,398</b>
<b>Deficiency in Net Assets</b>		
Net assets invested in capital assets (note 9)	1,713,903	1,801,112
Externally restricted - Separately Funded Programs (note 10)	7,597	74,670
Unrestricted net assets	<b>(2,245,190)</b>	<b>(2,625,826)</b>
	<b>(523,690)</b>	<b>(750,044)</b>
<b>Contingencies</b> (note 11)		
	<b>\$ 5,431,030</b>	<b>\$ 5,318,354</b>

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 Regional Health Authority Inc.  
Statement of Changes in Net Assets**

**For the year ended March 31,**

**2004**

**2003**

	Invested in Capital Assets	Externally Restricted Separately Funded Programs	Unrestricted	Total	Total
<b>Balance, beginning of year</b>	<b>\$ 1,801,112</b>	<b>\$ 74,670</b>	<b>\$ (2,625,826)</b>	<b>\$ (750,044)</b>	<b>\$ (355,844)</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(80,387)</b>	<b>(147,948)</b>	<b>454,689</b>	<b>226,354</b>	<b>(394,200)</b>
<b>Interfund transfers</b>	<b>(6,822)</b>	<b>80,875</b>	<b>(74,053)</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 1,713,903</b>	<b>\$ 7,597</b>	<b>\$ (2,245,190)</b>	<b>\$ (523,690)</b>	<b>\$ (750,044)</b>

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

## Churchill Regional Health Authority Inc. Statement of Operations

For the year ended March 31,	2004	2003
<b>Revenue</b>		
Manitoba Health funded		
Hospital	\$ 5,913,283	\$ 5,046,663
Diagnostic Services	561,456	360,696
Medical Clinic	308,520	308,520
Dental Clinic	137,760	137,244
Community Services	499,750	706,934
Addictions Program	-	19,000
Northern Patient Transportation Program	989,448	829,248
Land Ambulance	88,151	83,004
Home Care	94,824	51,272
Amortization of Deferred Contributions	351,000	370,000
Offset Income	741,903	682,024
Employee Future Benefits	79,979	130,072
Interest income	20,801	-
	<b>9,786,875</b>	<b>8,724,677</b>
Separately funded programs		
Churchill Child and Family Services	139,130	195,808
Receiving Home	309,860	284,091
Nunavut Services	52,244	50,351
Baby First and Healthy Baby programs	52,000	41,100
	<b>553,234</b>	<b>571,350</b>
Ancillary income, net (schedule)	5,783	70,346
	<b>10,345,892</b>	<b>9,366,373</b>
<b>Expenses</b>		
Manitoba Health funded		
Hospital	5,966,058	5,546,160
Diagnostic Services	592,054	624,732
Medical Clinic	335,114	304,745
Dental Clinic	164,294	168,960
Community Services	438,557	629,175
Addictions Program	62,863	54,014
Northern Patient Transportation Program	855,764	917,659
Amortization	434,867	411,342
Land Ambulance	221,209	205,860
Home Care	82,686	42,047
Directors' fees and expenses	50,360	50,821
Interest and Bank Charges	14,536	49,889
Interest on Obligations Under Capital Lease	11,972	16,669
Employee Future Benefits	79,979	130,072
	<b>9,310,313</b>	<b>9,152,145</b>
Separately funded programs		
Churchill Child and Family Services	169,214	175,376
Receiving Home	335,969	317,627
Nunavut Services	77,431	69,592
Baby First and Healthy Baby programs	37,691	47,695
	<b>620,305</b>	<b>610,290</b>
	<b>9,930,618</b>	<b>9,762,435</b>
<b>Excess (deficiency) of revenue over expenses before other income (expense)</b>	<b>415,274</b>	<b>(396,062)</b>
<b>Other income (expense)</b>		
Gain on disposal of capital assets	3,480	1,862
Surplus repayable to Manitoba Health (note 6)	(192,400)	-
	<b>(188,920)</b>	<b>1,862</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 226,354</b>	<b>\$ (394,200)</b>

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

## Churchill Regional Health Authority Inc. Statement of Cash Flows

For the year ended March 31,	2004	2003
<b>Cash Flows provided by (used in) Operating Activities</b>		
Excess (deficiency) of revenue over expenses	\$ 226,354	\$ (394,200)
Adjustments for items not involving cash		
Amortization of capital assets	434,867	411,342
Gain on disposal of capital assets	(3,480)	(1,862)
Amortization of deferred contributions	(351,000)	(370,000)
	306,741	(354,720)
Net change in non-cash operating working capital		
Accounts receivable	269,999	(7,462)
Due from Manitoba Health	385,122	(266,318)
Inventory	62,868	(205,381)
Goods and services taxes recoverable	34,857	(18,431)
Due to Churchill RHA Health & Healing Foundation Inc.	(9,803)	-
Prepaid expenses	6,801	17,550
Accounts payable and accrued liabilities	101,296	75,256
Security deposits	1,793	3,466
Deferred revenue	-	(25,000)
Accounts payable - Province of Manitoba	-	500,000
	1,159,674	(281,040)
<b>Cash Flows provided by (used in) Investing and Financing Activities</b>		
Proceeds from bank loan - capital projects	130,374	713,020
Purchase of capital assets	(790,062)	(1,100,778)
Proceeds on disposal of capital assets	34,006	7,806
Payments on capital lease obligations	(66,663)	(34,613)
Contributions related to capital assets	829,541	523,434
(Decrease) increase in accounts payable - capital	(215,696)	235,062
Payment on bank indebtedness - operating	(805,899)	(62,891)
	(884,399)	281,040
<b>Increase in cash, during the year</b>	<b>275,275</b>	<b>-</b>
<b>Cash, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 275,275</b>	<b>\$ -</b>

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

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# Churchill Regional Health Authority Inc. Summary of Significant Accounting Policies

March 31, 2004

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## **Nature and Purpose of Organization**

Churchill Regional Health Authority Inc. (RHA) is a non-profit organization incorporated without share capital under the Corporations Act of Manitoba in 1996. 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 are in accordance with Canadian generally accepted accounting principles.**

## **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.

## **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.

## **Inventory**

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value.

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# Churchill Regional Health Authority Inc.

## Summary of Significant Accounting Policies

**March 31, 2004**

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**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 Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

**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 reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

## Churchill Regional Health Authority Inc. Notes to Financial Statements

**March 31, 2004**

### 1. Accounts Receivable

	2004	2003
General operating	\$ 69,322	\$ 214,440
Pharmacy	15,004	24,818
Dental	-	2,028
Separately funded	-	64,235
Daycare	9,898	29,312
Other	176	29,566
	\$ 94,400	\$ 364,399

### 2. Due from Manitoba Health

	2004	2003
Approved capital funding	\$ -	\$ 238,184
Out of globe - March 31, 2003	-	168,164
Out of globe - March 31, 2004	213,626	-
	\$ 213,626	\$ 406,348

### 3. Capital Assets

	2004		2003	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 864,734	\$ 601,520	\$ 263,214	\$ 284,832
Building service equipment	3,281,342	698,352	2,582,990	2,236,869
Major equipment	3,431,918	2,566,224	865,694	816,010
Equipment under capital lease	168,466	107,753	60,713	115,525
Computer equipment	492,968	396,220	96,748	91,454
	\$ 8,239,428	\$ 4,370,069	\$ 3,869,359	\$ 3,544,690

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# Churchill Regional Health Authority Inc. Notes to Financial Statements

**March 31, 2004**

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## 4. Pre-retirement Entitlements

### a) Accrued Retirement Entitlement

	<u>2004</u>	<u>2003</u>
Members of the Health Employees Pension Plan	<u>\$ 197,540</u>	<u>\$ 155,480</u>

The RHA's contractual commitment, based on an actuarial valuation, 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 RHA undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the RHA's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with no provision for disability.

Funding of the retirement obligation is recoverable from Manitoba Health on an out of globe basis in the year of payment.

### b) Pension Plan

Most of the employees of the RHA's 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 cost of the benefit plan is 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 requirement 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 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, 2003, indicates that the Plan is fully funded. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to \$136,468 (2003 - \$115,447) and are included in the statement of operations.

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# Churchill Regional Health Authority Inc.

## Notes to Financial Statements

March 31, 2004

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### 5. Bank Indebtedness - Capital

The bank indebtedness - capital is due on demand and bears interest at the bank's prime rate minus 0.5%, calculated and payable monthly. The overdraft is secured by comfort letters from Manitoba Health to a maximum of \$1,857,547. At March 31, 2004, the authority had undrawn credit capacity under this facility of approximately \$276,167.

The agreement governing the operating loan facility contains certain covenants regarding providing financial information to the lender within a specified period of time following the year end. The RHA is in compliance with the covenants as at March 31, 2004.

### 6. In Globe / Out of Globe Funding

#### 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. For the year ended March 31, 2004, the RHA recorded \$192,400 as a surplus payable 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 RHA.

## Churchill Regional Health Authority Inc. Notes to Financial Statements

**March 31, 2004**

### 7. Capital Lease Obligations

	2004	2003
Obligations under capital leases for office equipment at rates between 5.3% - 13.9%, due on dates between February 2005 and February 2006, repayable \$5,938 principal and interest quarterly.	<b>\$ 41,801</b>	\$ 63,828
Obligations under capital leases for automobiles at a rate of 5.75%, due on dates between December 2006 and November 2011, repayable \$1,228 principal and interest monthly.	<b>83,556</b>	128,192
	<b>125,357</b>	192,020
Less amount due within one year included in current liabilities	<b>19,630</b>	36,545
	<b>\$ 105,727</b>	\$ 155,475

Obligations under capital lease are secured by certain automobiles and office equipment.

The future minimum lease payments for the next five years and thereafter are as follows.

2005	\$	38,486
2006		38,583
2007		21,941
2008		8,643
2009		8,643
Thereafter		34,152
		150,448
Less imputed interest		25,091
		<b>\$ 125,357</b>

### 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 capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows.

	2004	2003
Balance, beginning of year	<b>\$ 1,551,558</b>	\$ 1,398,124
Add restricted contributions received in the current year	<b>829,541</b>	523,434
Less amount amortized to revenue in the year	<b>(351,000)</b>	(370,000)
Balance, end of year	<b>\$ 2,030,099</b>	\$ 1,551,558

# Churchill Regional Health Authority Inc.

## Notes to Financial Statements

**March 31, 2004**

### 9. Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2004	2003
Capital assets	\$ 3,869,359	\$ 3,544,690
Deferred contributions	(2,030,099)	(1,551,558)
Obligations under capital lease	(125,357)	(192,020)
	\$ 1,713,903	\$ 1,801,112

### 10. External Restrictions

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.

	2004	2003
Accumulated surplus - Receiving Home	\$ 36,812	\$ 62,921
Accumulated (deficit) surplus - Churchill Child and Family Services	(20,778)	9,306
Accumulated (deficit) surplus - Nunavut Services	(14,972)	10,217
Accumulated surplus (deficit) - Baby First and Healthy Baby programs	3,787	(10,522)
Accumulated surplus - Health Promotion	2,748	2,748
	\$ 7,597	\$ 74,670

### 11. Contingencies

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2004, 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, 2004.

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# Churchill Regional Health Authority Inc.

## Notes to Financial Statements

March 31, 2004

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### 12. Deficiency of Revenue Over Expenses in Children's Centre

Any excess or deficiency of revenue over expenses incurred by the Children's Centre is the responsibility of the RHA. As a result, the excess or deficiency of revenue over expenses incurred by the Children's Centre is to be transferred annually from Externally Restricted - Separately Funded Programs to Unrestricted Net Assets.

### 13. Financial Instruments

The RHA's financial instruments consist of cash and bank, accounts receivable, amounts due from Manitoba Health, bank indebtedness and accounts payable. 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.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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**Churchill Regional Health Authority Inc.  
Schedule of Ancillary Income**

<b>For the year ended March 31,</b>	<b>2004</b>	<b>2003</b>
Children's Centre, net (gross \$296,655, 2003 - \$294,142)	<b>\$ (80,875)</b>	\$ (57,897)
Retail pharmacy, net (gross \$624,841, 2003 - \$596,928)	<b>62,650</b>	109,599
Gift shop and vending machine, net (gross \$49,990, 2003 - \$42,196)	<b>9,216</b>	10,786
Donations	-	50
Non-Manitoba Health funded specialists	<b>14,792</b>	7,808
	<b>\$ 5,783</b>	\$ 70,346

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