

Financial Statements of

**CHURCHILL RHA
INC.**

Year ended March 31, 2002



BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

480 Saskatchewan Ave. W.
Portage la Prairie Manitoba Canada R1N 0M4
Telephone: (204) 857-2856
1-800-897-6246
Telefax: (204) 239-1664

AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Churchill RHA Inc. as at March 31, 2002 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, 2002 and March 31, 2001, and we were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Accordingly, we are unable to determine whether any adjustments might be necessary to opening and closing inventory, revenue and expenditures 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
July 8, 2002

CHURCHILL RHA INC.

Statement of Financial Position

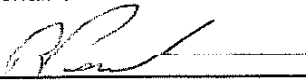
March 31, 2002, with comparative figures for 2001

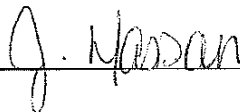
	2002	2001
Assets		
Current assets:		
Cash	\$ 751	\$ 29,889
Accounts receivable	356,937	318,742
Recoverable from Manitoba Health (note 3)	140,029	1,711,590
Goods and services tax recoverable	33,123	38,561
Inventory	236,412	281,897
Prepaid expenses	61,402	99,165
	<u>828,654</u>	<u>2,479,844</u>
Capital assets (note 4)	2,861,198	2,509,278
Deferred benefit entitlement	205,026	197,153
	<u>\$ 3,894,878</u>	<u>\$ 5,186,575</u>

	2002	2001
Liabilities and Deficiency in Net Assets		
Current liabilities:		
Bank indebtedness (note 5)	\$ 868,790	\$ 759,148
Bank loan - capital projects	738,737	436,061
Accounts payable and accrued liabilities	764,067	469,132
Accounts payable - capital	9,639	118,945
Accrued benefit entitlement	205,026	197,453
Security deposits	4,903	7,617
Payable to Manitoba Health (note 6)	-	28,774
Payable to Churchill RHA Health & Healing Foundation Inc.	9,803	9,803
Current portion of obligation under capital leases (note 7)	34,613	47,031
Deferred revenue	25,000	-
	<u>2,660,578</u>	<u>2,073,964</u>
Obligation under capital leases (note 7)	192,019	74,785
Deferred contributions (note 9)	1,398,124	2,117,351
	<u>4,250,721</u>	<u>4,266,100</u>
Deficiency in net assets:		
Invested in capital assets (note 10)	1,236,442	270,111
Externally restricted - donations (note 11)	-	22,316
Externally restricted - separately funded programs (note 11)	113,610	168,084
Unrestricted	<u>(1,705,895)</u>	<u>459,964</u>
	(355,843)	920,475
Contingencies (note 12)		
	<u>\$ 3,894,878</u>	<u>\$ 5,186,575</u>

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

CHURCHILL RHA INC.

Statement of Operations

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Manitoba Health funded:		
Hospital	\$ 4,155,264	\$ 3,958,874
Diagnostic services	344,622	359,872
Medical clinic	278,520	278,520
Dental clinic	137,666	137,760
Community services	645,708	641,207
Addictions program	57,000	57,000
Northern patient transportation program	505,394	676,143
Land ambulance	93,363	127,488
Home care	31,008	43,009
Amortization of deferred contributions	312,000	252,000
Offset income	713,660	604,865
	<u>7,274,205</u>	<u>7,136,738</u>
Separately funded programs:		
Churchill Child and Family Services	162,464	327,281
Receiving home	288,926	289,849
Nunavut services	69,196	102,761
Baby First and Women and Infant Nutrition programs	36,725	34,300
	<u>557,311</u>	<u>754,191</u>
Ancillary income, net (schedule)	53,815	48,528
	<u>7,885,331</u>	<u>7,939,457</u>
Expenditures:		
Manitoba Health funded:		
Hospital	5,254,768	4,487,248
Diagnostic services	521,611	358,841
Medical clinic	312,686	278,124
Dental clinic	136,713	138,977
Community services	642,300	641,727
Addictions program	54,377	57,668
Northern patient transportation program	996,059	676,767
Land ambulance	173,624	127,280
Home care	39,095	35,938
Regional Health Authority administrative costs	65,265	50,627
Amortization of capital assets	358,838	318,597
Interest and bank charges	22,582	19,653
Interest on obligation under capital lease	13,352	11,879
	<u>8,591,169</u>	<u>7,203,326</u>
Separately funded programs:		
Churchill Child and Family services	167,695	307,016
Receiving home	350,903	274,762
Nunavut services	60,527	81,972
Baby First and Women and Infant Nutrition programs	32,660	34,007
	<u>611,785</u>	<u>697,757</u>
	<u>9,202,954</u>	<u>7,901,083</u>
Excess of (expenditures) revenue before other income	(1,317,623)	38,374
Other income:		
Prior years deficit funding	28,774	327,553
Gain on disposal of capital assets	12,531	-
	<u>41,305</u>	<u>327,553</u>
Excess of (expenditures) revenue	\$ (1,276,318)	\$ 365,927

See accompanying notes to financial statements.

CHURCHILL RHA INC.

Statement of Changes in Net Assets

Year ended March 31, 2002, with comparative figures for 2001

	Invested in Capital Assets	Externally Restricted Donations	Externally Restricted Separately Funded Programs	2002		2001	
				Unrestricted	Total	Unrestricted	Total
Balance, beginning of year	\$ 270,111	\$ 22,316	\$ 168,084	\$ 459,964	\$ 920,475	\$ 554,548	
Excess of (expenditures) revenue	(46,838)	1,875	(46,588)	(1,184,767)	(1,276,318)	365,927	
Interfund transfers	1,013,169	(24,191)	(7,886)	(981,092)	-	-	
Balance, end of year	\$ 1,236,442	\$ -	\$ 113,610	\$ (1,705,895)	\$ (355,843)	\$ 920,475	

See accompanying notes to financial statements.

CHURCHILL RHA INC.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Excess of (expenditures) revenue	\$ (1,276,318)	\$ 365,927
Items not involving cash:		
Amortization of deferred contributions	(312,000)	(252,000)
Amortization of capital assets	358,838	318,597
Gain on disposal of capital assets	(12,531)	-
	(1,242,011)	432,524
Net change in non-cash operating working capital:		
Accounts receivable	(38,195)	34,175
Goods and services taxes recoverable	5,438	(281)
Recoverable from Manitoba Health	952,471	(806,772)
Inventory	45,485	63,737
Prepaid expenses	37,763	(78,325)
Accounts payable and accrued liabilities	294,935	(349,471)
Accrued benefit entitlements	-	19,194
Security deposits	(2,714)	(1,150)
Deferred revenue	25,000	-
	1,320,183	(1,118,893)
	78,172	(686,369)
Financing and investing activities:		
Additions to capital assets	(726,350)	(930,375)
Deferred contributions	183,089	777,247
Increase in obligation under capital leases, net of repayments	104,816	55,500
Accounts payable - capital	(109,306)	82,330
Proceeds from disposition of capital assets	28,123	-
	(519,628)	(15,298)
Decrease in cash	(441,456)	(701,667)
Cash, beginning of year	(1,165,320)	(463,653)
Cash, end of year	\$ (1,606,776)	\$ (1,165,320)
Cash position is comprised of the following:		
Cash	\$ 751	\$ 29,889
Bank loan - capital projects	(738,737)	(436,061)
Bank indebtedness	(868,790)	(759,148)
	\$ (1,606,776)	\$ (1,165,320)

See accompanying notes to financial statements.

CHURCHILL RHA INC.

Notes to Financial Statements

Year ended March 31, 2002

General:

Churchill RHA Inc. was incorporated in 1996 under the Corporations Act of Manitoba as a Corporation without share capital. 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.

1. Significant accounting policies:

(a) Accounting for operations:

Funding is provided by Manitoba Health on an expense-recovery basis for out-of-globe expenditures, including debt principal repayment and interest expense. Funding provided by Manitoba Health for all other eligible operations is provided in accordance with the approved in-globe budget. The facility is responsible for any in-globe deficits not approved by Manitoba Health, but may retain in-globe surpluses up to a specified maximum (presently at 2% of net in-globe revenues over expenses). Additional funding may be provided by Manitoba Health for in-globe expenses not initially included in the budget.

The RHA's operations are subject to an annual review and control by The Province of Manitoba through Manitoba Health, which provides the hospital with the majority of its revenue. Adjustments to surplus or deficit upon the completion of Manitoba Health's final review are charged to the statement of operations in the year Manitoba Health completes their review.

(b) Revenue recognition:

The RHA 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. Grants approved, but not received at the end of the 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, including capital grants, are recognized 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, with the exception of that relating to externally restricted donations, is unrestricted and is recognized as revenue when earned.

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

1. Significant accounting policies (continued):

(c) Inventory:

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

(d) 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 leases are amortized over the estimated life of the assets. 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 RHA'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	2.5%
Building service equipment	4% - 10%
Major equipment	6.7% - 20%
Equipment under capital lease	20%
Computers	20%

(e) Separately funded programs:

Adjustments to prior years, if any, resulting from a final review by the funding agency, are charged to the statement of operations in the year the funding agency completes their review.

(f) 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. Accrued benefit entitlements are recorded to the extent that a liability exists at year end.

Funding for the entitlements is provided by Manitoba Health in the period in which the actual vacation pay costs and pre-retirement leave costs are paid, which in the case of vacation pay normally occurs in the subsequent fiscal year.

Accordingly, the cost of estimated accrued benefit entitlements at year end is deferred to enable an appropriate matching of expenses with income received in the subsequent year.

(g) Management estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make certain estimates and assumptions that

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

1. Significant accounting policies (continued):

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.

2. Financial instruments:

a) Credit risk:

The RHA is exposed to credit risk on the accounts receivable. An allowance for doubtful accounts has been established by the RHA, based upon factors surrounding the credit risk of specific entities, historical trends and other information.

b) Fair value:

Due to the short-term nature of all financial instruments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference would be accounted for in the period in which it becomes known.

3. Recoverable from Manitoba Health:

	2002	2001
Deficit financing - March 31, 2000	\$ -	\$ 327,553
Capital asset financing	12,704	701,037
Deficit financing - March 31, 2001	127,325	683,000
	<hr/>	<hr/>
	\$ 140,029	\$ 1,711,590

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

4. Capital assets:

	Cost	Accumulated amortization	2002 Net book value	2001 Net book value
Buildings	\$ 864,734	\$ 558,284	\$ 306,450	\$ 328,069
Building service equipment	1,946,390	348,373	1,598,017	1,346,792
Major equipment	2,983,793	2,257,042	726,751	700,145
Equipment under capital lease	212,074	63,542	148,532	32,798
Computers	391,810	310,362	81,448	101,474
	<u>\$ 6,398,801</u>	<u>\$ 3,537,603</u>	<u>\$ 2,861,198</u>	<u>\$ 2,509,278</u>

5. Bank indebtedness:

Bank indebtedness is secured by Manitoba Health to a maximum of \$1,437,000 in accordance with Section 43(1) of the Regional Health Authorities Act.

6. Payable to Manitoba Health - Manitoba Health programs surplus repayable:

	2002	2001
Surplus repayable - 1998	\$ -	\$ 28,774
	<u>\$ -</u>	<u>\$ 28,774</u>

7. Obligation under capital leases:

The following is a schedule of minimum lease payments under several fixed-rate capital leases, expiring at dates between March 2004 and November 2011, together with the balance of the obligation:

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

7. Obligation under capital leases (continued):

2003	\$	51,282
2004		51,284
2005		46,470
2006		46,567
2007		37,936
Thereafter		51,438
Total minimum lease payments		284,977
Less amount representing interest from 5.3% to 13.9%		58,345
Present value of capital lease payments		226,632
Less current portion included in current liabilities		34,613
	\$	192,019

8. Deficiency of revenue over expenditures in Children's Centre:

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

9. Deferred contributions:

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:

	2002	2001
Balance, beginning of year	\$ 2,117,351	\$ 1,592,104
Add: contributions received	183,089	777,247
Less: amounts amortized to revenue	(312,000)	(252,000)
Less: amount financed through bank loan - capital projects	(590,316)	-
	\$ 1,398,124	\$ 2,117,351

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

10. Invested in capital assets:

Net assets invested in capital assets is determined as follows:

	2002	2001
Capital assets	\$ 2,861,198	\$ 2,509,278
Deferred contributions	(1,398,124)	(2,117,351)
Obligations under capital lease	(226,632)	(121,816)
	<u>\$ 1,236,442</u>	<u>\$ 270,111</u>

11. External restrictions:

(a) Donations:

Donors have placed restrictions on the use of donations. The most significant restrictions limit the disbursement to the purchase of diagnostic equipment, Children's Centre playground equipment and library materials. Investment income earned on this amount is restricted for the same purposes as the donations.

(b) 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 program.

Accumulated surplus - Receiving home	\$ 96,457
Accumulated deficit - Churchill Child and Family Services	(11,126)
Accumulated surplus - Health promotion	2,748
Accumulated deficit - Baby First and Women and Infant Nutrition programs	(3,027)
Accumulated surplus - Nunavut services	29,458
	<u>\$ 113,610</u>

CHURCHILL RHA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2002

12. 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, 2002, 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 are not expected to 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, 2002.

13. Pension plan:

Employees of the RHA participate in the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan.

The RHA's liability under this pension plan is limited to the contributions required during the year under the pension plan agreement.

The RHA's contributions made to the plan during the year amounted to \$116,818 (2001 - \$99,175) and are included in the statement of operations.

14. Economic dependence:

The Churchill RHA Inc. received the majority of its total revenue for the year ended March 31, 2002 from Manitoba Health.

CHURCHILL RHA INC.

Schedule - Ancillary income (expense)

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Children's Centre, net (gross \$266,840, 2001 - \$215,329)	\$ 7,886	\$ (6,977)
Retail pharmacy, net (gross \$509,087, 2001 - \$391,253)	72,398	43,000
Gift shop and vending machine income, net (gross \$63,405, 2001 - \$59,216)	9,459	14,535
Donation revenue	1,200	730
Non Manitoba Health funded specialists	(21,583)	(2,760)
Professional fees - Icons	(15,545)	-
	\$ 53,815	\$ 48,528