

Churchill RHA Inc.

Financial Statements

For the year ended March 31, 2003

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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. as at March 31, 2003 and the statements of revenue and expenditures, 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, 2003 and March 31, 2002, 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 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, 2003 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
May 27, 2003

Churchill RHA Inc.
Statement of Financial Position

March 31, **2003** **2002**

Assets

Current Assets

Accounts receivable (Note 1)	\$ 364,399	\$ 356,937
Due from Manitoba Health (Note 2)	406,348	140,029
Inventory	441,792	236,412
Goods and services tax recoverable	51,554	33,123
Prepaid expenses	43,852	61,403
Accounts receivable - Province of Manitoba	310,239	205,026
	1,618,184	1,032,930
Capital assets (Note 3)	3,544,690	2,861,198
Accounts receivable - Province of Manitoba (Note 6)	155,480	130,621

\$ 5,318,354 **\$ 4,024,749**

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

2003

2002

Liabilities and Deficiency in Net Assets

Current Liabilities

Bank indebtedness (Note 4)	\$ 805,899	\$ 868,790
Bank loan - capital projects	1,451,006	737,986
Accounts payable and accrued liabilities	839,323	764,068
Accounts payable - capital	244,701	9,639
Accounts payable - Province of Manitoba	500,000	-
Payable to Churchill RHA Health & Healing Foundation Inc.	9,803	9,803
Security deposits	8,369	4,903
Vacation, overtime and statutory holiday pay payable	310,239	205,026
Current portion of capital lease obligations (Note 5)	36,545	34,613
Deferred income	-	25,000
	<u>4,205,885</u>	<u>2,659,828</u>

Capital lease obligations (Note 5)	155,475	192,020
Pre-retirement entitlements (Note 6)	155,480	130,621
Deferred contributions related to capital assets (Note 7)	1,551,558	1,398,124
	<u>6,068,398</u>	<u>4,380,593</u>

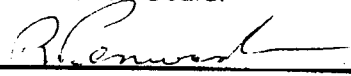
Deficiency in Net Assets

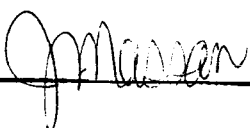
Net assets invested in capital assets (Note 9)	1,801,112	1,236,442
Externally restricted - Separately Funded Programs (Note 10)	74,670	113,610
Unrestricted net assets	<u>(2,625,826)</u>	<u>(1,705,896)</u>
	(750,044)	(355,844)

Contingencies (Note 11)

\$ 5,318,354 \$ 4,024,749

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,

2003

2002

	Invested in Capital Assets	Externally Restricted Separately Funded Programs	Unrestricted	
Balance, beginning of year	\$ 1,236,442	\$ 113,610	\$ (1,705,896)	\$ (355,844)
Excess of expenses over revenue for the year	(39,480)	(96,837)	(257,883)	(394,200)
Interfund transfers	604,150	57,897	(662,047)	-
Balance, end of year	<u>\$ 1,801,112</u>	<u>\$ 74,670</u>	<u>\$ (2,625,826)</u>	<u>\$ (750,044)</u>
				<u>\$ (355,844)</u>

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

Churchill RHA Inc.
Statement of Revenue and Expenditures

For the year ended March 31,	2003	2002
Revenue		
Manitoba Health funded		
Hospital	\$ 5,046,663	\$ 4,155,264
Diagnostic Services	360,696	344,622
Medical Clinic	308,520	278,520
Dental Clinic	137,244	137,666
Community Services	706,934	645,705
Addictions Program	19,000	57,000
Northern Patient Transportation Program	829,248	505,394
Land Ambulance	83,004	93,363
Home Care	51,272	31,008
Amortization of Deferred Contributions	370,000	312,000
Offset Income	682,024	713,660
Employee Future Benefits	130,072	29,977
	8,724,677	7,304,179
Separately funded programs		
Churchill Child and Family Services	195,808	162,464
Receiving Home	284,091	288,926
Nunavut Services	50,351	69,196
Baby First and Healthy Baby programs	41,100	36,725
	571,350	557,311
Ancillary income, net (Schedule)	70,346	53,816
	9,366,373	7,915,306
Expenses		
Manitoba Health funded		
Hospital	5,546,160	5,254,755
Diagnostic Services	624,732	521,623
Medical Clinic	304,745	312,585
Dental Clinic	168,960	136,713
Community Services	629,175	642,297
Addictions Program	54,014	54,377
Northern Patient Transportation Program	917,659	996,059
Amortization	411,342	358,838
Land Ambulance	205,860	173,624
Home Care	42,047	39,095
Regional Health Authority Administrative Costs	50,821	65,265
Interest and Bank Charges	49,889	22,582
Interest on Obligation Under Capital Lease	16,669	13,352
Employee Future Benefits	130,072	29,977
	9,152,145	8,621,142
Separately funded programs		
Churchill Child and Family Services	175,376	167,695
Receiving Home	317,627	350,903
Nunavut Services	69,592	60,529
Baby First and Healthy Baby programs	47,695	32,660
	610,290	611,787
	9,762,435	9,232,929
Excess of expenses over revenues before other income	(396,062)	(1,317,623)
Other income		
Prior years deficit funding	-	28,774
Gain on disposal of capital assets	1,862	12,531
	1,862	41,305
Excess of expenses over revenues for the year	\$ (394,200)\$	(1,276,318)

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,	2003	2002
Cash Flows from Operating Activities		
Excess of expenses over revenue	\$ (394,200)	\$ (1,276,318)
Adjustments for items not involving cash		
Amortization of capital assets	411,342	358,838
Gain on disposal of assets	(1,862)	(12,531)
Amortization of deferred contributions	(370,000)	(312,000)
	<u>(354,720)</u>	<u>(1,242,011)</u>
Net change in non-cash operating working capital		
Accounts receivable	(7,462)	(38,195)
Due from Manitoba Health	(266,318)	952,471
Inventory	(205,381)	45,485
Goods and services taxes recoverable	(18,431)	5,438
Prepaid expenses	17,550	37,763
Accounts payable and accrued liabilities	75,256	294,935
Security deposits	3,466	(2,714)
Deferred revenue	(25,000)	25,000
Accounts payable - Province of Manitoba	500,000	-
	<u>(281,040)</u>	<u>78,172</u>
Cash Flows from Investing and Financing Activities		
Proceeds from bank loan - capital projects	713,020	737,986
Purchase of capital assets	(1,100,778)	(726,350)
Proceeds on disposal of capital assets	7,806	28,123
(Decrease) increase in capital lease obligations	(34,613)	104,816
Contributions related to capital assets	523,434	183,089
Increase (decrease) in accounts payable - capital	235,062	(109,306)
	<u>343,931</u>	<u>218,358</u>
Increase in cash and cash equivalents, during the year	62,891	296,530
Cash and cash equivalents, beginning of year	(868,790)	(1,165,320)
Cash and cash equivalents, end of year	\$ (805,899)	\$ (868,790)
Represented By		
Bank indebtedness	\$ (805,899)	\$ (868,790)

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

Churchill RHA Inc.

Summary of Significant Accounting Policies

March 31, 2003

**Nature and Purpose
of Organization**

Churchill RHA Inc. 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. 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 RHA follows the deferral method of accounting for contributions, which include donations and Government grants.

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.

Churchill RHA Inc.
Summary of Significant Accounting Policies

March 31, 2003

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 lease 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 lease	20 %
Computer equipment	20 %

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.

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.

Churchill RHA Inc.
Notes to Financial Statements

March 31, 2003

1. Accounts Receivable

	2003	2002
General operating	\$ 214,440	\$ 204,314
Pharmacy	24,818	16,910
Dental	2,028	6,037
Separately funded	64,235	73,409
Daycare	29,312	43,520
Other	29,566	12,747
	\$ 364,399	\$ 356,937

2. Due from Manitoba Health

	2003	2002
Approved capital funding	\$ 238,184	\$ 12,704
In globe deficit financing - March 31, 2001	-	127,325
Out of globe - March 31, 2003	168,164	-
	\$ 406,348	\$ 140,029

3. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 864,734	\$ 579,902	\$ 284,832	\$ 306,450
Building service equipment	2,740,502	503,633	2,236,869	1,598,017
Major equipment	3,230,526	2,414,516	816,010	726,751
Equipment under capital lease	212,074	96,549	115,525	148,532
Computer equipment	445,138	353,684	91,454	81,448
	\$ 7,492,974	\$ 3,948,284	\$ 3,544,690	\$ 2,861,198

4. Bank Indebtedness

Bank indebtedness is secured by comfort letters from Manitoba Health to a maximum of \$2,917,547.

Churchill RHA Inc.
Notes to Financial Statements

March 31, 2003

5. Capital Lease Obligations

	2003	2002
Obligations under capital leases for office equipment at rates between 5.3% - 13.9%, due on dates between February 2004 and February 2006, repayable \$7,141 principal and interest quarterly	\$ 63,828	\$ 83,559
Obligations under capital leases for automobiles at a rate of 5.75%, due on dates between November 2006 and November 2011, repayable \$1,893 principal and interest monthly	128,192	143,074
	192,020	226,633
Less amount due within one year included in current liabilities	36,545	34,613
	\$ 155,475	\$ 192,020

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

The future minimum lease payments for the next 5 years and thereafter are as follows.

2004	\$	51,284
2005		46,470
2006		46,567
2007		37,936
2008		8,643
Thereafter		42,794
		233,694
Less imputed interest		41,674
		\$ 192,020

Churchill RHA Inc. Notes to Financial Statements

March 31, 2003

6. Pre-retirement Entitlements

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 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

	2003	2002
Members of the Health Employees Pension Plan	\$ 155,480	\$ 130,621

The RHA's contributions made to the plan during the year amounted to \$115,447 (2002 - \$116,818) and are included in the statement of operations.

Funding for this liability is received from Manitoba Health and accordingly the related receivable from the Province of Manitoba is recognized as an asset.

7. 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.

	2003	2002
Balance, beginning of year	\$ 1,398,124	\$ 2,117,351
Add restricted contributions received in the current year	523,434	183,089
Less amount financed through bank loan - capital projects	-	(590,316)
Less amount amortized to revenue in the year	(370,000)	(312,000)
	\$ 1,551,558	\$ 1,398,124
Balance, end of year	\$ 1,551,558	\$ 1,398,124

Churchill RHA Inc. Notes to Financial Statements

March 31, 2003

8. In Globe / Out of Globe

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.

9. Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	<u>2003</u>	<u>2002</u>
Capital assets	\$ 3,544,690	\$ 2,861,199
Deferred contributions	(1,551,558)	(1,398,124)
Obligations under capital lease	(192,020)	(226,633)
	<u>\$ 1,801,112</u>	<u>\$ 1,236,442</u>