

Portage District General Hospital Foundation
Financial Statements
March 31, 2018

Management's Responsibility

To the Directors of Portage District General Hospital Foundation:

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 accounting standards for not-for-profit organizations 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 is composed entirely of Directors who are neither management nor employees of the Foundation. 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 Foundation's external auditors.

MNP LLP 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 Board and management to discuss their audit findings.

September 18, 2018

Director

Director

Independent Auditors' Report

To the Directors of Portage District General Hospital Foundation:

We have audited the accompanying financial statements of Portage District General Hospital Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and other sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we are not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Portage District General Hospital Foundation as at March 31, 2018 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Portage la Prairie, Manitoba

September 18, 2018

MNP LLP

Chartered Professional Accountants

Portage District General Hospital Foundation

Statement of Financial Position

As at March 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	608,452	111,688
Goods and Service Tax receivable	4,702	7,174
Accrued interest	9,564	11,228
Inventory (Note 3)	23,500	23,500
Current portion of long-term investments (Note 4)	100,395	119,543
	746,613	273,133
Investments (Note 4)	10,314,386	10,147,082
Capital assets (Note 5)	22,888	27,753
Trust funds on deposit (Note 6)	94,567	89,892
	11,178,454	10,537,860
Liabilities		
Current		
Accounts payable	-	5,200
Commitments (Note 7)		
Net Assets		
Capital fund	22,888	27,753
Trust funds	94,567	89,892
Unrestricted	7,457,669	6,815,015
Internally restricted	3,603,330	3,600,000
	11,178,454	10,532,660
	11,178,454	10,537,860

Approved on behalf of the Directors

The accompanying notes are an integral part of these financial statements

Portage District General Hospital Foundation
Statement of Operations
For the year ended March 31, 2018

	2018	2017
Revenue		
ATM service fees	6,057	-
Dividend	95,440	87,009
Donations	337,421	359,241
Fundraising	161,773	157,137
Gift shop	22,986	30,837
Interest	233,684	233,132
Lottery	471,532	-
Television rental	48,693	47,281
Vending	46,361	55,384
	1,423,947	970,021
Expenses		
Amortization	4,866	5,987
Bursaries	9,507	-
Donations	221,626	34,211
Fundraising	97,405	113,577
Gift shop	14,315	13,231
Lottery	268,428	-
Management fees	37,306	34,472
Professional fees	6,910	7,008
Salaries and benefits	76,965	79,342
Television rental	7,356	5,869
Vending	28,161	32,728
	772,845	326,425
Excess of revenue over expenses before other items	651,102	643,596
Other items		
Gain on disposal of investments	76,838	45,909
Unrealized gain (loss) on investments	(82,146)	225,655
	(5,308)	271,564
Excess of revenue over expenses	645,794	915,160

The accompanying notes are an integral part of these financial statements

Portage District General Hospital Foundation
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenue over expenses	645,794	915,160
Amortization	4,866	5,987
Gain on disposal of investments	(76,838)	(45,909)
Unrealized (gain) loss on investments	82,146	(225,655)
	655,968	649,583
Changes in working capital accounts		
Accrued interest	1,662	1,584
Goods and Services Tax receivable	2,472	(3,901)
Accounts payable	(5,200)	5,075
	654,902	652,341
Investing activities		
Purchase of investments	(277,681)	(1,172,924)
Proceeds on disposal of investments	119,543	289,013
	(158,138)	(883,911)
Increase (decrease) in cash resources	496,764	(231,570)
Cash resources, beginning of year	111,688	343,258
Cash resources, end of year	608,452	111,688

The accompanying notes are an integral part of these financial statements

Portage District General Hospital Foundation
Statement of Changes in Net Assets

For the year ended March 31, 2018

	<i>Capital fund</i>	<i>Trust funds</i>	<i>Unrestricted</i>	<i>Internally restricted</i>	<i>2018</i>	<i>2017</i>
Balance, beginning of year	27,753	89,892	6,815,015	3,600,000	10,532,660	9,617,500
Excess (deficiency) of revenue over expenses	(4,865)	4,675	645,984	-	645,794	915,160
Transfers (Note 9)	-	-	(3,330)	3,330	-	
Balance, end of year	22,888	94,567	7,457,669	3,603,330	11,178,454	10,532,660

The accompanying notes are an integral part of these financial statements

Portage District General Hospital Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

1. Incorporation and nature of the organization

Portage District General Hospital Foundation (the "Organization") was incorporated in 1986 under the laws of the Province of Manitoba. It is a registered charitable organization under the Income Tax Act, and is non-taxable. Its purpose is to receive and invest donations for the use of the Portage District General Hospital, Regency House and Douglas Campbell Lodge.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Equipment	20 %
Office equipment	10 %

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Provisions are made for slow-moving and obsolete inventory. 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 revenue over expenses in the periods in which they become known.

Revenue recognition

The Foundation 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.

Interest income is recognized as revenue when earned.

Revenue from fundraising is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from vending and gift shop sales is recognized when the item or service has been received by the purchaser and collection is reasonably assured.

Portage District General Hospital Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

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.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition *(Continued from previous page)*

Revenue from lottery is recognized when collection has occurred and winners' proceeds have been distributed.

Contributed services

Contributions of services are not recognized in the financial statements due to the difficulty of determining their fair value.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Foundation 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 value. Any impairment is included in operations for the year.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

The carrying values of financial assets measured at amortized cost or fair value, and of investments in equity instruments measured at cost less impairment are as follows:

	CAD\$ 2018	CAD\$ 2017
Financial assets measured at fair value:		
Cash and cash equivalents	608,452	111,688
Investments	9,872,400	9,604,701
Financial assets measured at amortized cost:		
Accrued interest	9,564	11,228
Investments	542,381	661,924
Trust funds on deposit	94,567	89,892

Portage District General Hospital Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

2. Significant accounting policies (Continued from previous page)

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty and whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains four funds: Unrestricted Fund, Internally Restricted Fund, Capital Fund and Trust Fund.

The Unrestricted Fund reports the Organization's program delivery and administrative activities. This fund reports unrestricted resources, and internally restricted operating funds.

The Capital Fund reports the Organization's assets, liabilities, revenue and expenses related to Portage District General Hospital Foundation's capital assets.

The Trust Fund reports only the one-third interest in a charitable remainder trust, as described in Note 6.

The Internally Restricted Fund reports funds internally restricted for future capital projects.

3. Inventory

	2018	2017
Gift shop	18,500	18,500
Vending	5,000	5,000
	23,500	23,500

The cost of inventories recognized as an expense and included in cost of sales amounted to \$42,476 (2017 – \$45,958).

Portage District General Hospital Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

4. Investments

	2018	2017
Measured at amortized cost:		
Rural Municipality of Portage la Prairie debentures	358,109	454,919
City of Portage la Prairie debentures	184,272	207,005
	542,381	661,924
Measured at fair value:		
Investors Group portfolio - Equities	108,388	106,044
Scotia Asset Management - Equities, bonds, cash and cash equivalents	9,764,012	9,498,657
	9,872,400	9,604,701
Less: current portion	(100,395)	(119,543)
	10,314,386	10,147,082

Debentures earn interest at rates of 3.750% to 6.125% (2017 - 3.020% to 6.125%) and mature between 2018 and 2025 (2017 - between 2017 and 2025).

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	99,762	78,577	21,185	25,365
Office equipment	33,275	31,572	1,703	2,388
	133,037	110,149	22,888	27,753

6. Trust funds on deposit

At present, trust funds on deposit are designated for the Foundation at the time of the death of the individuals.

The Foundation is a beneficiary of the Estate of James Francis Taylor. As a beneficiary of the Estate, the Foundation received a one-third interest in a charitable remainder trust. As at year-end, the amortized cost of the Foundation's one-third interest has been calculated to be \$94,567 (2017 - \$89,892). This represents the amortized cost of the parcel(s) of land presently owned by the trust and will be sold upon the passing of the last surviving brother and sister of the late James Francis Taylor, therefore collapsing the charitable remainder trust. Upon collapse of the charitable remainder trust, the Foundation will receive one third of the proceeds from the sale of the parcel(s) of land.

7. Commitments

The Foundation has commitments of approximately \$642,702 (2017 - \$814,890) to provide funding to the Regional Health Authority - Southern Health for various equipment purchases.

Portage District General Hospital Foundation

Notes to the Financial Statements

For the year ended March 31, 2018

8. 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, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Foundation is exposed to interest rate risk primarily relating to investments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization enters into transactions to purchase shares or equities, for which the market price fluctuates.

9. Transfers

During the year, \$3,330 (2017 - \$120,206) was transferred from the Unrestricted Fund to the Internally Restricted Fund.

10. Comparative figures

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