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OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2007, and the statement of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 Board as at June 30, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 9, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position
As at June 30, 2007

	2007	2006
	(in thousands of dollars)	
Assets		
Cash	$ 1,314	$ 1,539
Funds on deposit with the Province of Manitoba	17	204
Accounts receivable:		
Province of Manitoba	7,536	12,170
Municipal corporations - Education Support Levy	74,034	73,257
Other	356	632
	$ 83,257	**$ 87,802**
Liabilities and Education Support Fund		
Support payable to school divisions	$ 3,296	$ 3,548
Accrued interest	1,129	972
Notes payable on demand, at bank prime, Province of Manitoba	75,206	76,219
Other payables	135	198
	79,766	**80,937**
Education Support Fund	**3,491**	**6,865**
	$ 83,257	**$ 87,802**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2007

	2007	2006
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 771,611	$ 726,807
Municipal corporations - Education Support Levy	122,867	131,486
	894,478	858,293
Expenses:		
Operational support program (Note 3)	820,933	799,907
Capital support program (Note 4)	73,421	52,166
Administrative and other expenses (Note 5)	3,498	2,820
	897,852	854,893
Excess (deficiency) of revenue over expenses	(3,374)	3,400
Education Support Fund		
Balance, beginning of year	6,865	3,465
Balance, end of year	$ 3,491	$ 6,865

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow
for the year ended June 30, 2007

	2007	2006
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ (3,374)	$ 3,400
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	4,634	(12,170)
Municipal Corporations - Education Support Levy	(777)	13,868
Other	276	(8)
Support payable to school divisions	(252)	(931)
Accrued interest	157	142
Other payables	(63)	15
	601	4,316
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	-	(1,448)
Notes payable on demand, at bank prime, Province of Manitoba	(1,013)	(2,802)
	(1,013)	(4,250)
Net increase(decrease) in cash	(412)	66
Cash - beginning of year	1,743	1,677
Cash - end of year	$ 1,331	$ 1,743
Consisting of:		
Cash	$ 1,314	$ 1,539
Funds on deposit with the Province of Manitoba	17	204
	$ 1,331	$ 1,743

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2007

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statemements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2006 levy to the July to December period and 60% of the 2007 levy to the January to June period.

(c) 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Notes to the Financial Statements

As at June 30, 2007

3. Operational support program

	2007	2006
	(in thousands of dollars)	
Instructional Support	$ 317,372	$ 316,959
Sparsity Support	11,491	11,754
Curricular Materials	9,362	9,466
Information Technology	6,809	6,885
Library Services	15,660	15,834
Level I - Special Needs	-	46,126
Student Services Grant	61 467	-
Counselling and Guidance	12,434	11,525
Professional Development	6,779	6,437
Occupancy	82,673	81,410
Transportation	40,550	39,574
Board and Room	799	816
Special Needs	84,073	78,255
Senior Years Technology Education	8,252	8,120
English as a Second Language	6,071	4,400
Aboriginal Academic Achievement	6,898	6,957
Heritage Language	226	229
French Language Programs / Instruction	5,900	5,803
Students at Risk	-	12,325
Small Schools	1,822	1,845
Enrolment Change Support	5,259	4,734
Remoteness Allowance	4,833	5,024
Early Behaviour Intervention	-	1,887
Early Childhood Development Initiative	1,443	1,354
Early Literacy Intervention	6,196	6,118
Early Numeracy	847	858
Experiential Learning	552	-
Equalization Support	119,333	110,167
Adjustment of previous years' support to school divisions from estimated to actual	164	576
Amalgamated School Division Guarantee	964	1,383
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	592	974
	$ 820,933	$ 799,907

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2007

4. Capital support program

	2007	2006
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 67,268	$ 46,409
Minor capital projects	238	336
School buildings "D" support	5,565	5,007
Environmental assistance program	344	386
Air and water quality program	6	28
Total capital support program	**$ 73,421**	**$ 52,166**

5. Administrative and other expenses

	2007	2006
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 876	$ 805
Service agreement	169	169
Professional services	134	72
Board members' indemnities	-	67
Meetings and travel	20	40
Desktop management	35	49
Rent	40	40
Printing, stationery, postage and supplies	22	45
Telephone and fax	11	10
Professional Development	17	-
Computers, software and minor equipment	42	26
Total board administration Expenses	**1,366**	**1,323**
Interest charges on notes payable to the Province of Manitoba	**2,132**	**1,497**
	$ 3,498	**$ 2,820**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2007

6. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

7. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

8. Comparative Figures

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

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2007 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 College'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 College as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

September 7, 2007

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	$ 1,061	$ 3,979
Cash and short-term investments (note 3)	6,478	2,265
Accounts receivable (note 4)	3,171	3,214
Current portion of note receivable - RRC Students' Association [note 20(a)]	40	–
Inventories	693	958
Prepaid expenses and other assets (note 5)	2,589	3,089
	14,032	13,505
Long term investments - trust and endowment (note 6)	8,656	4,273
Due from Province of Manitoba (note 7)	9,253	9,253
Note receivable - RRC Students' Association [note 20(a)]	210	–
Capital assets (note 8)	70,166	72,189
Intangible asset	10	12
	$ 102,327	$ 99,232
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 9)	$ 255	$ 1,340
Accounts payable and accrued liabilities (note 10)	22,728	19,754
Current portion of obligations under capital leases (note 11)	1,615	1,458
Deferred revenue	4,150	4,559
	28,748	27,111
Obligations under capital leases (note 11)	1,272	1,350
Deferred contributions (note 12)	3,395	3,087
Deferred capital campaign contributions (note 13)	3,342	3,431
Deferred contributions related to capital assets (note 14)	50,583	53,181
Net assets:		
Invested in capital and intangible assets (note 15)	13,364	12,785
Restricted for endowments (note 16)	8,205	7,078
Internally restricted (note 16)	2,803	1,145
Unrestricted net assets	(9,385)	(9,936)
	14,987	11,072
Commitments [notes 14, 19 and 20(a)]		
	$ 102,327	$ 99,232

See accompanying notes to financial statements.

Approved by the Board of Governors:

______________________ Chair ________________________ Vice-Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

	Budget (Unaudited)	2007	2006
Revenue:			
Academic training fees	$ 22,309	$ 26,387	$ 24,874
Grants and reimbursements	67,496	66,996	62,553
International education	800	974	776
Continuing education	8,259	7,788	7,327
Sundry and other revenue	12,779	11,609	9,679
Gain (loss) on disposal of capital assets/investments	–	(14)	2
Amortization of deferred contributions	5,095	5,168	5,301
	116,738	118,908	110,512
Expenses:			
Instruction	63,976	66,546	60,747
Library	1,717	1,831	1,705
Administration and general	24,873	20,173	18,981
Physical plant	14,739	14,154	13,423
Student services	3,555	3,953	3,662
Amortization of capital and intangible assets	6,600	8,735	8,227
	115,460	115,392	106,745
Excess of revenue over expenses before other items	1,278	3,516	3,767
Other item:			
Net increase in accrued vacation and severance liability	(1,278)	(728)	(765)
Excess of revenue over expenses	$ –	$ 2,788	$ 3,002

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

	Invested in capital and intangible assets	Restricted for endow-ments	Internally restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$ 12,785	$ 7,078	$ 1,145	$ (9,936)	$ 11,072	$ 6,768
Endowment gifts	–	1,127	–	–	1,127	1,227
Amounts restricted for endowments	–	–	–	–	–	75
Transfer to internally restricted	–	–	1,658	(1,658)	–	–
Excess (deficiency) of revenue over expenses	(4,002)	–	–	6,790	2,788	3,002
Investment in capital assets	4,581	–	–	(4,581)	–	–
Balance, end of year	$ 13,364	$ 8,205	$ 2,803	$ (9,385)	$ 14,987	$ 11,072

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

		2007		2006
Operating activities:				
Excess of revenue over expenses	$	2,788	$	3,002
Adjustments for:				
Amortization of intangible assets		2		2
Amortization of capital assets		8,733		8,227
Amortization of deferred capital contributions		(4,747)		(4,743)
Other deferred contributions recognized as revenue		(2,083)		(2,282)
Other deferred contributions received		2,484		2,319
Trust funds used to support College activities		(99)		–
Loss (gain) on disposal of capital assets		14		(2)
Change in non-cash working capital balances (note 17)		3,373		(674)
		10,465		5,849
Investing activities:				
Purchase of capital assets		(4,706)		(7,037)
Long-term investment for trust and endowment		(4,383)		(4,025)
Proceeds on disposal of capital assets		–		2
Loan provided to RRC Students' Association		(250)		–
		(9,339)		(11,060)
Financing activities:				
Endowment gifts received		1,126		1,227
Contributions received for capital purposes		1,831		3,507
Capital campaign contributions		208		195
Repayment of obligations under capital leases		(1,911)		(2,147)
		1,254		2,782
Increase (decrease) in cash and short-term investments		2,380		(2,429)
Cash and short-term investments, beginning of year		4,904		7,333
Cash and short-term investments, end of year	$	7,284	$	4,904
Comprised of:				
Cash and short-term investments - trust and endowment	$	1,061	$	3,979
Cash and short-term investments		6,478		2,265
Bank indebtedness		(255)		(1,340)
	$	7,284	$	4,904

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of $1,990 (2006 - $1,850).

See accompanying notes to financial statements.

1. General:

Red River College (the College) operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba (the Province). The College is a registered charity under the *Income Tax Act.*

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

(c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

2. Significant accounting policies (continued):

(d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

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.

(e) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(f) Deferred contributions:

Debt owing to the Province is reflected as deferred contributions in the statement of financial position. The related revenue earned from the Council on Post-Secondary Education (COPSE) to offset the interest expense and the related interest expense are both excluded from the statement of operations.

(g) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at year end exchange rates with any gain or loss included in income in the year. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

(In thousands of dollars)

2. Significant accounting policies (continued):

(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 disclosures 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.

3. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province in short-term deposits. Interest rates on short-term investments range between 4.00 percent and 4.20 percent. Short-term investments mature between July 2007 and September 2007.

4. Accounts receivable

	2007	2006
Trust and endowment receivables	$ 159	$ 263
Other accounts receivable	3,012	2,951
	$ 3,171	$ 3,214

5. Prepaid expenses and other assets:

	2007	2006
Prepaid property taxes	$ 1,320	$ 1,274
Other prepaid expenses	992	1,332
Datatel flexible spending account	277	483
	$ 2,589	$ 3,089

(In thousands of dollars)

6. Long-term investments:

	2007		2006	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 7,426	$ 7,426	$ 3,274	$ 3,274
Equity investments	1,393	1,230	952	999
	$ 8,819	$ 8,656	$ 4,226	$ 4,273

Fair value as represented above was derived from the quoted market value of investments.

7. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province to the College in 1996. The amount of the receivable has been recorded on a non-discounted basis. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference would be materially impacted by the effective discount rate and timing of repayments utilized.

8. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	$ 26,336	$ 17,843	$ 8,493	$ 9,994
Computer equipment and software	19,907	15,872	4,035	3,991
Major renovations	6,067	1,817	4,250	4,491
Buildings	48,472	3,936	44,536	45,165
Vehicles	208	103	105	67
Aircraft	1,716	356	1,360	1,446
Leasehold improvements	4,870	2,347	2,523	2,596
Construction in progress	580	–	580	33
Assets under capital leases	9,408	6,347	3,061	3,183
Library holdings	1,223	–	1,223	1,223
	$ 118,787	$ 48,621	$ 70,166	$ 72,189

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is $2,113 (2006 - $2,263).

(In thousands of dollars)

8. Capital assets (continued):

The increase in net book value of capital assets is due to the following:

	2007	2006
Balance, beginning of year	$ 72,189	$ 71,298
Purchase of capital assets:		
Funded by deferred capital contributions	1,831	3,507
Funded by deferred capital campaign contributions	208	195
Internally funded	4,581	5,483
Financed through capital lease proceeds	83	(300)
Donations of capital assets	21	231
Gain (loss) on disposal of capital assets	(14)	2
Amortization of capital assets	(8,733)	(8,227)
Balance, end of year	$ 70,166	$ 72,189

9. Bank indebtedness:

Bank indebtedness of $255 (2006 - $1,340) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a $5,000 operating line of credit with the Province, bearing interest at prime.

10. Accounts payable and accrued liabilities:

	2007	2006
Trade payables	$ 4,417	$ 3,102
Trust and endowment payables	14	3
Accrued salaries and benefits	3,086	2,166
Accrued retirement severance pay	7,051	7,057
Accrued vacation pay	8,160	7,426
	$ 22,728	$ 19,754

Significant actuarial assumptions used in the severance obligations at June 30, 2007 and June 30, 2006 were:

Interest rate on obligations	7.00%
Employer current service cost as a percentage of salary	.62%

(In thousands of dollars)

11. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2007 and April 2012 together with the balances of the obligations under capital leases:

2008	$ 1,740
2009	916
2010	252
2011	127
2012	38
Total minimum lease payments	3,073
Less amount representing interest (ranging from 5% to 10%)	(186)
Balance of obligations	2,887
Current portion	1,615
	$ 1,272

Interest expense on the lease obligations amounted to $181 (2006 - $184).

12. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2007	2006
Deferred provincial operating grant:		
Balance, beginning of year	$ 1,657	$ 1,724
Amount recognized as revenue during the year	(1,657)	(1,724)
Amount received related to following year	1,738	1,657
Balance, end of year	1,738	1,657
Deferred other contributions:		
Balance, beginning of year	1,430	1,401
Amount recognized as revenue during the year	(426)	(558)
Amount restricted for endowment	(1)	(75)
Trust funds used to support college operations	(99)	–
Amount received related to following year	753	662
Balance, end of year	1,657	1,430
	$ 3,395	$ 3,087

(In thousands of dollars)

13. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2007	2006
Balance, beginning of year	$ 3,431	$ 3,523
Less amortization of deferred capital campaign contributions during the year	(297)	(287)
Add donations received during the year	208	195
Balance, end of year	$ 3,342	$ 3,431

14. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2007	2006
Balance, beginning of year	$ 53,181	$ 53,899
Less amortization of deferred contributions	(4,450)	(4,456)
Add:		
Contributions received for capital purposes	1,831	3,507
Donations-in-kind	21	231
Balance, end of year	$ 50,583	$ 53,181

(In thousands of dollars)

14. Deferred capital contributions (continued):

Unamortized capital contributions of $50,583 (2006 - $53,181) include contributions received from the Province for the purchase of capital assets. The College has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by the COPSE. No new funding is expected to be received with respect to these obligations and no revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2007	2006
Phase 1 - 6.6% interest, maturing June 30, 2042, repayable in monthly instalments of $71 including principal and interest	$ 12,097	$ 12,190
Phase 2 - 6.3% interest, maturing June 30, 2043, repayable in monthly instalments of $122 including principal and interest	20,960	21,111
Phase 3 - 6.3% interest, maturing June 30, 2043, repayable in monthly instalments of $46 including principal and interest	8,621	8,680
	$ 41,678	$ 41,981

15. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2007	2006
Capital assets, net book value	$ 70,166	$ 72,189
Intangible assets, net book value	10	12
Less:		
Amounts financed by deferred capital campaign contributions	(3,342)	(3,431)
Deferred capital contributions	(50,583)	(53,181)
Amounts financed by capital lease	(2,887)	(2,804)
Balance, end of year	$ 13,364	$ 12,785

(In thousands of dollars)

15. Investment in capital and intangible assets (continued):

The change in investment in capital and intangible assets is calculated as follows:

	2007	2006
Purchase of capital assets internally financed	$ 4,581	$ 5,483
Amortization of:		
Capital and intangible assets	(8,735)	(8,229)
Deferred capital contributions	4,450	4,456
Deferred capital campaign contributions	297	287
Gain (loss) on disposal of capital assets	(14)	3
Increase in investment in capital and intangible assets	$ 579	$ 2,000

16. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

	2007	2006
Princess Street campus structural reserve	$ 537	$ 430
Notre Dame campus structural reserve	200	–
Contract training net proceeds	1,266	715
Campus renovations reserve	800	–
Balance, end of year	$ 2,803	$ 1,145

Under college internal best practice guidelines, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

(In thousands of dollars)

17. Change in non-cash working capital balances:

		2007		2006
Accounts receivable	$	43	$	(520)
Inventories		265		(58)
Prepaid expenses and other assets		500		(1,006)
Accounts payable and accrued liabilities		2,974		467
Deferred revenue		(409)		443
Change in non-cash working capital	$	3,373	$	(674)

18. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the 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 expense related to the pension plan was $805 (2006 - $587). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

19. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2008	$	1,913
2009		1,731
2010		1,194
2011		915
2012		904
	$	6,657

(In thousands of dollars)

19. Commitments (continued):

The College has received approval to construct a Heavy Equipment Training Centre at the Notre Dame campus for an estimated cost of $15.1 million. Construction is expected to commence in early 2008.

The Centre will be secured by a promissory note and will be funded both internally and through funding from the Province and other capital contributions. The College plans to account for the funding of the building as a deferred capital contribution (note 14).

20. Related parties:

(a) Red River College Students' Association Inc.:

The Red River College Students' Association (the Students' Association) is an organization significantly influenced by the College. The Students' Association is responsible for providing services such as health and dental benefits, study and lounging areas, and a voice on the College's Board of Governors to students of the College. The Students' Association and the Students' Association Building Fund (SABF) are incorporated under the *Corporations Act* of Manitoba and operate on a not-for-profit basis. SABF is a wholly-owned subsidiary of the Students' Association. In the current year, the College agreed to loan $375 to SABF and during the year advanced $250 to be used to construct a new student lounge on the Notre Dame campus. The remaining $125 will be advanced in 2008. The note receivable is unsecured and non-interest bearing. Repayment is set to begin in February 2008 and the balance will be repaid as follows:

2008	$	40
2009		100
2010		105
2011		105
2012		25
	$	375

The net assets and results of operations of the Students' Association and SABF are not included in the statements of the College.

20. Related parties (continued):

(b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act of Manitoba.* As at June 30, 2007, net assets of Crecomm amount to a deficit of $125 and there is a balance owing to the College of $138.

The net assets and results from operations of Crecomm are not included in the statements of the College.

(c) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis. As at May 31, 2007, net resources of the Blood Bank amount to $84.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.

21. Financial instruments:

Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

21. Financial instruments (continued):

Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 6.

The fair value of the note receivable from the Red River College Students' Association and the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

22. Comparative figures:

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

To the Board of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying consolidated 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 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 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 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 Audit Committee 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 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 Audit Committee and management to discuss their audit findings.

June 6, 2008

Chief Executive Officer

Chief Financial Officer

To the Directors of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2008 and the consolidated statements of operations, net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization'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 Organization as at March 31, 2008 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 6, 2008

Chartered Accountants

Assiniboine Regional Health Authority
Consolidated Statement of Financial Position
As at March 31, 2008

	2008	2007
Assets		
Current Assets		
Cash	**17,649,579**	18,285,357
Marketable securities	**3,837,455**	3,682,990
Accounts receivable (Note 3)	**2,063,836**	2,059,608
Manitoba Health receivable - vacation entitlement (Note 4)	**6,484,052**	6,484,052
Inventories	**962,881**	1,129,108
Prepaid expenses	**620,107**	582,830
	31,617,910	32,223,945
Manitoba Health receivable - pre-retirement obligation (Note 5)	**7,336,760**	7,336,760
Capital assets (Note 6)	**84,695,735**	75,074,652
Trust assets	**113,683**	104,328
	123,764,088	114,739,685
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	**12,158,842**	9,483,978
Due to Manitoba Health (Note 7)	**766,560**	5,348,914
Current portion of long-term debt (Note 8)	**153,290**	144,394
Accrued vacation entitlement (Note 4)	**7,621,077**	7,095,169
	20,699,769	22,072,455
Long-term debt (Note 8)	**2,531,238**	2,684,131
Accrued pre-retirement obligation (Note 5)	**9,281,842**	8,882,291
Deferred contributions (Note 9)	**84,710,648**	75,637,235
Trust liabilities	**113,683**	104,328
	117,337,180	109,380,440
Commitments and contingencies (Note 10)	**-**	-
Net Assets		
Invested in capital assets (Note 11)	**3,275,190**	3,336,867
Internally restricted (Note 12)	**210,746**	247,481
Unrestricted	**2,940,972**	1,774,897
	6,426,908	5,359,245
	123,764,088	114,739,685

Approved on behalf of the Board:

Director ____________________________ **Director** ______________________

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2008

	2008	2007
Revenues		
Manitoba Health operating income (Note 13)	**127,370,745**	119,790,997
Authorized/residential charges	**12,617,559**	12,333,338
Amortization of deferred contributions	**4,151,394**	4,351,620
Other income	**4,794,830**	4,112,298
Ancillary	**1,177,503**	1,262,581
Province of Manitoba	**2,021,184**	2,093,172
	152,133,215	143,944,006
Expenses		
Acute care	**49,043,223**	45,171,617
Long-term care	**49,762,788**	46,556,507
Community-based home care services	**11,321,511**	10,670,229
Medical remuneration	**9,845,399**	10,402,042
Community health clinics	**1,017,672**	35,806
Community-based health services	**5,607,045**	5,124,760
Land ambulance	**5,497,968**	5,083,512
Community-based mental health services	**1,864,721**	1,801,149
Therapy services	**875,288**	768,672
Community-based services administration	**687,670**	648,977
	135,523,285	126,263,271
Other Undistributed Costs		
Regional health authority costs	**8,583,550**	7,458,404
Amortization of capital assets	**4,362,621**	4,531,577
Ancillary	**1,155,077**	1,238,842
Pre-retirement	**1,445,560**	1,294,151
	15,546,808	14,522,974
Total expenses and other undistributed costs	**151,070,093**	140,786,245
Excess of revenues over expenses	**1,063,122**	3,157,761

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, 2008

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2008**	2007
Balance, beginning of year	3,336,867	247,481	1,774,897	**5,359,245**	1,865,781
Transfer to (from) deferred contributions	-	-	6,157	**6,157**	247,107
Investment in capital assets	144,722	(153,484)	(22,484)	**(31,246)**	(664)
Internally restricted assets	-	116,749	-	**116,749**	117,091
Excess of revenues over expenses	(206,399)	-	1,269,521	**1,063,122**	3,157,761
Elderly Persons Housing adjustments	-	-	(51,283)	**(51,283)**	(34,764)
Transferred to Municipalities	-		(35,836)	**(35,836)**	-
Reclassification from prior year	-	-	-	**-**	6,933
Balance, end of year	**3,275,190**	**210,746**	**2,940,972**	**6,426,908**	5,359,245

Assiniboine Regional Health Authority
Consolidated Statement of Cash Flows
For the year ended March 31, 2008

	2008	2007
Cash Flows from Operating Activities		
Excess of revenues over expenses	**1,063,122**	3,157,761
Adjustments for		
Loss (gain) on disposal of capital assets	**(32,562)**	1,109
Amortization of deferred contributions	**(4,151,394)**	(4,351,620)
Amortization of capital assets	**4,362,621**	4,531,577
	1,241,787	3,338,827
Changes in non-cash working capital balances		
Accounts receivable	**(4,228)**	577,714
Inventories	**166,227**	(30,823)
Prepaid expenses	**(37,277)**	(287,164)
Marketable securities	**(154,465)**	(165,769)
Due to Manitoba Health	**(4,582,354)**	2,518,243
Accounts payable and accrued liabilities	**2,674,864**	2,081,095
Accrued vacation entitlement	**525,908**	(106,287)
	(169,538)	7,925,836
Cash Flows from Investing and Financing Activities		
Increase in capital assets	**(13,983,704)**	(4,326,867)
Increase in deferred contributions	**13,224,807**	3,532,243
Increase (decrease) in long-term debt	**(143,997)**	(133,189)
Increase in accrued retirement obligation	**399,551**	411,618
Increase (decrease) in net assets	**37,103**	334,594
	(466,240)	(181,601)
Increase (decrease) in cash and cash equivalents during the year	**(635,778)**	7,744,235
Cash and cash equivalents, beginning of year	**18,285,357**	10,541,122
Cash and cash equivalents, end of year	**17,649,579**	18,285,357

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. 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.

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	10-40 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.*

2. 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 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, 2008 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 and Renewal Corporation (MHRC). 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.

Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2007:

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

These entities have not been reported as at March 31, 2008 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, 2007 and March 31, 2008, 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.

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.

2. Significant accounting policies *(continued)*

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.

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 initially recognized at their fair value, determined by published bid price in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Held for trading financial instruments are subsequently measured at their fair value determined by the bid price in an active market, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in operations.

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 uncollectability. 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 income. Total interest expense, calculated using the effective interest rate method, is recognized in net operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

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. Accounts receivable

	2008	2007
Trade receivables	**1,946,289**	2,018,421
GST receivable	**267,043**	197,433
Allowance for doubtful accounts	**(149,496)**	(156,246)
	2,063,836	2,059,608

4. 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, 2008, the amount receivable is $6,484,052.

	2008	2007
Due to Assiniboine Regional Health Authority Employees	**7,621,077**	7,095,169

5. Accrued retirement obligations

	2008	2007
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	**9,240,843**	8,845,227
Due to Diagnostic Services of Manitoba	**40,999**	37,064
	9,281,842	8,882,291

Pre-retirement

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

5. Accrued retirement obligations *(continued)*

Pre-retirement *(continued)*

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for MGEU Community Support 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.

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, 2008, 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*.

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 6.6% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, and 8.2% 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 employer contributions to the Plan to remain a constant percentage of employees' contributions.

The December 2002 Health Employees Pension Plan (HEPP) actuarial valuation revealed that current contribution levels are insufficient to fund basic plan benefits, and do not make provisions for unexpected unfunded liabilities. The HEPP Board had two options:

i) to request a rate increase from the signatory boards and unions or
ii) to reduce benefits.

In January 2005, the Board proposed the contribution rate increases over three years, which was approved by the signatory unions and employers in mid April 2005. The Plan's actuary review indicates that the approved contribution rate increases should be sufficient for the pension Plan to remain fully-funded at this time.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $4,433,657 (2007 - $4,133,856) and are included in the statement of operations.

5. Accrued retirement obligations *(continued)*

Pension plans *(continued)*

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 reflected in the financial statements relating to the effects of participating in the Plan by the Authority and its employees.

6. Capital assets

		2008		*2007*
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	509,709	-	**509,709**	510,225
Land improvements	1,412,828	747,356	**665,472**	595,407
Buildings	94,257,518	35,263,502	**58,994,016**	60,824,374
Equipment, computers, vehicles	16,295,131	8,457,726	**7,837,405**	9,600,335
Construction in progress	16,689,133	-	**16,689,133**	3,544,311
	129,164,319	44,468,584	**84,695,735**	75,074,652

7. Due to Manitoba Health

	2008	*2007*
Out-of-Globe 2003/2004	**-**	799,649
Out-of-Globe 2004/2005	**-**	1,328,406
Out-of-Globe 2005/2006	**-**	1,863,032
Out-of-Globe 2006/2007	**(654,332)**	1,357,857
Out-of-Globe 2007/2008	**1,420,892**	-
	766,560	5,348,914

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.

7. Due to Manitoba Health *(continued)*

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.

8. Long-term debt

	2008	*2007*
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.	**588,343**	640,373
Mortgages payable to Manitoba Housing and Renewal Corporation 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.	**1,169,929**	1,205,924
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.	**926,256**	982,228
	2,684,528	2,828,525
Less: current portion	**153,290**	144,394
	2,531,238	2,684,131

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

2009	153,290
2010	162,745
2011	172,873
2012	183,695
2013	195,308
Thereafter	1,816,617
	2,684,528

8. Long-term debt *(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 restated the long-term debt as deferred contributions in its financial statements.

9. 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	2008	2007
Balance, beginning of year	**68,934,292**	**3,887,610**	**2,815,333**	**75,637,235**	76,456,612
Funding Manitoba Health	**106,540**	**1,539,260**	**-**	**1,645,800**	5,958,450
Donations received	**-**	**-**	**3,924,513**	**3,924,513**	945,475
Interest earned	**-**	**10,791**	**111,411**	**122,202**	135,155
Other funding	**-**	**1,229,498**	**-**	**1,229,498**	1,559,096
Capital asset purchases	**13,723,394**	**(1,090,118)**	**(914,100)**	**11,719,176**	2,026,370
Operating expenses	**(972)**	**(2,066,526)**	**(3,126,336)**	**(5,193,834)**	(2,236,587)
Amortization	**(4,000,873)**	**-**	**-**	**(4,000,873)**	(4,206,634)
Principal payments on long term debt	**-**	**(348,738)**	**-**	**(348,738)**	(4,597,951)
Transferred to Municipalities	**-**	**-**	**(4,461)**	**(4,461)**	-
Reclassification	**-**	**(27,870)**	**8,000**	**(19,870)**	(402,751)
Balance, end of year	**78,762,381**	**3,133,907**	**2,814,360**	**84,710,648**	75,637,235

9. Deferred contributions *(continued)*

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

	2008	2007
Lines of credit	**11,304,920**	1,784,658
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.17% to 10.50%, due from January 1, 2009 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	**5,785,117**	6,095,185
	17,090,037	7,879,843

Lines of Credit

The Authority has authorized capital lines of credit of $28,885,921 and has authorized $5,800,000 of an operating line of credit. These lines of credit bear interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

10. 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, 2008 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, 2005, the Authority has a subscriber's surplus of $229,894. No such assessments have been made to December 31, 2007.

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.

11. Invested in capital assets

	2008	2007
Capital Assets	**84,695,735**	75,074,652
Amounts financed by:		
Deferred contributions related to capital assets	**(78,762,381)**	(68,934,292)
Long-term debt	**(2,684,528)**	(2,828,525)
Due from operating account	**26,364**	25,032
	3,275,190	3,336,867

12. Internally restricted net assets

The Authority has restricted $210,746 (2007 - $247,481) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

13. Manitoba Health operating income

	2008	2007
Revenue as per Manitoba Health's final funding document	**128,437,919**	121,499,011
Add:		
CUPE wage standardization	**1,488,934**	646,313
CUPE wage settlement	**-**	10,060
MGEU community support special adjustment	**-**	175,131
MGEU professional technical market supplement	**278,211**	108,236
MNU market supplement	**422,196**	-
MAHCP wage settlement	**18,807**	-
Primary Health Care Phase 2	**-**	16,000
Primary Health Care nurses salaries and benefits	**240,846**	-
Admission / discharge / transfer software	**59,476**	58,705
Minnedosa arthroscopy program - wait list	**210,387**	229,400
Rivers rehabilitation program - wait list	**206,300**	206,300
Deloraine cancer care program - wait list	**22,343**	-
Provincial data network	**12,023**	57,601
Interfacility transfers	**1,026,110**	264,581
Mental health worker	**83,600**	83,600
Pandemic planning	**-**	100,000
Pre-retirement leave	**-**	798,672
Louis Riel Day statutory holiday	**365,036**	-
Services for Seniors group living project	**7,590**	-
Diabetes education pre-diabetes project	**3,584**	-
	4,445,443	2,754,599

13. Manitoba Health operating income (continued)

	2008	2007
Continued from previous page	**4,445,443**	2,754,599
Deduct:		
Medical remuneration - out-of-globe	**(3,747,810)**	(2,380,575)
Medical remuneration - in-globe	**(390,401)**	-
Adjustments (rounding variances, write-offs, etc.)	**31**	(2)
	(4,138,180)	(2,380,577)
Total funding approved by Manitoba Health	**128,745,182**	121,873,033
Deduct:		
Capital funding	**(1,048,451)**	(1,536,015)
Capital interest on loans	**(325,986)**	(546,021)
	127,370,745	119,790,997

14. Economic dependence

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

15. Comparative figures

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

16. 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 2, 4, 5, 7, 9 and 13.

As part of a transfer agreement between Diagnostic Services of Manitoba and the Authority, assets with a net book value of $1,596,585 were transferred to Diagnostic Services of Manitoba for no cash proceeds.

17. Change in accounting policy

Effective April 1, 2007, the Authority adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, Section 3861, and amendments to the existing presentation and disclosure standards, as described in Note 2.

CICA 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Organization arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Although the requirements of CICA 1530 *Comprehensive Income* are not applicable for not-for-profit organizations, amendments to CICA 4400 *Not-For-Profit Organizations* require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

The Authority had no items requiring reclassification to net assets.

18. New Accounting pronouncements

Capital disclosures and financial instruments – disclosure and presentation

On April 1, 2008, the Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Authority will apply the new disclosures in its 2009 financial statements.

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

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, 2008 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, 2008 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 27, 2008

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2008	2007
		(Restated - Note 17)
ASSETS		
CURRENT		
Cash	$ 2,026,046	$ -
Accounts receivable (Note 4)	5,995,360	4,989,798
Inventories	1,315,299	1,418,977
Prepaid expenses	2,238,556	1,443,676
Due From Manitoba Health & Healthy Living - Vacation	7,224,269	7,224,269
Due From Manitoba Health & Healthy Living - Vacation Non-Devolved Facilities (Note 17)	788,820	788,820
	19,588,350	**15,865,540**
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre-retirement	9,191,179	9,191,179
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre-retirement Non-Devolved Facilities (Note 17)	826,654	826,654
INVESTMENTS (Note 5)	3,766,526	3,668,868
CAPITAL ASSETS (Note 6)	104,781,883	107,168,496
	$ 138,154,592	**$ 136,720,737**
LIABILITIES		
CURRENT		
Bank advances - operating (Note 7)	$ -	$ 1,049,564
Accounts payable and accrued liabilities	9,152,717	7,981,486
Bank advances	1,099,906	1,113,509
Employee Future Benefits - Vacation	9,121,767	9,016,534
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation (Note 17)	788,820	788,820
Current portion of obligation under capital lease (Note 9)	-	200,428
Current portion of long term debt (Note 8)	103,770	97,437
	20,266,980	**20,247,778**
EMPLOYEE FUTURE BENEFITS - Pre-retirement	12,126,433	11,448,862
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benifts - Pre-retirement (Note 17)	826,654	826,654
LONG TERM DEBT (Note 8)	754,061	857,831
DEFERRED CONTRIBUTIONS (Note 10)		
Expenses of future periods	1,727,395	1,296,058
Capital assets	99,271,596	100,692,626
	134,973,119	**135,369,809**
NET ASSETS		
Invested in capital assets (Note 11)	1,944,822	2,198,310
Internally restricted (Note 12)	3,322,266	3,567,018
Externally restricted (Note 12)	28,202	27,164
Unrestricted	(2,113,817)	(4,441,564)
	3,181,473	**1,350,928**
COMMITMENTS AND CONTINGENCIES (Note 14)		
	$ 138,154,592	$ 136,720,737

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31		2008		2007
REVENUE				
Manitoba Health & Healthy Living operating income				
Income as per Funding Document (excluding funding related to Capital and Interest)	$	154,315,375	$	145,144,257
One Time Funding		1,445,014		1,364,828
Retroactive Salary Payments		874,039		495,847
Recovery of Non Global Items		1,436,206		2,462,809
Other Manitoba Health & Healthy Living Income		4,493,635		3,403,129
Total Manitoba Health & Healthy Living Funding (Note 13)		162,564,269		152,870,870
Non-insured income		8 691,997		6,980,737
Other Income		3,481,550		2,814,096
Amortization of deferred contributions		9,049,675		9,325,399
Capital revenue - Non Devolved Facilities		540,303		572,698
Ancillary revenue		3,867,345		3,827,079
		188,195,139		**176,390,879**
EXPENSES				
Acute Care Services		107,092,483		100,993,479
Long Term Care Services		23,954,173		22,680,424
Medical Remuneration - All Programs		14,105,563		12,195,921
Community Based Mental Health Services		12,065,026		11,618,423
Community Based Home Care Services		6,368,231		6,121,714
Community Based Health Services		4,917,039		4,693,620
Land Ambulance		557,436		545,112
RHA Administration Costs		2,909,524		2,864,029
Amortization of capital assets		8,616,175		8,826,480
Capital payments - Facilities		540,303		572,698
Interest on capital lease		7,024		23,429
Interest on long term debt		126,576		68,039
Other operating expenses		1,750,156		1,474,994
Ancillary expenses		3,464,597		3,721,124
		186,474,306		**176,399,486**
Excess (Shortfall) of revenue over expenses for the year	$	**1,720,833**	$	**(8,607)**

ALLOCATION OF EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES:

Investment in Capital Assets - Manitoba Health & Healthy Living Activities	$	(841,437)	$	(843,027)
Unrestricted - Manitoba Health & Healthy Living Activities		2,625,681		772,672
Investment in Capital Assets - Non Manitoba Health & Healthy Living Activities		(508,319)		(441,720)
Internally Restricted - Non Manitoba Health & Healthy Living Activities		443,870		503,243
Externally Restricted		1,038		225
	$	**1,720,833**	$	**(8,607)**

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2008

	Invested in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2008 Total	2007 Total
BALANCE, beginning of year	$ 2,198,310	$ 3,567,018	$ 27,164	$ (4,441,564)	$ 1,350,928	$ 1,359,535
Unrealized change in fair value upon initial adoption (Note 2)	-	(21,991)	-	49,884	27,893	-
ADJUSTED BALANCE, beginning of year	2,198,310	3,545,027	27,164	(4,391,680)	1,378,821	1,359,535
(Shortfall) Excess of revenue over expenses	(1,349,756)	443,870	1,038	2,625,681	1,720,833	(8,607)
Net change in investment in capital assets	1,096,268	(714,373)	-	(381,895)	-	-
Change in fair value of investments classified as available-for-sale	-	47,742		34,077	81,819	-
BALANCE, end of year	**$ 1,944,822**	**$ 3,322,266**	**$ 28,202**	**$ (2,113,817)**	**$ 3,181,473**	**$ 1,350,928**

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31		2008		2007
OPERATING ACTIVITIES				
Shortfall of revenue over expenses for the year	$	1,720,833	$	(8 607)
Items not affecting cash				
Amortization of capital assets		8,616,175		8,826,480
Amortization of deferred contributions related to expenses of future periods		(1,783,486)		(1,783,665)
Amortization of deferred contributions related to capital assets		(7,266,189)		(7,541,734)
Net Change to employee future benefits		(605,375)		1,021,283
Changes in non-cash operating working capital items		862,647		372,040
		1,544,605		885,797
FINANCING ACTIVITIES				
Receipt of deferred contributions related to expenses of future periods		2,214,823		1,783,385
Receipt of deferred contributions related to capital assets		5,845,159		6,032,352
Proceeds from bank advances		-		437,430
Repayment of bank advances		(1,063,168)		(83,199)
Repayment of long term debt		(97,437)		(91,489)
Repayment of obligation under capital lease		(200,428)		(391,475)
		6,698,949		7,687,004
INVESTING ACTIVITIES				
Purchase of capital assets		(6,229,562)		(8,589,574)
Redemption of Investments		12,054		16,773
		(6,217,508)		(8,572,801)
INCREASE IN CASH		**2,026,046**		-
CASH, BEGINNING OF YEAR		-		
CASH, END OF YEAR	**$**	**2,026,046**	**$**	-

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 involved 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 **CHANGE IN ACCOUNTING POLICY**

a) Effective April 1, 2007, the Authority adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation, and as a result, now measures and presents its investments at fair value. In accordance with the transitional provisions of Section 3855, recognition, derecognition and measurement policies followed in financial statement for periods prior to the effective date of this section are not required to be restated. Therefore, the new accounting policy was applied at April 1, 2007 and the 2007 the comparative financial statements were not restated. The implementation of the change in accounting policy increased the carrying value of the investments at April 1, 2007 by $27,893.

b) Section 3861, Financial Instruments - Disclosures and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.

The Authority has made the following classifications:

i) Cash is classified as held for trading and is measured at fair value.
ii) Investments are classified as available for sale and are measured at fair value.
iii) Accounts receivable, Due From Manitoba Health & Healthy Living - Vacation and Due From Manitoba Health & Healthy Living - Pre-retirement Non-Devolved Facilities are classified as loans and receivables and are measured at amortized cost using the effective interest rate.
iv) Bank Advances - operating, Accounts payable and Accrued liabilities, Bank advances, Due to Non-Devolved Facilities - Vacation & Pre-retirement and Long term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate.

3 **SIGNIFICANT ACCOUNTING POLICIES**

a) ***Basis of Reporting***

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) *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 16).

b) ***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 & Healthy Living. 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 & Healthy Living with respect to the year ended March 31, 2008.

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.

Revenue from preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

c) ***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.

d) ***Inventories***

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

e) ***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.

3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f) *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 & Healthy Living - Vacation - Loans and Receivables
Due From Manitoba Health & Healthy Living - Vacation - Non-Devolved Facilities - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Non-Devolved Facilities - Loans and Receivables
Bank advances - operating - Other Liabilities
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.

3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g) ***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.

h) ***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.

i) ***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 & Healthy Living. 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 $ 638,213 (2007 - $853,521) and are included in the statement of operations. The service costs for the year were $ 764,403 (2007 - $737,253).

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

3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i) ***Pre-Retirement entitlement obligation (Continued)***

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 5.50% (2007 - 4.85%) and a rate of salary increase of 3.50% (2007 - 3.0%) plus age related merit/promotion scale with nil for disability.

j) ***Due From Manitoba Health & Healthy Living - 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 the related pre-retirement liabilities.

k) ***Due to/from Manitoba Health & Healthy Living***

In Globe Funding

In Globe funding is funding approved by Manitoba Health & 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 within the global funding provided.

3 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

k) ***Due to/from Manitoba Health & Healthy Living (Continued)***

In Globe Funding (Continued)

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 & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines what portion of the approved surplus maybe retained by the Authority, or repaid to Manitoba Health & Healthy Living.

Under Manitoba Health & Healthy Living policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health & Healthy Living.

Out of Globe Funding

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

l) ***Future accounting changes***

In December 2006, the CICA issued section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Authority will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments of the entity's financial position and performance and b) the nature and extent of risks arising form financial instruments to which the entity is exposed during the period and at the balance date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

4 **ACCOUNTS RECEIVABLE**

		2008		2007
Manitoba Health & Healthy Living				
Retroactive Salary Increases	$	1,727,021	$	495,647
Other Operations		1,641,667		1,971,185
Non Medical Reciprocal Recoveries		1,190,228		-
Out of Globe - 2003/04		(107,094)		(18,642)
Out of Globe - 2004/05		(310,993)		(294,366)
Out of Globe - 2005/06		(186,305)		(106,786)
Out of Globe - 2006/07		31,315		(131,624)
Out of Globe - 2007/08		135,160		-
		4,120,999		1,915,614
Patients		783,953		553,284
Government of Canada - Goods and Services Tax		269,719		217,076
BRHC Foundation , BGH Auxiliary and Westman Laboratory		782,241		928,289
Sundry		1,126,638		1,543,763
		7,083,550		5,158,026
Less allowance for doubtful accounts		(1,088,190)		(168,228)
	$	**5,995,360**	$	**4,989,798**

5 **INVESTMENTS**

		2008		
		Cost		Fair Value
Government of Canada Bonds	$	177,187		179,810
Other Bonds		3,475,209		3,582,298
Other		4,418		4,418
	$	**3,656,814**	$	**3,766,526**

		2007		
		Cost		Fair Value
Government of Canada Bonds	$	178,036	$	178,562
Other Bonds		3,487,676		3,515,043
Other		3,156		3,156
	$	**3,668,868**	$	**3,696,761**

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

6 **CAPITAL ASSETS**

		2008				
		Cost		Accumulated Amortization		Net Book Value
Land & parking lots	$	4,599,513	$	1,586,340	$	3,013,173
Buildings		106,321,734		31,687,627		74,634,107
Building service equipment/equipment		86,735,068		63,798,181		22,936,887
Work in Progress		4,197,716		-		4,197,716
	$	**201,854,031**	$	**97,072,148**	$	**104,781,883**

6 **CAPITAL ASSETS (Continued)**

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,359,966	$ 3,239,547
Buildings	106,180,095	29,061,258	77,118,837
Building service equipment/equipment	81,999,259	58,034,749	23,964,510
Work in Progress	2,845,602	-	2,845,602
	$ 195,624,469	**$ 88,455,973**	**$ 107,168,496**

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 minus 1.00%. The amount available for operating credit is $6,900,000.

8 **LONG TERM DEBT**

	2008	2007
City of Brandon		
6.5% loan, repayable $159,529 annually, including interest, maturing 2015.	$ 857,831	$ 955,268
Less current portion	(103,770)	(97,437)
	$ **754,061**	$ 857,831

The fair value of the Authority's long term debt is $965,833 as at March 31, 2008 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:	2009	$ 103,770
	2010	110,515
	2011	117,699
	2012	125,349
	2013	133,497

9 **OBLIGATION UNDER CAPITAL LEASE**

	2008	2007
Royal Bank of Canada Monthly payments including interest at 5.722% of $34,575, expiring September 2007.	$ -	$ 200,428
Less: Current Portion	-	(200,428)
	$ -	$ -

Final lease payment was paid in 2008.

10 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.

		2008		2007
Balance, beginning of year	$	1,296,058	$	1,338,791
Add amount received		2,214,823		1,783,385
Less amount transferred to deferred contributions related to capital assets		-		(42,453)
Less amount amortized to revenue in the year		(1,783,486)		(1,783,665)
Balance, end of year	$	**1,727,395**	$	**1,296,058**

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.

		2007		2007
Balance, beginning of year	$	100,692,626	$	102,159,555
Additional contributions received		5,845,159		6,032,352
Add amount transferred from expenses of future periods		-		42,453
Less amounts amortized to revenue in the year		(7,266,189)		(7,541,734)
Balance, end of year	$	**99,271,596**	$	**100,692,626**

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

		2008		2007
Unamortized capital contributions used to purchase assets	$	100,802,396	$	101,566,834
Underspent/(Overspent) contributions		(1,530,800)		(874,208)
	$	**99,271,596**	$	**100,692,626**

10 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:

	2008	2007
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 439,619	$ 467,609
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	367,951	392,245
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	305,411	315,772
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health & Healthy Living for payment of the debenture.	9,250,000	9,250,000

11 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 104,781,883	$ 107,168,496
Funds held by Manitoba Health & Healthy Living		
Amounts financed by:		
Deferred contributions	(100,802,396)	(101 566,834)
Obligation under capital lease	-	(200,428)
Accounts Payable	(76,928)	(1,134,146)
Loan and mortgage payable	(1,957,737)	(2,068,778)
	$ 1,944,822	**$ 2,198,310**

12 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health & Healthy Living activities of $3,322,266 (2007 - $3,567,018). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health & Healthy Living 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.

13 MANITOBA HEALTH & HEALTHY LIVING REVENUE

		2008		2007
Allocation per Funding Document	$	157,011,326	$	148,082,678
Add: MAHCP Accrual		193,566		495,847
CUPE Wage Standardization		558,830		-
MNU Retro		506,297		-
MGEU Lab Market Adjustment		186,321		-
Waiting Lists Initiative Funding		473,008		381,085
CIHI Funding		-		98,638
One Time Funding - PreRetirement		-		802,518
One Time Funding - ER Hard To Fill Shift Premium		131,062		82,587
One Time Funding - Louis Riel Statutory Holiday		223,402		-
Total Funding Approved by Manitoba Health & Healthy Living		159,283,812		149,943,353
Add: Other Income				
Non-Global Reconciliation		1,436,206		2,462,809
Separately Funded Programs		292,680		119,965
Fee for Service Income		4,247,522		3,283,164
Less: Amounts recorded in Deferred Contributions		(2,695,951)		(2,938 421)
Total Revenue from Manitoba Health & Healthy Living	**$**	**162,564,269**	**$**	**152,870,870**

14 **COMMITMENTS AND CONTINGENCIES**

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

2009	$	1,304,243
2010		1,258,715
2011		637,174
2012		646,328
2013		657,941

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, 2008

15 **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 of the plan as at December 31, 2007, indicates the plan is fully funded. Actual contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $5,022,300 (2007 - $4,553,632) 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 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 required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

16 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). The Authority continues to provide other services which will be transitioned to DSM by 2007. Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health & Healthy Living

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

		2008		2007
FINANCIAL POSITION				
Total assets	$	3,100,195	$	3,134,991
Total liabilities	$	2,916,373	$	2,912,765
Total net assets		183,822		222,226
	$	3,100,195	$	3,134,991
RESULTS OF OPERATIONS				
Total revenues	$	3,750,573	$	3,527,295
Total expenses		(3,788,977)		(3,560,813)
Net operating deficit	$	(38,404)	$	(33,518)

Westman Regional Laboratory Services Inc.

		2008		2007
FINANCIAL POSITION				
Total assets	$	5,678,073	$	6,133,790
Total liabilities	$	5,684,964	$	6 140,681
Total net assets		(6,891)		(6,891)
	$	5,678,073	$	6,133,790

16 NON-DEVOLVED FACILITIES (Continued)

Westman Regional Laboratory Services Inc. (Continued)

RESULTS OF OPERATIONS

	2008	2007
Total revenues	$ 14,258,608	$ 12,819,376
Total expenses	(14,796,743)	(14,291,445)
Net operating shortfall (recoverable from Manitoba Health & Healthy Living)	$ (538,135)	$ (1,472,069)

17 EMPLOYEE FUTURE BENEFITS - Non-Devolved Facilities

During the current year, the Authority determined that amounts Due From Manitoba Health & Health Living related to the non-devolved facilities vacation pay and pre-retirement liabilities should be recorded in the Authorities financial statements as at March 31, 2008 and March 31, 2007. Accordingly these receivable amounts together with the related amounts Due to the Non-Devolved Facilities have been recorded in the current year financial statements. The comparative year amounts as at March 31, 2007 have been restated to reflect these amounts. The amounts recorded are as follows:

ASSETS

	2008	2007
Due From Manitoba Health & Healthy Living - Vacation Non-Devolved Facilities	$ 788,820	$ 788,820
DUE FROM MANITOBA HEALTH - Pre-retirement Non-Devolved Facilities	826,654	826,654

LIABILITIES

	2008	2007
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation	$ 788,820	$ 788,820
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benifts - Pre-retirement	826,654	826,654

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Directors of The Salvation Army Dinsdale Personal Care Home

We have audited the statement of financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2008 and the statements of operations and changes in net assets 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, 2008 and the results of its operations and changes in its net assets 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 schedules 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.

The financial statements for the year ended March 31, 2007 were audited by another firm of accountants, who expressed an opinion without reservation in their report dated July 5, 2007.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 26, 2008

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

		2008		2007 (Restated, note 3)
Assets				
Current assets:				
Cash	$	216,594	$	199,754
Accounts receivable		25,672		7,564
Inventory		29,421		25,224
Prepaid expenses		5,087		4,669
Employee benefits recoverable from Brandon Regional Health Authority (note 6)		190,916		190,916
		467,690		428,127
Employee future benefits recoverable from Brandon Regional Health Authority (note 6)		199,105		199,105
Cash held for restricted purposes (note 3(c))		176,168		145,389
Resident trust deposits		15,872		6,107
Property, plant and equipment (note 5)		2,241,360		2,356,263
	$	3,100,195	$	3,134,991

		2008		2007 (Restated, note 3)

Liabilities, Deferred Contributions and Net Assets

Current liabilities:				
Accounts payable and accrued liabilities	$	208,075	$	118,199
Accrued vacation payable (note 6)		210,702		211,820
Current portion of long-term debt		103,420		97,474
Due to Brandon Regional Health Authority (note 4)		58,329		20
		580,526		427,513
Accrued pre-retirement entitlement obligation (note 6):		273,862		273,636
Long-term debt (note 8)		1,756,252		1,860,948
Resident trust accounts payable		15,465		6,331
Deferred contributions (note 7):				
Expenses of future periods		35,987		86,175
Property, plant and equipment		254,281		258,162
		290,268		344,337
Net assets:				
Invested in property, plant and equipment (note 9)		82,859		90,866
Internally restricted		182,225		176,602
Unrestricted		(81,262)		(45,242)
		183,822		222,226
	$	3,100,195	$	3,134,991

See accompanying notes to financial statements.

On behalf of the Home:

_______________________________ Executive Director

_______________________________ Director of Business

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated, note 3)
Revenue:		
Brandon Regional Health Authority (note 10)	$ 2,695,181	$ 2,535,890
Residential charges	841,086	829,640
Other income	17,463	18,771
	3,553,730	3,384,301
Amortization of deferred contributions	196,843	142,994
Total revenue	3,750,573	3,527,295
Expenses:		
Salaries	2,497,470	2,344,619
Employee benefits	445,187	428,497
Health and education levy	52,238	49,414
Other supplies and expenses	426,120	396,355
Physical plant	216,931	153,050
Interest (note 8)	32,961	34,164
Amortization of property, plant and equipment	128,049	134,926
	3,798,956	3,541,025
Deficiency of revenue over expenses on operations	(48,383)	(13,730)
Excess (deficiency) of revenue over expenses - contributed services	9,979	(19,788)
Deficiency of revenue over expenses	$ (38,404)	$ (33,518)

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in property, plant and equipment	Internally restricted	Unrestricted	Total 2008	Total 2007
Balance, beginning of year, as previously reported	$ 134,738	$ –	$ (89,114)	$ 45,624	$ 44,884
Change in accounting policy (note 3(c))	(43,872)	176,602	43,872	176,602	210,860
Balance, beginning of year, as restated	90,866	176,602	(45,242)	222,226	255,744
Excess (deficiency) of revenue over expenses	–	9,979	(48,383)	(38,404)	(33,518)
Transfer between funds	(8,007)	(4,356)	12,363	–	–
Balance, end of year	$ 82,859	$ 182,225	$ (81,262)	$ 183,822	$ 222,226

See accompanying notes to financial statements.

Purpose of organization:

The Salvation Army Dinsdale Personal Care Home (the Home) 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 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). 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.

1. Continuity of operations:

At March 31, 2008, the Home's current liabilities exceed its current assets by $112,836. The Home also had an unrestricted net asset deficiency of $81,262 (2007 - $45,242) at March 31, 2008 due mainly as a result of operating losses in fiscal 2008 and prior.

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 Regional Health Authority.

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. Capital assets 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 the year end balance sheet date 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 represent funds which have been received through donations or from the Salvation Army and whose use has been internally restricted by the Home.

(h) Statement of cash flows:

A statement of cash flows has not been provided as it would not provide any further information to the users of the financial statements.

(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) 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 cash, cash held for restricted purposes, accounts receivable, accounts payable and accrued liabilities and accrued vacation payable approximate their carrying value due to their short-term maturity.

2. Significant accounting policies (continued):

(k) New accounting standards:

On December 31, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards become effective for the Home on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative date about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Home is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

3. Changes in accounting policies:

(a) Financial instruments:

The Home adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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 net assets.

3. Changes in accounting policies (continued):

Upon adoption of this new standard, the Home designated cash and cash held for restricted purposes as held-for-trading; resident trust deposits, accounts receivable, employee future benefits recoverable from BRHA as loans and receivables; and accounts payable and accrued liabilities, resident trust accounts payable, due to BRHA and long-term debt 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 rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 as a result of adoption of this standard. There was no impact on the Home's reported results for fiscal 2008. In accordance with the standard, prior periods are not restated.

(b) Presentation of long-term debt:

During fiscal 2008, the Home changed its accounting policy for the treatment of long-term debt issued by third parties that is secured by a letter of comfort from Manitoba Health. In previous periods, the Home had presented such debt as deferred contributions, and loans are now presented separately on the statement of financial position as long-term debt. Management has determined that the new policy is preferable because it better reflects the third party nature of this debt. Prior periods have been restated.

The impact of the change on the statement of financial position was to:

- reduce deferred contributions by $1,859,672 as at March 31, 2008 and $1,958,425 as at March 31, 2007

- increase current portion of long-term debt by $103,420 as at March 31, 2008 and $97,474 as at March 31, 2007

- increase long-term debt by $1,756,252 as at March 31, 2008 and $1,860,948 as at March 31, 2007.

3. Changes in accounting policies (continued):

The impact of the change on the statement of operations was to increase both revenue from the BRHA and interest expense by $32,961 for the year ended March 31, 2008, and by $34,164 for the year ended March 31, 2007.

This change in presentation had no impact on net assets or results of operations for any period presented.

(c) Contributed Services and Donation Fund:

In prior years, the Home had presented assets, liabilities, revenues and expenses related to contributed services and its Donation Fund in separate financial statements.

In order to comply with the presentation preferred by the Salvation Army and to better reflect the complete operations of the Home, these items are now included within these financial statements. Prior periods have been restated.

The impact of the change on the statement of financial position was to:

- eliminate receivable from Salvation Army of $38,402 as at March 31, 2008 and $17,597 as at March 31, 2007
- recognize cash held for restricted purposes of $176,168 as at March 31, 2008 and $145,389 as at March 31, 2007
- increase property, plant and equipment by $44,459 as at March 31, 2008 and $48,810 as at March 31, 2007
- increase internally restricted net assets by $182,225 as at March 31, 2008 and $176,602 as at March 31, 2007
- reallocate $43,872 from "Invested in property, plant and equipment" to "Unrestricted net assets" as at March 31, 2007.

The impact of the change on the statement of operations was to:

- increase amortization of property, plant and equipment by $4,262 in each of the years ended March 31, 2008 and 2007
- record excess (deficiency) of revenue over expenses - contributed services for the years ended March 31, 2008 and 2007 of $9,979 and $(19,788), respectively.

4. Due to Brandon Regional Health Authority:

	2008	2007
Funding advances from BRHA	$ 115,402	$ 2,000
Amounts receivable from BRHA	(57,073)	(1,980)
	$ 58,329	$ 20

Funding advances received from BRHA are unsecured and non-interest bearing.

5. Property, plant and equipment:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	$ 133,615	$ –	$ 133,615	$ 133,615
Buildings	4,218,593	2,145,682	2,072,911	2,200,790
Equipment and furnishings	570,058	535,224	34,834	21,858
	$ 4,922,266	$ 2,680,906	$ 2,241,360	$ 2,356,263

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

6. 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, 2008 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 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3.0 percent) plus age related merit/promotion scale and a factor ranging from 0 - 1.31 percent (2007 - 0 - 1.30 percent) for disability.

6. Employee benefits (continued):

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.

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.

7. Deferred contributions:

(a) Expenses of future periods:

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

	2008	2007
Balance, beginning of year	$ 86,175	$ 77,521
Add funding received in current year	18,840	18,840
Less major repairs	(69,028)	(10,186)
	(50,188)	8,654
Balance, end of year	$ 35,987	$ 86,175

(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 capital assets and replacement of equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

7. Deferred contributions (continued):

		2008		2007
				(Restated, note 3)
Balance, beginning of year	$	258,162	$	276,945
Add:				
Payments of mortgage principal (note 9)		98,751		90,951
Major equipment funding		23,600		18,047
Other		1,583		5,027
Less:				
Amounts amortized to revenue		(127,815)		(132,808)
		(3,881)		(18,783)
Balance, end of year	$	254,281	$	258,162

The Home has an outstanding loan of $348,749 (2007 - $380,595) 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.

8. Long-term debt:

		2008		2007
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$	1,859,672	$	1,958,422
Current portion		(103,420)		(97,474)
	$	1,756,252	$	1,860,948

The Province of Manitoba, via the BRHA, provides funding for all payments of principal (note 7(b)) and interest on this debt.

9. Invested in property, plant and equipment:

	2008	2007
Property, plant and equipment	$ 2,241,360	$ 2,356,263
Amounts financed by:		
Deferred contributions	(254,281)	(258,162)
Long-term debt	(1,859,672)	(1,958,422)
Relating to capital assets within internally restricted funds	(44,548)	(48,813)
	$ 82,859	$ 90,866

10. Revenue - Brandon Regional Health Authority:

	2008	2007
Total approved funding	$ 2,836,373	$ 2,663,727
Less funding allocated to deferred contributions:		
Equipment	(23,600)	(18,047)
Major repairs	(18,840)	(18,840)
Mortgage principal	(98,752)	(90,950)
Funding for operations	$ 2,695,181	$ 2,535,890

11. 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, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $279,933 (2007 - $261,629) and are included in the statement of operations.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Expenses

Schedule A

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Salaries:		
Activity	$ 75,264	$ 77,082
Administration	130,921	134,128
Dieticians	277,253	263,415
Housekeeping	143,942	137,390
In-service director	27,293	22,513
Laundry	57,924	52,962
Nursing	1,670,556	1,540,910
Physical plant and equipment	114,317	116,219
	$ 2,497,470	$ 2,344,619
Employee benefits	$ 445,187	$ 428,497
Health and education levy	$ 52,238	$ 49,414
Other supplies and expenses:		
Activity	2,766	2,619
Drug capitation expense	26,317	25,839
Administration	62,229	54,304
Housekeeping	17,520	18,030
In-service education	750	2,860
Laundry and linen	73,522	62,443
Nursing	81,811	74,752
Miscellaneous	–	2,366
Nutritional services	118,617	117,433
Plant maintenance	42,588	35,709
	$ 426,120	$ 396,355
Physical plant:		
Heat and lights	73,075	75,378
Insurance	2,434	3,549
Property taxes	48,914	43,644
Water and sewer	23,703	20,292
Major repairs	68,805	10,187
	$ 216,931	$ 153,050

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Contributed Services — Schedule B

Year ended March 31, 2008, with comparative figures for 2007

		2008		2007
Revenue:				
Donations	$	19,910	$	8,991
Ministry grant		60,000		60,000
Interest		12,250		11,090
Miscellaneous		28,579		5,071
Red Shield		15,000		20,000
Travel recoveries		7,874		2,214
DHQ/THQ grant		45,000		10,000
		188,613		117,366
Expenses:				
Administrator - wages and benefits		61,256		58,720
Automotive		16,322		15,444
Chaplaincy services		346		393
Child sponsorship and special projects		–		700
Christmas		3,836		3,745
Conferences and travel		11,431		9,406
Residence repairs		9,071		5,823
Miscellaneous		23,292		18,694
Supervision levy remitted		50,314		21,420
Utilities		2,766		2,809
		178,634		137,154
Excess (deficiency) of revenue over expenses	$	9,979	$	(19,788)

BDO Dunwoody LLP
Chartered Accountants
and Advisors

148 - 10th Street
Brandon Manitoba Canada R7A 4E6
Telephone: (204) 727-0671
Telefax: (204) 726-4580
www.bdo.ca

Auditors' Report

To the Members of
Westman Regional Laboratory

We have audited the statement of financial position of **Westman Regional Laboratory** as at March 31, 2008 and the statements of operations and surplus 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, 2008 and the results of its operations and the changes in its financial position and cashflows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
June 5, 2008

Westman Regional Laboratory
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Accounts receivable	$ 47,457	$ 61,019
Prepaid expenses	90,496	118,493
Manitoba Health Receivable	3,627,450	3,687,320
	3,765,403	3,866,832
Capital assets (Note 1)	687,217	1,041,505
Deferred charges future employee benefits	1,225,453	1,225,453
	$ 5,678,073	$ 6,133,790
Liabilities and Surplus		
Current Liabilities		
Bank indebtedness	$ 2,454,036	$ 2,574,724
Accounts payable	574,837	590,532
Due to Brandon Regional Health Authority	691,087	821,220
	3,719,960	3,986,476
Deferred contributions - capital assets (Note 3)	171,238	488,065
Accrued future employee benefits	1,793,766	1,666,140
	5,684,964	6,140,681
Surplus		
Deficit	(6,891)	(6,891)
	$ 5,678,073	$ 6,133,790

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

Westman Regional Laboratory
Statement of Surplus

For the year ended March 31	**2008**	2007
Deficit, beginning of year	**$ (6,891)**	$ (6,891)
Net loss for the year	**(538,135)**	(1,472,069)
	(545,026)	(1,478,960)
Deficit recoverable from Manitoba Health	**538,135**	1,472,069
Deficit, end of year	**$ (6,891)**	$ (6,891)

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

Westman Regional Laboratory
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Manitoba Health	**$ 13,737,548**	$ 12,262,939
Amortization of deferred revenue	**404,664**	444,859
	14,142,212	12,707,798
Non-resident out-patient	**116,320**	108,600
Miscellaneous	**76**	2,978
	116,396	111,578
	14,258,608	12,819,376
Expenses		
Advertising	**-**	150
Amortization	**404,664**	444,859
Insurance	**12,397**	12,397
Interest	**179,164**	124,102
Laboratory and nuclear supplies	**2,545,221**	2,427,915
Medical remuneration	**2,261,001**	2,406,497
Membership dues and subscriptions	**2,281**	2,263
Other supplies	**83,198**	71,448
Physical plant		
- Insurance and taxes	**5,824**	5,824
- Repairs and maintenance	**40,889**	50,085
- Utilities	**247,403**	244,054
Pickup and delivery	**352,693**	340,512
Printing, postage and stationary	**64,864**	82,900
Professional fees	**77,329**	5,614
Purchased services	**330,839**	322,823
Rent	**22,871**	22,400
Salaries and benefits	**7,682,510**	7,266,706
Service contracts	**299,824**	325,185
System support	**60,898**	72,763
Telephone	**27,484**	32,095
Travel	**95,389**	30,853
	14,796,743	14,291,445
Deficit for the year	**$ (538,135)**	$ (1,472,069)

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

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2008

Nature of Business

The organization is a non-profit entity, providing health services to Brandon and surrounding communities. Therefore any surplus that it generates is non-taxable. Effective December 1, 2005 the management of Westman Regional Laboratory Inc. was transferred to Diagnostic Services of Manitoba (DSM).

Capital Assets

Capital assets are recorded at cost.

Amortization is provided for on a straight-line basis in accordance with the following rates:

Building	-	2.5 %
Computer equipment	-	20 %
Equipment	-	10 %

Compensated Absences

Compensation expense is accrued for all employees as an entitlement to these payments earned, in accordance with the benefit plans for vacation in effect for Westman Regional Laboratory Services Inc.

Deferred Contributions - 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.

During the 2005 fiscal year, the Province of Manitoba assumed the long-term debt and third party debt of Westman Regional Laboratory and was recognized as borrowings in the Public Accounts of the Province of Manitoba.

Accordingly, the Westman Regional Laboratory has reclassified the long term debt and short term financing as deferred contributions in its financial statements.

Deferred Charges - Future Employee Benefits

A provision for future employee benefits including accrued vacation entitlements and accrued retirement obligations is recorded. Funding for the future employee benefits as at March 31, 2005 is recoverable from Manitoba Health and as such has been set up as a receivable. Effective April 1, 2005, any increase in the entitlement is the responsibility of Westman Regional Laboratory.

Surplus and Deficits

Approved surpluses are repayable to Manitoba Health; approved deficits are recoverable from Manitoba Health.

March 31, 2008

Revenue Recognition

This organization receives the majority of its revenue from the Province of Manitoba. Revenue is recognized in the year in which the related operating expenditures are incurred. Revenue for capital assets is recognized in the amount of the amortization expense incurred during the year.

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.

Financial Instruments

The organization's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and amounts due to (from) related parties. 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 values of these financial instruments approximate their carrying values, unless otherwise noted.

Effective October 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at their fair value with changes in fair value recorded in other comprehensive income.

As a result of the adoption of these new standards, the entity has classified its accounts receivable as loans and receivables and its bank indebtedness, accounts payable and due to (from) related parties as other liabilities, which are measured at amortized cost. As a result of application of Section 3855, the organization's surplus as at March 31, 2007 was not affected.

1. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	$ 1,254,408	$ 1,093,009	$ 1,254,408	$ 1,061,649
Equipment	9,458,860	9,047,627	9,456,520	8,740,699
Computer equipment	356,903	242,318	308,867	175,942
	$ 11,070,171	$ 10,382,954	$ 11,019,795	$ 9,978,290
Net book value		$ 687,217		$ 1,041,505

2. Related Party Transactions

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 value for sales of product.

The entity paid expenses to the Brandon Regional Health Authority, which controls Westman Regional Laboratory, in the following amounts:

	2008	2007
Purchased services	$ 286,373	$ 286,373

3. Deferred Contributions - 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.

		2008		2007
Balance, beginning of year	**$**	**488,065**	$	880,403
Add: Contributions receivable		**87,837**		52,521
Less: Amount amortized in the year		**(404,664)**		(444,859)
Balance, end of year	**$**	**171,238**	$	488,065

Deferred contributions consist of the following:

		2008		2007
Amortization of capital assets in excess of contributions	**$**	**(1,222,942)**	$	(927,097)
Short term financing		**665,870**		640,853
Long-term debt		**728,310**		774,309
	$	**171,238**	$	488,065

4. Statement of Cash Flows

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

5. Economic Dependence

The Westman Regional Laboratory Services Inc. is economically dependent on the Province of Manitoba for funding.

6. Comparative Figures

The comparative figures have been adjusted to conform to the current year's presentation.

KENDALL WALL PANDYA

Chartered Accountants

118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919
300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

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, 2008 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, 2008 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 30, 2008

Kendall Wall Pandya
Chartered Accountants.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF FINANCIAL POSITION

	2008	2007
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 1)	$ 4,315,752	$ 2,765,071
Inventories	538,217	513,144
Prepaid expenses	305,673	256,595
Vacation entitlements receivable – Manitoba Health	2,589,257	2,589,257
Due from Manitoba Health (Note 2)	2,976,047	5,043,012
	$10,724,946	$ 11,167,079
Pre-retirement receivable-Manitoba Health	1,555,430	1,555,430
Capital assets (Note 3)	45,668,314	42,448,935
Restricted cash		
Thompson Personal Care Home Construction Donations	-	131,501
	$ 57,948,690	$55,302,945
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ 432,682	$ 3,412,027
Manitoba Health cash advance	3,000,000	3,000,000
Accounts payable	4,118,058	3,426,188
Deferred revenue (Note 5)	1,061,673	1,169,193
Line of credit (Note 6)	481,682	2,975,181
Current portion of capital lease obligations (Note 7)	148,740	139,186
Vacation entitlements payable	3,053,731	2,562,534
	12,296,566	16,684,309
Accrued pre-retirement obligation (Note 12)	2,119,953	1,665,125
Capital lease obligations (Note 7)	691,156	839,896
Deferred contributions (Note 8)		
Expenses of future periods	266,444	252,405
Capital assets	39,386,757	32,575,279
	$ 42,464,310	$ 35,332,705
Contingencies (Note 13)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	4,959,979	5,919,393
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(1,968,540)	(2,829,837)
	3,187,814	3,285,931
	$ 57,948,690	$ 55,302,945

APPROVED BY THE BOARD: ____________________ ____________________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Restricted Donations	Unrestricted	2008	2007
Balance, beginning of year	$ 5,919,393	$ 196,375	$(2,829,837)	$ 3,285,931	$ 3,437,371
Excess (Deficiency) of revenue over expenses for the year	(179,533)	-	81,416	(98,117)	(151,440)
Investment in capital assets (Note 9)	(779,881)	-	779,881	-	-
Balance, end of year	$ 4,959,979	$ 196,375	$(1,968,540)	$ 3,187,814	$ 3,285,931

See accompanying notes.

STATEMENT OF OPERATIONS

	2008	2007
REVENUE		
Amortization of deferred contributions	$ 1,877,017	$ 1,629,897
Ancillary programs	861,292	733,660
Manitoba Health (Note 10)	65,435,395	58,044,402
Northern patient transportation program recoveries	1,733,587	1,234,531
Other	1,367,867	1,522,123
Patient	1,024,184	460,818
	$ 72,299,342	$62,625,431
EXPENSES		
Acute care services	$ 29,949,193	$26,402,888
Amortization of capital assets	2,056,549	1,760,143
Ancillary operations	861,292	733,660
Community based – health services	7,375,908	6,074,990
Community based – home care	1,466,113	1,184,471
Community based – mental health	467,144	481,213
Land ambulance	237,048	227,928
Medical remuneration	15,003,588	15,533,416
Northern patient transportation program	6,833,650	5,587,709
Regional health authority	5,909,845	4,430,753
Support to seniors	30,000	30,000
Personal Care Home	2,207,129	1,329,700
	$ 72,397,459	$63,766,871
Excess of revenue over expenses for the year	$ (98,117)	$ (151,440)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF CASH FLOWS

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ (98,117)	$ (151,440)
Adjustments for		
Amortization of capital assets	2,056,549	1,760,143
Amortization of deferred contributions	(1,877,017)	(1,629,897)
	$ (81,415)	$ (21,194)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(1,550,681)	(826,640)
Due to Manitoba Health	2,066,965	(3,705,581)
Inventories	(25,073)	6,203
Prepaid expenses	(49,078)	(188,831)
Accounts payable	691,870	5,559
Vacation entitlements payable	946,025	(144,084)
Deferred revenue	(107,520)	81,349
Cash advance- Manitoba Health	-	3,000,000
	$ 1,972,508	$ (1,772,025)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(6,589,550)	$ (9,475,275)
Payments of capital lease obligation	(139,186)	(130,246)
Receipt of deferred contributions related to capital assets	10,002,117	9,739,241
Receipt of deferred contributions related to expenses of future periods	14,039	(294,739)
Advances on line of credit	(2,493,499)	275,089
	$ 793,921	$ 114,070
Increase in cash and cash equivalents during the year	2,847,844	(1,679,149)
Cash and cash equivalents, beginning of year	(3,280,526)	(1,601,377)
Cash and cash equivalents, end of year	$ (432,682)	$(3,280,526)
Represented by:		
Bank indebtedness	$ (432,682)	$(3,412,027)
Restricted cash	-	131,501
	$ (432,682)	$(3,280,526)

See accompanying notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the accrual basis of accounting. The accrual basis recognizes revenues as they become for not for profit organizations 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Policies

Effective April 1, 2007 the Organization adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants. (CICA).

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the organization has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recognized at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The organization is required to designate its financial instruments 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 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 adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures,* which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the organization's objectives, policies and processes for managing capital.

These changes in accounting policies were adopted effective April 1, 2008 and only require additional disclosures in the financial statements.

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, 2008.

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

The Authority's financial instruments consists of cash, accounts receivable, vacation entitlements receivable – Manitoba Health, pre-retirement receivable – Manitoba Health, Manitoba Health cash advance, vacation entitlement payable, bank indebtedness, accounts payable and accrued liabilities, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

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

The Regional Health Authority did not take ownership of the Northern Spirit Manor until December 2007. Therefore, only a half years amortization had been taken for the March 31, 2007 year end.

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**

	2008	2007
Patients Receivable	$ 1,587,048	$ 334,355
Other	171,799	738,122
Goods and Services Tax	255,363	191,392
Northern Patient Transportation Program	2,664,696	1,830,356
Allowance for Doubtful Accounts	(363,154)	(329,154)
	$ 4,315,752	$2,765,071

2. **Due (to) from Manitoba Health**

	2008	2007
2003-04 Medical Renumeration	$ -	(347,590)
2004-05 Medical Renumeration	-	181,836
2005-06 Medical Remuneration	-	1,237,015
2005-06 MAHCP Market Stabilization	-	61,211
2007-07 Immunization Funding	-	54,002
2007-07 Ultra Sound Funding	-	11,225
2007-07 Midwifery Funding	-	84,605
2007-07 MMA Arbitration Funding	-	23,500
2007-07 PCH Funding	(45)	1,408,061
2007-07 MAHCP Market Stabilization	-	155,272
2007-07 Medical Renumeration	2,180,119	2,180,119
2007-07 Waitlist Funding	-	51,950
2007-07 Interest on Approved Borrowing	-	(58,194)
2007-08 Web Sense	7,435	-
2007-08 Safety & Security Projects	198,531	-
2007-08 Immunization Funding	45,215	-
2007-08 Ilford	41,865	-
2007-08 Acquired Brain Injury Unit Funding	195,053	-
2007-08 Waitlist Initiatives	127,445	-
2007-08 Inter Facility Transfers	52,502	-
2007-08 MNU Market Supplement	127,927	-
	$ 2,976,047	$5,043,012

3. Capital Assets

	Cost	Accumulated Amortization	2008 Net Book Value	Cost	Accumulated Amortization	2007 Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	45,014,349	11,262,758	**33,751,591**	44,658,520	10,219,317	34,439,203
Computers	1,299,548	997,548	**302,000**	904,357	884,587	19,770
Equipment	16,093,913	12,570,492	**3,523,421**	18,058,292	13,368,986	4,689,306
Construction in Progress	8,077,608	-	**8,077,608**	3,286,962	-	3,286,962
	$70,499,112	$24,830,798	**$45,668,314**	$66,921,825	$24,472,890	$42,448,935

Included in capital asset additions during the year is interest of $165,057 which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $2.6 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:

	2008	2007
Balance, beginning of year	**$1,169,193**	$1,087,844
Amount recognized as revenue in the current year	**(758,708)**	(836,716)
Funding received	**651,188**	918,065
Balance, end of year	**$1,061,673**	$1,169,193

6. Line of Credit

	2008	2007
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $7,381,000.	**$ 481,682**	$2,975,181

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

7. Capital Lease Obligation

	2008	2007
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 $16,681 (principal and interest)	**$ 839,896**	$ 979,082
Amount due within one year included in current liabilities	**148,740**	139,186
	$ 691,156	$ 839,896

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:

2009	$148,740
2010	$158,949
2011	$169,859
2012	$181,518
2013	$193,998

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.

	2008	2007
Balance, beginning of year	$ 252,405	$ 547,144
Add amount received during year	14,039	26,974
Deduct: transfer re: community contribution to Personal Care Home	-	(321,713)
Balance, end of year	$ 266,444	$ 252,405

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.

	2008	2007
Balance, beginning of year	$ 32,575,279	$24,465,934
Additional contributions received	10,002,117	9,739,242
Less amounts amortized to revenue	(1,877,017)	(1,629,897)
Less: transfer of DSM assets (Note 15)	(1,313,622)	-
Balance, end of year	$ 39,386,757	$32,575,279

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

a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$45,668,314	$42,448,935
Amount financed by:		
Deferred contributions	39,386,757	32,575,279
Lines of credit	481,682	2,975,181
Capital leases	839,896	979,082
	$ 4,959,979	$ 5,919,393

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

	2008	2007
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	$ 1,877,017	$1,629,897
Amortization of capital assets	2,056,550	1,760,143
	$ (179,533)	$(130,246)
Net changes in investment in capital assets		
Purchase of capital assets	$ 6,589,550	$9,475,275
Payment of capital lease obligation	139,186	130,246
Advances on line of credit	2,493,449	(275,089)
Manitoba Health – Capital asset funding	9,625,725	(9,272,993)
Manitoba Health deferred asset funding	(376,392)	(466,248)
	(779,881)	(408,809)
	$ (959,414)	$ (539,055)

10. **Revenue from Manitoba Health**

	2008	2007
Revenue as per Manitoba Health funding document	$ 65,448,755	$54,737,497
Add: 2007 – 2008 Waitlist funding	127,445	51,950
Personal Care Home 2007 – 2008 Operating revenue	-	1,268,064
Emergency Room Extra funding	-	205,937
Wage standardization and market adjustment	127,927	155,272
PDN Upgrade – RIS/PACS Project	2,825	9,946
Equipment funding	-	65,194
Medical remuneration	45,164	2,180,119
Ultra Sound maintenance contract	-	11,225
Immunization funding	-	52,399
Manitoba Health one time transfer	-	584,094
Midwifery funding 2007 - 2008	-	84,605
Reciprocal Revenue	252,275	-
Acquired Brain Injury Unit	195,053	-
Ilford	41,865	-
Louis Riel Day	37,580	-
Med 2020	33,662	-
Deferred Personal Care Home Recruitment	130,000	-
Dialysis	87,308	-
	$ 1,081,104	$ 4,668,805
Deduct:		
Nelson House PCH funding – flow through	$ (335,938)	$ (327,755)
Interest payable to Manitoba Health	-	(58,193)
Interest funding (actual)	(161,934)	(289,495)
	$ (497,872)	$ (675,443)
Total funding approved by Manitoba Health	$ 66,031,987	$58,730,859
Deduct:		
Amounts recorded as deferred contributions	(596,592)	(635,989)
Revenue from Manitoba Health	$ 65,435,395	$ 53,043,911

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, 2002, and supplementary Notice to Members of September 24, 2003 indicates the current contribution levels are not adequate to fund the cost of benefits. Effective July 1, 2007, 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 $1,472,362 (2007 – $1,289,339) 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

	2008	2007
Members of the Health Employees Pension Plan	$ 1,920,423	$1,485,075
Members of the Civil Service Superannuation Plan	199,530	180,050
	$ 2,119,953	$1,665,125

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, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007- 5.00%) and a rate of salary increase of 3.5% (2007 – 3.0%) plus age related merit/promotion scale with no provision for disability.

13. 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, 2008, 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, 2008.

c) Due to the dismissal of three senior executives during the year, 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.

14. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional Health Authority costs of $30,502 and an increase in ancillary costs of $30,502.

15. Transfer of DSM Assets

During the fiscal year, the Health Authority was advised by Manitoba Health that designated assets were to be transferred to Diagnostic Services of Manitoba Inc. at net book value. At the date of transfer the value of these assets were $1,313,622.

16. Economic Dependence

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

BDO Dunwoody LLP
Chartered Accountants
and Advisors

480 Saskatchewan Ave W
Portage la Prairie Manitoba Canada R1N 0M4
Telephone (204) 857-2856
Telefax (204) 239-1664
www.bdo.ca

Auditors' Report

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, 2008, 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, 2008, 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 22, 2008

Churchill Regional Health Authority Inc.
Statement of Financial Position

March 31,		2008	2007
Assets			
Current Assets			
Cash and bank		**$ 2,323,978**	$ 1,659,065
Accounts receivable (note 2)		**237,260**	288,968
Due from Manitoba Health (note 3)		**41,584**	37,596
Inventory		**347,575**	399,287
Goods and Services Tax recoverable		**44,640**	41,429
Prepaid expenses		**67,379**	50,118
Accounts receivable - Province of Manitoba (note 4)		**282,239**	282,239
		3,344,655	2,758,702
Capital Assets (note 5)		**3,740,311**	4,100,628
Accounts Receivable - Province of Manitoba (note 4)		**197,540**	197,540
		$ 7,282,506	$ 7,056,870

Liabilities and Surplus (Deficiency) in Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 788,926**	$ 628,056
Accounts payable - capital		**25,508**	122,279
Due to Manitoba Health (note 6)		**1,935,000**	1,687,954
Security deposits		**13,617**	12,067
Vacation, overtime and statutory holiday pay payable		**340,616**	330,897
Current portion of capital lease obligations (note 7)		**8,160**	14,736
		3,111,827	2,795,989
Capital Lease Obligations (note 7)		**30,850**	36,385
Pre-retirement Entitlements (note 8)		**229,204**	207,476
Deferred Contributions Related to Capital Assets (note 9)		**3,671,480**	4,030,144
		7,043,361	7,069,994
Surplus (Deficiency) in Net Assets			
Net assets invested in capital assets (note 10)		**29,821**	19,362
Externally restricted - separately funded programs (note 11)		**(109,173)**	(105,200)
Surplus in unrestricted net assets		**318,497**	72,714
		239,145	(13,124)
Contingencies (note 12)			
		$ 7,282,506	$ 7,056,870

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, **2008** 2007

	Invested in Capital Assets	Separately Funded Programs	Surplus in Unrestricted Net Assets	Total (2008)	Total (2007)
Balance, beginning of year	$ **19,362**	$ **(105,200)**	$ **72,714**	$ **(13,124)**	$ (177,330)
Excess (deficiency) of revenue over expenses for the year	**(32,810)**	**(3,973)**	**289,052**	**252,269**	164,206
Net asset transfer (note 13)	**43,269**	**-**	**(43,269)**	**-**	-
Balance, end of year	$ **29,821**	$ **(109,173)**	$ **318,497**	$ **239,145**	$ (13,124)

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,	2008	2007
Revenue		
Manitoba Health funded programs		
Hospital	$ 7,015,896	$ 6,910,971
Diagnostic Services	714,768	694,080
Dental Clinic	137,760	137,760
Community Services	1,031,315	916,892
Northern Patient Transportation Program	1,008,672	992,160
Land Ambulance	234,528	202,800
Home Care	115,656	114,528
Amortization of deferred contributions (note 9)	400,933	415,578
Offset income	847,200	852,699
	11,506,728	11,237,468
Separately funded programs		
Churchill Child and Family Services	411,422	304,149
Receiving Home	321,727	312,528
Nunavut Services	49,440	52,440
Families 'R' Us, Baby First and Healthy Baby programs	147,508	154,063
	930,097	823,180
Ancillary income, net (schedule)	77,413	97,328
	1,007,510	920,508
	12,514,238	12,157,976
Expenses		
Manitoba Health funded programs		
Hospital	6,722,406	6,616,637
Diagnostic Services	660,008	652,453
Dental Clinic	128,144	114,395
Community Services	865,565	786,424
Addictions Program	77,333	69,897
Northern Patient Transportation Program	965,841	972,932
Land Ambulance	299,354	294,629
Home Care	97,452	79,225
Amortization	425,443	453,404
Directors' fees and expenses	47,898	62,344
Employee future benefits	21,728	30,251
Interest and bank charges	16,605	4,588
Interest on obligations under capital lease	2,624	3,299
	10,330,401	10,140,478
Separately funded programs		
Churchill Child and Family Services	406,348	302,768
Receiving Home	396,050	360,235
Nunavut Services	37,307	36,266
Families 'R' Us, Baby First and Healthy Baby programs	94,363	153,503
	934,068	852,772
	11,264,469	10,993,250
Excess of revenue over expenses before other expense	1,249,769	1,164,726
Other expense		
Surplus repayable to Manitoba Health (note 6)	(997,500)	(1,000,520)
Excess of revenue over expenses for the year	$ 252,269	$ 164,206

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,	2008	2007
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	$ **252,269**	$ 164,206
Adjustments for		
Amortization of capital assets	**425,443**	453,404
Amortization of deferred contributions	**(400,933)**	(415,578)
	276,779	202,032
Net change in non-cash operating working capital		
Accounts receivable	**51,708**	(124,959)
Due from Manitoba Health	**243,058**	393,011
Inventory	**51,712**	(40,375)
Goods and Service Tax recoverable	**(3,211)**	(15,394)
Prepaid expenses	**(17,261)**	12,070
Accounts payable and accrued liabilities	**160,870**	25,822
Security deposits	**1,550**	(59)
Vacation, overtime and statutory holiday pay payable	**9,719**	(16,784)
	498,145	233,332
Increase in pre-retirement entitlement	**21,728**	30,251
	519,873	263,583
	796,652	465,615
Cash Flows provided by (used in) Investing and Financing Activities		
Purchase of capital assets	**(299,967)**	(371,439)
Payments on capital lease obligations	**(12,111)**	(11,438)
Receipt of contributions related to capital assets	**277,110**	509,035
Increase (decrease) in accounts payable - capital	**(96,771)**	79,541
	(131,739)	205,699
Increase in cash, during the year	**664,913**	671,314
Cash and bank, beginning of year	**1,659,065**	987,751
Cash and bank, end of year	$ **2,323,978**	$ 1,659,065

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

Nature and Purpose of Organization

Churchill Regional Health Authority 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 Regional Health Authority 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.

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.

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. 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 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 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 Pronouncements

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

Capital disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The RHA is currently assessing the impact of the new standard.

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The RHA is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The RHA is currently assessing the impact of the new standard.

1. Change in Accounting Policy

On April 1, 2007, the RHA retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3865, "Hedges", and Section 1506, "Accounting Changes". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the RHA's consolidated statement of operations.

2. Accounts Receivable

	2008	2007
General operating	**$ 209,593**	$ 214,557
Pharmacy	**2,703**	9,467
Separately funded	**14,463**	44,057
Daycare	**27,343**	21,042
Other	**(16,842)**	(155)
	$ 237,260	$ 288,968

3. Due from Manitoba Health

	2008	2007
Approved capital funding	**$ 7,517**	$ 7,517
Other	**34,067**	30,079
	$ 41,584	$ 37,596

4. Current and Future Employee Benefits Recoverable from Manitoba Health

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.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations and accrued vacation obligations has been capped at the amount owing as at March 31, 2004 being $197,540 and $282,239 respectively and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Churchill Regional Health Authority this outstanding receivable which will be repaid when required. Subsequent to March 31, 2004, the Province has included in its annual funding to the Churchill Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to the Churchill Regional Health Authority Inc.

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 1,145,179**	**$ 701,690**	$ 872,252	$ 666,469
Building service equipment	**4,264,347**	**1,624,333**	4,461,670	1,395,157
Major equipment	**3,139,768**	**2,657,864**	3,718,315	2,930,193
Computer equipment	**696,522**	**521,618**	522,987	482,777
Equipment under capital lease	**121,427**	**121,427**	121,427	121,427
	$ 9,367,243	**$ 5,626,932**	$ 9,696,651	$ 5,596,023
Net book value		**$ 3,740,311**		$ 4,100,628

6. Due to 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. For the year ended March 31, 2008, the RHA recorded $997,500 (2007 - $937,500) 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.

	2008	2007
2005/2006 surplus repayable	**$ -**	$ 750,454
2006/2007 surplus repayable	**937,500**	937,500
2007/2008 surplus repayable	**997,500**	-
	$ 1,935,000	$ 1,687,954

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.

7. Capital Lease Obligations

The following is a schedule of minimum lease payments under capital leases, expiring between May 2008 and November 2011, together with the balance of the obligation under the capital lease.

2009	$ 10,156
2010	8,643
2011	8,643
2012	16,809
	44,251
Less imputed interest at 5.75%	5,241
	39,010
Less amount due within one year included in current liabilities	8,160
	$ 30,850

8. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

		2008		2007
Members of the Health Employees Pension Plan	**$**	**229,204**	$	207,476

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2008. 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 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit / promotion scale.

Funding of the retirement obligation is recoverable from Manitoba Health and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health has been capped at the amount of the liability owing as at March 31, 2004 being $197,540 as discussed in note 4. Subsequent to March 31, 2004, the Province has included in its annual funding to the Churchill Regional Health Authority, 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.

8. 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. 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, 2006 indicates that the Plan is in fully funded. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $253,141 (2007 - $251,066) and are included in the statement of operations.

9. 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.

	2008	2007
Balance, beginning of year	**$ 4,030,144**	$ 3,936,687
Add deferred contributions received in the current year	**277,110**	509,035
Less deferred contribution reduction - disposed capital assets	**(234,841)**	-
Less amount amortized to revenue in the year	**(400,933)**	(415,578)
Balance, end of year	**$ 3,671,480**	$ 4,030,144

10. Net Assets Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2008	2007
Capital assets	**$ 3,740,311**	$ 4,100,628
Deferred contributions related to capital assets	**(3,671,480)**	(4,030,144)
Capital lease obligations	**(39,010)**	(51,122)
	$ 29,821	$ 19,362

11. 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.

	2008	2007
Accumulated deficit - Receiving Home	**$ (204,462)**	$ (130,138)
Accumulated deficit - Churchill Child and Family Services	**(17,008)**	(22,083)
Accumulated surplus - Nunavut Services	**47,989**	35,857
Accumulated surplus - Families 'R' Us, Baby First, and Healthy Baby Programs	**61,560**	8,416
Accumulated surplus - Health Promotion	**2,748**	2,748
	$ (109,173)	$ (105,200)

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, 2008, 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, 2008.

13. Net Asset Transfer

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

	2008	2007
Capital asset additions	**$ (308,267)**	$ (371,439)
Annual funding for capital assets purchases	**277,110**	509,035
Capital lease debt payments	**(12,112)**	(11,437)
	$ (43,269)	$ 126,159

14. Revenue from Manitoba Health

Revenue as per Manitoba Health's final funding document	$ 10,457,952	
Deduct:		
Capital interest	(72,624)	
Total funding approved by Manitoba Health	10,385,328	
Deduct:		
Amounts recorded as deferred contributions	$ (250,080)	$ 10,135,248

Revenue from Manitoba Health - Statement of Operations

Hospital	$ 7,015,896	
Diagnostic Services	714,768	
Dental Clinic	137,760	
Community Services	1,031,315	
Northern Patient Transportation Program	1,008,672	
Land Ambulance	234,528	
Home Care	115,656	
Less - other sources of income	$ (123,347)	$ 10,135,248

Churchill Regional Health Authority Inc.
Schedule of Ancillary Income

For the year ended March 31,		2008		2007
Children's Centre, net (gross $261,655, 2007 - $265,216)	$	**(2,542)**	$	11,350
Retail pharmacy, net (gross $500,398, 2007 - $597,455)		**68,732**		80,060
Gift shop and vending machine, net (gross $49,271, 2007 - $38,672)		**4,487**		302
Donations, net (gross $-, 2007 - $2,000)		**-**		843
Non-Manitoba Health funded specialists		**6,736**		4,773
	$	**77,413**	$	97,328

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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

Winnipeg, Manitoba
May 27, 2008

***BDO Dunwoody** LLP is a Limited Liability Partnership registered in Ontario*
***BDO Dunwoody s.r.l.** est une société à responsabilité limitée constituée en Ontario*

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and term deposits	**$ 4,445,500**	$ 4,861,818
Accounts receivable	**1,218,437**	1,453,709
Due from Manitoba Health (Note 3)	**2,261,548**	1,346,816
Inventories	**741,247**	809,372
Prepaid expense	**606,251**	735,401
Vacation entitlements receivable (Note 4)	**3,688,400**	3,688,400
	12,961,383	12,895,516
Retirement obligations receivable (Note 12)	**4,183,222**	4,183,222
Other assets	**110,637**	123,928
Capital assets (Note 5)	**44,546,225**	46,181,128
	$ 61,801,467	$ 63,383,794

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 Financial Position

March 31		2008		2007
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**6,605,002**	$	5,821,435
Accrued vacation entitlements (Note 4)		**4,570,645**		4,426,132
Current portion of long-term debt (Note 7)		**50,338**		47,529
		11,225,985		10,295,096
Accrued retirement obligations (Note 12)		**5,475,722**		5,462,445
Due to Betel Home Foundation (Note 13)		**58,600**		117,200
Long-term debt (Note 7)		**534,432**		585,077
Deferred Contributions (Note 8)				
Expenses of future periods		**1,463,312**		1,575,237
Capital assets		**40,840,993**		42,360,995
		42,304,305		43,936,232
Commitments and contingencies (Note 11)				
Net Assets				
Investment in capital assets (Note 9)		**3,120,462**		3,187,527
Externally restricted (Note 15)		**726,442**		741,445
Internally restricted (Note 15)		**208,145**		206,953
Unrestricted - RHA		**(2,214,129)**		(1,175,756)
Unrestricted - Contract Facilities		**361,503**		27,575
		2,202,423		2,987,744
	$	**61,801,467**	$	63,383,794

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	2008	2007
Revenue		
Province of Manitoba		
Health (Note 10)	**$ 90,175,829**	$ 83,733,578
Client Non-Insured	**5,630,591**	5,346,212
Interest	**214,113**	286,767
Offset and other income	**2,433,938**	2,691,197
Ancillary income	**185,597**	186,931
Amortization of deferred contributions	**2,800,280**	2,612,418
	101,440,348	94,857,103
Expenditures		
Acute care services	**26,726,049**	25,607,922
Amortization of capital assets	**2,838,955**	2,651,172
Ancillary operations operating expenditures	**126,541**	114,630
Chemotherapy	**245,507**	232,781
Community health	**8,951,021**	8,215,402
Home based care	**11,200,219**	10,739,888
Diagnostic services	**6,595,879**	5,966,201
Dialysis	**1,047,341**	814,565
Emergency response and transport	**6,262,000**	5,214,995
Long-term care services	**22,623,922**	21,387,262
Mental health services	**4,313,833**	4,069,404
Medical remuneration	**7,452,201**	6,944,607
Nurse recruitment and retention	**49,371**	60,599
Regional undistributed expenditures	**3,497,784**	2,971,384
Safety and renovations	**226,761**	317,806
	102,157,384	95,308,618
Deficiency of revenue over expenditures before other item	**(717,036)**	(451,515)
Other Item		
Retirement obligation funding 2005/2006 (Note 10)	**-**	96,905
Deficiency of revenue over expenditures for the year	**$ (717,036)**	$ (354,610)
Allocated as follows:		
Regional services	**$ (1,055,515)**	$ (416,859)
Contracted services	**338,479**	62,249
	$ (717,036)	$ (354,610)

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						**2008**	2007
	Investment in Capital Assets (Note 9)	**Externally Restricted (Note 15)**	**Internally Restricted (Note 15)**	**Unrestricted - RHA**	**Unrestricted - Contract Facilities**	**Total**	Total
Balance, beginning of year	**$ 3,187,527**	**$ 741,445**	**$ 206,953**	**$ (1,175,756)**	**$ 27,575**	**$ 2,987,744**	$ 3,306,809
Reallocation of interest earned on donation and externally restricted funds	**-**	**31,282**	**39,192**	**(70,474)**	**-**	**-**	-
Change in externally restricted net assets	**-**	**(30,285)**	**(38,000)**	**-**	**-**	**(68,285)**	(4,000)
Funding Adjustment	**-**	**-**	**-**	**-**	**-**	**-**	39,545
Excess (deficiency) of revenue over expenditures for the year	**(38,675)**	**-**	**-**	**(1,016,840)**	**338,479**	**(717,036)**	(354,610)
Net changes in investment in capital assets	**(28,390)**	**(16,000)**	**-**	**48,941**	**(4,551)**	**-**	-
Balance, end of year	**$ 3,120,462**	**$ 726,442**	**$ 208,145**	**$ (2,214,129)**	**$ 361,503**	**$ 2,202,423**	$ 2,987,744

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	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (717,036)**	$ (354,610)
Adjustments for		
Amortization of capital assets	**2,838,955**	2,651,172
Amortization of deferred contributions related to capital assets	**(2,800,280)**	(2,612,418)
Prior year funding adjustment	**-**	39,545
Deferred contributions - expenses of future periods		
Receipts	**1,510,736**	1,702,861
Expenditures	**(1,622,661)**	(1,627,303)
	(790,286)	(200,753)
Changes in non-cash working capital		
Accounts receivable	**235,272**	(9,143)
Due from (to) Manitoba Health	**(914,732)**	(1,680,934)
Inventories	**68,125**	41,120
Prepaid expense	**129,150**	(154,347)
Accounts payable and accrued liabilities	**783,567**	374,176
Accrued vacation entitlements	**144,513**	(50,614)
	445,895	(1,479,742)
Accrued retirement obligations	**13,277**	503,558
	(331,114)	(1,176,937)
Cash Flows from Investing Activities		
Purchase of capital assets	**(2,548,084)**	(2,314,962)
Other assets	**13,291**	(84,580)
	(2,534,793)	(2,399,542)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(47,836)**	(109,681)
Repayment of funds to Foundations	**(58,600)**	(58,600)
Receipt of deferred contributions related to capital assets	**2,624,310**	1,761,902
Payout of externally restricted net assets	**(68,285)**	(4,000)
	2,449,589	1,589,621
Net decrease in cash and term deposits	**(416,318)**	(1,986,858)
Cash and term deposits, beginning of year	**4,861,818**	6,848,676
Cash and term deposits, end of year	**$ 4,445,500**	$ 4,861,818
Supplementary Information		
Interest paid during the year	**$ 28,394**	$ 22,794

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. 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, 2008.

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 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 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 surpluses related to Out of Globe funding arrangements are 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.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2008

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 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.

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 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.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2008

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.

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. Unless otherwise noted, it is management's opinion that the Authority 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 Authority classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Authority's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments (guaranteed investment certificates). They are carried in the consolidated statement of financial position 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.

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 the Province of Manitoba, vacation entitlements receivable 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 accruals. 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.

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:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Authority is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Authority is currently assessing the impact of the new standard.

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-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

On April 1, 2007, the Authority retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Authority's consolidated statement of operations.

3. Due from (to) Manitoba Health

	2008	2007
Selkirk Surgical Program waitlist	**$ 668,500**	$ 668,500
07/08 CUPE wage standardization	**439,600**	-
07/08 MNU wage standardization	**280,500**	-
07/08 IUOE wage standardization	**162,016**	-
Other wage standardization	**100,000**	-
Interfacility ambulance transfers	**238,520**	167,989
Safety & Security	**122,834**	97,527
Hep B Immunization program	**84,153**	114,201
Eriksdale Ultrasound funding	**33,360**	-
Percey E. Moore related costs	**31,483**	-
Laptop encryption software	**10,000**	-
Spiritual care program	**5,750**	-
Out of Globe 2003/04	**-**	(392,644)
Out of Globe 2004/05	**-**	32,971
Out of Globe 2005/06	**-**	(235,755)
Out of Globe 2006/07	**264,330**	359,362
Out of Globe 2007/08	**(431,440)**	-
07/08 MGEU P/T market supplement	**251,942**	-
05/06 MGEU CS market supplement	**-**	49,558
06/07 MGEU CS market supplement	**-**	118,102
05/06 MGEU EMS market supplement	**-**	71,667
06/07 MGEU EMS market supplement	**-**	71,667
Supportive Housing - St. Laurent	**-**	26,425
Board orientation and education	**-**	3,196
Physician stabilization initiative	**-**	194,050
	$ 2,261,548	$ 1,346,816

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 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 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 Manitoba Health is as follows:

	2008	2007
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:

	2008	2007
Balance, beginning of year	**$ 4,426,132**	$ 4,476,744
Net increase (decrease) in accrued vacation entitlements	**144,513**	(50,612)
Balance, end of year	**$ 4,570,645**	$ 4,426,132

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 180,667**	**$ -**	$ 178,367	$ -
Land improvements	**370,102**	**370,102**	370,102	370,102
Buildings	**61,307,458**	**26,393,872**	59,992,079	24,967,240
Ambulances	**183,621**	**183,621**	183,621	183,621
Equipment	**17,440,853**	**11,473,490**	19,074,658	11,673,265
Equipment - computers	**1,884,823**	**1,211,997**	1,626,363	976,449
Construction in progress	**2,811,783**	-	2,926,615	-
	$ 84,179,307	**$ 39,633,082**	$ 84,351,805	$ 38,170,677
Cost less accumulated amortization		**$ 44,546,225**		$ 46,181,128

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 less 0.75% and is supported by an authorization letter from Manitoba Health.

7. Long-term Debt

	2008	2007
CMHC mortgage payable, bearing interest at 4.63% per annum, due September 1, 2017 and requiring monthly principal and interest payments of $6,338, secured by a first charge on land and building (Stonewood Place)	**$ 584,770**	$ 632,606
Current portion of long-term debt	**50,338**	47,529
	$ 534,432	$ 585,077

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

2009	$ 50,338
2010	52,634
2011	55,099
2012	57,641
2013	60,547
Thereafter	308,511
	$ 584,770

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.

	2008	2007
Balance, beginning of year	**$ 1,575,237**	$ 1,499,679
Additional amounts received during year	**1,461,568**	1,653,693
Funding for reserve for major repairs	**49,168**	49,168
Less 2007/2008 expenditures	**(1,622,661)**	(1,627,303)
Balance, end of year	**$ 1,463,312**	$ 1,575,237

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.

	2008	2007
Balance, beginning of year	**$ 42,360,995**	$ 43,211,511
Additional contributions received, net	**2,624,310**	1,761,902
Less amounts transferred to DSM	**(1,344,032)**	-
Less amounts amortized to revenue	**(2,800,280)**	(2,612,418)
Balance, end of year	**$ 40,840,993**	$ 42,360,995

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 44,546,225**	$ 46,181,128
Amounts financed by		
Deferred contributions	**40,840,993**	42,360,995
Long-term debt	**584,770**	632,606
	$ 3,120,462	$ 3,187,527

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

	2008	2007
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,800,280**	$ 2,612,418
Amortization of capital assets	**(2,838,955)**	(2,651,172)
	$ (38,675)	$ (38,754)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 2,548,084**	$ 2,314,962
Amounts funded by		
Manitoba Health funding	**(2,441,963)**	(1,649,838)
Donations	**(182,347)**	(112,064)
Repayment of long-term debt	**47,836**	109,681
	$ (28,390)	$ 662,741

10. Revenue from Manitoba Health

		2008	2007
Revenue from Manitoba Health			
Revenue as per Manitoba Health's final funding document		**$ 86,917,186**	$ 81,189,535
Debt interest allocation		**(257,772)**	(436,181)
Equipment allocation		**(398,332)**	(398,328)
Funds for loans held by the Province of Manitoba		**(362,834)**	(686,376)
Reserve for major repairs funding		**(26,965)**	(26,976)
		85,871,283	79,641,674
Add:	Selkirk Surgical Expansion	**668,500**	668,500
	CUPE wage standardization	**601,616**	94,477
	MNU wage standardization	**280,500**	-
	Other wage standardization	**100,000**	-
	MGEU Community support wage standardization	**-**	167,660
	Interfacility ambulance transfers	**783,555**	233,478
	Safety and renovations	**226,761**	317,806
	Influenza and Hep B	**156,593**	186,641
	Percy E. Moore related cost reimbursement	**31,483**	-
	Spiritual care	**5,750**	-
	Out-of-globe items and adjustments	**(526,124)**	667,474
	MGEU P/T Market supplement	**251,942**	143,334
	Children's therapy initiative	**60,426**	21,504
	Speech wait list initiative	**8,333**	41,667
	Long-term care strategy	**23,166**	26,425
	Healthy Child Programs	**924,267**	858,872
	Nurse recruitment and retention	**49,371**	60,598
	Early years research program	**90,875**	75,300
	Mobile ultrasound funding	**33,360**	-
	Chronic disease prevention	**71,375**	39,433
	Mental health wait list	**167,300**	83,650
	St. Paul EMS station	**42,000**	-
	Louis Riel Day funding	**169,899**	-
	Provincial Data Network	**46,616**	122,682
	Cardiac Care	**36,523**	7,962
	Risk Factor Complication Assessments	**459**	13,605
	Physician stabilization initiative	**-**	194,050
	ER Physician - Hard to fill Shift Initiative	**-**	23,400
	Retirement obligation funding 2005/2006	**-**	96,905
	French Language Services	**-**	43,386
Total Revenue from Manitoba Health		**$ 90,175,829**	$ 83,830,483
Represented as:			
Operating revenue		**$ 90,175,829**	$ 83,733,578
Other item - Retirement obligation funding 2005/2006		**-**	96,905
		$ 90,175,829	$ 83,830,483

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, 2008, 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, 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, 2008.

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, 2008. The RHA'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 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3.0% in 2007) plus an age related merit/promotion scale.

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.

12. Employee Future Benefits (continued)

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

	2008	2007
Balance, beginning of year	**$ 5,462,445**	$ 4,958,887
Net increase in pre-retirement entitlements	**13,277**	503,558
Balance, end of year	**$ 5,475,722**	$ 5,462,445

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.

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 salary under $44,900 and 8.4% of salary over $44,900 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 Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,935,370 (2007 - $2,731,554) 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.

13. Due to Betel Home Foundation

The amount payable to Betel Home Foundation - Pathfinders' Benevolent Fund by the contract facilities is non-interest bearing with no specified terms of repayments.

14. 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.

15. Net Assets - Internal Restrictions and External Restrictions

Internal Restrictions

The Board of Directors has internally restricted $39,192 (2007 - $32,222) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $208,145 (2007 - $206,953). These are Board restricted to community based health promotion projects and recruitment initiatives.

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Interlake Regional Health 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.

16. Comparative Figures

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

KENDALL WALL PANDYA

Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957
118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

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, 2008 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, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya

Flin Flon, MB
June 18, 2008

Chartered Accountants

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2008

ASSETS

	Notes	2008	2007
CURRENT ASSETS			
Accounts receivable	2a	$ 1,453,395	$ 1,394,053
Due from Manitoba Health	2b	4,655,662	4,982,851
Inventories		394,674	426,684
Prepaid expenses		350,587	136,474
		6,854,318	6,940,062
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	32,799,670	29,347,068
		$42,308,360	$38,941,502

LIABILITIES

	Notes	2008	2007
CURRENT LIABILITIES			
Bank indebtedness		$ 3,898,381	$ 3,030,221
Accounts payable		3,629,444	3,810,750
Accrued vacation benefit entitlements		3,556,400	3,282,202
Current portion of capital lease		45,277	42,757
Current portion of long-term debt		177,429	-
		11,306,931	10,165,93
LONG-TERM DEBT	10	2,933,513	-
CAPITAL LEASE	12	199,607	244,884
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	3,894,222	3,672,336
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		1,044,307	964,002
Capital assets		28,033,426	28,075,714
NET ASSETS			
Invested in capital assets	4	1,410,417	983,713
Restricted	f	3,591	871
Unrestricted		(6,517,654)	(5,165,948)
		$42,308,360	$38,941,502

COMMITMENTS (Note 11)

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Manitoba Health - Note 7	$66,378,456	$58,307,900
Non-insured income	5,805,451	5,455,168
Other income	4,033,313	3,640,419
Amortization of deferred contributions	3,247,229	3,765,889
Ancillary revenue	1,269,019	1,333,529
	80,733,468	72,502,905
EXPENSES		
Acute care	33,308,341	30,398,924
Long-term care	9,103,655	8,178,432
Medical remuneration	12,075,304	9,881,057
Community based therapy	-	180,465
Community services co-ordination	737,191	600,114
Community based mental health	1,221,892	1,190,995
Community based home care	4,493,238	4,416,349
Community based health	3,538,896	3,412,021
Land ambulance	2,517,290	2,024,128
Unallocated Regional health authority costs	3,558,597	3,331,219
Amortization of capital assets	3,232,943	3,891,234
Interest on capital lease	15,397	2,801
Northern Patient Transportation	5,137,010	4,844,250
Pre - retirement	587,258	605,305
Rosaire House Addictions Centre	706,656	657,560
Ancillary expenses	1,422,082	1,165,384
	81,655,750	74,780,238
DEFICIENCY OF REVENUE OVER EXPENSES	$(922,282)	$ (2,277,333)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	Investment in Capital Assets	Restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	$ 983,713	$ 871	$(5,165,948)	$(4,181,364)	$(1,904,031)
(Deficit) from operations	426,704	2,720	(1,351,706)	(922,282)	(2,277,333)
Balance, end of year	$1,410,417	$ 3,591	$(6,517,654)	$(5,103,646)	$(4,181,364)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2008

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve for Major repairs and improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	115,651	$139,807	708,544	964,002	28,075,714
Contributions	8,152	-	-	8,152	3,785,857
Transfer of funds from donations for capital assets	-	(109,897)	-	(109,897)	109,897
Donations	-	91,413	-	91,413	-
Amortization - capital	-	-	-	-	(3,938,042)
Grants	-	-	90,637	90,637	-
Balance, End of year	$ 123,803	$121,323	$799,181	$1,044,307	$28,033,426

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$(922,282)	$(2,277,333)
Items not affecting cash		
Amortization of capital assets	3,232,943	3,891,234
Amortization of deferred contributions	(3,247,229)	(3,765,889)
Change in non-cash working capital	178,637	2,602,415
Change in pre-retirement liability	221,886	210,618
	(536,045)	661,045
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(1,703,616)	(893,030)
Construction in progress expenditures	(2,604,557)	(2,568,773)
Receipt of contributions relating to capital assets	3,895,754	3,464,607
Receipt of contributions relating to expenses of future periods	80,304	(67,019)
	(332,115)	(64,215)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(868,160)	596,830
CASH (BANK INDEBTEDNESS), beginning of year	(3,030,221)	(3,627,051)
CASH (BANK INDEBTEDNESS), end of year	$(3,898,381)	$(3,030,221)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2008

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 some 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.

(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) 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.

(h) NEW ACCOUNTING POLICIES

Effective April 1, 2007 the Health Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Health Authority has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur.

(h) NEW ACCOUNTING, POLICIES (continued)

The adoption of this revised standard had no material impact on the Health Authoritys financial statements for the year ended March 31, 2008.

Section 3855, Financial Instruments - Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recognized at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Health Authority is required to designate its financial instruments 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 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, 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.

Accounts payable and accrued vacation benefits are classified as other financial liabilities. These financial liabilities are recorded at at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Health Authoritys financial statements for the year ended March 31, 2008.

(i) FINANCIAL INSTRUMENTS

The Health Authoritys financial instruments consist of cash, accounts receivable, due from the Province of Manitoba - vacation benefits and post employment benefits, accounts payable and accrued vacation benefits.

(i) FINANCIAL INSTRUMENTS (continued)

The fair value of cash, accounts receivable, due from the Province of Manitoba - vacation pay, accounts payable and accrued vacation benefits approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba - post employment receivable approximates its fair value, as the annual interest accretion is funded.

Unless otherwise noted, it is managements opinion that the Health Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

(j) FUTURE ACCOUNTING POLICY CHANGES

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to the Health Authority, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Health Authoritys objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures 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, 2008

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**

		2008	2007
(a)	**Accounts Receivable**		
	Ambulance	$ 823,279	$ 831,498
	Residents	408,135	419,933
	Employees computer loans	78,505	89,305
	Government of Canada	182,519	78,456
	Other government agencies	-	53,848
	Sundry	27,453	1,646
		1,519,891	1,474,686
	Less allowance for doubtful accounts	(66,496)	(80,633)
		$1,453,395	$1,394,053
(b)	**Due from Manitoba Health**		
	Out of Globe - 2006	$ -	$2,399,347
	Out of Globe - 2007	2,371,725	2.005,033
	Out of Globe - 2008	1,610,555	—
	Recovery from Saskatchewan		
	payable to Manitoba - 2005	(891,946)	(891,946)
	payable to Manitoba - 2007	(1,500,000)	(1,500,000)
	Ancillary Programs	225,394	69,753
	Approved capital funding	-	60,730
	Vacation benefit entitlements	2,839,934	2,839,934
		$4,655,662	$4,982,851
(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**

(d) **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.

3. DEFERRED CONTRIBUTIONS (continued)

(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:

	2008	2007
Capital assets	$ 32,799,670	$ 29,347,068
Amounts financed by:		
Deferred contributions	(28,033,426)	(28,075,714)
Long-term debt	(3,355,827)	(287,641)
	$ 1,410,417	$ 983,713

5. CAPITAL ASSETS

2007	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 279,715	$ 319,345
Buildings	39,434,133	17,212,192	22,221,941
Computer equipment	1,685,229	1,200,510	484,719
Equipment	7,551,996	3,683,346	3,868,650
Construction in Progress	2,452,413	0	2,452,413
	$51,722,831	$22,375,763	$29,347,068

2008	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 286,342	$ 312,718
Buildings	43,739,977	19,706,135	24,033,842
Computer equipment	1,620,226	1,268,767	351,459
Equipment	5,083,700	2,508,015	2,575,685
Construction in Progress	2,604,557	0	2,604,557
Energy Retro Fit Guarantee	2,921,409	0	2,921,409
	$56,568,929	$23,769,259	$32,799,670

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2008	2007
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$3,894,222	$3,672,336

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 12, 2008 of the accrued retirement entitlements as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.50% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) 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 from Manitoba Health:		
Revenue per Manitoba Health's March 15/08 funding document		$64,884,106
Other Manitoba Health Revenue - One Time		
Various	3,866,535	
Amounts Received March 31/08	228,262	4,094,797
Add: Accruals approved by Manitoba Health:		
MNU Negotiated settlement	195,210	
MB AR - Third Party debt reconciliation	29,147	
2007-2008 Immunization Funding	57,771	
ICT Small projects commitment MB Health	9,599	
2006-2007 SEIU Wage Standardization	364,749	
Medical Remuneration Receivable	787,214	
2007-2008 SEIU Wage Standardization	261,749	
2007-2008 MAHCP Wage Standardization	128,587	
2007-2008 TPCH Capital Operating ER/SCU	133,648	1,967,674

7. REVENUE FROM MANITOBA HEALTH (continued)

Deduct: Amounts received for prior year MB Health Accounts Receivable		
Medical Remuneration (2005-2006)	(2,348,685)	
MAHCP Market Adjustments (2005-2006)	(50,662)	
Debt Servicing	1,149	
Immunization Funding (2006-2007)	(52,485)	
Retinal Screening Program (2006-2007)	(17,267)	(2,467,950)
Capital: Recognized as Deferred Contributions		
Basic Equipment	(227,569)	
Principal - Acute	(599,042)	
Principal - LTC	(248,105)	
Reserve - LTC	(8,153)	
Interest - Acute	(347,720)	(1,430,589)
Capital: Projects (Cash Reimbursement)		
2006-2007 Specialized Equipment	(78,953)	
Sundry 2008 projects	(157,065)	(236,018)
Other Revenue		
IFT Billings	(237,685)	
Board Expenses	(2,307)	
Payment for invoices recorded via FF AR	(5,340)	
Med2020 Invoice	(30,768)	
Retinal Screening	(17,267)	
Risk Factor	(50,000)	
TP Kitchen Counter Replacement	(24,482)	
Other	(65,715)	(433,564)
Revenue from Manitoba Health		66,378,446

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.

8. 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, 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 $1,903,307 (2007 - $1,819,454) 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 $17,266 (2007 - $17,201).

10. ENERGY RETROFIT/MANUFACTURER'S LIFE INSURANCE COMPANY LOAN

During the 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:

2009	$271,200
2010	$271,200
2011	$211,200
2012	$211,200
2013	$211,200

Aggregate future minimum operating lease payments total $2,654,400.

(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 $3,553,987 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:

2009	$427,371
2010	$418,560
2011	$418,560
2012	$373,549
2013	$272,880

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:

2009	$ 45,277
2010	$ 47,946
2011	$ 50,771
2012	$ 53,764
2013	$ 47,126

Aggregate future capital lease payments total $281,068 including $36,184 of imputed expenses.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2008 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

Winnipeg, Manitoba
May 23, 2008

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and bank	**$ 3,815,849**	$ 2,518,019
Accounts receivable (Note 3)	**689,707**	781,248
Due from Manitoba Health (Note 4)	**162,627**	654,123
Inventories	**615,265**	509,098
Prepaid expense	**138,849**	118,560
Employee benefits recoverable (Note 5)	**1,796,024**	1,796,024
	7,218,321	6,377,072
Retirement obligations recoverable (Note 5)	**1,729,643**	1,729,643
Capital assets (Note 6)	**30,505,325**	31,445,871
	$ 39,453,289	$ 39,552,586
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 2,355,037**	$ 2,169,123
Employee benefits payable (Note 5)	**2,583,206**	2,527,641
Current portion of long-term debt (Note 7)	**89,019**	78,353
	5,027,262	4,775,117
Accrued retirement obligations (Notes 5 and 14)	**2,418,342**	2,208,395
Long-term debt (Note 7)	**1,193,758**	1,252,442
Deferred Contributions		
Expenses of future periods (Note 8a)	**1,428,011**	1,333,252
Capital assets (Note 8b)	**28,425,242**	29,330,414
	33,465,353	34,124,503
	38,492,615	38,899,620
Commitments and contingencies (Note 12)		
Net Assets		
Investment in capital assets (Note 9)	**1,183,918**	1,205,032
Externally restricted (Note 10)	**245,963**	270,962
Unrestricted - RHA	**(469,207)**	(823,028)
	960,674	652,966
	$ 39,453,289	$ 39,552,586

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.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Manitoba Health income (Note 11)	**$ 44,064,541**	$ 40,503,208
Non-Insured income	**2,826,837**	2,714,002
Offset and other income	**2,478,194**	2,364,977
Amortization of deferred contributions	**1,499,647**	1,573,513
Ancillary income	**306,429**	329,165
	51,175,648	47,484,865
Expenditures		
Acute care services	**11,396,064**	10,538,538
Amortization of capital assets	**1,508,416**	1,588,461
Ancillary operations operating expenditures	**285,115**	315,207
Ancillary operations amortization	**63,425**	63,425
Community based home care	**5,516,701**	5,195,605
Dialysis	**371,058**	287,818
Health promotion/prevention and primary care	**6,444,771**	5,814,962
Interest on long-term debt	**39,213**	40,135
Lab and imaging services	**2,515,190**	2,289,686
Land ambulance program	**2,677,388**	2,450,965
Long-term care services	**14,470,010**	13,812,582
Medical remuneration	**2,701,611**	2,589,331
Northern patient transportation program	**152,774**	165,374
Regional health authority	**2,665,414**	2,614,708
	50,807,150	47,766,797
Excess (deficiency) of revenue over expenditures before other items	**368,498**	(281,932)
Other Items		
One time Pre-retirement settlement (Note 11)	**-**	531,767
Excess of revenue over expenditures for the year	**$ 368,498**	$ 249,835

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

For the year ended March 31				**2008**	2007
	Investment in Capital Assets (Note 9)	**Externally Restricted** (Note 10)	**Unrestricted RHA**	**Total**	Total
Balance, beginning of year	**$ 1,205,032**	**$ 270,962**	**$ (823,028)**	**$ 652,966**	$ 403,659
Transfers from (to) unrestricted net assets	**53,106**	**-**	**(53,106)**	**-**	-
Sale of building	**(58,300)**	**-**	**-**	**(58,300)**	**-**
Purchase of equipment from other funds	**56,274**	**(24,999)**	**(33,765)**	**(2,490)**	(528)
Excess (deficiency) of revenue over expenditures for the year	**(72,194)**	**-**	**440,692**	**368,498**	249,835
Balance, end of year	**$ 1,183,918**	**$ 245,963**	**$ (469,207)**	**$ 960,674**	$ 652,966

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	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 368,498**	$ 249,835
Adjustments for		
Amortization of capital assets	**1,571,841**	1,651,886
Amortization of deferred contributions related to capital assets	**(1,499,647)**	(1,573,513)
Net change in employee benefits	**265,512**	822,271
	706,204	1,150,479
Changes in non-cash working capital		
Accounts receivable	**91,541**	(193,900)
Due from/to Manitoba Health	**491,496**	(261,129)
Inventories	**(106,167)**	(41,704)
Prepaid expense	**(20,289)**	(61,008)
Accounts payable and accrued liabilities	**185,914**	(236,446)
	1,348,699	356,292
Cash Flows from Investing Activities		
Purchase of capital assets	**(1,139,438)**	(2,278,498)
Cash Flows from Financing Activities		
Advances on long-term debt	**35,000**	-
Repayment of long-term debt	**(83,018)**	(75,192)
Increase in deferred contributions related to expenses of future periods, net	**163,144**	186,244
Receipt of deferred contributions related to capital assets	**973,443**	2,304,971
	1,088,569	2,416,023
Net increase in cash	**1,297,830**	493,817
Cash, beginning of year	**2,518,019**	2,024,202
Cash, end of year	**$ 3,815,849**	$ 2,518,019

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

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, 2008.

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.

Endowment contributions are recognized as direct increases in endowment net 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, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

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 Association, or repaid to Manitoba Health.

Revenue Recognition (continued)

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.

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.

Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

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. Assets acquired under capital leases 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 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
(continued)

Construction in progress is recorded at cost. When the specific projects are completed, all capitalized costs are transferred to capital assets.

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%
Vehicles	8% - 15%
Software and licenses	20%

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. Unless otherwise noted, it is management's opinion that the Association 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 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 short-term investments (guaranteed investment certificates). They are carried in the statement of financial position 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.

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 the Province of Manitoba, vacation entitlements receivable 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 accruals. 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.

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.

Retirement Entitlement Obligations

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

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:

i) have ten years service and have reached the age 55;
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.

New Accounting Pronouncements

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

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Association is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories - The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Association is currently assessing the impact of the new standard.

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.

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

The 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
Springfield Handivan
Stony Plains Terrace
Sunnywood Manor PCH
Whitemouth District Ambulance
Whitemouth District Health Centre
Whitemouth Handivan
Winnipeg River Handivan

2. Change in Accounting Policy

On April 1, 2007, the Association retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Association's statement of operations.

March 31, 2008

3. Accounts Receivable

	2008	2007
Ambulance	**$ 216,877**	$ 263,944
Canada Revenue Agency - GST Rebate	**210,378**	277,894
Other	**181,538**	159,643
Clients	**75,325**	71,806
Receivable from foundations	**5,589**	7,961
	$ 689,707	$ 781,248

4. Due (to) from Manitoba Health

	2008	2007
In-Globe funding	**$ 1,046,079**	$ 474,459
Approved capital funding	**123,296**	203,632
Out-of-Globe funding	**(317,476)**	(23,968)
MSSP Payroll and PCH drug program	**(689,272)**	-
	$ 162,627	$ 654,123

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:

	2008	2007
Balance, beginning of year	**$ 2,527,641**	$ 2,347,380
Net changes in employee benefits	**55,565**	180,261
Balance, end of year	**$ 2,583,206**	$ 2,527,641

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

Balance, beginning of year	**$ 2,208,395**	$ 1,566,385
Net changes in retirement obligations	**209,947**	642,010
Balance, end of year	**$ 2,418,342**	$ 2,208,395

6. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 333,034**	**$ -**	$ 333,034	$ -
Land improvements	**463,273**	**336,778**	369,814	322,863
Buildings	**42,870,682**	**14,913,894**	42,877,322	13,813,423
Leasehold improvements	**14,399**	**8,411**	14,399	7,691
Building service equipment	**233,794**	**122,320**	233,794	106,062
Equipment	**8,824,138**	**6,922,650**	9,478,299	7,682,526
Vehicles	**939,049**	**868,991**	917,425	845,651
Software and licenses	**51,395**	**51,395**	51,395	51,395
	$ 53,729,764	**$ 23,224,439**	$ 54,275,482	$ 22,829,611
Cost less accumulated amortization		**$ 30,505,325**		$ 31,445,871

7. Long-term Debt

	2008	2007
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 $7,587	**$ 840,939**	$ 894,044
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	**411,505**	436,751
Loan payable, bearing interest at a rate of 0% per annum, due August 6, 2012 and requiring monthly principal and interest payments of $583.	**30,333**	-
	1,282,777	1,330,795
Current portion of long-term debt	**89,019**	78,353
	$ 1,193,758	$ 1,252,442

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

2009	$ 89,019
2010	92,476
2011	96,209
2012	100,015
2013	99,585
Thereafter	805,473
	$ 1,282,777

8. Deferred Contributions

a) 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.

	2008	2007
Balance, beginning of year	**$ 1,333,252**	$ 1,191,439
Amounts received related to future periods	**1,156,020**	934,587
Amounts amortized to revenue	**(992,876)**	(748,343)
Funding amounts transferred to capital assets	**(68,385)**	(44,431)
Balance, end of year	**$ 1,428,011**	$ 1,333,252

b) 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.

	2008	2007
Balance, beginning of the year	**$ 29,330,414**	$ 28,555,322
Increase from Pinawa Construction	**157,271**	1,716,296
Additional contributions received/receivable	**819,318**	587,878
Amounts transferred from expenses of future periods	**68,385**	44,431
Amounts amortized to revenue in the year	**(1,499,647)**	(1,573,513)
Transfer of capital assets to Diagnostic Services Manitoba	**(450,499)**	-
Balance, end of the year	**$ 28,425,242**	$ 29,330,414
Comprised of:		
Unspent	**$ 436,133**	$ 420,370
Spent	**27,989,109**	28,910,044
Balance, end of the year	**$ 28,425,242**	$ 29,330,414

9. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 30,505,325**	$ 31,445,871
Amounts financed by		
Deferred contributions	**(27,989,109)**	(28,910,044)
Mortgages payable	**(1,282,777)**	(1,330,795)
Due to/(from) operating account	**(49,521)**	-
	$ 1,183,918	$ 1,205,032

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

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 1,499,647**	$ 1,573,513
Amortization of capital assets	**(1,571,841)**	(1,651,886)
	$ (72,194)	$ (78,373)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 1,139,438**	$ 2,278,498
Amounts funded by		
Deferred contributions	**(777,664)**	(637,956)
Due to operating account	**(79,844)**	-
Deferred contributions - Pinawa construction	**(157,271)**	(1,596,111)
Transfers		
Deferred contributions - expenses of future periods (net)	**(68,385)**	(44,431)
- unrestricted net assets	**53,106**	50,930
Sale of building	**(58,300)**	-
	$ 51,080	$ 50,930
Total change in net assets invested in capital assets	**$ (21,114)**	$ (27,443)

10. Net Assets - External Restrictions

The 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.

11. Manitoba Health Income

		2008	2007
Revenue as per Manitoba Health's final funding document		**$ 42,316,416**	$ 41,711,296
Add:	Public Health Programs	**543,671**	511,621
	Nurse recruitment and retention	**40,284**	20,819
	Other	**6,151**	5,972
	MSSP payroll	**1,514,462**	-
	PCH Drug program	**210,463**	-
Deduct:	Amounts related to prior year	**(430,312)**	(397,193)
	One time Pre-retirement funding	**-**	(531,767)
Total Funding Approved by Manitoba Health		**44,201,135**	41,320,748
Add:	Salary funding receivable - MGEU & MNU	**641,169**	302,143
	Immunization programs	**44,809**	55,154
	Wait list funding	**410**	-
	Out-of-globe - capital	**114,966**	203,632
	Other	**11,759**	12,310
	Long-term care strategy	**-**	26,614
	Interfacility transfer	**122,493**	57,553
Deduct:	Amounts recorded as deferred contributions	**(753,690)**	(1,474,946)
	Medical remuneration	**(317,476)**	-
	Out-of-globe - Interest	**(1,034)**	-
Revenue from Manitoba Health before other items		**44,064,541**	40,503,208
One time Pre-retirement settlement		**-**	531,767
		$ 44,064,541	$ 41,034,975

12. 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, 2008, 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, 2008.

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

2009	$	180,930
2010		180,930
2011		180,930
2012		180,930
2013		180,930

13. 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.

13. Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% (6.6% in 2007) of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% (8.2% in 2007) 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, 2006, indicates the plan is fully funded.

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 $1,501,034 ($1,342,824 in 2007) 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.

14. Accrued Retirement Obligations

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3% in 2007) plus an age related merit/promotion scale with no provision for disability.

15. Diagnostic Services of Manitoba

During the year the progress towards the transfer of diagnositic services to Diagnostic Services of Manitoba began. The Association transferred the net book value of $450,499 of assets to Diagnostic Services of Manitoba on October 31, 2007. In the future, employees of the Association will be transfered to Diagnostic Services of Manitoba.

16. Comparative Figures

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

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

Management is responsible 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. 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, 2008 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, 2008 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 19, 2008 Chartered Accountants

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Assets				
Current				
Cash	1,334,276	5,183,113	**6,517,389**	4,957,727
Current investments *(Note 5)*	-	18,920,521	**18,920,521**	258,139
Accounts receivable (*Note 3)*	136,793	2,236,996	**2,373,789**	1,798,336
Due from Manitoba Health *(Note 4)*	-	2,506,538	**2,506,538**	3,540,299
Inventory	209,449	1,267,197	**1,476,646**	1,475,348
Prepaid expenses	58,259	617,986	**676,245**	708,168
Inter-facility	(402,833)	402,833	**-**	-
	1,335,944	31,135,184	**32,471,128**	12,738,017
Long-term investments *(Note 5)*	-	-	-	17,357,424
Capital assets *(Note 6)*	8,425,878	73,473,074	**81,898,952**	80,117,700
Trust assets	2,869	30,666	**33,535**	77,366
Manitoba Health receivable –employee benefits obligation *(Note 7)*	1,900,382	8,267,391	**10,167,773**	10,182,843
	11,665,073	112,906,315	**124,571,388**	120,473,350

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	Affiliates	*Devolved*	***2008***	*2007*
Liabilities				
Current				
Lines of credit	12,615	-	**12,615**	202,071
Accounts payable and accruals	1,722,504	7,778,784	**9,501,288**	7,431,003
Employee benefits payable	1,343,668	7,656,656	**9,000,324**	8,971,095
Current portion of long-term debt *(Note 8)*	-	80,450	**80,450**	118,970
	3,078,787	15,515,890	**18,594,677**	16,723,139
Long-term debt *(Note 8)*	-	-	-	849,568
Deferred benefits entitlement *(Note 7)*	750,526	3,115,489	**3,866,015**	3,760,203
Deferred contributions *(Note 11)*	7,954,708	96,552,111	**104,506,819**	99,784,016
Trust liabilities	2,869	30,666	**33,535**	77,366
	8,708,103	99,698,266	**108,406,369**	104,471,153
Net Assets				
Invested in capital assets *(Note 12)*	845,567	1,720,939	**2,566,506**	2,568,472
Internally restricted net assets	267,064	-	**267,064**	131,707
Unrestricted net assets	(1,234,448)	(4,028,780)	**(5,263,228)**	(3,421,121)
	(121,817)	(2,307,841)	**(2,429,658)**	(720,942)
	11,665,073	112,906,315	**124,571,388**	120,473,350

Approved on behalf of the Board

______________________________**Director** ______________________________**Director**

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2008 Total***	*2007 Total*
Balance, beginning of year	2,568,472	131,707	(3,421,121)	**(720,942)**	1,724,766
Reclassification *(Note 15)*	142,036	217,176	(613,594)	**(254,382)**	(729,899)
Restated	2,710,508	348,883	(4,034,715)	**(975,324)**	994,867
Excess (deficiency) of revenues over expenses	(370,874)	(31,953)	(543,375)	**(946,202)**	(1,713,386)
Investment in capital assets	531,570	(38,628)	(492,942)	-	628
Internal transfers	114,041	(11,238)	(102,803)	-	(3,051)
Net assets transferred/amalgamated	(418,739)	-	(89,393)	**(508,132)**	
Balance, end of year	2,566,506	267,064	(5,263,228)	**(2,429,658)**	(720,942)

	Affiliates	*Devolved*	***2008***	*2007*
Revenues				
Manitoba Health operating income *(Note 9)*	14,651,310	86,827,216	**101,478,526**	94,868,787
Patient income	2,476,339	5,137,228	**7,613,567**	7,115,722
Other income	409,827	3,127,171	**3,536,998**	4,960,372
Amortization of deferred contributions	510,211	3,455,657	**3,965,868**	4,146,929
	18,047,687	98,547,272	**116,594,959**	111,091,810
Expenses				
Acute care	6,494,082	39,232,465	**45,726,547**	44,187,989
Long-term care	10,421,945	23,553,462	**33,975,407**	32,148,225
Community and mental health	-	9,427,228	**9,427,228**	11,377,072
Homecare	123,230	11,696,016	**11,819,246**	9,504,042
Emergency response and transport	-	4,002,932	**4,002,932**	3,763,454
Parkland Regional Hospital Laundry Ltd.	-	1,053,966	**1,053,966**	969,418
Regional health costs *(Note 10)*	-	1,848,164	**1,848,164**	1,469,988
Medical remuneration – non global	389,570	4,010,066	**4,399,636**	3,710,918
Pre-retirement	181,270	758,269	**939,539**	969,381
Amortization of capital assets	576,514	3,762,248	**4,338,762**	4,678,771
Interest on long-term obligations	-	9,734	**9,734**	25,938
	18,186,611	99,354,550	**117,541,161**	112,805,196
Excess (deficiency) of revenues over expenses	(138,924)	(807,278)	**(946,202)**	(1,713,386)

Parkland Regional Health Authority Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Cash provided by (used in)				
Operations				
Deficiency of revenues over expenses	(138,924)	(807,278)	**(946,202)**	(1,713,386)
Items not involving cash:				
Amortization of capital assets	576,514	3,762,248	**4,338,762**	4,678,771
Amortization of deferred contributions	(510,211)	(3,455,657)	**(3,965,868)**	(4,146,929)
	(72,621)	(500,687)	**(573,308)**	(1,181,544)
Changes in non-cash operating working capital				
Temporary investments	73,826	(18,823,587)	**(18,749,761)**	2,062,554
Due from Manitoba Health	-	1,033,761	**1,033,761**	(2,144,067)
Other working capital	1,037,354	599,629	**1,636,983**	1,207,660
	1,111,180	(17,190,197)	**(16,079,017)**	1,126,147
Financing and Investing				
Purchase of capital assets	(221,742)	(8,313,095)	**(8,534,837)**	(4,708,989)
Disposal of capital assets	-	1,237,272	**1,237,272**	8,439
Purchase of long-term investments	2,510	17,354,914	**17,357,424**	(1,410,798)
Decrease in line of credit	(189,456)	-	**(189,456)**	(169,693)
Deferred contributions	133,680	8,291,234	**8,424,914**	4,184,156
Interfacility	(117,998)	117,998	-	-
Proceeds of long-term debt	-	-	**-**	804,758
Repayment of long-term debt	-	(83,330)	**(83,330)**	(87,273)
Use of reserve	-	-	**-**	(7,553)
Net asset transfers	-	-	**-**	(2,321)
	(393,006)	18,604,993	**18,211,987**	(1,389,274)
Increase (decrease) in cash resources during the year	645,553	914,109	**1,559,662**	(1,444,671)
Cash resources, beginning of year	688,723	4,269,004	**4,957,727**	6,402,398
Cash resources, end of year	1,334,276	5,183,113	**6,517,389**	4,957,727

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws 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. 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:

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.
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

2. Significant accounting policies *(continued)*

Affiliates:

McCreary/Alonsa Health Centre
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 Canadian Mental Health Association, Swan Valley Branch, Inc. is a member of the Canadian Mental Health Association of Canada and operates under the jurisdiction of the Manitoba Division of the Canadian Mental Health Association. In 2006/07, the financial statements included this organization as an affiliate. This organization has not been included in the consolidated statements of the Parkland Regional Health Authority as only 51% of its total revenue for the year ended March 31, 2008 originated from the Parkland Regional Health Authority. During the 2006/07 fiscal year the Canadian Mental Health Association, Swan Valley Branch, Inc. opened the Dauphin E.C.H.O. apartments. Revenue from these rental units has reduced the economic dependence of this organization on the Parkland Regional Health Authority below the 70% benchmark.

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 are 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

2. 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. 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.

2. Significant accounting policies *(continued)*

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 April 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. These instruments are initially recognized at their fair value, determined by published bid price in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year operations. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment, are recognized in current year operations.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and Manitoba Health Receivable – employee benefits obligation, 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 uncollectability. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Held to maturity:
The Credit Union has classified the following financial assets as held to maturity: current investments and accrued interest. These assets are initially recognized at their fair value, determined by recent arm's length market transactions for the same instrument. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in operations, while transaction costs arising from their disposal are immediately recognized in operations. Total interest income, calculated using the effective interest rate method, is recognized in net operations.

Held to maturity financial assets are subsequently measured at 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.

2. Significant accounting policies *(continued)*

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accruals employee benefits payable 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. Total interest expense, calculated using the effective interest rate method, is recognized in net revenue.

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. Gains and losses arising from changes in fair value are recognized in net revenue upon derecognition or impairment.

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. Accounts receivable

	2008	*2007*
Accrued interest	**7,908**	28,763
Ambulance	**229,692**	278,363
Ambulance - Health Canada First Nations Inuit Health	**262,655**	139,860
Apotex Inc. – Signet	**75,962**	-
CancerCare Manitoba	**-**	103,136
Dauphin General Hospital Foundation	**75,394**	70,253
Diagnostic Services Manitoba	**193,895**	102,157
Employee Education Advances	**95,232**	102,823
Health Sciences Centre – Provincial Dialysis Program	**61,976**	-
Manitoba Housing and Renewal Corporation	**-**	10,000
Other	**958,563**	574,731
QA Adjusting Company	**154,286**	-
Residents/ Patients	**253,784**	162,343
Swan Valley Health Facilities Foundation Inc.	**4,443**	87,064
Swan Valley Gas Corporation Credit	**-**	138,843
	2,373,789	1,798,336

4. Due from Manitoba Health

	2008	2007
Current years Operating Funding	**2,187,355**	648,227
Out of Globe – 2007/2008	**(615,719)**	-
Out of Globe – 2006/2007	**-**	(283,682)
Out of Globe – 2005/2006	**-**	(331,663)
Approved Capital Funding	**588,586**	3,154,720
Ambulance Interfacility Transfers and Lifeflights	**346,316**	352,697
	2,506,538	3,540,299

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.

5. Investments

	2008	*2007*
Manitoba Health sinking fund – trust account, various short-term and long-term investments earning interest of 2.75% to 6.00% maturing between June 2, 2008 and July 31, 2008. Sinking fund payment of $20,550,000 due August 2, 2008.	**18,820,271**	17,334,631
Royal Bank money market funds earning an annual rate of 3.42%.	**100,250**	96,934
Various Investments	**-**	183,998
	18,920,521	17,615,563
Amount due within one year included in current investments	**(18,920,521)**	(258,139)
	-	17,357,424

6. Capital assets

	Cost	*Accumulated Amortization*	*2007 Net Book Value*	*2006 Net Book Value*
Land	**676,319**	**-**	**676,319**	626,319
Buildings	**104,921,978**	**34,447,439**	**70,474,539**	71,285,540
Equipment	**32,470,007**	**25,216,816**	**7,253,191**	8,052,740
Construction in progress	**1,713,651**	**-**	**1,713,651**	580,441
	139,781,955	**59,664,255**	**80,117,700**	80,545,040

	Cost	*Accumulated Amortization*	*2008 Net Book Value*	*2007 Net Book Value*
Land	**606,685**	**-**	**606,685**	676,319
Buildings	**104,024,724**	**36,995,508**	**67,029,206**	70,474,539
Equipment	**30,283,897**	**24,117,725**	**6,166,172**	7,253,191
Construction in progress	**8,096,888**	**-**	**8,096,888**	1,713,651
	143,012,185	**61,113,233**	**81,898,952**	80,117,700

7. 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. 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 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 the Authority requires the funding to discharge the related pre-retirement liabilities

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 5.50% (4.85% in 2007) and a rate of salary increase of 3.5% (3% in 2007) 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% (6.4% in 2007) of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8.4% (8.0% in 2007) 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, 2006, indicates that the Plan is fully funded.

7. Benefits obligation *(continued)*

The December 2002 Health Employees Pension Plan (HEPP) actuarial valuation revealed that current contribution levels are insufficient to fund basic plan benefits, and do not make provisions for unexpected unfunded liabilities. The HEPP Board had two options:

i) to request a rate increase from the signatory boards and unions or
ii) to reduce benefits.

In January 2005, the Board proposed the contribution rate increases over three years, which was approved by the signatory unions and employers in mid April 2005. The Plan's actuary review indicates that the approved contribution rate increases should be sufficient for the pension Plan to remain fully-funded at this time.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,984,605 (2007 – $3,652,753) and are included in the statement of operations.

8. Long-term debt

	2008	*2007*
Debenture Payable Held on behalf of Gilbert Plains Health Centre Inc. by Province of Manitoba repayable in annual instalments of $80,450 including interest at 11.125%, secured by the value of $1,263,361, due June 1, 2008.	**80,450**	160,900
Loan Payable GMAC bearing interest at 1.900% payable in monthly installments of $578 including interest, secured by a 2002 Chevrolet Venture, due August 2007.	-	2,880
Dauphin Plains Credit Union loan payable, secured by promissory note, 1st mortgage on land and buildings, General Security Agreement covering all business assets, and assignment of rents, repayable in monthly installments at 5.84%, 48 month term matures July 31, 2010.	**-**	304,758
Manitoba Housing and Renewal Corporation loan payable repayable in monthly instalments of $2,778 including interest at 0%, secured by 2nd mortgage on land and building, matures March 31, 2022.	**-**	500,000
	80,450	968,538
Amount due within one year included in current liabilities	**(80,450)**	(118,970)
	-	849,568

Principal repayments required in each of the next five years are estimated as follows:

2009	80,450

9. Manitoba Health operating income

		2008	2007
Revenue as per Manitoba Health's final funding document		**101,679,338**	95,610,874
Add:	Wage Settlements	**1,708,562**	545,928
	Medical Remuneration Adjustments	**84,681**	118,551
	Renal Unit Expansion	**46,669**	-
	SSGL Expansion	**15,000**	-
	Provincial Data Network Funding	**3,428**	39,678
		103,537,678	96,315,031
Deduct:	Non-Global surplus repayable for 2007/08	**(479,427)**	(340,803)
Total funding approved by Manitoba Health		**103,058,251**	95,974,228
Add:	Emergency Services Billings	**1,439,378**	495,429
	Immunization Program	**104,635**	104,635
	Influenza Program	**77,585**	101,859
	Community Health Needs Assessment	**4,033**	1,242
	Information Technology Training	**6,752**	-
	Non Global Adjustments	**391,771**	1,104,927
	Chronic Disease Prevention Initiative	**73,506**	91,459
	Risk Factor and Complication Assessment Funding	**12,144**	15,612
	Med2020 Maintenance	**59,335**	57,865
	Telepsychiatry Clinics	**16,842**	25,736
	Board expenses	**2,921**	6,173
	Workplace Health and Safety – Lift and Transfer expenses	**3,214**	41,708
	Provincial Client Registry	**2,641**	-
	Primary Healthcare Transition Fund	-	208,614
	Self Help Centre	-	43,700
	Diagnostics Backfill Costs	-	9,000
	W.H.I.C.	-	120,000
		105,253,008	98,402,187
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(824,065)**	(675,912)
	- Equipment funding	**(459,870)**	(459,864)
	- Major repairs	**(37,495)**	(37,488)
	- Capital interest on loans reclassified to deferred contributions	**(2,453,052)**	(2,360,136)
Revenue from Manitoba Health		**101,478,526**	94,868,787

10. Regional Health Authority costs

	2008	*2007*
Corporate office salaries	**865,699**	876,298
Corporate office benefits	**146,361**	126,568
Expenses paid on behalf of facilities	**228,304**	27,778
Board expenses	**77,938**	108,573
Recruitment	**28,000**	46,800
Medical Remuneration - Global	**223,223**	-
Other	**278,639**	283,971
	1,848,164	1,469,988

11. 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:

	Donation	**Unexpended**	**Expended**	***2008***	*2007*
Balance, beginning of year	**260,933**	**3,383,705**	**91,063,380**	**94,708,018**	95,115,755
Reclassification	**(19,407)**	**(14,224)**	**282,213**	**248,581**	(8,085)
Capital asset additions	**(63,235)**	**(654,295)**	**8,019,022**	**7,301,492**	3,162,099
Capital asset disposals	**-**	**-**	**(1,221,413)**	**(1,221,413)**	-
Capital funding	**387**	**559,415**	**631,205**	**1,191,007**	477,644
Interest and donations	**150,764**	**29,098**	**(30,870)**	**148,992**	118,496
Amortization	**(116)**	**-**	**(3,965,752)**	**(3,965,868)**	(4,146,929)
Other operating expenses	**(38,811)**	**-**	**-**	**(38,811)**	(10,962)
Balance, end of year	**290,514**	**3,303,698**	**94,777,785**	**98,371,997**	94,708,018
Deferred revenue				**6,134,822**	5,075,998
				104,506,819	99,784,016

11. Deferred contributions

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

	2008	2007
Lines of credit	**8,443,616**	-
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.16% to 9.63%, due from 2019 to 2029, with monthly payments of principal and interest from $2,235 to $8,356, secured by buildings	**3,063,992**	3,165,196
	11,507,608	3,165,196

Lines of Credit

The Authority has authorized capital lines of credit of $9,405,990 and has authorized $3,400,000 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.

12. Invested in capital assets

	Affiliates	Devolved	***2008***	*2007*
Capital Assets	8,425,878	73,473,074	**81,898,952**	80,117,700
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(7,823,014)	(95,999,600)	**(103,822,614)**	(97,901,678)
Long-term debt	-	(80,450)	**(80,450)**	(968,538)
Cash – capital	120,061	1,284,532	**1,404,593**	816,599
Temporary investments – capital	79,844	-	**79,844**	12,597
Accounts receivable – capital	-	368,869	**368,869**	78,683
Due from Manitoba Health – capital	-	588,586	**588,586**	3,154,720
Prepaid expenses – capital	-	14,398	**14,398**	400
Long-term investments – capital	-	18,820,271	**18,820,271**	17,334,631
Accounts payable – capital	(2,383)	(539,415)	**(541,798)**	(45,171)
Due from operating account	45,181	3,790,674	**3,835,855**	(31,471)
	845,567	1,720,939	**2,566,506**	2,568,472

13. 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, 2008 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, 2006, the Authority has a subscriber's surplus of $109,660. No such assessments have been made to December 31, 2007.

Environmental Liabilities

Management has indicated that asbestos had been found in contained areas within the one of the Affiliate's buildings. An Asbestos Abatement Consultant inspected the building in 2005 to determine the extent of the asbestos exposure and made recommendations on how to resolve the issue. Preliminary funding of $750,000 has been approved to finance the abatement program. As of March 31, 2008, the architect has completed the contract document phase and the bidding phase. Based on the sole tender submitted during the bidding phase, the cost of the asbestos abatement was estimated at $1.1 million. The Parkland Regional Health Authority is currently requesting $350,000 in additional funding for the project.

14. Economic dependence

The Parkland Regional Health Authority Inc. received 87% of its total revenue for the year ended March 31, 2008 from Manitoba Health.

15. Comparative amounts

Certain comparative figures have been reclassified to conform with the current year presentation. These adjustments included a reclassification in the current year from deferred contributions to net assets invested in capital assets, internally restricted net assets, and capital assets purchased from unrestricted net assets in previous years for a net amount of $254,382.

16. Amalgamation

During the year, Parkland Regional Health Authority Inc. combined Waterhen Ambulance Service with their current operations effective September 30, 2007. Assets were transferred at net book value.

17. Related party transactions

The Health Authority is responsible for the overall management of the health care services provided in the Parkland region. Programs are delivered in the region by the Authority through its direct service operations, by Hospitals through operating agreements, by proprietary and non-proprietary personal care. The Health Authority transacts business on a regular basis with organizations and agencies described in Notes 2, 4, 5, 7, 9 and 14.

As part of a transfer agreement between Diagnostic Services of Manitoba and the Authority, assets with a net book value of $1,252,090 were transferred to Diagnostic Services of Manitoba for no cash proceeds.

18. Change in accounting policy

Effective April 1, 2007, the Health Authority adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, as described in Note 2.

CICA 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Organization arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Although the requirements of CICA 1530 *Comprehensive Income* are not applicable for not-for-profit organizations, amendments to CICA 4400 *Not-For-Profit Organizations* require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

The Health Authority had no items requiring reclassification to net assets.

19. New Accounting pronouncements

Capital disclosures and financial instruments – disclosure and presentation

On April 1, 2008, the Health Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Health Authority will apply the new disclosures in its 2009 financial statements

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, 2008 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, 2008 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 1-3 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 19, 2008

Chartered Accountants

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CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
14 TUPPER ST. S., PORTAGE LA PRAIRIE, MB R1N 1W6
PH. (204) 239-6117 FAX (204) 857-3972 www.mnp.ca

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Financial Position
March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Cash and short term investments	$	**11,412,063**	$	8,168,863
Accounts receivable, net		**4,260,019**		2,018,612
Accounts receivable - Manitoba Health (Note 4)		**1,026,402**		2,428,803
Inventories		**1,152,782**		1,145,420
Prepaid expenses		**1,460,511**		876,549
Due from Manitoba Health - vacation entitlements		**7,775,928**		7,775,928
		27,087,705		22,414,175
NON-CURRENT				
Due from Manitoba Health - retirement entitlements		**9,106,000**		9,106,000
Capital assets (Note 5)		**79,229,923**		80,849,163
Other assets		**163,265**		157,787
	$	**115,586,893**	$	112,527,125
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$	**12,977,539**	$	10,440,217
Accrued vacation entitlements		**9,510,989**		9,108,207
Current portion of long term debt (Note 6)		**212,711**		199,247
		22,701,239		19,747,671
NON-CURRENT				
Accrued retirement entitlements		**10,382,720**		10,024,183
Long term debt (Note 6)		**2,566,375**		2,779,095
		12,949,095		12,803,278
DEFERRED CONTRIBUTIONS (Note 7)				
Expenses of future periods		**3,091,315**		2,710,162
Capital assets		**75,069,879**		76,526,493
		78,161,194		79,236,655
NET ASSETS				
Invested in capital assets (Note 8)		**1,381,146**		1,344,516
Contract facilities (Note 9)		**1,227,808**		1,219,624
Internally restricted (Note 10)		**276,773**		276,773
Unrestricted		**(1,110,362)**		(2,101,392)
		1,775,365		739,521
COMMITMENTS AND CONTINGENCIES (Note 11)				
	$	**115,586,893**	$	112,527,125

APPROVED BY THE BOARD OF DIRECTORS

_______________________ Director

_______________________ Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
Year Ended March 31, 2008

	2008	2007
REVENUE		
Manitoba Health (Note 12)	$ **153,106,851**	$ 143,615,736
Other government departments	**59,501**	297,197
Non-global patient and resident income	**12,199,145**	11,775,155
Other income	**5,563,830**	5,062,437
Amortization of deferred contributions - expenses of future periods	**2,276,510**	2,505,054
Amortization of deferred contributions - capital and foundations	**4,550,034**	4,358,692
Interest and donations	**337,886**	386,184
Ancillary operations (Schedule 1)	**2,250,650**	2,152,908
	180,344,407	170,153,363
EXPENSES		
Acute care services	**60,497,932**	57,983,832
Long term care services	**46,728,236**	44,941,633
Medical remuneration	**13,272,524**	11,778,867
Community based therapy services	**2,386,535**	2,109,889
Community based mental health services	**8,100,547**	6,835,506
Community based home care services	**17,236,087**	16,628,574
Community based health services	**5,436,945**	5,220,212
Land ambulance	**5,846,964**	5,478,220
Regional health authority undistributed	**10,801,239**	9,795,784
Interest on long term debt	**361,771**	439,736
Pre-retirement leave	**1,699,833**	1,169,500
Amortization of capital assets	**4,661,137**	4,545,995
Major repairs	**364,100**	610,808
Donations to foundations	**33,150**	21,000
Ancillary operations (Schedule 1)	**1,883,824**	1,817,993
	179,310,824	169,377,549
EXCESS OF REVENUE OVER EXPENSES	$ **1,033,583**	$ 775,814
ALLOCATION OF EXCESS OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ **(508,353)**	$ (819,111)
Interest and donations	**337,886**	386,184
Ancillary operations	**366,826**	334,915
Health care operations	**837,224**	873,826
TOTAL	$ **1,033,583**	$ 775,814

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2008

	Invested in Capital Assets	Contract Facilities (Note 9)	Internally Restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year before restatement	$ 1,344,516	$ 1,219,624	$ 276,773	$ (2,101,392)	$ 739,521	$ 381,205
Prior period adjustment	-	-	-	-	-	(417,498)
Balance as restated	1,344,516	1,219,624	276,773	(2,101,392)	739,521	(36,293)
Excess (Deficiency) of revenue over expenses	(205,647)	48,945	-	1,190,285	1,033,583	775,814
Change in accounting policy (Note 3)		2,261			2,261	
Repayment of non-Manitoba Health funded long term debt	199,255	-	-	(199,255)	-	-
Investment in capital assets	43,022	(43,022)	-	-	-	-
Balance, end of year	$ 1,381,146	$ 1,227,808	$ 276,773	$ (1,110,362)	$ 1,775,365	$ 739,521

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ **1,033,583**	$ 775,814
Items not affecting cash		
Amortization of capital assets	**4,801,600**	4,688,015
Amortization of deferred contributions related to expenses of future periods	**(2,341,745)**	(2,565,408)
Amortization of deferred contributions related to capital assets	**(4,595,953)**	(4,404,613)
Changes in non-cash operating working capital items	**1,106,990**	(21,312)
	4,475	(1,527,504)
FINANCING ACTIVITIES		
Increase (decrease) in accrued vacation and retirement entitlements	**761,319**	403,302
Principal payments on long term debt	**(199,254)**	(188,245)
Increase in deferred contributions related to expenses of future periods	**3,429,023**	2,756,030
Increase in deferred contributions related to capital assets	**5,402,164**	3,123,940
	9,393,252	6,095,027
INVESTING ACTIVITIES		
Change in accounting policy (Note 3)	**2,261**	-
Purchase of capital assets	**(6,151,310)**	(3,030,308)
Prior period adjustment - net assets	**-**	(417,492)
Change in other assets	**(5,478)**	(3,087)
	(6,154,527)	(3,450,887)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	**3,243,200**	1,116,636
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	**8,168,863**	7,052,227
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ **11,412,063**	$ 8,168,863

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, 2008.

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 Authority 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 reporting 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 its use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

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.

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 ove 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 uncollectibility. Net gains and losses arising from changes in fair value are recognized in 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 management's opinion that the Authority is not exposed to significant interest, currency or credit risks from these instruments except as otherwise noted.

3. CHANGE IN ACCOUNTING POLICY

Financial instruments

In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments that affect the Organization, Section 3855 and Section 3861. Section 3855 - Financial Instruments - Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments - Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

The Authority has adopted both of the sections for the fiscal year ended March 31, 2008. As at April 1, 2007 the Authority recorded a non-cash credit of $2,261 to net assets for the change in accounting for financial assets which are classified as held-for-trading and are measured at fair value instead of cost. There was no impact on the current year results due to the change in accounting policy.

4. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2008	2007
Current year's operating funding		
Medical year end adjustments	$ **(1,305,731)**	$ (563,641)
Orthopaedic wait list funding	**680,399**	2,443,004
CUPE standardization	-	289,047
Other program	**459,772**	-
Immunization programs	-	170,231
Wage standardization	**1,996,847**	-
EMS overpayments	-	(13,622)
	1,831,287	2,325,019
Medical year end adjustments - 2004/2005	-	(236,283)
Medical year end adjustments - 2006/2007	**(816,915)**	-
Medical year end adjustments - 2005/2006	-	(424,983)
Approved capital projects	**12,030**	765,050
	$ **1,026,402**	$ 2,428,803

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.

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.

5. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 983,537	$ -	$ 983,537	$ 983,537
Buildings	97,530,500	33,175,438	64,355,062	65,259,846
Equipment	51,790,534	37,899,210	13,891,324	14,605,780
	$ 150,304,571	$ 71,074,648	$ 79,229,923	$ 80,849,163

6. LONG TERM DEBT

	2008	2007
CMHC mortgage payable in monthly blended installments of $17,071 bearing interest at 6.45% due June 1, 2020. Secured by land and buildings with a net book value of $1,717,985.	$ 1,704,132	$ 1,808,682
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 $20,628.	42,272	45,552
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 $320,862.	513,580	553,023
CMHC mortgage payable in monthly blended installments of $7,768 bearing interest at 10% due June 1, 2014. Secured by land and buildings with a net book value of $484,816.	434,376	482,443
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 $28,780.	84,726	88,642
	2,779,086	2,978,342
Less: current portion	212,711	199,247
	$ 2,566,375	$ 2,779,095

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

2008	212,711
2009	224,364
2010	238,246
2011	252,759
2012	265,526
Thereafter	1,585,480

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7. 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.

	2008	2007
Balance, beginning of year	$ **2,710,162**	$ 2,560,833
Additional contributions received	**3,429,023**	2,756,030
Amount transferred to capital assets	**(706,125)**	(41,293)
Less amounts amortized to revenue	**(2,341,745)**	(2,565,408)
	$ **3,091,315**	$ 2,710,162

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.

	2008	2007
Balance, beginning of year	$ **76,526,493**	$ 77,765,873
Additional contributions received	**5,402,164**	3,123,940
Amount transferred from expenses of future periods	**706,125**	41,293
Assets transferred to Diagnostic Services of Manitoba (Note 16)	**(2,968,950)**	-
Less amounts amortized to revenue	**(4,595,953)**	(4,404,613)
	$ **75,069,879**	$ 76,526,493

8. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ **79,229,923**	$ 80,849,163
Amounts financed by:		
Deferred contributions	**(75,069,879)**	(76,526,493)
Long term debt	**(2,779,086)**	(2,978,342)
Working capital	**188**	188
	$ **1,381,146**	$ 1,344,516

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

	2008	2007
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ **4,595,953**	$ 4,404,613
Amortization of capital assets	**(4,801,600)**	(4,688,015)
	(205,647)	(283,402)
Repayment of non-Manitoba Health funded long term debt	**199,254**	188,245
Investment in capital assets		
Purchase of capital assets	**6,151,310**	3,030,308
Amounts funded by deferred contributions	**(6,108,287)**	(2,974,915)
Amounts funded with working capital	**-**	(281,382)
	43,023	(225,989)
	$ **36,630**	$ (321,146)

9. 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:

	2008	2007
Internally restricted	$ **116,687**	$ 106,604
Externally restricted	**13,559**	13,505
Unrestricted	**1,097,562**	1,099,515
	$ **1,227,808**	$ 1,219,624

10. NET ASSETS - INTERNALLY RESTRICTED

The Board of Directors has restricted $276,773 (2007 - $276,773) in net assets to be used for the purchase of specified capital assets.

11. 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, 2008.

12. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2008	2007
Revenue as per final approved budget	$ **150,357,360**	$ 141,628,343
Province of Manitoba loan principal	**(672,030)**	(740,794)
Amounts recorded as deferred contributions	**(750,124)**	(750,124)
	148,935,206	140,137,425
Current year's estimated out of globe amounts	**(17,290)**	(398,968)
One time funding - contract settlements	**1,824,365**	1,673,181
One time funding - wait list	**2,624,489**	2,610,304
One time funding - EMS inter-facility transfer	**239,166**	75,985
One time funding - medical remuneration	**(1,305,731)**	(482,191)
One time funding - other	**947,631**	-
Prior years' funding adjustments	**(140,985)**	-
	$ **153,106,851**	$ 143,615,736

13. RELATED PARTY AND ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from a related party, Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. 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.

15. 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 of 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 5.0% (4.85% - 2007) and a rate of salary increase of 3.0% (3.0% - 2007) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation as 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 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 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, 2006, indicates an excess of actuarial value of net assets over actuarial present value of accrued pension benefits of $10,904,000. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $4,852,000 (2007 - $4,555,003) and are included in the statement of operations.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

b) Pension Plan (continued)

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.

16. ASSETS TRANSFERRED TO DIAGNOSTIC SERVICES OF MANITOBA

During the year the Authority at the request of Manitoba Health transferred diagnostic equipment and the operations of the diagnostic services to Diagnostic Services of Manitoba. Their were no proceeds received for the assets transferred at a net book value of $2,968,950. As these assets were fully funded by Manitoba Health upon purchase, the deferred contributions have been reduced by the net book value transferred of $2,968,950.

17. NEW ACCOUNTING PRONOUNCEMENTS

Capital disclosures and financial instruments - disclosure and presentation

On April 1, 2008, the Health Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments - Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Health Authority will apply the new disclosures in its 2009 financial instruments.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 1

Statement of Operations - Ancillary Operations

Year Ended March 31, 2008

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	**2008**	2007
REVENUE						
Outside sources	$ 931,253	$ 54,786	$ 972,662	$ 180,795	$ **2,139,496**	$ 2,046,634
Amortization of deferred contributions	76,892	29,926	-	4,336	**111,154**	106,274
	1,008,145	84,712	972,662	185,131	**2,250,650**	2,152,908
EXPENSES						
Operating	592,177	41,575	733,139	91,083	**1,457,974**	1,378,216
Amortization of capital assets	106,201	29,926	-	4,336	**140,463**	142,018
Interest on long term debt	155,177	-	-	-	**155,177**	166,133
Major repairs	126,835	3,375	-	-	**130,210**	131,626
	980,390	74,876	733,139	95,419	**1,883,824**	1,817,993
EXCESS OF REVENUE OVER EXPENSES	$ 27,755	$ 9,836	$ 239,523	$ 89,712	$ **366,826**	$ 334,915

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 2

Statement of Financial Position - Segmented

March 31, 2008

	Devolved	Contract	2008	2007
ASSETS				
CURRENT				
Cash and short term investments	$ 7,806,501	$ 3,605,562	$ **11,412,063**	$ 8,168,863
Accounts receivable, net	4,260,019	-	**4,260,019**	2,018,612
Accounts receivable - Manitoba Health	1,026,402	-	**1,026,402**	2,428,803
Inventories	1,075,024	77,758	**1,152,782**	1,145,420
Prepaid expenses	1,422,435	38,076	**1,460,511**	876,549
Due from Manitoba Health - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	22,265,069	4,822,636	**27,087,705**	22,414,175
NON-CURRENT				
Due from Manitoba Health - retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	70,298,730	8,931,193	**79,229,923**	80,849,163
Other assets	-	163,265	**163,265**	157,787
	$ 100,408,799	$ 15,178,094	$ **115,586,893**	$ 112,527,125
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 10,912,125	$ 2,065,414	$ **12,977,539**	$ 10,440,217
Accrued vacation entitlements	8,291,116	1,219,873	**9,510,989**	9,108,207
Current portion of long term debt	212,711	-	**212,711**	199,247
	19,415,952	3,285,287	**22,701,239**	19,747,671
NON-CURRENT				
Accrued retirement entitlements	9,198,764	1,183,956	**10,382,720**	10,024,183
Long term debt	2,566,375	-	**2,566,375**	2,779,095
	11,765,139	1,183,956	**12,949,095**	12,803,278
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,541,654	549,661	**3,091,315**	2,710,162
Capital assets	66,565,201	8,504,678	**75,069,879**	76,526,493
	69,106,855	9,054,339	**78,161,194**	79,236,655
NET ASSETS				
Invested in capital assets	954,442	426,704	**1,381,146**	1,344,516
Contract facilities	-	1,227,808	**1,227,808**	1,219,624
Internally restricted	276,773	-	**276,773**	276,773
Unrestricted	(1,110,362)	-	**(1,110,362)**	(2,101,392)
	120,853	1,654,512	**1,775,365**	739,521
	$ 100,408,799	$ 15,178,094	$ **115,586,893**	$ 112,527,125

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented

Year Ended March 31, 2008

	Devolved	Contract	2008	2007
REVENUE				
Manitoba Health	$ 133,755,836	$ 19,351,015	$ **153,106,851**	$ 143,615,736
Other government departments	59,501	-	**59,501**	297,197
Non-global patient and resident income	8,734,591	3,464,554	**12,199,145**	11,775,155
Other income	4,850,604	713,226	**5,563,830**	5,062,437
Amortization of deferred contributions - operating	1,952,028	324,482	**2,276,510**	2,505,054
Amortization of deferred contributions - capital and foundations	4,094,009	456,025	**4,550,034**	4,358,692
Interest and donations	315,399	22,487	**337,886**	386,184
Ancillary operations	2,065,519	185,131	**2,250,650**	2,152,908
	155,827,487	24,516,920	**180,344,407**	170,153,363
EXPENSES				
Acute care services	59,043,264	1,454,668	**60,497,932**	57,983,832
Long term care services	30,941,061	15,787,175	**46,728,236**	44,941,633
Medical remuneration	11,788,754	1,483,770	**13,272,524**	11,778,867
Community based therapy services	2,386,535	-	**2,386,535**	2,109,889
Community based mental health services	3,417,772	4,682,775	**8,100,547**	6,835,506
Community based home care services	17,236,087	-	**17,236,087**	16,628,574
Community based health services	5,307,690	129,255	**5,436,945**	5,220,212
Land ambulance	5,846,964	-	**5,846,964**	5,478,220
Regional health authority undistributed	10,801,239	-	**10,801,239**	9,795,784
Interest on long term debt	361,771	-	**361,771**	439,736
Pre-retirement leave	1,560,326	139,507	**1,699,833**	1,169,500
Amortization of capital assets	4,134,813	526,324	**4,661,137**	4,545,995
Major repairs	157,869	206,231	**364,100**	610,808
Donations to foundations	-	33,150	**33,150**	21,000
Ancillary operations	1,788,405	95,419	**1,883,824**	1,817,993
	154,772,550	24,538,274	**179,310,824**	169,377,549
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 1,054,937	$ (21,354)	$ **1,033,583**	$ 775,814
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ (198,673)	$ (309,680)	$ **(508,353)**	$ (819,111)
Interest and donations	315,399	22,487	**337,886**	386,184
Ancillary operations	277,114	89,712	**366,826**	334,915
Health care operations	661,097	176,127	**837,224**	873,826
TOTAL	$ 1,054,937	$ (21,354)	$ **1,033,583**	$ 775,814

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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

Winnipeg, Manitoba
May 23, 2008

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

March 31	2008			2007
				(Restated - (Note 9)
	Regional Health Authority	**Contract Facilities**	**Consolidated**	Consolidated
Assets				
Current Assets				
Cash	**$ 1,576,057**	**$ 295,126**	**$ 1,871,183**	$ 1,095,852
Accounts receivable (Note 3)	**2,131,862**	**359,457**	**2,491,319**	1,363,533
Due from Manitoba Health (Note 5)	**808,332**	**24,400**	**832,732**	802,042
Inventories	**1,190,682**	**73,832**	**1,264,514**	1,363,171
Prepaid expense	**369,295**	**20,145**	**389,440**	247,274
Vacation entitlements receivable (Note 4)	**2,165,279**	**488,270**	**2,653,549**	2,653,549
	8,241,507	**1,261,230**	**9,502,737**	7,525,421
Retirement obligations receivable (Note 15)	**1,898,575**	**458,577**	**2,357,152**	2,357,152
Restricted assets (Note 6)	**97,975**	**-**	**97,975**	215,604
Capital assets (Note 7)	**41,702,481**	**11,326,032**	**53,028,513**	51,969,578
	$ 51,940,538	**$ 13,045,839**	**$ 64,986,377**	$ 62,067,755

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			2008	2007
				(Restated - (Note 9)
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 8)	$ -	$ 26,962	$ 26,962	$ 301,635
Accounts payable and accrued liabilities	4,228,250	717,316	4,945,566	4,738,840
Accrued vacation entitlements (Note 4)	2,807,419	637,524	3,444,943	3,198,008
Current portion of long-term debt (Note 10)	-	-	-	100,840
Unearned revenue	333,221	3,484	336,705	222,509
	7,368,890	1,385,286	8,754,176	8,561,832
Accrued retirement obligations (Note 15)	3,240,447	458,577	3,699,024	3,311,699
Deferred Contributions (Note 11)				
Expenses of future periods	599,915	293,131	893,046	1,157,939
Capital assets	41,174,232	11,115,033	52,289,265	49,667,195
	41,774,147	11,408,164	53,182,311	50,825,134
Commitments and contingencies (Note 14)				
Net Assets				
Investment in capital assets	528,249	210,999	739,248	2,201,543
Externally restricted - Contract Facilities	-	(417,187)	(417,187)	(620,582)
Externally restricted (Note 6)	97,975	-	97,975	215,604
Unrestricted	(1,069,170)	-	(1,069,170)	(2,427,475)
	(442,946)	(206,188)	(649,134)	(630,910)
	$ 51,940,538	$ 13,045,839	$ 64,986,377	$ 62,067,755

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			2008	2007
				(Restated - (Note 9)
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Revenue				
Province of Manitoba				
Health (Note 13)	**$ 56,406,994**	**$ 8,439,397**	**$ 64,846,391**	$ 57,658,379
Other	**1,547,911**	**124,570**	**1,672,481**	952,176
Government of Canada	**21,500**	**80,834**	**102,334**	346,536
Non-insured income	**2,697,358**	**2,199,916**	**4,897,274**	5,126,935
Other income and recovered services	**124,598**	**269,605**	**394,203**	257,947
Amortization of deferred contributions	**2,280,796**	**490,992**	**2,771,788**	2,561,504
	63,079,157	**11,605,314**	**74,684,471**	66,903,477
Expenditures				
Acute care services	**21,425,704**	**-**	**21,425,704**	18,819,604
Long-term care services	**8,154,298**	**10,829,567**	**18,983,865**	17,757,799
Community based home care services	**12,421,633**	**-**	**12,421,633**	11,351,267
Community based health services	**4,889,630**	**-**	**4,889,630**	4,906,323
Medical remuneration	**5,025,767**	**-**	**5,025,767**	3,669,778
Diagnostic services	**3,200,172**	**-**	**3,200,172**	2,962,141
Amortization of capital assets	**2,280,796**	**490,992**	**2,771,788**	2,561,504
Community based mental health services	**2,236,526**	**-**	**2,236,526**	1,996,734
Emergency Medical Services	**2,310,150**	**-**	**2,310,150**	1,808,211
Regional Health Authority costs	**1,387,294**	**-**	**1,387,294**	1,102,501
Interest on long-term debt	**-**	**4,813**	**4,813**	9,702
	63,331,970	**11,325,372**	**74,657,342**	66,945,564
Excess (deficiency) of revenue over expenditures before other item	**(252,813)**	**279,942**	**27,129**	(42,087)
Other Item				
Retirement obligation funding received 2005/06	**-**	**-**	**-**	236,960
Excess (deficiency) of revenue over expenditures for the year	**$ (252,813)**	**$ 279,942**	**$ 27,129**	$ 194,873
Allocated as follows				
Externally restricted	**$ -**	**$ 279,942**	**$ 279,942**	$ (225,447)
Unrestricted	**(252,813)**	**-**	**(252,813)**	420,320
	$ (252,813)	**$ 279,942**	**$ 27,129**	$ 194,873

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	Investment in Capital Assets (Note 12)	Externally Restricted - Contract Facilities	Externally Restricted (Note 6)	Unrestricted	2008 Total	2007 Total (Restated - (Note 9)
Balance, beginning of year	$ 2,201,543	$ (620,582)	$ 215,604	$ (2,427,475)	$ (630,910)	$ (843,070)
Interest revenue	-	-	23,901	-	23,901	17,787
Expenditures during year	-	-	(141,530)	-	(141,530)	(500)
Adjustment to Deferred Contributions - capital assets	71,304	-	-	-	71,304	-
Adjustment to Deferred Contributions - expenses of future periods	-	972	-	-	972	-
Excess (deficiency) of revenue over expenditures for the year	-	279,942	-	(252,813)	27,129	194,873
Net changes in investment in capital assets	(1,533,599)	(77,519)	-	1,611,118	-	-
Balance, end of year	$ 739,248	$ (417,187)	$ 97,975	$ (1,069,170)	$ (649,134)	$ (630,910)

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	2008	2007
		(Restated - (Note 9)
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 27,129**	$ 194,873
Net income (expenditure) of restricted net assets	**(117,629)**	17,287
Adjustments for		
Amortization of capital assets	**2,771,788**	2,561,504
Amortization of deferred contributions related to capital assets	**(2,771,788)**	(2,561,504)
Deferred contributions - expenses of future periods		
Receipts	**502,893**	78,754
Expenditures	**(344,863)**	(226,321)
	67,530	64,593
Changes in non-cash working capital		
Accounts receivable	**(1,127,786)**	62,870
Due from Manitoba Health	**(30,690)**	(394,514)
Inventories	**98,657**	(374,820)
Prepaid expense	**(142,166)**	(11,008)
Accounts payable and accrued liabilities	**206,726**	911,169
Accrued vacation entitlements	**246,935**	248,910
Unearned revenue	**58,251**	(200,651)
	(690,073)	241,956
Accrued retirement obligations	**387,325**	302,829
	(235,218)	609,378
Cash Flows from Investing Activities		
(Increase) decrease in restricted assets	**117,629**	(17,287)
Purchase of capital assets	**(4,988,709)**	(3,675,654)
	(4,871,080)	(3,692,941)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(100,840)**	(149,251)
Receipt of deferred contributions related to capital assets	**6,257,142**	2,617,193
	6,156,302	2,467,942
Net increase (decrease) in cash and cash equivalents	**1,050,004**	(615,621)
Cash and cash equivalents, beginning of year	**794,217**	1,409,838
Cash and cash equivalents, end of year	**$ 1,844,221**	$ 794,217
Represented by		
Cash	**$ 1,871,183**	$ 1,095,852
Bank indebtedness	**(26,962)**	(301,635)
	$ 1,844,221	$ 794,217
Supplementary Information		
Interest paid	**$ 4,813**	$ 9,702

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. 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, 2008.

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 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 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 surpluses related to Out of Globe funding arrangements are 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.

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 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.

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 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.

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:

Buildings	2.5%
Major equipment	10% to 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. Unless otherwise noted, it is management's opinion that the Authority 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 Authority classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Authority's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash, bank indebtedness and restricted assets. They are carried in the statement of financial position 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.

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, vacation entitlements receivable 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.

Pension Plan

The Authority maintains a multi-employer defined benefit pension plan available to all eligible employees.

The obligation under the plan is determined using the accrued benefit method reflecting projected benefits for services rendered to date. The surplus or deficit of the market value of the plan assets over the obligation is amortized on a straight-line basis over the expected average remaining service life of the plan members.

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:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Authority is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Authority is currently assessing the impact of the new standard.

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-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

On April 1, 2007, the Authority retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Authority's consolidated statement of operations.

3. Accounts Receivable

		2008		2007
Receivables from patients	**$**	**132,934**	$	169,976
Receivables from residents		**47,050**		29,832
Goods and services tax		**120,892**		193,752
Due from related parties of Contract facilities		**282,508**		292,396
Capital funding receivable		**559,799**		-
The Bethesda Foundation Inc.		**690,265**		55,689
Ste. Anne Foundation		**121,053**		242,106
De Salaberry Foundation		**4,778**		-
Other				
RHA		**485,676**		283,479
Contract facilities		**46,364**		96,303
	$	**2,491,319**	$	1,363,533

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 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 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 Manitoba Health is as follows:

		2008		2007
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:

Balance, beginning of year	**$**	**3,198,008**	$	2,949,098
Net increase (decrease) in accrued vacation entitlements		**246,935**		248,910
Balance, end of year	**$**	**3,444,943**	$	3,198,008

5. Due from (to) Manitoba Health

	2008	2007
In Globe		
Immunization funding	**$ 85,702**	$ 97,778
Interfacility transfers - EMS	**94,368**	159,965
Supportive Housing	**-**	42,200
Long Term Care Strategy Phase 2	**135,475**	-
Other	**79,142**	44,465
Out of Globe		
MAHCP wage standardization	**152,632**	372,500
MGEU wage standardization	**519,432**	247,757
MNU wage standardization	**207,212**	-
Capital funding 2006/07	**-**	182,934
Capital funding 2007/08	**108,112**	-
Capital interest	**102,546**	-
Medical remuneration 2006/07	**-**	(345,557)
Medical remuneration 2007/08	**(651,889)**	-
	$ 832,732	$ 802,042

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	Bequests	Total
Balance, beginning of year	**$ 68,575**	**$ 15,741**	**$ 131,288**	**$ 215,604**
Interest	**11,007**	**2,652**	**10,242**	**23,901**
2007/2008 Acquisition of property	**-**	**-**	**(141,530)**	**(141,530)**
Balance, end of year	**$ 79,582**	**$ 18,393**	**$ -**	**$ 97,975**

In addition, the Authority received a restricted bequest which has been used for long-term care at Bethesda Place.

7. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 768,088**	**$ -**	$ 693,088	$ -
Buildings	**61,579,841**	**15,971,270**	56,855,443	14,537,017
Major equipment	**19,829,508**	**14,100,323**	21,800,190	14,919,159
Construction in progress	**922,669**	**-**	2,077,033	-
	$ 83,100,106	**$ 30,071,593**	$ 81,425,754	$ 29,456,176
Cost less accumulated amortization		**$ 53,028,513**		$ 51,969,578

8. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $2,700,000. The line of credit bears interest at Royal Bank prime less 0.80% and is supported by an authorization letter from Manitoba Health 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 $395,000. The lines of credit bear interest at prime to prime plus 1% and are supported by authorization letters from Manitoba Health and general security agreements.

9. Long-term Debt Restatement

During the year it was identified that a bank loan of one of the Authority's contract facilities continued to be reflected as debt where in fact it should have been shown as being assumed by the Province of Manitoba and transferred to deferred contributions (consistent with other bank debt reclassified in 2004).

Accordingly long-term debt and deferred contributions have been restated as follows:

	April 1, 2007	April 1, 2006
Long-term debt, as previously reported	**$ 591,499**	$ 821,390
Reclassification of debt assumed by the Province of Manitoba to Deferred Contributions (Note 11)	**(490,659)**	$ (571,299)
	100,840	250,091
Current portion of long-term debt	**100,840**	88,000
Remaining long-term debt to be funded by the Authority and its contract facilities	**$ -**	$ 162,091

10. Long-Term Debt

	2008	2007 restated
Bank loan payable	**$ -**	$ 100,840
Less: current portion of long-term debt	**-**	100,840
	$ -	$ -

11. 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.

	2008	2007
Balance, beginning of year	**$ 1,157,939**	$ 1,277,852
Additional amounts received during year	**502,893**	78,754
Less 2007/2008 expenditures	**(344,863)**	(226,321)
Reclassifications to unearned revenues (see below)	**(55,945)**	-
Transfers to externally restricted		
- contract facilities (see below)	**(972)**	-
Transfers (to) from deferred contributions - capital assets	**(366,006)**	27,654
Balance, end of year	**$ 893,046**	$ 1,157,939

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:

	2008	2007 restated
Balance, beginning of year,		
As previously stated	**$ 49,176,546**	$ 49,067,861
Adjustment to long-term debt (Note 9)	**490,649**	571,299
As restated	**49,667,195**	49,639,160
Additional contributions received, net	**6,257,142**	2,617,193
Transfers to deferred contributions		
- expenses of future periods	**366,006**	(27,654)
- investment in capital assets (see below)	**(71,304)**	**-**
Less assets transferred to Diagnostic Services of Manitoba	**(1,157,986)**	**-**
Less amounts amortized to revenue	**(2,771,788)**	(2,561,504)
Balance, end of year	**$ 52,289,265**	$ 49,667,195

11 Deferred Contributions (continued)

During the year the Authority undertook a complete review of all deferred contribution accounts and identified certain reclassifications among unearned revenue, deferred contributions and net assets were necessary. These reclassifications have been presented as current year adjustments.

12. Investment in Capital Assets

	2008	2007 restated
a) Investment in capital assets is calculated as follows:		
Capital assets	**$ 53,028,513**	$ 51,969,578
Amounts financed by		
Deferred contributions	**52,289,265**	49,667,195
Long-term debt	**-**	100,840
	$ 739,248	$ 2,201,543

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

	2008	2007 restated
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,771,788**	$ 2,561,504
Amortization of capital assets	**(2,771,788)**	(2,561,504)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 4,988,709**	$ 3,675,654
Manitoba Health funding	**(4,923,372)**	(2,021,704)
Donations	**(1,333,770)**	(595,489)
Transfers to (from)		
Deferred contributions - expenses of future periods (net)	**(366,006)**	27,654
Repayment of long-term debt	**100,840**	149,251
	$ (1,533,599)	$ 1,235,366

13. Revenue from Manitoba Health

		2008
Revenue from Manitoba Health		
Revenue as per Manitoba Health's final funding document		**$ 65,380,462**
Add:	Manitoba Department of Finance reallocations	**998,029**
	Wage standardization	**834,638**
		67,213,129
Deduct:		
	Medical remuneration	**651,889**
Total Funding Approved by Manitoba Health		**66,561,240**
Deduct:	Amounts recorded as deferred contributions	
	- expenses of future periods	**19,794**
	- capital assets	**1,214,792**
	- capital interest funded	**404,128**
	- capital interest receivable	**76,135**
Revenue from Manitoba Health		**$ 64,846,391**

14. 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, 2008, 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, 2008.

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

c) At March 31, 2008, minimum annual lease payments under operating leases for premises expiring 2021 are $ 216,935 to be adjusted annually for inflation.

14. Commitments and Contingencies (continued)

d) The Authority has entered into operating leases with The Royal Bank of Canada for equipment. The Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000 with $224,460 unutilized at March 31, 2008. The equipment is leased at a monthly cost of $11,638, under leases expiring on or before November 2011. The estimated annual lease payments for the next four years are as follows:

2009	$ 135,798
2010	68,963
2011	35,835
2012	14,944

15. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2008.

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:

- 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 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3.0% in 2007) 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.

15. Employee Future Benefits (continued)

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

	2008	2007
Balance, beginning of year	**$ 3,311,699**	$ 3,008,870
Net increase in pre-retirement entitlements	**387,325**	302,829
Balance, end of year	**$ 3,699,024**	$ 3,311,699

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.

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 $44,900, 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 Plan is fully funded. Contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,081,397 (2007 - $1,877,394) 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.

16. 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, 2008

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.

Deloitte & Touche 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.

Dr. Brian D. Postl
President & Chief Executive Officer

Paul A. Kochan, FCA
Vice-President & Chief Financial Officer

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the consolidated statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2008 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, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Manitoba
June 19, 2008

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
REVENUE		
Manitoba Health and Healthy Living operating income	$ 1,819,727	$ 1,702,506
Other income (Schedule 1)	110,609	103,376
Amortization of deferred contributions, capital	55,756	52,228
Recognition of deferred contributions, future expenses	7,054	6,390
	1,993,146	1,864,500
EXPENSES		
Direct operations	1,656,440	1,529,381
Interest	918	399
Amortization of capital assets	56,438	53,778
	1,713,796	1,583,558
FACILITY FUNDING		
Long term care facility funding (Schedule 2)	232,823	225,394
Community health agency funding (Schedule 3)	29,457	27,336
Adult day care facility funding (Schedule 4)	2,674	2,637
Long term care community therapy services	675	632
GRANT FUNDED		
Grants to facilities and agencies (Schedule 5)	18,825	15,487
	1,998,250	1,855,044
OPERATING (DEFICIT) SURPLUS	(5,104)	9,456
NON-INSURED SERVICES		
Non-insured services income	79,334	76,587
Non-insured services expenses	73,545	71,642
NON-INSURED SERVICES SURPLUS	5,789	4,945
SURPLUS FOR THE YEAR	$ 685	$ 14,401

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
ASSETS		
CURRENT		
Cash and marketable securities	$ 32,301	$ 58,777
Accounts receivable (Note 5)	118,562	76,025
Inventory	18,212	16,327
Prepaid expenses	9,543	10,032
Employee benefits recoverable from Manitoba Health and Healthy Living (Note 6)	78,675	78,675
	257,293	239,836
CAPITAL ASSETS (Note 7)	983,616	910,627
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health and Healthy Living (Note 19)	82,302	82,302
Investments (Note 8)	22,079	27,099
Specific purpose funds (Note 9)	46,851	46,228
Nurse recruitment and retention fund (Note 10)	2,847	3,419
	$ 1,394,988	$ 1,309,511
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	$ 196,813	$ 156,008
Employee benefits payable (Note 6)	92,802	87,252
Current portion of long term debt (Note 12)	2,264	10,035
	291,879	253,295
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 12)	31,195	25,540
Employee future benefits payable (Note 19)	116,764	111,528
Specific purpose funds (Note 9)	46,851	46,228
Deferred contributions (Note 13)	845,989	810,132
Nurse recruitment and retention fund (Note 10)	2,847	3,419
	1,335,525	1,250,142
NET ASSETS	59,463	59,369
COMMITMENTS AND CONTINGENCIES (Note 15)		
	$ 1,394,988	$ 1,309,511

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2008
(in thousands of dollars)

	2008														2007
			Internally Restricted Net Assets												
	Investment in Capital Assets (Note 14)	Unrestricted Net Assets	Laundry Capital Assets	Pan Am Capital Assets	Telehealth Capital Assets	Concordia Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Riverview Internally Restricted	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total Internally Restricted	Total	Total (Restated - Note 20)
Balance, beginning of year	$ 67,364	$ (24,894)	$ 611	$ 853	$ 457	$ -	$ -	$ -	$ 3,090	$ 2,707	$ 3,051	$ 6,130	$ 16,899	$ 59,369	$ 27,741
Prior period adjustment:															
Consolidation of Other Hospitals and MATC (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,171
Amortization of capital assets (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56
Adjusted balance, beginning of year	67,364	(24,894)	611	853	457	-	-	-	3,090	2,707	3,051	6,130	16,899	59,369	44,968
Change in accounting policies (Note 2)	-	(40)	-	-	-	-	-	-	-	109	(7)	-	102	62	-
Transfer surplus to foundation	-	(653)	-	-	-	-	-	-	-	-	-	-	-	(653)	-
Net (deficit) surplus	(3,531)	2,937	-	-	-	-	-	-	82	148	630	419	1,279	685	14,401
Purchases of capital assets	31,014	(28,474)	(390)	(1,151)	-	-	(562)	-	(389)	-	-	(48)	(2,540)	-	-
Net Asset Restrictions	-	(8,274)	745	298	505	1,030	3,650	1,744	302	-	-	-	8,274	-	-
Balance, end of year	$ 94,847	$ (59,398)	$ 966	$ -	$ 962	$ 1,030	$ 3,088	$ 1,744	$ 3,085	$ 2,964	$ 3,674	$ 6,501	$ 24,014	$ 59,463	$ 59,369

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
OPERATING ACTIVITIES		
Surplus for the year	$ 685	$ 14,401
Transfer of surplus to Misericordia Health Centre Foundation Inc.	(653)	-
Items not affecting cash		
Amortization of capital assets	62,475	59,907
Amortization of deferred contributions related to capital assets	(58,944)	(55,501)
Recognition of deferred contributions related to future expenses	(7,860)	(6,393)
Unrecognized (gains) losses on investments	(734)	-
Loss on transfer of capital assets	-	110
Net change in employee future benefits	10,786	4,933
	5,755	17,457
Changes in non-cash operating working capital items	(3,128)	(4,139)
Deferred contributions received - future expenses	7,637	12,363
	10,264	25,681
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	95,024	100,787
Long term debt repayments	(2,116)	(19,292)
	92,908	81,495
INVESTING ACTIVITIES		
Purchase of capital assets	(135,464)	(115,996)
Decrease in investments	5,816	1,917
	(129,648)	(114,079)
DECREASE	(26,476)	(6,903)
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	58,777	65,680
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 32,301	$ 58,777

Comprised of:

	2008	2007
Cash	$ 23,137	$ 21,519
Marketable securities	9,164	37,258
Total	$ 32,301	$ 58,777

Supplementary Information:

	2008	2007
Interest paid	$ 2,009	$ 1,838

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, and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital, The Salvation Army Grace 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"). 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 non-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

The Authority has adopted the following recommendations of the CICA Handbook:

a) Section 1506, Accounting Changes

This revised standard requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Authority has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) Section 3855, Financial Instruments – Recognition and Measurement

This section describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) Section 3861, Financial Instruments – Disclosure and Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) Section 3251, Equity

This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

2. CHANGES IN ACCOUNTING POLICIES (continued)

The Authority has made the following classifications:

- Cash and marketable securities, investments (bonds, money market and mutual funds), specific purpose funds and nurse recruitment and retention fund are classified as financial assets held for trading and are measured at fair value.
- Investments (mortgage), accounts receivable, employee benefits recoverable from Manitoba Health and Healthy Living and employee future benefits recoverable from Manitoba Health and Healthy Living are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, current portion of long term debt, employee benefits payable, specific purpose funds, nurse recruitment and retention fund and long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. The implementation of the standard on April 1, 2007 resulted in a decrease to investments of $62, a decrease of $40 to unrestricted net assets and an increase of $102 to internally restricted net assets due to the adoption of recording the investments at fair value.

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 four 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 and Pan Am sites), and Medical Remuneration.
   - Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.
   - 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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', and MATC'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.

Additionally, the Deer Lodge Centre Foundation has been deemed a controlled entity by virtue of the fact that its purpose is to raise funds under the direction of the Deer Lodge Centre.

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 Deer Lodge Centre Foundation has not since it is not directly involved in the delivery of health care services. Note 18 provides a financial summary of this controlled non-consolidated entity.

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.

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 and Healthy Living funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health and Healthy Living for the year ended March 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventory consists of medical supplies, drugs, linen and other supplies that are valued at average cost and expensed when put into use.

e) 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

f) 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.

g) 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.

h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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 sites that it funds, minimizing credit risk.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings.

Financial assets and liabilities

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

Classification	
Cash and marketable securities	Held for trading
Specific purpose funds	Held for trading
Nurse recruitment and retention fund	Held for trading
Investments (bonds, money market and mutual funds)	Held for trading
Investments (mortgage)	Loans and receivables
Accounts receivable	Loans and receivables
Employee benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Employee future benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Accounts payable and accrued liabilities	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 and Healthy Living, employee future benefits recoverable from Manitoba Health and Healthy Living, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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, 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.

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.

j) Investments

Effective April 1, 2007, 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 mortgage is classified as loans and receivables and is measured at amortized cost.

For periods prior to April 1, 2007, all investments were recorded at cost, and investment income was recorded on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Due to/from 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 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 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 Authority, or repaid to Manitoba Health and Healthy Living.

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

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 Authority, or repaid to Manitoba Health and Healthy Living.

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 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 Authority. Any unapproved costs not paid by Manitoba Health and Healthy Living are absorbed by the Authority.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Authority's next fiscal year. The Authority is in the process of determining the impact that these standards will have on its financial reporting.

a) Capital Disclosures

Section 1535, "Capital Disclosures" establishes standards for the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

b) Financial Instruments – Disclosures and Presentation

Sections 3862, "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" replace the existing Section 3861 "Financial Instruments – Disclosure and Presentation". These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

c) Inventories

Section 3031, "Inventories" replaces the existing Section 3030 with the same title. The new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. Other changes from the current standards on accounting for inventories include: (i) the elimination of the LIFO method of accounting for inventory; (ii) the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use; and (iii) the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. In addition, disclosure requirements have been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are now required to be disclosed.

(amounts in thousands of dollars)

5. ACCOUNTS RECEIVABLE

		2008		2007 (Restated - Note 20)
Manitoba Health and Healthy Living - operating, capital and fee for service	$	**65,629**	$	35,152
Facility advances and receivables		**12,711**		1,249
Patient related and other		**40,934**		40,185
Allowance for doubtful accounts		**(712)**		(561)
	$	**118,562**	$	76,025

6. 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 and Healthy Living. Manitoba Health and Healthy Living 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 and Healthy Living is as follows:

		2008		2007 (Restated - Note 20)
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:

Balance, beginning of year	$	**87,252**	$	83,637
Increase in vacation / overtime / statutory holidays entitlements		**5,550**		3,615
Balance, end of year	$	**92,802**	$	87,252

(amounts in thousands of dollars)

7. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
				(Restated - Note 20)
Land	**$ 16,484**	**$ -**	**$ 16,484**	$ 16,693
Buildings	**996,046**	**(344,236)**	**651,810**	543,324
Furniture & equipment	**714,110**	**(554,703)**	**159,407**	138,121
Computer hardware and software	**35,385**	**(22,845)**	**12,540**	5,082
Leasehold improvements	**15,072**	**(5,122)**	**9,950**	3,790
Construction in Progress	**133,425**	**-**	**133,425**	203,617
	$ 1,910,522	**$ (926,906)**	**$ 983,616**	$ 910,627

8. INVESTMENTS

	2008	2007
		(Restated - Note 20)
Money market investments	**$ 9,164**	$ 37,258
Bonds	**19,657**	24,521
Mutual funds	**328**	6
Mortgage	**2,094**	2,572
	31,243	64,357
Less: amounts included with cash and marketable securities	**(9,164)**	(37,258)
	$ 22,079	$ 27,099

In 2008, investments are carried at fair value except for the mortgage, which is at amortized cost. In 2007, carrying value represented book value (Note 3j).

The fair value of the bonds was $24,536 and the fair value of the mutual funds was $5 at March 31, 2007 using quoted market prices.

Investments include a mortgage of $2,094 (2007 - $2,572) 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 $2,123 (2007 - $2,567). 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. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2008	2007 (Restated - Note 20)
Cash and investments, at carrying value	**$ 46,851**	$ 46,228

In 2008, investments are carried at fair value using quoted market prices. In 2007, carrying value represented book value.

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

	2008	2007 (Restated - Note 20)
Balance, beginning of year	**$ 46,228**	$ 44,959
Grants, bequests and donations	**25,860**	26,196
Investment income	**1,379**	1,807
Disbursements	**(26,616)**	(26,734)
Balance, end of year	**$ 46,851**	$ 46,228

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)

10. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health and Healthy Living 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 Healthy Living, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and investments held for the Nurse Recruitment and Retention Fund include the following:

		2008		2007
Cash and investments, at carrying value	**$**	**2,847**	$	3,419

In 2008, investments are carried at fair value using quoted market prices. In 2007, carrying value represented book value.

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

Balance, beginning of year	**$**	**3,419**	$	3,990
Additions to fund		**1,400**		1,309
Interest earned on investment		**133**		120
Fund expenditures		**(2,105)**		(2,000)
Balance, end of year	**$**	**2,847**	$	3,419

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2008		2007 (Restated - Note 20)
Accounts payable and accrued liabilities	**$**	**144,575**	$	120,453
Accrued salaries		**48,351**		33,851
Accrued interest on long term debt		**462**		455
Holdbacks on construction contracts		**3,425**		1,249
	$	**196,813**	$	156,008

(amounts in thousands of dollars)

12. LONG-TERM DEBT

	2008	2007 (Restated - Note 20)
Prime less 0.5% Term Loan, maturing 2011 Concordia Energy Saving Project Fair value $209 (2007 - $275)	$ 209	$ 275
Hospital Loan- Atrium 5.8%, maturing September 30, 2014 St. Boniface General Hospital Fair value $12,398 (2007 - $11,873)	11,122	11,514
Prime plus 0.25% Demand Loan, maturing 2015 Grace General Hospital Hospice Fair value $321 (2007 - $371)	321	371
Prime less 1.0% Mortgage, maturing 2017 Health Sciences Centre Emily Street Parkade Fair value $7,595 (2007 - $8,099)	7,595	8,361
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services Fair value $13,461 (2007 - $14,626)	13,690	14,532
Government of Canada, Technology 2000 Inc. loan St. Boniface Hospital Fair value undeterminable	522	522
	33,459	35,575
Less amounts due within one year, included in current liabilities	(2,264)	(10,035)
	$ 31,195	$ 25,540

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.

The Technology 2000 Inc. loan is from the Government of Canada, through the Western Economic Diversification Program. The loan is unsecured and no further interest is accrued. It is not practical to determine the fair value of the Technology 2000 Inc. loan due to the underlying terms.

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

2009	$ 2,264
2010	2,358
2011	2,433
2012	2,488
2013	2,604

(amounts in thousands of dollars)

13. DEFERRED CONTRIBUTIONS

		2008		2007 (Restated - Note 20)
Deferred contributions, future expenses				
- operating expenses	$	12,985	$	12,813
- contract settlement expenses		3,524		4,902
		16,509		17,715
Deferred contributions, capital		829,480		792,417
Deferred contributions, total	$	845,989	$	810,132

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.

		2008		2007 (Restated - Note 20)
Balance, beginning of year	$	17,715	$	11,835
Amount received during the year		7,637		12,363
Transferred to deferred contributions, capital		(983)		(90)
Less: amount recognized as revenue - Programs		(7,054)		(6,390)
Less: amount recognized as revenue - Non-insured services		(806)		(3)
Balance, end of year	$	16,509	$	17,715

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.

		2008		2007 (Restated - Note 20)
Balance, beginning of year	$	792,417	$	747,041
Amount received during the year		95,024		100,787
Transferred from deferred contributions, future expenses		983		90
Less: amount amortized to revenue – Programs		(55,756)		(52,228)
Less: amount amortized to revenue – Non-insured services		(3,188)		(3,273)
Balance, end of year	$	829,480	$	792,417

(amounts in thousands of dollars)

13. 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 deferred contributions:

	2008	2007 (Restated - Note 20)
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health and Healthy Living, 2.69% revolving 60 days	$ -	$ 7,747
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health and Healthy Living, Prime less 1.0% to Prime less 0.5%	**50,009**	11,892
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre	**25,000**	25,000
Sinking fund debentures, Series D, 10.25%, maturing July 15, 2008 St. Boniface General Hospital	**23,000**	23,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	**51,500**	51,500
	$ 149,509	$ 119,139

At March 31, 2008 the value of the sinking fund assets and accumulated interest aggregated $61,045 (2007 restated - $55,439). Annual payments are made by the Authority/Manitoba Health and Healthy Living from cash held in trust, which at March 31, 2008 was $2,112 (2007 - $2,112).

(amounts in thousands of dollars)

14. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

		2008		2007 (Restated - Note 20)
Capital assets	$	**850,191**	$	707,010
Construction and other projects in progress		**133,425**		203,617
	$	**983,616**	$	910,627
Amounts financed by:				
Deferred contributions	$	**(829,480)**	$	(792,417)
Loans and accounts payable		**(59,289)**		(50,846)
Investment in capital assets	$	**94,847**	$	67,364

Change in investment in capital assets is calculated as follows:

		2008		2007 (Restated - Note 20)
a) Excess of expenses over revenues				
Amortization of capital assets included in programs	$	**(56,438)**	$	(53,778)
Amortization of capital assets included in non-insured services		**(6,037)**		(6,129)
Amortization of deferred contributions related to capital assets included in programs		**55,756**		52,228
Amortization of deferred contributions related to capital assets included in non-insured services		**3,188**		3,273
	$	**(3,531)**	$	(4,406)
b) Purchase of capital assets	$	**135,464**	$	115,996
Amounts funded by:				
Capital contributions received in the year		**(95,024)**		(100,787)
Capital contributions transferred from future expenses		**(983)**		(90)
Change in capital contributions receivable, loans and accounts payable		**(8,443)**		(4,836)
	$	**31,014**	$	10,283
Change in Investment in Capital Assets	$	**27,483**	$	5,876

(amounts in thousands of dollars)

15. 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, 2008, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2009	$7,734
2010	6,087
2011	5,012
2012	4,799
2013	4,737

c) At March 31, 2008, the Authority had capital commitments of approximately $22,143 (2007 restated - $76,533) and equipment purchase commitments of approximately $12,309 (2007 restated - $10,777).

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

2009	$ 3,433
2010	3,035
2011	2,268
2012	1,470
2013	738

16. 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 under 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, 2008

17. ECONOMIC DEPENDENCE

The Authority received approximately 91% (2007 restated - 91%) of its total revenue from Manitoba Health and Healthy Living and is economically dependent on Manitoba Health and Healthy Living for continued operations.

(amounts in thousands of dollars)

18. RELATED PARTY RELATIONSHIPS

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). For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, and MATC are controlled (Note 3b) and have been consolidated into the Authority's financial statements.

The Deer Lodge Centre Foundation, which is incorporated under the Corporations Act of Manitoba, is a registered charity for the purposes of the Income Tax Act and accordingly is exempt from income taxes. The Deer Lodge Centre Foundation's aims and objectives are to raise, invest and allocate funds to or for the benefit of the Deer Lodge Centre.

A financial summary of the Deer Lodge Centre Foundation, which has not been consolidated into the Authority's financial statements, is as follows:

		2008		2007 (Restated – Note 20)
Financial Position				
Total assets	**$**	**3,910**	$	3,883
Total liabilities & deferred contributions		**620**		588
Total net assets	**$**	**3,290**	$	3,295
Results of Operations				
Total revenues	**$**	**663**	$	688
Total expenses		**663**		688
Surplus from operations	**$**	**-**	$	-
Cash Flows				
From operating activities	**$**	**(309)**	$	(190)
Used for financing & investing		**257**		185
Decrease in cash	**$**	**(51)**	$	(5)

18. RELATED PARTY RELATIONSHIPS (continued)

b) Significant influence

The Health Sciences Centre Foundation Inc.'s ("HSCF") aims and objectives are to promote health care excellence by funding medical research and clinical projects. The Authority exercises significant influence on HSCF as the Health Sciences Centre appoints two of HSCF's board members and a portion of the funds raised by HSCF are directed to the Health Sciences Centre.

HSCF is incorporated under the Corporations Act of Manitoba and is a registered charity for the purposes of the Income Tax Act and accordingly exempt from income taxes.

c) Economic interest

Funding is provided to proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements to deliver service on behalf of the Authority. As a result, the Authority has economic interest in these entities.

Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service.

d) Related parties

The Authority and its Controlled Entities have relationships with the following parties:

Health Sciences Centre
- Children's Hospital Foundation of Manitoba Inc.

Concordia Hospital
- The Concordia Foundation Inc.
- Concordia Wellness Projects Inc.
- Concordia Hospital Fund Inc.

Seven Oaks General Hospital
- Seven Oaks General Hospital Foundation Inc.

The Salvation Army Grace General Hospital
- Grace General Hospital (Winnipeg) Foundation Inc.
- The Salvation Army Winnipeg Grace General Hospital Auxiliary

Victoria General Hospital
- The Victoria General Hospital Foundation Inc.
- Guild of Victoria General Hospital Inc.

Riverview Health Centre Inc.
- River Health Centre Foundation Inc.

18. RELATED PARTY RELATIONSHIPS (continued)

d) Related parties (continued)

Misericordia Health Centre

- Misericordia Health Centre Foundation Inc.

St. Boniface General Hospital

- St. Boniface General Hospital Auxillary Inc.
- St. Boniface Hospital & Research Foundation Inc.
- St. Boniface General Hospital Parkade Inc.
- Biovan Inc.
- Dorais Charities Inc.

The financial statements of these related parties have not been included in these statements but are available from the individual related entities.

19. 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 (dependant 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

(amounts in thousands of dollars)

19. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

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.

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2007, projected to March 31, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 – 4.85%) and a rate of salary increase of 3.5% (2007 – 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount of funding which will be provided by Manitoba Health and Healthy Living 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 and Healthy Living has indicated that payment of this receivable, when required, is guaranteed by the Province. Any future changes from the March 31, 2004 liability amount will be reflected in the statement of operations.

	2008	2007 (Restated – Note 20)
Employee future benefits recoverable from Manitoba Health and Healthy Living	**$ 82,302**	$ 82,302

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

	2008	2007
Balance, beginning of year	**$ 111,528**	$ 110,210
Net increase in pre-retirement entitlements	**5,236**	1,318
Balance, end of year	**$ 116,764**	$ 111,528

19. EMPLOYEE FUTURE BENEFITS (continued)

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. 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 employee's 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 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 $51,373 (2007 restated - $47,696) 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 Employee's Benefits Program which consists of the Civic Employee's Pension Plan and the Civic Employees Long-Term Disability Plan. The Civic Employee's Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $238 (2007 - $374) for current year's contributions. The Civic Employees Long-Term Disability Plan provides disability benefits to members who become disabled on or after January 1, 1992. The Authority contributed $1,240 (2007 - $1,102) to the plan during the year.

20. RESTATEMENT OF PRIOR PERIODS

Due to the resulting inclusion of the Other Hospitals and MATC in these consolidated financial statements, the following restatements of have been made to the March 31, 2007 balances: increased the total assets by $306,375, increased the total liabilities by $284,981, increased the total net assets by $21,394. In addition, total revenue increased by $46,592 and total expenses increased by $42,425 for the year ended March 31, 2007.

The prior year financial statements were corrected to reflect an overstatement of amortization of capital assets at one of the Community Hospitals. This adjustment resulted in a decrease in amortization of capital assets expense in the amount of $56 and an increase in net assets – invested in capital assets in the amount of $56.

21. COMPARATIVE FIGURES

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

22. SUBSEQUENT EVENT

The Winnipeg Regional Health Authority entered into an agreement with the Salvation Army Grace General Hospital (the "Grace") on January 10, 2008. Under the terms of this agreement, the Grace agreed to transfer its operations, property, liabilities and obligations to the WRHA pursuant to the provisions of The Regional Health Authorities Act and subject to approval of The Governing Council of the Salvation Army in Canada, which was subsequently received.

The transfer was approved by the WRHA Board of Directors on March 25, 2008 and is effective April 1, 2008.

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 1 - Other Income
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
Separately funded primary health programs	**$ 4,391**	$ 4,320
Patient and resident income	**29,870**	29,247
Radiology fee for service	**11,599**	10,625
External recoveries	**51,498**	45,666
Investment income	**2,936**	3,243
Miscellaneous income	**10,315**	10,275
Total	**$ 110,609**	$ 103,376

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 2 - Long Term Care Facility Funding
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
Non-Proprietary Personal Care Homes		
Bethania Mennonite Personal Care Home	$ 5,526	$ 5,527
Calvary Place Personal Care Home	3,941	3,811
Convalescent Home of Winnipeg	2,885	2,824
Donwood Manor Personal Care Home	4,615	4,422
Foyer Valade	5,819	5,115
Fred Douglas Lodge	5,395	5,194
Golden Links Lodge	3,242	3,164
Golden West Centennial Lodge	3,980	4,058
Holy Family Nursing Home	10,577	10,805
Lions Personal Care Centre	3,423	3,650
Luther Home	3,171	3,100
Meadowood Manor	3,268	3,288
Middlechurch Home of Winnipeg	7,705	7,658
Park Manor Personal Care Home	3,796	3,677
Pembina Place Mennonite Personal Care Home	2,334	2,299
Sharon Home	9,488	9,397
St. Joseph's Residence	3,972	3,953
Taché Centre	14,365	14,656
West Park Manor	5,271	5,178
Supportive Housing	3,853	3,526
Miscellaneous Funding Adjustments	1,301	445
Total	$ 107,927	$ 105,747
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	$ 7,337	$ 6,926
Central Park Lodge - Charleswood Care Centre	6,041	5,787
Central Park Lodge - Heritage Lodge	3,532	3,206
Central Park Lodge - Kildonan Personal Care Home	5,316	5,317
Central Park Lodge - Maples Personal Care Home	8,564	8,159
Central Park Lodge - Parkview Place	11,457	10,341
Central Park Lodge - Poseidon Care Centre	8,619	8,123
Extendicare - Oakview Place	9,495	9,315
Extendicare - Tuxedo Villa	7,914	7,688
Fort Garry Care Centre	-	459
Golden Door Geriatric Centre	3,001	2,911
River East Personal Care Home	5,283	5,055
St. Norbert Nursing Home	3,411	3,406
Vista Park Lodge	4,172	3,984
Miscellaneous Funding Adjustments	1,313	938
Total	$ 85,455	$ 81,615
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	$ 3,575	$ 3,446
Extendicare - Hillcrest Place	4,029	3,710
Extendicare - Red River Place	4,413	4,208
St. Adolphe Personal Care Home	1,551	1,422
Tudor House Personal Care Home	3,083	2,943
Miscellaneous Funding Adjustments	1	(219)
Total	$ 16,653	$ 15,510
Residential Care		
St. Amant Centre	$ 22,788	$ 22,522
Total	$ 232,823	$ 225,394

The facility funding reported on this schedule reflects approximately 72% (2007 - 72%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2008 Drug Capitation Fees of $2,140 were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes (2007 - $2,123).

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Aboriginal Health & Wellness Centre	**$ 1,115**	$ 1,108
Centre de Sante	**2,152**	1,091
Hope Centre Health Care Incorporated	**882**	869
Klinic Incorporated	**4,550**	4,570
Main Street Project Inc.	**1,634**	1,641
MFL Occupational Health and Safety Inc.	**724**	736
Mount Carmel Clinic	**6,279**	6,097
Nine Circles Community Health Centre Inc.	**2,452**	2,069
Nor'West Co-op Community Health Centre, Inc.	**1,177**	1,150
Rehabilitation Centre for Children, Inc.	**2,575**	2,563
Sexuality Education Resource Centre Manitoba, Inc.	**834**	845
Women's Health Clinic, Inc.	**2,769**	2,350
Clinique Youville Clinic Inc.	**2,312**	2,246
Miscellaneous Funding Adjustments	**2**	1
Total	**$ 29,457**	$ 27,336

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Adult Day Care Facility Funding
For the year ended March 31, 2008
(in thousands of dollars)

		2008		2007
			(Restated - Note 20)	
Convalescent Home of Winnipeg	$	**37**	$	37
Fred Douglas Lodge		**185**		183
Golden Links Lodge		**53**		52
Golden West Lodge		**158**		155
Holy Family Nursing Home		**187**		183
Independent Living Resource Centre		**104**		103
Lions Personal Care Centre		**158**		156
Lions Place - Charleswood		**260**		257
Lions Place - Concordia		**184**		182
Lions Place - 610 Portage		**216**		213
Luther Home		**91**		90
Middlechurch Home of Winnipeg		**192**		189
Extendicare - Oakview Place		**140**		139
Park Manor Personal Care Home		**106**		105
Sharon Home		**66**		65
South YM/YWCA		**165**		163
Taché Centre		**371**		365
Miscellaneous Funding Adjustments		**1**		-
Total	$	**2,674**	$	2,637

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Aboriginal Seniors Resource Centre	$ 165	$ 155
Age & Opportunity Centre Inc.	626	596
ALS House	351	328
Betelstadur Housing Co-op	7	6
Bethania Personal Care Home	17	10
Bethel Place	37	35
Bluebird Service Club	-	15
Bonivital Council for Seniors	38	36
Broadway Seniors Resource Council Inc.	38	36
Canadian Mental Health Association	962	899
Canadian Polish Manor	18	15
Central Speech & Hearing Clinic Inc.	101	101
Charleswood Senior Centre	44	33
Chez Nous Inc.	19	18
City of Winnipeg - Emergency Services	7,600	5,579
Clubhouse of Winnipeg Inc.	357	357
CNIB	12	11
Columbus Manor	19	18
Community Therapy Services	195	183
Creative Retirement Manitoba	44	33
Donwood Manor	49	34
Doray Enterprises	325	312
Fort Garry Services Inc.	37	35
Foyer Vincent Inc.	19	18
Friends Housing Inc.	92	78
Good Neighbours Senior Centre Inc.	64	33
Gwen Secter Creative Living Centre	56	44
Hospice & Palliative Care Manitoba	81	76
Jewish Child and Family	35	33
Jocelyn House	280	238
Kali Shiva	100	-
Keewatin Inkster (formerly Brooklands/Weston Community Resource)	93	70
Kingsford Haus Co-op Ltd.	11	11
La Federation de Franco MB	5	-
L'Accueil Colombien Inc.	18	17
Lindenwoods	95	17
Lions Club	36	34
Manitoba Association of Multipurpose Senior Centres	4	4
Manitoba Cardiac Institute (Reh-fit)	736	682
Manitoba Eastern Star Chalet	11	11
Manitoba Housing Authority	353	307
MacDonald Youth Services	309	294
McClure	11	11
Meals on Wheels of Winnipeg Inc.	155	145
Metropolitan Kiwanis Courts	99	145

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies (continued)
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Middlechurch Home of Winnipeg	**46**	43
Seven Oaks (formerly North Winnipeg Community Council)	**38**	36
Pembina Place (formerly Deaf Centre Manitoba Inc.)	**34**	34
Rainbow Society	**132**	-
River East Council for Seniors	**61**	57
Rose & Max Rady Jewish Community Centre	**22**	16
Ruperts Land Caregiver Services	**50**	47
S.S.C.O.P.E. Incorporated	**125**	93
Salvation Army	**270**	227
Sara Riel Inc.	**840**	876
Seniors Home Help Inc.	**74**	69
Seneca House	**377**	343
Serena Manitoba Inc.	**12**	11
Seven Oaks Wellness Centre	**587**	597
Society for Manitobans with Disabilities	**1,423**	1,330
South Winnipeg Senior Resource Council Inc.	**50**	47
St. James/Assiniboia Senior Centre Inc.	**88**	84
Stay Young Centre	**18**	16
Transcona Council for Seniors	**43**	40
University of Manitoba - Medical Info Line for the Elderly	**33**	31
University of Manitoba - Dental Services	**44**	41
University of Manitoba	**350**	-
Villa Cabrini Inc.	**37**	35
Villa Nova	**11**	11
Villa Tache	**29**	27
Willow Centre	**11**	11
Wolseley Family Centre	**95**	89
YW/YMCA of Winnipeg	**199**	167
Miscellaneous Funding Adjustments	**2**	(4)
Total	**$ 18,825**	$ 15,487

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada
Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

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, 2008 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, 2008 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 16, 2008

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Operations
Year Ended March 31, 2008

	2008	2007
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 3,984,859**	$ 3,916,216
Residential charge	**1,622,820**	1,540,273
Amortization of deferred contributions	**232,400**	232,473
Investment income	**59,605**	58,807
Other income	**2,185**	3,824
	5,901,869	5,751,593
EXPENSES		
Salaries	**4,016,787**	3,832,876
Employee benefits	**631,750**	592,706
Payroll tax	**86,226**	78,234
Incontinence supplies	**50,165**	51,453
Medical and surgical supplies	**32,461**	32,628
Operating expenses - Schedule	**456,932**	446,521
Physical plant - Schedule	**307,447**	294,453
Interest on long-term debt	**-**	4,107
Amortization	**284,190**	324,650
Administration - Schedule	**77,917**	82,344
	5,943,875	5,739,972
(DEFICIENCY) EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**$ (42,006)**	$ 11,621

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	**$ 1,720,845**	$ 1,629,443
Accounts receivable	**241,112**	94,965
G.S.T. recoverable	**3,967**	5,928
Inventory	**15,329**	14,012
Prepaid expenses	**6,418**	4,539
Due from Manitoba Health - vacation pay	**228,184**	206,790
	2,215,855	1,955,677
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	**189,422**	167,730
FIXED ASSETS (Note 4)	**7,519,247**	7,799,932
TRUST AND ACTIVITY FUND ASSETS	**86,006**	75,104
	$ 10,010,530	$ 9,998,443
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	**$ 552,621**	$ 523,804
Due to Winnipeg Regional Health Authority	**1,402,808**	1,202,726
	1,955,429	1,726,530
PRE-RETIREMENT ENTITLEMENTS	**189,422**	167,730
DEFERRED CONTRIBUTIONS (Note 6)	**7,239,530**	7,446,930
TRUST AND ACTIVITY FUND LIABILITIES	**86,006**	75,104
	9,470,387	9,416,294
CONTINGENCY (Note 8)		
NET ASSETS		
Invested in fixed assets (Note 7)	**304,717**	353,002
Unrestricted	**235,426**	229,147
	540,143	582,149
	$ 10,010,530	$ 9,998,443

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, 2008

	Invested in Fixed Assets	Unrestricted	**Total 2008**	Total 2007
Balance, beginning of year	**$ 353,002**	**$ 229,147**	**$ 582,149**	$ 570,528
(Deficiency) excess of income over expenses for the year	**(51,790)**	**9,784**	**(42,006)**	11,621
Investment in fixed assets (Note 7)	**3,505**	**(3,505)**	**-**	-
Balance, end of year	**$ 304,717**	**$ 235,426**	**$ 540,143**	$ 582,149

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
(Deficiency) excess of income over expenses for the year	$ **(42,006)**	$ 11,621
Items not affecting cash		
Amortization	**284,190**	324,650
Amortization of deferred contributions	**(232,400)**	(232,473)
	9,784	103,798
Changes in non-cash operating working capital items		
Accounts receivable	**(146,147)**	121,367
GST recoverable	**1,961**	6,365
Inventory	**(1,317)**	(529)
Prepaid expenses	**(1,879)**	2,945
Due from Manitoba Health - vacation pay	**(21,394)**	-
Due from Manitoba Health - pre-retirement entitlements	**(21,692)**	(33,797)
Accounts payable and accrued liabilities	**28,817**	67,844
Due to Winnipeg Regional Health Authority	**200,082**	(171,920)
Pre-retirement entitlements	**21,692**	33,797
	69,907	129,870
FINANCING ACTIVITIES		
Repayment of long-term debt	**-**	(145,336)
Deferred contributions received	**25,000**	69,841
	25,000	(75,495)
INVESTING ACTIVITY		
Fixed asset purchases	**(3,505)**	(2,033)
NET INCREASE IN CASH POSITION	**91,402**	52,342
CASH POSITION, BEGINNING OF YEAR	**1,629,443**	1,577,101
CASH POSITION, END OF YEAR	$ **1,720,845**	$ 1,629,443
Interest paid	$ **-**	$ 4,107

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. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The Organization adopted the following recommendations of CICA Handbook:

a) Section 3855, Financial Instruments – Recognition and Measurement. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments designated as held for trading are carried on the balance sheet at fair value and all periodic changes in fair value are recorded in net income. Financial assets designated as available-for-sale are carried on the balance sheet at fair value and all unrealized periodic changes in fair value are recorded directly in the Statement of Changes in Net Assets and reclassified to net income when realized. Other financial instruments are measured at amortized cost using the effective interest method.

b) Section 3861, Financial instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

c) Section 3251, Equity. This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

The Organization has classified its financial assets and liabilities as described in Note 3 g).

These new standards were applied retroactively as of April 1, 2007 without restatement of the prior year's amounts. The implementation of the change in accounting policy did not materially affect the carrying value of the financial assets and liabilities at April 1, 2007.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes

Financial Instruments

On December 1, 2006, the Canadian Institute of Chartered Accountants issued Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535 Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007, and therefore will be applied by the Organization effective April 1, 2008.

The Organization does not expect that the adoption of these new standards will have a material impact on its financial statements

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 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 counterparty 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, G.S.T. recoverable, 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. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and financial liabilities

Financial assets and financial liability 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.

Classifications

Cash	Held for trading
Accounts receivable	Loans and receivables
GST recoverable	Loans and receivables
Due from Manitoba Health – vacation pay	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

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 424,712**	**$ -**	**$ 424,712**	$ 424,712
Building	**8,563,541**	**1,762,667**	**6,800,874**	7,014,962
Computer equipment and software	**94,608**	**92,198**	**2,410**	18,780
RDF equipment	**300,947**	**300,947**	**-**	7,189
Nursing equipment	**89,191**	**89,191**	**-**	1,671
Furniture	**608,868**	**332,587**	**276,281**	313,261
Major equipment	**121,045**	**106,075**	**14,970**	19,357
	$ 10,202,912	**$ 2,683,665**	**$ 7,519,247**	$ 7,799,932

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade	**$ 134,971**	$ 122,584
Wages and employee benefits payable	**136,936**	128,370
Accrued vacation pay	**280,714**	272,850
	$ 552,621	$ 523,804

6. DEFERRED CONTRIBUTIONS

The deferred contributions balance at the beginning of the year related 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 the current year, contributions were received from Heritage Benevolent Association Inc. to be utilized on future training.

	2008	2007
Balance, beginning of year	**$ 7,446,930**	$ 7,609,562
Contributions received	**25,000**	69,841
Amortization	**(232,400)**	(232,473)
Balance, end of year	**$ 7,239,530**	$ 7,446,930

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2008

7. INVESTED IN FIXED ASSETS

a) Invested in fixed assets is calculated as follows:

	2008	2007
Fixed assets	**$ 7,519,247**	$ 7,799,932
Deferred contributions – related to fixed assets	**(7,214,530)**	(7,446,930)
Balance, end of year	**$ 304,717**	$ 353,002

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

	2008	2007
Deficiency of income over expenses		
Amortization of deferred contributions related to fixed assets	**$ 232,400**	$ 232,473
Amortization of fixed assets	**(284,190)**	(324,650)
	$ (51,790)	$ (92,177)

	2008	2007
Net change in invested in fixed assets		
Purchase of fixed assets	**$ 3,505**	$ 2,033
Amounts funded by deferred contributions	**-**	(69,841)
Repayment of long-term debt	**-**	145,336
	3,505	77,528
Total change in net assets invested in fixed assets	**$ (48,285)**	$ (14,649)

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.

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 at July 1, 2005 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $228,012 (2007 - $209,010) and are included in the statement of operations.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedule of Operating, Physical Plant and Administration Expenses
Year Ended March 31, 2008

		2008		2007
OPERATING EXPENSES				
Food	$	344,642	$	341,580
Other supplies and expenses		55,496		49,630
Purchased services		56,794		55,311
	$	456,932	$	446,521
PHYSICAL PLANT EXPENSES				
Heat, light and power	$	105,598	$	104,637
Insurance and property taxes		138,226		131,787
Repairs and maintenance		38,759		37,855
Water		24,864		20,174
	$	307,447	$	294,453
ADMINISTRATION EXPENSES				
Membership fees	$	1,621	$	2,745
Postage and delivery		1,289		1,605
Printing, stationery and office supplies		12,567		14,281
Professional fees		42,036		44,425
Sundry		2,256		3,597
Telephone and fax		9,653		9,803
Travel and education		8,495		5,888
	$	77,917	$	82,344

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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's operations as outlined in Note 1 - Entity Definition, as at March 31, 2008 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

Winnipeg, Manitoba
April 30, 2008

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

March 31	2008	2007
Assets		
Current Assets		
Restricted cash and investments (Note 3)	$ 396,246	$ 428,342
Accounts receivable (Note 4)	67,032	69,731
Inventories	84,984	54,343
Prepaid expenses	21,230	31,590
Vacation entitlement receivable (Note 6)	497,632	497,632
	1,067,124	1,081,638
Retirement obligations asset (Note 14)	726,543	735,952
Capital assets (Note 7)	2,159,605	2,233,637
	$ 3,953,272	$ 4,051,227
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 13)	$ 387,402	$ 257,125
Accounts payable (Note 8)	776,407	666,505
Accrued vacation entitlements (Note 6)	412,104	428,840
Due to related parties (Note 5)	52,178	13,219
Current portion of long-term debt (Note 9)	119,945	118,000
	1,748,036	1,483,689
Accrued retirement obligations (Note 14)	554,274	563,683
Long-term debt (Note 9)	-	119,945
Deferred contributions (Note 10)	1,141,549	1,238,157
	3,443,859	3,405,474
Commitments and contingencies (Note 11)		
Net Assets		
Invested in capital assets	1,059,768	886,794
Debenture payment reserve	122,849	127,461
Unrestricted	(673,204)	(368,502)
	509,413	645,753
	$ 3,953,272	$ 4,051,227

Approved on behalf of the Board:

Director

Director

: 1458

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				2008	2007
	Invested in Capital Assets	Debenture Repayment Reserve	Unrestricted	Total	Total
Balance, beginning of year	886,794	127,461	(368,502)	$ 645,753	575,038
Excess (deficiency) of revenue over expenditures for the year	-	-	(131,728)	(131,728)	74,535
Changes in reserve	-	(4,612)		(4,612)	(3,820)
Purchase of capital assets	172,974	-	(172,974)	-	-
Balance, end of year	$ 1,059,768	$ 122,849	$ (673,204)	$ 509,413	$ 645,753

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

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations - Personal Care Home

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	$ 5,486,699	$ 5,356,662
Residential charges	2,372,591	2,222,739
Other income (Page 21)	96,856	106,031
CMHC subsidy	178,171	178,172
	8,134,317	7,863,604
Expenditures		
Accrued vacation pay reduction	(16,736)	(31,799)
Drugs and medical supplies	141,163	127,591
Employee benefits	856,450	831,409
Food	282,127	263,078
Health and education tax levy	116,866	114,016
Other supplies and expenses	607,741	618,961
Salaries	5,970,317	5,662,705
Utilities and taxes	317,526	291,617
	8,275,454	7,877,578
Deficiency of revenue over expenditures before amortization	(141,137)	(13,974)
Amortization		
Deferred contributions (Note 10)	247,006	244,205
Capital assets	(247,006)	(244,205)
	-	-
Deficiency of revenue over expenditures before other items	(141,137)	(13,974)
Other Items		
CMHC subsidy revision	-	123,487
Long-term debt revision	-	48,614
Accrued pre-retirement leave entitlement (increase) decrease	9,409	(83,592)
	9,409	88,509
Excess (deficiency) of revenue over expenditures for the year	$ (131,728)	$ 74,535

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	2008	2007
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (131,728)	$ 74,535
Amortization of capital assets	247,006	244,205
Change in pre-retirement entitlement receivable	(9,409)	(83,592)
Change in accrued pre-retirement entitlement	9,409	83,592
Net increase (decrease) in deferred contributions	(96,608)	(189,912)
Changes in reserve	(4,612)	-
	14,058	128,828
Changes in non-cash working capital (Note 12)	146,639	50,182
	160,697	179,010
Cash Flows from Financing Activities		
Repayment of long-term debt	(118,000)	(118,000)
Cash Flows from Investing Activities		
Purchase of capital assets (net of donations)	(172,974)	(92,751)
Net decrease in cash and cash equivalents during the year	(130,277)	(31,741)
Bank indebtedness, beginning of year	(257,125)	(225,384)
Bank indebtedness, end of year	$ (387,402)	$ (257,125)

The accompanying summary of significant 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 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, 2008.

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 - 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

March 31, 2008

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.

Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.

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.

March 31, 2008

Financial Instruments

The Home's financial instruments consist of cash, restricted cash, short-term investments, accounts receivable, accounts payable, long-term debt, accrued vacation and pre-retirement receivables and payables and related party balances. 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 trade date basis.

The Home classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. The Home accounting is as follows:

Held-for-trading

This category is comprised of cash, restricted cash, short-term investments and related party balances. 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 (accounts receivable), but also incorporate other types of contractual monetary assets. 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 expenses as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, accrued vacation pay, pre-retirement entitlement and long-term debt. 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.

Restricted Cash

Restricted cash and investment balances represent assets segregated for use for replacement reserves or debenture repayment reserves.

Recent 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 Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Home is currently assessing the impact of the new standard.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Home does not expect the adoption of these changes to have a material impact on its financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Notes to Financial Statements

March 31, 2008

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, 2008 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Change in Accounting Policy

On April 1, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

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

3. Restricted Cash and Investments

	2008	2007
Restricted cash	$ 107,502	$ 101,015
Bonds and GIC's	165,185	199,156
Debenture Retirement Fund (see below)	123,559	128,171
	$ 396,246	$ 428,342

The fair value of cash on deposit and the debenture retirement fund is equal to its carrying value. The bonds have an effective interest rate of 4.01 to 5.12% (2007 - 4.00 to 4.5%) with the latest maturing in June 2012. The fair value of the bonds is based on the year end quoted market bid price.

Debenture Retirement Fund

In accordance with the agreement relating to debenture issues, the WRHA retains and holds in trust sufficient funds from amounts otherwise payable by it to the Home to ensure the availability of funds to meet debenture principal and interest payments as they fall due.

4. Accounts Receivable

		2008		2007
Receivable from residents	$	**21,535**	$	7,536
Accrued interest receivable		**4,085**		4,588
Canada Mortgage and Housing Corporation		**15,507**		15,507
Other		**561**		15,856
GST rebate receivable		**25,344**		26,244
	$	**67,032**	$	69,731

5. Due from (to) Related Parties

		2008		2007
285 Pembina Inc.	**$**	**392**	$	494
ArlingtonHaus Inc.		**392**		494
Bethania Housing & Projects Inc.		**(82,507)**		(21,945)
Bethania Mennonite Memorial Foundation Inc.		**17,517**		9
BethaniaHaus Inc.		**1,962**		2,469
Pembina Place Mennonite Personal Care Home, Inc.		**10,066**		5,138
The Mennonite Benevolent Society		**-**		122
	$	**(52,178)**	$	(13,219)

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

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:

	2008	2007
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:

	2008	2007
Balance, beginning of year	**$ 428,840**	$ 380,988
Net increase (decrease) in accrued vacation entitlements	**(16,736)**	47,852
Balance, end of year	**$ 412,104**	$ 428,840

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Notes to Financial Statements

March 31, 2008

7. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$ **1**	$ **-**	$ 1	$ -
Land improvements	**340,263**	**265,586**	340,263	250,813
Building	**4,841,344**	**3,109,116**	4,804,084	2,964,978
Computer equipment	**337,093**	**294,034**	337,093	283,807
Furniture, fixtures and equipment	**3,678,469**	**3,384,555**	3,542,756	3,306,688
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ **9,212,896**	$ **7,053,291**	$ 9,039,923	$ 6,806,286
Cost less accumulated amortization		$ **2,159,605**		$ 2,233,637

Amortization of capital assets for the year ended March 31, 2008 is $247,006 (2007 - $244,205).

8. Accounts Payable

	2008	2007
Trade accounts payable	$ **152,907**	$ 207,206
Accrued liabilities	**58,913**	59,292
Salaries and employee benefits payable	**304,576**	194,213
Winnipeg Regional Health Authority	**260,011**	205,794
	$ **776,407**	$ 666,505

9. Long-term Debt

	2008	2007
Debenture payable Debenture #2 - bearing interest at 11 1/8%, payable semi-annually with annual principal payments of $118,000, maturing June 1, 2008	$ **119,945**	$ 237,945
Current portion of long-term debt	**119,945**	118,000
	$ **-**	$ 119,945

10. 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:

	2008	2007
Balance, beginning of year	**1,084,316**	1,353,774
Funding for principal repayments on debenture	**69,336**	170,976
Transfer from replacement reserves	**172,973**	92,751
Long-term debt principal reductions	**(23,313)**	(139,580)
Construction loan reduction	**(46,583)**	(149,400)
Amounts amortized to revenue	**(247,006)**	(244,205)
Balance, end of year (carried forward)	**$ 1,009,723**	$ 1,084,316

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.

	2008	2007
Balance, beginning of year	**$ 100,183**	$ 149,550
Contributions - Winnipeg Regional Health Authority	**124,292**	25,725
Interest allocation	**6,811**	8,642
Transfer to deferred contributions - capital asset purchases	**(135,713)**	(83,734)
Balance, end of year (carried forward)	**$ 95,573**	$ 100,183

10. **Deferred Contributions** (continued)

	2008	2007
Capital assets (brought forward)	**$ 1,009,723**	$ 1,084,316
Unspent equipment funding (brought forward)	**95,573**	100,183

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.

	2008	2007
Balance, beginning of year	**$ 47,706**	$ 38,991
Contributions - Winnipeg Regional Health Authority	**14,423**	14,423
Interest allocation	**3,944**	3,314
Transfer to deferred contributions - capital asset purchases	**(37,260)**	(9,022)
Balance, end of year	**28,813**	47,706
Insurance Reserve		
Balance, beginning of year	**5,952**	4,464
Contributions - Winnipeg Regional Health Authority	**1,488**	1,488
Balance, end of year	**7,440**	5,952
Total deferred contributions balance	**$ 1,141,549**	$ 1,238,157

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

	2008	2007
Royal Bank revolving loan	**$ -**	$ 46,582
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	**499,445**	522,757
	$ 499,445	$ 569,339

During the current year, the Home settled the Royal Bank revolving loan prior to the debt maturing on July 31, 2008.

11. 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, 2008, 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, 2008. The Home is a named insured under the WRHA policy with HIROC.

d) A lawsuit has been filed against the Home for an incident which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

12. Changes in Non-cash Working Capital

	2008	2007
Accounts receivable	**$ 2,699**	$ 11,447
Restricted cash and investments	**32,096**	42,068
Inventories	**(30,641)**	2,264
Prepaid expenses	**10,360**	(5,586)
Due from (to) related parties	**38,959**	64,687
Accounts payable and accrued charges	**109,902**	(112,550)
Accrued vacation payable	**(16,736)**	47,852
	$ 146,639	$ 50,182

13. 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.

14. 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, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) 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.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ **652,360**	$ 652,360
Winnipeg Regional Health Authority	**74,183**	83,592
	$ **726,543**	$ 735,952

14. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

	2008	2007
Balance, beginning of year	$ **563,683**	$ 480,091
Net increase (decrease) in pre-retirement entitlements	**(9,409)**	83,592
Balance, end of year	$ **554,274**	$ 563,683

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, 2006 indicates the Plan is in in a surplus position. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $300,044 (2007 - $303,995) and are included in the statement of operations.

15. Related Party Transactions

During the year, the Home had the following transactions with related organizations:

Management fee income	$	60,000
Maintenance fee recovery		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.

16. 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 3, 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.

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

For the year ended March 31		2008		2007
Other Income				
BethaniaHaus meal recoveries	**$**	**9,643**	$	11,338
Dietary recoveries		**44,603**		47,592
Shared service recoveries		**41,779**		46,396
Investment income		**831**		657
Other recoveries and miscellaneous		**-**		48
	$	**96,856**	$	106,031

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2008 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, 2008 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 schedules 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 2, 2008

CENTRE TACHÉ CENTRE

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 2,565,410	$ 2,769,411
Accounts receivable	79,485	68,861
Employee benefits recoverable from Winnipeg Regional Health Authority (note 5)	921,099	921,099
Receivable from Winnipeg Regional Health Authority (note 3)	929,005	317,476
Inventory	45,439	49,263
Prepaid expenses	104,664	108,069
	4,645,102	4,234,179
Residents' funds in trust (note 6)	37,036	32,086
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 5)	1,445,767	1,330,672
Capital assets (note 4)	8,750,306	9,200,151
Leasehold estate (note 17)	75,811	79,145
Other assets	1,000	1,000
	$ 14,955,022	$ 14,877,233

	2008	2007

Liabilities, Deferred Contributions and Fund Balances

	2008	2007
Current liabilities:		
Accounts payable	$ 297,268	$ 334,830
Accrued liabilities	1,539,936	1,922,215
Advances from Winnipeg Regional Health Authority (note 9)	602,121	–
Current portion of mortgages payable (note 8)	86,908	79,897
	2,526,233	2,336,942
Residents' funds in trust (note 6)	37,036	32,086
Future employee pre-retirement benefits payable (note 5)	1,826,198	1,711,103
Mortgages payable (note 8)	3,214,249	3,301,159
	5,077,483	5,044,348
	7,603,716	7,381,290
Deferred contributions for (note 10):		
Expenses of future periods	13,654	12,240
Capital assets	5,796,556	6,150,443
	5,810,210	6,162,683
Fund balances:		
Capital fund (note 11)	44,503	49,301
Internally restricted fund (note 12)	1,496,593	1,283,959
	1,541,096	1,333,260
	$ 14,955,022	$ 14,877,233

See accompanying notes to financial statements.

On behalf of the Board of Directors:

On behalf of the Member of the Corporation:

CENTRE TACHÉ CENTRE

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Adult Day Program and Ancillary Operations	Internally Restricted Fund	Capital Fund	2008 Total	2007 Total
Revenue:						
Winnipeg Regional Health Authority	$ 14,605,996	$ –	$ –	$ –	$ 14,605,996	$ 14,123,514
Resident charges	4,398,183	–	–	–	4,398,183	4,171,094
Adult Day Program	–	422,711	–	–	422,771	415,493
	19,004,179	422,771	–	–	19,426,950	18,710,101
Amortization of deferred contributions (note 10)	–	–	–	477,388	477,388	505,567
Offset income:						
Cafeteria	145,433	–	–	–	145,433	145,514
Interest	9,691	–	110,163	–	119,854	111,006
Donations	10,555	–	51,135	–	61,690	78,158
Fundraisers	–	–	5,103	–	5,103	6,377
Parking	64,361	–	–	–	64,361	60,934
Shared services (note 13)	324,182	–	–	–	324,182	269,667
Grants	27,127	–	–	–	27,127	12,418
Recoveries:						
General	277,410	–	–	–	277,410	290,792
Ancillary operations (note 10)	–	12,174	–	–	12,174	31,669
	858,759	12,174	166,401		1,037,334	1,006,535
	19,862,938	434,945	166,401	477,388	20,941,672	20,222,203
Expenses:						
Amortization	–	–	–	482,186	482,186	519,325
Salaries and wages	13,890,498	204,289	–	–	14,094,787	13,269,096
Employee benefits	2,609,119	40,123	–	–	2,649,242	2,470,725
Other supplies and expenses	403,808	16,816	5,534	–	426,158	498,804
Medical and surgical supplies	320,004	–	–	–	320,004	314,902
Drugs	3,050	–	–	–	3,050	2,139
Food costs	618,534	30,300	–	–	648,834	642,036
Utilities	604,625	–	–	–	604,625	571,703
Telephone and sundry	138,298	–	–	–	138,298	119,221
Travel	67,648	118,323	–	–	185,971	186,266
Professional and other fees	98,568	–	–	–	98,568	107,135
Advertising and public relations	6,084	–	–	–	6,084	14,682
Insurance	36,348	–	–	–	36,348	35,226
Equipment	316,237	–	–	–	316,237	360,339
Buildings and grounds	427,679	–	26,154	–	453,833	474,450
Interest	257,437	–	–	–	257,437	402,077
Ancillary operations	–	12,174	–	–	12,174	31,669
	19,797,937	422,025	31,688	482,186	20,733,836	20,019,795
Excess (deficiency) of revenue over expenses before the undernoted	65,001	12,920	134,713	(4,798)	207,836	202,408
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	–	40,001
Winnipeg Regional Health Authority future employee benefits recoverable (note 5)	115,095	–	–	–	115,095	352,778
Future employee pre-retirement benefits obligation (note 5)	(115,095)	–	–	–	(115,095)	(126,280)
Excess (deficiency) of revenue over expenses	65,001	12,920	134,713	(4,798)	207,836	468,907
Fund balances, beginning of year	–	–	1,283,959	49,301	1,333,260	864,353
Transfer of Adult Day Program surplus	–	(12,920)	12,920	–	–	–
Transfer of operating surplus	(65,001)	–	65,001	–	–	–
Fund balances, end of year	$ –	$ –	$ 1,496,593	$ 44,503	$ 1,541,096	$ 1,333,260

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 207,836	$ 428,906
Winnipeg Regional Health Authority prior year adjustment	–	40,001
Adjustments for:		
Amortization of capital assets	482,186	519,325
Amortization of deferred contributions related to capital assets	(477,388)	(505,567)
Change in non-cash operating working capital:		
Accounts receivable	(10,624)	7,497
Receivable from Winnipeg Regional Health Authority	(611,529)	(168,629)
Inventory	3,824	(2,481)
Prepaid expenses	3,405	13,973
Future employee pre-retirement benefits recoverable	(115,095)	(126,280)
Accounts payable	(37,562)	107,838
Accrued liabilities	(382,279)	239,811
Advances from Winnipeg Regional Health Authority	602,121	–
Future employee pre-retirement benefits payable	115,095	126,280
Deferred contributions received related to future periods	13,588	15,061
Deferred contributions recognized as revenue in the year	(12,174)	(31,669)
	(218,596)	664,066
Investing:		
Increase in deferred contributions related to capital assets	123,501	2,976,883
Additions to capital assets	(29,007)	(107,960)
	94,494	2,868,923
Financing:		
Repayments on bank loans	–	(2,828,586)
Repayment on mortgages	(79,899)	(73,460)
	(79,899)	(2,902,046)
Increase (decrease) in cash	(204,001)	630,943
Cash, beginning of year	2,769,411	2,138,468
Cash, end of year	$ 2,565,410	$ 2,769,411

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Notes to Financial Statements

Year ended March 31, 2008

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, and a day centre 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. 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, 2008

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1. Significant accounting policies (continued):

(b) 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.

(c) 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
Land improvements	5%
Buildings	2%
Equipment and building service equipment and software licences and fees	6 1/4% to 20%

(d) 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.

(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 day centre program and ancillary activities are recorded in the Adult Day Program and Ancillary Operations Funds.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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1. Significant accounting policies (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 reported in the Operating Fund.

(f) Inventory:

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

(g) 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 5.

The cost of the Corporation'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 Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age-related merit/promotion scale with no provision for disability.

(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 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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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2. Changes in accounting policy:

The Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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.

Upon adoption of this new standard, the Corporation designated cash 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 rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transition adjustment for the Corporation's held-for-trading or available-for-sale financial instruments as their carrying amounts approximate fair value. There was no transition adjustment for the Corporation's other financial instruments as their carrying amounts approximate amortized cost.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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

	2008	2007
Receivable:		
Prior years	$ 302,236	$ 57,866
Resident charges	–	23,632
Employee retirement benefits	93,042	37,820
Salaries and benefits	604,191	186,398
Other	23,907	6,279
	1,023,376	311,995
Payable:		
Prior years	217,537	217,537
Resident charges	100,839	–
Capital interest	563	2,881
Other	1,930	599
	320,869	221,017
	702,507	90,978
Current future employee pre-retirement benefits recoverable (note 5)	226,498	226,498
Net receivable	$ 929,005	$ 317,476

Over/under funding occurs when non-global items (including resident charges 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.

4. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land improvements	$ 454,843	$ 276,459	$ 178,384	$ 217,885
Buildings	13,897,065	6,036,333	7,860,732	8,183,804
Building service equipment	743,318	424,360	318,958	351,254
Equipment	2,786,655	2,399,779	386,876	447,208
Software licenses and fees	198,222	192,866	5,356	–
	$ 18,080,103	$ 9,329,797	$ 8,750,306	$ 9,200,151

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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5. 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, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,826,198 (2007 - $1,711,103) for which the Corporation 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 in the related liability for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $115,095 (2007 - $126,280) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $226,498. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $1,445,767 (2007 - $1,330,672) 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 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $51,770 (2007 - $13,636) 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, 2008 is $1,020,565 (2007 - $979,373).

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 is maintained at the value of the vacation benefits liability at March 31, 2004.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. 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.

7. Bank indebtedness:

At March 31, 2008, the Corporation had a $300,000 authorized line of credit available with no outstanding borrowings.

8. Mortgages payable:

	2008	2007
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	$ 1,575,221	$ 1,628,299
First mortgage on 1978 construction, repayable in monthly blended payments of $13,375, due February 1, 2028. The stated interest rate is 10%. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,725,936	1,752,757
	3,301,157	3,381,056
Current portion	86,908	79,897
	$ 3,214,249	$ 3,301,159

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

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

2009	$ 86,908
2010	94,544
2011	102,859
2012	111,917
2013	121,784
Thereafter	2,783,145
	$ 3,301,157

9. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $186,398 and $415,723 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. 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.

	2008	2007
Balance, beginning of year	$ 12,240	$ 28,848
Add amount received related to future periods	13,588	15,061
Less amount recognized as revenue in the year	(12,174)	(31,669)
	$ 13,654	$ 12,240

(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.

	2008	2007
Balance, beginning of year	$ 6,150,443	$ 3,679,127
Additional contributions received	123,501	2,976,883
Less amounts amortized to revenue	(477,388)	(505,567)
	$ 5,796,556	$ 6,150,443

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

	2008	2007
Unamortized capital contributions used to purchase assets	$ 5,480,458	$ 5,848,939
Unspent contributions:		
Equipment reserve	188,419	155,782
Major repairs	114,107	126,495
Donations	13,572	19,227
	$ 5,796,556	$ 6,150,443

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

11. Capital fund:

	2008	2007
Capital assets	$ 8,750,306	$ 9,200,151
Leasehold estate	75,811	79,145
	8,826,117	9,279,296
Amount financed by:		
Deferred contributions	(5,480,458)	(5,848,939)
Mortgages	(3,301,157)	(3,381,056)
	$ 44,503	$ 49,301

12. Internally restricted fund:

	2008	2007
To be expended only with the approval of the Member of the Corporation	$ 1,209,988	$ 1,025,273
Other internal projects	286,605	258,686
	$ 1,496,593	$ 1,283,959

13. Related party transactions:

Foundation:

An amount of $50,000 (2007 - $60,000) 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 $287,382 (2007 - $234,910) which is included in shared services revenue. The Corporation purchased services from Foyer Valade Inc. in the amount of $213,540 (2007 - $164,534) which is included in salaries and wages.

In addition to these shared services, the Corporation contributed services to Foyer Valade Inc. in the amount of $22,920 (2007 - $20,590) 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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

14. Employee pension plan:

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.

During the year, the Corporation contributed $767,322 (2007 - $710,460) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. 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, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates increased to 6.8 percent and 8.4 percent, respectively.

15. 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, 2008 is $44,120 (2007 - $35,682) and this amount is not included in the Corporation's financial statements.

16. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, accounts payable, employee benefits recoverable from Winnipeg Regional Health Authority, 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 is 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.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

17. 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.

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.

18. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

18. Future accounting changes (continued):

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

19. 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, 2008, with comparative figures for 2007

	2008	2007
Amortization	$ 482,186	$ 519,325
Salaries and wages:		
Resident services:		
Nursing administration	$ 467,532	$ 385,426
Registered nurses	1,739,675	1,807,643
Licensed practical nurses	1,135,918	980,376
Resident assistants	4,953,953	4,278,188
Purchased services	847,729	1,109,305
	9,144,807	8,560,938
Activity	300,959	298,233
Day Program	184,350	185,748
Dietary	1,484,350	1,422,534
General administration	897,596	876,516
Housekeeping	601,700	576,805
Laundry/linen	187,786	158,833
Medical administration fees	26,000	26,000
Occupational health	49,914	40,070
Occupational therapy/rehabilitation	225,227	199,550
Pastoral care	114,122	120,555
Physiotherapy	113,625	89,407
Plant maintenance	386,575	360,212
Social work	174,323	147,816
Special care outreach team	–	20,701
Staff development	172,147	167,762
Volunteer coordinator	31,306	17,416
	4,949,980	4,708,158
	$ 14,094,787	$ 13,269,096
Employee benefits:		
Canada pension plan	$ 508,503	$ 469,773
Employment insurance	274,461	263,866
Healthcare employees pension plan	767,322	710,460
Other employee benefits	359,362	331,213
Employee retirement benefits	144,813	51,456
Workers' compensation	319,563	378,831
	2,374,024	2,205,599
Health and education tax	275,218	265,126
	$ 2,649,242	$ 2,470,725

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Other supplies and expenses:		
Printing, stationery and office	$ 37,380	$ 36,339
Photocopying	2,969	3,203
Housekeeping and cleaning	26,851	38,879
Paper and disposable	52,571	38,936
Laundry and linen	9,657	9,094
Staff wearing apparel	11,264	6,672
Dietary and cleaning	22,395	21,630
Purchased services - laundry	211,177	224,581
Other supplies and expenses	51,894	119,470
	$ 426,158	$ 498,804
Medical and surgical supplies:		
General	$ 132,757	$ 126,668
Gastrostomy	14,575	11,299
Other	5,840	8,750
Incontinence aids	166,832	168,185
	$ 320,004	$ 314,902
Drugs:		
Oxygen and other	$ 3,050	$ 2,139
Food costs	$ 648,834	$ 642,036
Utilities:		
Fuel	$ 349,056	$ 331,003
Water	120,414	107,654
Hydro	135,155	133,046
	$ 604,625	$ 571,703
Telephone and sundry:		
Telephone	$ 64,952	$ 61,274
General expenses	52,428	23,679
Staff training	12,563	12,107
Postage	8,355	11,130
Other	–	11,031
	$ 138,298	$ 119,221

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

		2008		2007
Travel:				
Resident travel	$	118,436	$	116,958
Resident transportation		63,047		65,675
Staff		4,164		3,633
Board of Directors		324		–
	$	185,971	$	186,266
Professional and other fees:				
Service bureau fees	$	28,407	$	26,817
Audit fees		26,692		23,970
Legal fees		8,681		4,945
Association membership fees		17,637		16,279
Other		17,151		35,124
	$	98,568	$	107,135
Advertising and public relations:				
Advertising	$	6,084	$	14,682
Insurance	$	36,348	$	35,226
Equipment:				
Service contracts	$	37,879	$	25,551
Software contracts		58,621		65,622
Equipment maintenance		171,470		127,047
Minor purchases		48,267		142,119
	$	316,237	$	360,339
Buildings and grounds:				
Building repairs	$	189,902	$	164,973
Property taxes		257,906		303,010
Other		6,025		6,467
	$	453,833	$	474,450
Interest:				
Mortgage	$	257,437	$	263,922
Bank		–		138,155
	$	257,437	$	402,077
Ancillary operations	$	12,174	$	31,669
Total expenses	$	20,733,836	$	20,019,795

CENTRE TACHÉ CENTRE

Schedule of Operations - Adult Day Program

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Winnipeg Regional Health Authority	$ 371,192	$ 365,136
Day Program participants	51,279	50,157
Other	300	200
	422,771	415,493
Expenses:		
Salaries and wages	204,289	185,748
Employee benefits	35,860	34,366
Health and education tax	4,263	4,030
Other supplies and expenses	16,816	16,610
Food costs	30,300	30,448
Participant transportation	118,323	114,138
	409,851	385,340
Excess of revenue over expenses	12,920	30,153
Transfer to internally restricted fund	$ 12,920	$ 30,153

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2008 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, 2008 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, 2008

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 727,631	$ 713,799
Accounts receivable	38,189	41,197
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4(a))	125,848	–
Receivable from Winnipeg Regional Health Authority	57,573	37,335
Prepaid expenses	27,795	22,774
	977,036	815,105
Capital assets (note 3)	45,993	56,616
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4(b))	87,014	94,017
	$ 1,110,043	$ 965,738
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 202,494	$ 234,205
Future employee pre-retirement benefits payable (note 4)	125,155	132,158
Deferred contributions for (note 5):		
Future expense	278,328	264,448
Capital assets	34,661	47,173
	312,989	311,621
Fund balances:		
Capital fund	11,332	9,443
Restricted (note 6)	302,866	245,710
Unrestricted	155,207	32,601
	469,405	287,754
Commitments (note 9)		
	$ 1,110,043	$ 965,738

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Approved on behalf of the Member of the Corporation:

	Total Unrestricted Fund	Restricted	Capital Fund	2008 Total	2007 Total
	$ 2,321,730	$ –	$ –	$ 2,321,730	$ 2,209,609
	66,060	–	–	66,060	39,216
	17,085	–	–	17,085	16,097
	–	–	12,512	12,512	16,957
	–	–	–	–	33,562
	57,745	–	–	57,745	65,750
	2,425	–	–	2,425	–
	–	27,779	–	27,779	32,179
	12,241	–	–	12,241	–
	3,961	–	–	3,961	642
	41,269	–	–	41,269	40,759
	4,784	–	–	4,784	–
	357	–	–	357	4,016
	590	–	–	590	650
	3,050	–	–	3,050	–
	2,075	–	–	2,075	–
	291	–	–	291	–
	18,794	–	–	18,794	16,995
	2,552,457	27,779	12,512	2,592,748	2,476,432
	–	–	15,551	15,551	18,452
	2,009,824	–	–	2,009,824	1,944,029
	286,555	–	–	286,555	274,833
	71,620	–	–	71,620	61,952
	146,150	–	–	146,150	121,033
	7,245	–	–	7,245	5,892
	2,521,394	–	15,551	2,536,945	2,426,191
	31,063	27,779	(3,039)	55,803	50,241
	(7,003)	–	–	(7,003)	31,568
	125,848	–	–	125,848	–
	7,003	–	–	7,003	(8,860)
	156,911	27,779	(3,039)	181,651	72,949
	32,601	245,710	9,443	287,754	214,805
	(4,928)	–	4,928	–	–
	(29,377)	29,377	–	–	–
	$ 155,207	$ 302,866	$ 11,332	$ 469,405	$ 287,754

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess of revenue over expense	$ 181,651	$ 72,949
Add (deduct):		
Amortization of capital assets	15,551	18,452
Amortization of deferred contributions related to capital assets	(12,512)	(16,957)
Change in non-cash working capital balances:		
Accounts receivable	3,008	(11,831)
Employee benefits recoverable from Winnipeg Regional Health Authority	(125,848)	–
Receivable from Winnipeg Regional Health Authority	(20,238)	(21,772)
Prepaid expenses	(5,021)	3,402
Future employee pre-retirement benefits recoverable	7,003	(8,860)
Accounts payable and accrued liabilities	(31,711)	(34,812)
Future employee pre-retirement benefits payable	(7,003)	8,860
Deferred contributions received related to future expense	82,089	154,066
Deferred contributions recognized as revenue in the year	(68,209)	(40,635)
	18,760	122,862
Investing activities:		
Deferred contributions received related to capital assets	–	15,752
Additions to capital assets	(4,928)	(15,752)
	(4,928)	–
Increase in cash	13,832	122,862
Cash, beginning of year	713,799	590,937
Cash, end of year	$ 727,631	$ 713,799

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2008

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, 2008

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 expires March 31, 2009.

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 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 requires the approval of the Board of Directors.

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

(d) 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

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) 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 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(f) 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. The Winnipeg Regional Health Authority (WRHA) provides funding for vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

(g) 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.*

(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.

2. Changes in accounting policy:

The corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement,* on April 1, 2007.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Changes in accounting policy (continued):

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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.

Upon adoption of this new standard, the corporation 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.

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.

There was no transitional adjustment at April 1, 2007 for the corporation's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment at April 1, 2007 for the corporation's other financial instruments as their carrying amounts approximate amortized cost.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

3. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Furniture and fixtures	$ 102,718	$ 82,821	$ 19,897	$ 19,336
Computer equipment	230,628	204,532	26,096	37,280
Leasehold improvements	220,072	220,072	–	–
	$ 553,418	$ 507,425	$ 45,993	$ 56,616

4. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2008, accounts payable and accrued liabilities includes employee benefits payable of $139,947.

During fiscal 2008, the 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 and corresponding revenue in fiscal 2008 in the amount of $125,848, representing amounts due from WRHA, which 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, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $125,155 (2007 - $132,158) 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, 2008

4. Employee benefit plans (continued):

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. The net decrease recorded in fiscal 2008 was $7,003 (2007 – increase of $8,860) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee per-retirement benefits liability for fiscal 2005 and 2006 of $22,708. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $87,014 (2007 - $94,017) 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. Actual funding provided by the WRHA for 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The funding shortfall is considered to be funded as part of the annual operating grant from the WRHA.

5. Deferred contributions:

(a) Future expense:

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

	2008	2007
Balance, beginning of year	$ 264,448	$ 151,017
Add amount received related to future periods	82,089	154,066
Less amount recognized as revenue in the year	(68,209)	(40,635)
	$ 278,328	$ 264,448

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. 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 statement of operations.

	2008	2007
Balance, beginning of year	$ 47,173	$ 48,378
Additional contributions received	–	15,752
Less amounts amortized to revenue	(12,512)	(16,957)
	$ 34,661	$ 47,173

6. Restricted funds:

Funds designated as restricted require the approval of the Board of Directors before disbursement. Ancillary program surplus is transferred to restricted funds once the programs are completed.

7. 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. The corporation's liability under the Plan is limited to the contributions required during the year.

During the year, the corporation contributed $99,151 (2007 - $89,529) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 reported 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.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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8. Other information:

The Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,489,026 to the Clinique Youville Clinic Inc., from its incorporation to March 31, 2008. There have been no contributions by these organizations since 1996 and 2001, respectively.

9. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through January 2011 and August 2013 respectively, as per the following schedule:

2009	$ 162,014
2010	171,732
2011	165,912
2012	90,912
2013	90,912
Thereafter	37,880

10. Fair value:

The fair value of cash, accounts receivable, receivable from WRHA and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component (note 4) is comparable to current market rates.

11. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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11. Future accounting changes (continued):

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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 Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2008

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash (Note 7)	$ -	$ 243,578
Accounts receivable (Note 3)	15,562	12,501
Due from WRHA (Note 8)	333,755	-
Prepaid expenses	22,351	24,350
Inventories	22,435	23,575
Due from related parties (Note 4)	50,979	32,801
Vacation entitlements receivable (Note 5)	273,191	273,191
	718,273	609,996
Retirement obligations receivable (Note 13)	465,893	417,348
Restricted Cash and Deposits		
Expenses of future periods	66,083	77,974
Capital assets (Note 6)	6,540,605	6,738,876
	$ 7,790,854	$ 7,844,194
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 7)	$ 79,604	$ -
Accounts payable and accruals	187,931	434,197
Advance from WRHA	333,646	-
Due to WRHA (Note 8)	-	183,386
Mortgage amortization grant received in advance	4,274	4,274
Accrued vacation entitlements (Note 5)	313,632	305,480
	919,087	927,337
Accrued retirement obligations (Note 13)	465,561	417,016
Deferred Contributions (Note 9)		
Expenses of future periods	69,106	74,844
Capital assets	6,443,700	6,641,971
	6,512,806	6,716,815
Commitments and contingencies (Note 11)		
Net assets (Page 5)	(106,600)	(216,974)
	$ 7,790,854	$ 7,844,194

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		2008	2007
	Budget	**Actual**	Actual
Revenue			
Winnipeg Regional Health Authority (Note 12)	**$ 4,526,691**	**$ 4,638,678**	$ 4,346,571
Private charges	**1,737,216**	**1,770,076**	1,662,704
Amortization of deferred contributions related to capital assets (Note 9)	**-**	**260,730**	311,827
Recoveries	**126,886**	**133,568**	132,344
Interest income	**10,000**	**9,911**	12,540
	6,400,793	**6,812,963**	6,465,986
Expenditures			
Operating (Page 21)	**6,373,254**	**6,523,230**	6,098,255
Interest on long-term debt	**27,484**	**-**	-
Amortization of capital assets	**-**	**260,730**	311,827
	6,400,738	**6,783,960**	6,410,082
Excess of revenue over expenditures before other items	**55**	**29,003**	55,904
Other Items			
Change in accrued retirement obligations			
WRHA funding accrued	**-**	**(48,545)**	(44,611)
Liability for the year	**-**	**48,545**	44,611
WHRA settlement of prior year funding adjustment (Note 8) 2000/2001 through 2003/2004	**-**	**81,371**	-
	-	**81,371**	-
Excess of revenue over expenditures for year (Page 5)	**$ 55**	**$ 110,374**	$ 55,904

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			2008	2007
	Investment in Capital Assets (Note 10)	Unrestricted	Total	Total
Balance, beginning of year	$ 96,905	$ (313,879)	$ (216,974)	$ (272,878)
Excess of revenue over expenditures for year (Page 4)	-	110,374	110,374	55,904
Balance, end of year (Page 3)	$ 96,905	$ (203,505)	$ (106,600)	$ (216,974)

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	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for year	$ 110,374	$ 55,904
Amortization of capital assets	260,730	311,827
Amortization of deferred contributions related to capital assets	(260,730)	(311,827)
	110,374	55,904
Changes in non-cash working capital		
Accounts receivable	(3,061)	34,113
Prepaid expenses	1,999	(7,103)
Inventories	1,140	(2,908)
Due from related entities	(18,178)	(15,527)
Accounts payable and accrued liabilities	(246,266)	168,334
Advance from WRHA	333,646	-
Due to WRHA	(517,141)	(79,978)
Accrued vacation entitlements	8,152	10,669
	(439,709)	107,600
Retirement obligations receivable	(48,545)	(44,611)
Accrued retirement obligations	48,545	44,611
	-	-
	(329,335)	163,504
Cash Flows from Financing Activities		
WRHA funding - capital	62,459	55,410
Increase (decrease) in deferred contributions related to expenses of future periods	(5,738)	95
	56,721	55,505
Cash Flows from Investing Activities		
Purchase of capital assets	(62,459)	(55,410)
Increase in restricted cash and deposits	11,891	14,238
	(50,568)	(41,172)
Net increase (decrease) in cash and cash equivalents	(323,182)	177,837
Cash and cash equivalents, beginning of year	243,578	65,741
Cash and cash equivalents, end of year	$ (79,604)	$ 243,578
Supplementary Information		
Interest received	$ 9,911	$ 12,469

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 the not-for-profit organizations.

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, 2007.

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 (cont'd)

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

Held-for-trading

This category is comprised of cash and deposits and bank indebtedness. 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, amounts due from the WRHA and related parties, vacation entitlements receivable 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 accruals and advance from WRHA. 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.

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:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

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. Changes in Accounting Policies

On April 01, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the organization's consolidated statement of operations.

3. Accounts Receivable

		2008		2007
Receivable from residents	$	**7,360**	$	76
LTCAM members		**-**		3,193
Goods and Services Tax		**8,202**		9,232
	$	**15,562**	$	12,501

4. Related Party Transactions

		2008		2007
Donwood Manor EPH Inc.	$	**7,137**	$	2,651
Donwood South Inc.		**830**		1,145
Donwood Manor Foundation Inc.		**41,871**		28,140
Winnipeg Condominium Corporation No. 297		**1,141**		865
	$	**50,979**	$	32,801

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 (2006 - $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.

5. 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:

	2008	2007
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:

	2008	2007
Balance, beginning of year	$ 305,480	$ 294,811
Net increase (decrease) in accrued vacation entitlements	8,152	10,669
Balance, end of year	$ 313,632	$ 305,480

6. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 15,000	$ -	$ 15,000	$ -
Buildings	9,476,211	3,155,828	9,476,211	2,920,412
Furniture and equipment	1,108,958	903,736	1,046,498	878,421
	$ 10,600,169	$ 4,059,564	$ 10,537,709	$ 3,798,833
Cost less accumulated amortization		$ 6,540,605		$ 6,738,876

7. 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.

8. Due to (from) WRHA

	2008	2007
2000/2001 funding adjustment	$ -	$ 151,404
2001/2002 funding adjustment	-	27,276
2002/2003 funding adjustment	-	(59,071)
2003/2004 funding adjustment	-	80,066
2004/2005 funding adjustment	84,460	84,460
2005/2006 funding adjustment	(3,646)	(3,646)
2006/2007 funding adjustment	(77,152)	(97,103)
2007/2008 funding adjustment	(337,417)	-
	$ (333,755)	$ 183,386

The reviews of the 2000/2001, 2001/2002, 2002/2003, 2003/2004 have been completed and settled. The reviews of the 2004/2005, 2005/2006 and 2006/2007 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.

9. 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.

	2008	2007
Balance, beginning of year	**$ 74,844**	$ 74,749
Add amount received during the year	**26,311**	26,311
Less 2007/2008 expenditures	**(32,049)**	(26,216)
Balance, end of year	**$ 69,106**	$ 74,844

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:

	2008	2007
Balance, beginning of year	**$ 6,641,971**	$ 6,898,388
Additional contributions received		
WRHA	**62,459**	55,410
Less amounts amortized to revenue	**(260,730)**	(311,827)
Balance, end of year	**$ 6,443,700**	$ 6,641,971

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 6,540,605**	$ 6,738,876
Amounts financed by		
Deferred contributions	**(6,443,700)**	(6,641,971)
	$ 96,905	$ 96,905

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

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 260,730**	$ 311,827
Amortization of capital assets	**(260,730)**	(311,827)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	**$ 62,459**	$ 55,410
Amounts funded by		
WRHA capital asset funding	**(62,459)**	(55,410)
	$ -	$ -

11. 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, 2008 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, 2008.

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

12. Revenue from the WRHA

Revenue as per WRHA final fundingdocument (adjusted)	**$ 4,273,795**
Add:	
MNU related contract	40,910
Median funding adjustment	102,680
Pneumo vaccine	330
Louis Riel Day	13,549
Staff increase	7,126
Residential charges leap year	5,026
Repairs	24,884
Out of Globe	
Pre-retirement	50,971
Beds	13,944
One on one care	33,104
Wage standardization	110,340
	402,864
Deduct	
Residential charges overpayment 2007/08	(32,860)
Insurance deductible	(1,500)
Reserve major repairs	(3,621)
	(37,981)
Revenue from WRHA	**$ 4,638,678**

13. 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, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) 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.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	**$ 372,737**	$ 372,737
Winnipeg Regional Health Authority	**93,156**	44,611
	$ 465,893	$ 417,348

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

		2008		2007
Balance, beginning of year	**$**	**417,016**	$	372,405
Net increase (decrease) in pre-retirement entitlements		**48,545**		44,611
Balance, end of year	**$**	**465,561**	$	417,016

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, 2006 indicates the plan is fully funded. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $288,877 (2007 - $260,794) 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 for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007 and March 31, 2008, 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, 2008, the unfunded portion of future employee benefits amounts to $24,461.

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).

DONWOOD MANOR PERSONAL CARE HOME INC.
Schedule of Supplementary Information

For the year ended March 31	2008		2007
	Budget	**Actual**	Actual
Operating Costs			
Salaries			
Nursing services	**$ 2,984,060**	**$ 3,038,536**	$ 2,857,590
Special services	**237,500**	**232,747**	223,294
General services	**1,210,000**	**1,197,117**	1,168,172
Medical and surgical supplies and drugs	**101,500**	**93,401**	100,535
Special service - recreation therapy	**8,200**	**7,637**	7,683
Employee benefits			
Canada pension plan	**190,000**	**187,026**	169,276
Employee insurance	**95,000**	**96,228**	92,877
Pension	**290,000**	**288,877**	260,794
Payroll tax	**96,000**	**99,204**	92,447
Workers compensation	**55,000**	**57,259**	56,564
Dental	**25,000**	**22,555**	22,847
Group life	**9,000**	**8,340**	7,953
Pre-retirement leave	**10,000**	**75,432**	2,711
Disability and Rehabilitation	**80,000**	**79,513**	70,863
Bonding and liability insurance	**2,000**	**3,167**	2,873
Membership fees			
Association and group purchasing fees	**5,600**	**3,371**	3,241
Advertising	**5,000**	**7,469**	5,708
Office			
Photocopy costs	**9,000**	**9,504**	8,884
Postage and courier	**4,500**	**6,061**	5,802
Printing and stationery	**13,700**	**13,502**	11,463
Telephone and fax	**9,000**	**9,712**	10,001
Other	**1,300**	**7,226**	603
Professional fees	**25,000**	**20,201**	43,823
Staff training and travel	**15,500**	**17,046**	9,316
Computer expense	**47,500**	**58,642**	45,578
Resident's travel	**5,000**	**7,194**	2,893
Bank charges and interest	**3,000**	**3,177**	2,281
Dietetics	**312,500**	**312,041**	302,686
Laundry and linen	**90,000**	**91,610**	87,734
Housekeeping	**22,000**	**21,580**	18,056
Physical plant			
Fuel	**88,000**	**87,066**	100,234
Water	**43,000**	**45,043**	45,541
Electricity	**85,000**	**84,896**	88,797
Property insurance	**9,000**	**8,641**	8,554
Property taxes	**85,000**	**81,427**	79,284
Maintenance - building, grounds and equipment	**101,394**	**140,782**	81,297
Total operating costs	**$ 6,373,254**	**$ 6,523,230**	$ 6,098,255

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2008 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, 2008 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

May 2, 2008

	2008	2007

Liabilities, Deferred Contributions and Fund Balances

	2008	2007
Current liabilities:		
Bank indebtedness (note 7)	$ 183,608	$ 193,658
Accounts payable	143,432	173,678
Accrued liabilities	724,715	761,550
Advances from Winnipeg Regional Health Authority (note 9)	217,667	–
Bank loan (note 8)	186,053	196,764
	1,455,475	1,325,650
Residents' funds in trust (note 6)	17,272	16,948
Future employee pre-retirement benefits payable (note 5)	434,088	427,090
	451,360	444,038
	1,906,835	1,769,688
Deferred contributions for (note 10):		
Expenses of future periods	3,069	2,712
Capital assets	10,203,634	10,473,175
	10,206,703	10,475,887
Fund balances:		
Capital fund (note 11)	143,604	1,104
Internally restricted fund (note 12)	406,139	431,842
	549,743	432,946
	$ 12,663,281	$ 12,678,521

See accompanying notes to financial statements.

On behalf of the Board of Directors:

On behalf of the Member of the Corporation:

FOYER VALADE INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 1,014,315	$ 1,008,163
Construction holdback held in trust	–	8,415
Employee benefits recoverable from Winnipeg Regional Health Authority (note 5)	288,336	288,336
Accounts receivable	23,581	65,055
Receivable from Winnipeg Regional Health Authority (note 3)	203,566	19,901
Inventory	36,798	29,613
Prepaid expenses	40,777	41,104
	1,607,373	1,460,587
Residents' funds in trust (note 6)	17,272	16,948
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 5)	433,301	426,303
Capital assets (note 4)	10,605,335	10,774,683
	$ 12,663,281	$ 12,678,521

FOYER VALADE INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Ancillary Operations	Internally Restricted Fund	Capital Fund	2008 Total	2007 Total
Revenue:						
Winnipeg Regional Health Authority	$ 5,856,957	$ –	$ –	$ –	$ 5,856,957	$ 4,991,167
Resident charges	2,341,303	–	–	–	2,341,303	1,771,737
	8,198,260	–	–	–	8,198,260	6,762,904
Amortization of deferred contributions (note 10)	–	–	–	360,087	360,087	359,002
Offset income:						
Cafeteria	35,837	–	–	–	35,837	31,915
Contributed services (note 13)	22,920	–	–	–	22,920	20,590
Interest	3,358	–	42,205	–	45,563	35,745
Donations	1,601		–	–	1,601	3,139
Fundraisers	–	–	3,984	–	3,984	3,227
Parking	31,731		–	–	31,731	26,981
Shared services (note 13)	213,540	–	–	–	213,540	164,534
Grants	9,048	–	–	–	9,048	6,929
Recoveries:						
General	141,229	–	–	–	141,229	66,512
Ancillary operations (note 10)	–	2,290	–	–	2,290	3,015
	459,264	2,290	46,189	–	507,743	362,587
	8,657,524	2,290	46,189	360,087	9,066,090	7,484,493
Expenses:						
Amortization	–	–	–	364,269	364,269	359,608
Salaries and wages	6,149,063	–	–	–	6,149,063	5,064,288
Employee benefits	968,159	–	–	–	968,159	811,663
Other supplies and expenses	201,765	–	–	–	201,765	183,954
Medical and surgical supplies	82,725	–	–		82,725	68,349
Drugs	6,260	–	–	–	6,260	2,577
Food costs	271,972	–	–	–	271,972	215,287
Utilities	217,215	–	–	–	217,215	183,037
Telephone and sundry	71,301	–	–	–	71,301	53,369
Travel	27,861	–	–	–	27,861	23,168
Professional and other fees	56,863	–	–	–	56,863	64,475
Advertising and public relations	4,580	–	–	–	4,580	8,955
Insurance	22,083	–	–	–	22,083	16,684
Equipment	103,359	–	–	–	103,359	114,115
Buildings and grounds	378,962	–	10,726	–	389,688	215,587
Interest	9,840	–	–	–	9,840	78,154
Ancillary operations	–	2,290	–	–	2,290	3,015
	8,572,008	2,290	10,726	364,269	8,949,293	7,466,285
Excess (deficiency) of revenue over expenses before the undernoted	85,516	–	35,463	(4,182)	116,797	18,208
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	–	4,216
Winnipeg Regional Health Authority future employee benefits recoverable (note 5)	6,998	–	–	–	6,998	28,744
Future employee pre-retirement benefits obligation (note 5)	(6,998)	–	–	–	(6,998)	(28,275)
Excess (deficiency) of revenue over expenses	85,516	–	35,463	(4,182)	116,797	22,893
Fund balances, beginning of year	–	–	431,842	1,104	432,946	410,053
Transfer to capital fund	(16,881)	–	(129,801)	146,682	–	–
Transfer of operating surplus	(68,635)	–	68,635	–	–	–
Fund balances, end of year	$ –	$ –	$ 406,139	$ 143,604	$ 549,743	$ 432,946

See accompanying notes to financial statements.

FOYER VALADE INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 116,797	$ 18,677
Winnipeg Regional Health Authority prior year adjustment	–	4,216
Adjustments for:		
Amortization of capital assets	364,269	359,608
Amortization of deferred contributions related to capital assets	(360,087)	(359,002)
Change in non-cash operating working capital:		
Construction holdback held in trust	8,415	93,292
Accounts receivable	41,474	14,275
Pledges receivable	–	17,000
Receivable from Winnipeg Regional Health Authority	(183,665)	(39,344)
Inventory	(7,185)	(1,954)
Future employee pre-retirement benefits recoverable	(6,998)	(28,275)
Prepaid expenses	327	(1,877)
Accounts payable	(30,246)	(471,351)
Accrued liabilities	(36,835)	163,875
Advances from Winnipeg Regional Health Authority	217,667	–
Future employee pre-retirement benefits payable	6,998	28,275
Deferred contributions received related to future periods	2,647	3,413
Deferred contributions recognized as revenue in the year	(2,290)	(3,015)
	131,288	(202,187)
Investing:		
Increase in deferred contributions related to capital assets	90,546	5,347,559
Additions to capital assets	(194,921)	(3,858,693)
	(104,375)	1,488,866
Financing:		
Bank indebtedness	(10,050)	(53,235)
Repayments on bank loan	(10,711)	(841,577)
	(20,761)	(894,812)
Increase in cash	6,152	391,867
Cash, beginning of year	1,008,163	616,296
Cash, end of year	$ 1,014,315	$ 1,008,163

See accompanying notes to financial statements.

FOYER VALADE INC.

Notes to Financial Statements

Year ended March 31, 2008

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, 2008

1. Significant accounting policies (continued):

(b) 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.

(c) 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%

(d) 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.

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.

1. Significant accounting policies (continued):

(e) Inventory:

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

(f) 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 5.

The cost of the Corporation'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 Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) 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.

(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.

2. Changes in accounting policy:

The Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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.

Upon adoption of this new standard, the Corporation designated cash 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 rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transition adjustment for the Corporation's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transition adjustment for the Corporation's other financial instruments as their carrying amounts approximate amortized cost.

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

	2008	2007
Receivable:		
Prior years	$ 114,990	$ 8,564
Resident charges	–	29,826
Employee retirement benefits	34,582	9,409
Salaries and benefits	245,023	64,267
Other	6,989	31,075
	401,584	143,141
Payable:		
Prior years	105,108	105,108
Resident charges	92,903	–
Interest	476	18,601
	198,487	123,709
	203,097	19,432
Current future employee pre-retirement benefits recoverable (note 5)	469	469
Net receivable	$ 203,566	$ 19,901

Over/under funding occurs when non-global items (including resident charges 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.

4. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Building	$ 13,315,707	$ 3,205,269	$ 10,110,438	$ 10,288,605
Building service equipment	105,988	22,117	83,871	33,356
Equipment	1,606,908	1,195,882	411,026	452,722
Software licenses and fees	86,209	86,209	–	–
	$ 15,114,812	$ 4,509,477	$ 10,605,335	$ 10,774,683

The amount of interest capitalized in 2008 by the Corporation was nil (2007 - $102,915).

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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5. 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, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $434,088 (2007 - $427,090) for which the Corporation 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 in the related liability for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $6,998 (2007 - $28,275) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $469. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $433,301 (2007 - $426,303) 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 fiscal 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $19,242 (2007 - $3,392) 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, 2008 is $349,958 (2007 - $309,932).

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 is maintained at the value of the vacation benefits liability at March 31, 2004.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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6. 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.

7. Bank indebtedness:

At March 31, 2008, 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. 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.

9. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $64,267 and $153,400 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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.

	2008	2007
Balance, beginning of year	$ 2,712	$ 2,314
Add amount received related to future periods	2,647	3,413
Less amount recognized as revenue in the year	(2,290)	(3,015)
	$ 3,069	$ 2,712

(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.

	2008	2007
Balance, beginning of year	$ 10,473,175	$ 5,484,618
Additional contributions received	90,546	5,347,559
Less amounts amortized to revenue	(360,087)	(359,002)
	$ 10,203,634	$ 10,473,175

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, 2008, the outstanding principal balance on the note was $4,918,330 (2007 - $5,178,334). 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, 2008

10. Deferred contributions (continued):

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

	2008	2007
Unamortized capital contributions used to purchase assets	$ 10,092,070	$ 10,383,157
Unspent contributions:		
Equipment reserve	84,008	66,461
Major repairs	27,556	23,557
	$ 10,203,634	$ 10,473,175

11. Capital fund:

	2008	2007
Capital assets	$ 10,605,335	$ 10,774,683
Amount financed by:		
Deferred contributions	(10,092,070)	(10,383,157)
Bank loan	(186,053)	(196,764)
Line of credit	(183,608)	(193,658)
	$ 143,604	$ 1,104

12. Internally restricted fund:

	2008	2007
To be expended only with the approval of the Member of the Corporation	$ 368,057	$ 388,058
Other internal projects	38,082	43,784
	$ 406,139	$ 431,842

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

13. Related party transactions:

Foundation:

An amount of $10,000 (2007 - $36,775) was funded by Les Amis de Valade Inc., a corporation with the same Member of the Corporation. In fiscal 2008 and 2007, 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 $213,540 (2007 - $164,534). The Corporation purchased services from Centre Taché Centre in the amount of $287,382 (2007- $234,910) which is included in salaries and wages.

In addition to these shared services, Centre Taché Centre contributed services to the Corporation in the amount of $22,920 (2007 - $20,590) 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:

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.

During the year, the Corporation contributed $295,922 (2007 - $259,052) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. 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, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rate increased to 6.8 percent and 8.4 percent respectively.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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15. 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, advances from Winnipeg Regional Health Authority and bank loan approximates 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. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

18. 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, 2008, with comparative figures for 2007

	2008	2007
Amortization	$ 364,269	$ 359,608
Salaries and wages:		
Resident services:		
Nursing administration	$ 226,926	$ 148,316
Registered nurses	784,228	684,842
Licenced practical nurses	612,864	521,585
Resident assistants	2,061,835	1,658,909
Purchased services	551,896	274,230
	4,237,749	3,287,882
Activity	98,689	92,937
Dietary	569,734	508,296
General administration	390,412	436,938
Housekeeping	290,024	234,450
Laundry/linen	72,382	69,361
Medical administration fee	5,083	3,667
Occupational health	20,646	15,065
Occupational therapy/rehabilitation	27,900	26,560
Pastoral care	59,950	54,397
Physiotherapy	15,216	13,250
Plant maintenance	137,540	110,124
Social work	62,491	47,140
Staff development	107,345	129,775
Volunteer coordinator	53,902	34,446
	1,911,314	1,776,406
	$ 6,149,063	$ 5,064,288
Employee benefits:		
Canada pension plan	$ 203,116	$ 176,163
Employment insurance	110,681	100,264
Healthcare employees pension plan	295,922	259,052
Other employee benefits	131,262	112,526
Employee retirement benefits	53,824	12,801
Workers' compensation	63,486	54,661
	858,291	715,467
Health and education tax	109,868	96,196
	$ 968,159	$ 811,663

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

		2008		2007
Other supplies and expenses:				
Printing, stationery and office	$	20,007	$	17,802
Photocopying		1,988		2,360
Housekeeping and cleaning		9,453		10,636
Paper and disposable		20,255		15,287
Laundry and linen		5,206		7,878
Staff wearing apparel		14,494		11,625
Dietary and cleaning		18,478		19,227
Purchased service - laundry		97,322		73,902
Other supplies and expenses		14,562		25,237
	$	201,765	$	183,954
Medical and surgical supplies:				
General	$	29,997	$	26,577
Gastrostomy		1,127		616
Incontinence aids		51,601		41,156
	$	82,725	$	68,349
Drugs:				
Oxygen and other	$	6,260	$	2,577
Food costs	$	271,972	$	215,287
Utilities:				
Fuel	$	83,143	$	65,351
Water		47,512		36,262
Hydro		86,560		81,424
	$	217,215	$	183,037
Telephone and sundry:				
Telephone	$	16,983	$	13,517
General expenses		44,758		29,182
Staff training		5,794		6,146
Postage		3,766		4,524
	$	71,301	$	53,369

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Travel:		
Resident travel	$ 3,947	$ 4,107
Resident transportation	19,135	14,071
Staff	4,779	4,990
	$ 27,861	$ 23,168
Professional and other fees:		
Service bureau fees	$ 13,860	$ 11,858
Audit fees	16,201	13,889
Legal fees	2,316	1,109
Association membership fees	9,096	8,495
Other	15,390	29,124
	$ 56,863	$ 64,475
Advertising and public relations	$ 4,580	$ 8,955
Insurance	$ 22,083	$ 16,684
Equipment:		
Service contracts	$ 17,834	$ 18,814
Software contracts	24,788	27,575
Equipment maintenance	13,012	10,162
Minor purchases	47,725	57,564
	$ 103,359	$ 114,115
Buildings and grounds:		
Building repairs	$ 247,660	$ 91,767
Property taxes	142,028	123,820
	$ 389,688	$ 215,587
Interest	$ 9,840	$ 78,154
Ancillary operations	$ 2,290	$ 3,015
Total expenses	$ 8,949,293	$ 7,466,285

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2008 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, 2008 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.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

May 16, 2008

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash (note 4)	$ 197,395	$ 231,143
Accounts receivable (note 5)	404,509	98,104
Inventories and prepaid expenses	30,418	29,388
Employee benefits recoverable from Winnipeg Regional Health Authority [note 14(iii)]	355,603	355,603
Short-term investments (note 6)	214,460	160,586
Receivable from related entities (note 7)	85,000	85,000
	1,287,385	959,824
Investments (note 6)	–	129,907
Receivable from related entities (note 7)	648,777	686,485
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 14(i)]	577,189	501,248
Capital assets (note 8)	4,446,950	4,643,676
	$ 6,960,301	$ 6,921,140

	2008	2007

Liabilities, Deferred Contributions and Net Assets

	2008	2007
Current liabilities:		
Accounts payable and accrued liabilities	$ 812,694	$ 805,505
Payable to Winnipeg Regional Health Authority	276,290	–
Payable to residents	18,232	15,073
Current portion of long-term debt (note 10)	371,196	458,799
	1,478,412	1,279,377
Future employee pre-retirement benefits payable [note 14(i)]	550,207	474,266
Long-term debt (note 10)	313,544	326,234
Deferred contributions (note 11):		
Donations	7,516	4,497
Expenses of future periods	9,320	7,832
Capital assets	3,360,843	3,528,679
Equipment reserve	52,031	52,747
Reserve for major repairs	184,159	240,631
	3,613,869	3,834,386
Net assets:		
Unrestricted	244,396	229,875
Invested in capital assets (note 12)	759,873	777,002
	1,004,269	1,006,877
Commitment (note 15)		
	$ 6,960,301	$ 6,921,140

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, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 5,354,287	$ 5,066,228
Winnipeg Regional Health Authority - Adult Day Program	193,179	183,141
Resident charges	1,895,117	1,841,245
Participant charges - Adult Day Program	32,210	30,714
Donations and grants	10,995	2,121
Amortization of deferred contributions (note 11)	338,724	337,636
	7,824,512	7,461,085
Other income:		
Ancillary	34,097	37,734
Investment	36,076	42,961
Cafeteria	46,677	78,926
Other	25,154	27,204
	142,004	186,825
Total revenue	7,966,516	7,647,910
Expenses:		
Operating	7,490,125	7,138,960
Adult Day Program	230,400	211,751
Amortization of capital assets	248,599	246,741
	7,969,124	7,597,452
Excess (deficiency) of revenue over expenses before the undernoted	(2,608)	50,458
Future employee pre-retirement benefits [note 14(i)]	(75,941)	(25,265)
Funding for employee pre-retirement benefits payable [note 14(i)]	75,941	25,265
Excess (deficiency) of revenue over expenses	$ (2,608)	$ 50,458

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, 2008, with comparative figures for 2007

	Unrestricted	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	$ 229,875	$ 777,002	$ 1,006,877	$ 956,419
Excess (deficiency) of revenue over expenses	14,521	(17,129)	(2,608)	50,458
Net assets, end of year	$ 244,396	$ 759,873	$ 1,004,269	$ 1,006,877

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, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (2,608)	$ 50,458
Adjustments for:		
Amortization of capital assets	248,599	246,741
Amortization of deferred contributions related to capital assets	(231,468)	(229,608)
Change in the following:		
Restricted cash	(7,902)	77,235
Accounts receivable	(306,405)	399,936
Inventories and prepaid expenses	(1,030)	(14,265)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(75,941)	(25,265)
Accounts payable and accrued liabilities	7,189	37,260
Payable to Winnipeg Regional Health Authority	276,290	(362,389)
Payable to residents	3,159	1,477
Future employee pre-retirement benefits payable	75,941	25,265
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	(51,965)	(53,671)
	(66,141)	153,174
Financing and investing activities:		
Deferred contributions received for capital assets and equipment reserves	62,916	68,211
Repayment of long-term debt	(100,293)	(95,218)
Decrease (increase) in receivable from related entities:		
Fred Douglas Heritage House Inc.	118,510	146,607
Other	(80,802)	(57,776)
Purchase of capital assets	(51,873)	(67,530)
Decrease (increase) in investments	76,033	(15,510)
	24,491	(21,216)
Increase (decrease) in cash	(41,650)	131,958
Cash (bank indebtedness), beginning of year	127,429	(4,529)
Cash, end of year (note 4)	$ 85,779	$ 127,429

See accompanying notes to financial statements.

General:

The Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a senior citizens complex in Winnipeg, Manitoba.

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. These financial statements reflect agreed arrangements with respect to the year ended March 31, 2008. 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 the Division. Any operating surpluses of the Division are subject to review by the WRHA. The Division may retain the greater of 50 percent of the Personal Care Home's operating surplus and 2 percent of the Personal Care Home'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) Investments:

Effective April 1, 2007, investments are classified as held-for-trading and are carried at fair value (note 2). 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. For periods prior to April 1, 2007, all investments were carried at cost and investment income was recorded on an accrual basis.

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.

(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

1. Significant accounting policies (continued):

(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 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3.0 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.

(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. Change in accounting policy:

The Division adopted the new standard, Handbook Section 3855 - *Financial Instruments - Recognition and Measurement*, on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as 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.

Upon adoption of this new standard, the Division designated cash, 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.

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 implementation of the standard on April 1, 2007 had no material impact on net assets.

3. Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation.* These new standards became effective for the Division on April 1, 2008.

3. Future accounting changes (continued):

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Division is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

4. Cash:

	2008	2007
Unrestricted cash	$ 85,779	$ 127,429
Restricted cash	111,616	103,714
	$ 197,395	$ 231,143

Restricted cash, along with restricted investments disclosed in note 6, 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.

5. Accounts receivable:

	2008	2007
Accounts receivable	$ 10,531	$ 7,858
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	106,157	78,102
MNU contract increases	40,682	–
MGEU contract increases	276,289	85,830
Other	47,615	1,964
Resident charges	(76,765)	(75,650)
	$ 404,509	$ 98,104

6. Investments:

	2008		2007	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Canadian bonds	3.70%	$ 69,179	3.86%	$ 129,907
Money market fund		145,281		160,586
		214,460		290,493
Current portion, shown as short-term investments		214,460		160,586
		$ –		$ 129,907

In 2008, investments are carried at fair value and in 2007 carrying value represented book value (note 2). The fair value of investments at March 31, 2007 was $285,700. The bonds mature in fiscal 2009.

The allocation of investments between unrestricted and restricted is as follows:

	2008	2007
Unrestricted investments	$ 54,829	$ 74,630
Restricted investments	159,631	215,863
	$ 214,460	$ 290,493

7. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2008	2007
Fred Douglas Heritage House Inc.:		
Advances receivable, net of allowance of $78,743 (2007 - $78,743)	$ 134,756	$ 164,733
Demand debenture receivable	358,506	447,039
Fred Douglas Foundation, Inc.	21,767	25,600
Fred Douglas Apartments	14,385	(1,290)
Fred Douglas Residence	204,363	135,403
	733,777	771,485
Current portion of demand debenture receivable	85,000	85,000
	$ 648,777	$ 686,485

7. Receivable from related entities (continued):

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 $12,311 (2007 - $15,553).

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 $9,450 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 $24,868 (2007 - $29,083) on the demand debenture receivable.

The Division has waived its right to demand repayment of the advances receivable and $273,506 of the demand debenture receivable prior to April 1, 2009.

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Residence are divisions of Fred Douglas Society Inc.. The receivables from (payable to) these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

8. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,535,675	5,342,723	4,192,952	4,333,524
Furniture and equipment	1,508,042	1,271,181	236,861	293,015
	$ 11,060,854	$ 6,613,904	$ 4,446,950	$ 4,643,676

9. Bank indebtedness:

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 by the same security as disclosed in note 10 on the demand term loans. The Division had not drawn on the facility at March 31, 2008 (2007 - nil).

10. Long-term debt:

	2008	2007
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	$ 326,234	$ 337,994
Royal Bank of Canada demand term loans, interest at bank prime, payable $9,450 monthly including principal and interest, maturing September 30, 2008	358,506	447,039
	684,740	785,033
Current portion of long-term debt	371,196	458,799
	$ 313,544	$ 326,234

The demand term loans are secured by a general security agreement and a second charge collateral mortgage against the property located at 1275 Burrows Avenue.

Principal due over the next five years and thereafter is as follows:

2009	$ 371,196
2010	13,693
2011	14,775
2012	15,942
2013	17,201
Thereafter	251,933

11. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

		2008		2007
Balance, beginning of year	$	4,497	$	2,412
Contributions received		4,207		3,199
Amounts recognized as revenue in the year		(1,188)		(1,114)
Balance, end of year	$	7,516	$	4,497

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles.

		2008		2007
Balance, beginning of year	$	7,832	$	6,577
Contributions received		1,488		1,488
Amounts recognized as revenue in the year		–		(233)
Balance, end of year	$	9,320	$	7,832

(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.

		2008		2007
Balance, beginning of year	$	3,528,679	$	3,677,774
Transfer from deferred contributions - equipment reserve		24,516		36,102
Contributions received		39,116		44,411
Amounts amortized to revenue in the year		(231,468)		(229,608)
Balance, end of year	$	3,360,843	$	3,528,679

11. Deferred contributions (continued):

(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.

	2008	2007
Balance, beginning of year	$ 52,747	$ 65,049
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(24,516)	(36,102)
Balance, end of year	$ 52,031	$ 52,747

(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.

	2008	2007
Balance, beginning of year	$ 240,631	$ 297,642
Contributions received	50,784	50,784
Amounts amortized to revenue in the year	(107,256)	(107,795)
Balance, end of year	$ 184,159	$ 240,631

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 4,446,950	$ 4,643,676
Deferred contributions	(3,360,843)	(3,528,679)
Long-term debt	(326,234)	(337,995)
	$ 759,873	$ 777,002

13. Related party transactions:

During the year, the Division charged 10,000 (2007 - $9,996) as a management fee to Fred Douglas Apartments, a Division of Fred Douglas Society Inc.. During the year, the Division also charged a service fee of 3,000 (2007 - $3,240) to Fred Douglas Heritage House Inc..

During the year, the Division charged $1,694 (2007 - $37,957) in food service costs to Fred Douglas Residence, a Division of Fred Douglas Society Inc..

During the year, the Division received $1,909 (2007 - $1,101) in funding for improvements and resident services, and $8,444 (2007 - $2,025) 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.

14. 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, 2008 based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $550,207 (2007 - $474,266) 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 in the related liability for fiscal 2007 and 2008, which includes an interest component. The increase recorded in fiscal 2008 was 75,941 (2007 - $25,265) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $577,189 (2007 - $501,248) and has no specified terms of repayment.

14. 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 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $15,611 (2007 - $7,446) was paid from funding received for operations.

In summary, information about the Division's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Benefits paid	$ 43,666	$ 28,098
Future employee pre-retirement benefits	75,941	25,265
WRHA additional funding for pre-retirement benefits paid	28,055	20,652
WRHA funding for change in pre-retirement benefits payable	75,941	25,265
Future employee pre-retirement benefits payable	550,207	474,266

(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 $308,510 (2007 - $290,835) on behalf of its employees. Contribution rates increased on July 1, 2007 to 6.8 percent up to the years maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE.

The most recent actuarial valuation of the plan as at December 31, 2006 reported that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

(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, 2008 is $396,098 (2007 - $379,893).

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.

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15. Commitment:

The Division had entered into a service purchase agreement for transportation service for the adult day program that expired March 31, 2008. The annual service costs under this agreement were approximately $77,000. The Division continues to operate under terms and conditions which are substantially the same as those previously agreed to with the service provider. Negotiations to finalize a new agreement are ongoing.

16. 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 $730,000 (2007 - $842,000) compared to its carrying value of $684,740 (2007 - $785,033). 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.

17. Comparative figures:

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

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Nursing services:		
Medical and surgical supplies	$ 52,382	$ 42,967
Incontinence supplies	56,828	59,593
Nursing administration	2,952	2,760
	112,162	105,320
Resident services:		
Activities	6,134	5,483
Other	11,726	8,085
	17,860	13,568
General administration:		
Advertising	4,200	2,420
Audit and professional fees	27,784	36,339
Bank charges and interest	2,226	1,412
Bonding and insurance	4,022	5,070
Data processing and communications	37,244	39,446
Delivery and courier	1,906	1,928
Equipment lease and maintenance	24,484	22,832
Meetings and miscellaneous	9,745	6,605
Labor relations	1,031	395
Licenses and membership fees	4,312	3,691
Postage	3,651	1,927
Printing, stationery and office supplies	9,341	8,312
Staff and resident events and appreciation	14,535	11,809
Travel	1,772	3,542
	146,253	145,728
Dietary:		
Food	283,012	283,825
Glassware and cutlery	3,480	2,598
Management fee	–	13,627
Supplies	23,275	17,465
	309,767	317,515
Laundry:		
Supplies	18,218	11,000
Linen:		
Supplies	4,335	7,668
Housekeeping:		
Maintenance and supplies	24,082	27,038
Carried forward	632,677	627,837

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Brought forward	$ 632,677	$ 627,837
Physical plant:		
Operations:		
Electricity	77,067	77,689
Natural gas	98,110	101,395
Insurance	10,442	13,680
Taxes	51,437	51,862
Water	57,309	47,823
Maintenance and repairs:		
Buildings and grounds	173,480	133,868
Equipment	31,210	38,215
Other	4,508	4,160
Bank loans interest	24,868	29,083
Long-term debt interest	25,301	26,168
	553,732	523,943
Salaries:		
Nursing	3,628,128	3,421,241
Administration	374,399	426,843
Resident services	249,999	241,648
Dietary	479,848	449,901
Support services	499,615	471,604
Employee benefits	1,049,780	964,172
Accrued vacation	21,947	11,771
	6,303,716	5,987,180
Total operating expenses	$ 7,490,125	$ 7,138,960

PKBW GROUP 219 Fort Street Winnipeg, Manitoba Canada R3C 1E2

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CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

AUDITORS' REPORT

To The Advisory Board
Holy Family Home Inc. Revenue Fund and
Sister Servants of Mary Immaculate Plant Fund

We have audited the statement of financial position of Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2008 and the statements of operations, changes in net assets and cash flow 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 Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2008 and the 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

Winnipeg, Manitoba
May 27, 2008

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

T 204.942.0861 F 204.947.6834 E admin@pkbwgroup.ca

A member of BHD Association of Chartered Accountants with affiliated offices across Canada and internationally

PKBW GROUP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

ASSETS

	REVENUE FUND	PLANT FUND	2008 TOTAL	2007 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 922,627	497,664	1,420,291	891,586
Accounts receivable	127,681	8,161	135,842	132,547
Due from WRHA (Note 2(a))	889,512	8,334	897,846	653,109
Due from WRHA - Accrued vacation pay and pre-retirement leave (Note 4)	1,817,376	-	1,817,376	1,732,396
Inventory	54,872	-	54,872	51,594
Prepaid expenses	12,834	-	12,834	12,708
	3,824,902	514,159	4,339,061	3,473,940
INVESTMENTS (Note 3)	-	200,000	200,000	200,000
CAPITAL ASSETS (Notes 2(c) and 5)	-	5,144,387	5,144,387	5,466,483
	$ 3,824,902	5,858,546	9,683,448	9,140,423

LIABILITIES AND NET ASSETS

	REVENUE FUND	PLANT FUND	2008 TOTAL	2007 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,914,621	39,584	1,954,205	1,221,068
Accrued vacation pay and pre-retirement leave (Note 4)	2,206,065	-	2,206,065	2,075,496
Current portion of long-term debt (Note 6)	-	75,039	75,039	125,602
Due to (from) revenue/ plant fund	(175,534)	175,534	-	-
	3,945,152	290,157	4,235,309	3,422,166
LONG-TERM DEBT (Note 6)	-	2,893,025	2,893,025	2,968,903
DEFERRED CONTRIBUTIONS				
Expenses of future periods (Note 7)	-	6,504	6,504	-
Capital assets (Notes 2(d) and 7)	-	1,292,539	1,292,539	1,477,786
	-	1,299,043	1,299,043	1,477,786
NET ASSETS				
Externally restricted net assets	-	233,027	233,027	211,951
Internally restricted net assets	176,091	-	176,091	232,043
Net assets invested in capital assets	-	844,200	844,200	853,885
Unrestricted net assets	(296,341)	299,094	2,753	(26,311)
	(120,250)	1,376,321	1,256,071	1,271,568
	$ 3,824,902	5,858,546	9,683,448	9,140,423

APPROVED BY THE BOARD:

____________________ Director ____________________ Director

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HOLY FAMILY HOME INC. REVENUE FUND AND SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND STATEMENT OF OPERATIONS YEAR ENDED MARCH 31, 2008

	REVENUE AND PLANT FUND	ADULT DAY CARE PROGRAM	2008 TOTAL	2007 TOTAL
REVENUE				
Resident services				
Winnipeg Regional Health Authority (Note 10)	$ 10,720,256	187,165	10,907,421	10,562,530
Resident/ participant charges	4,083,340	24,641	4,107,981	3,905,292
	14,803,596	211,806	15,015,402	14,467,822
Offset income				
Dietary	161,017	-	161,017	160,964
Investment income (Note 8)	8,584	-	8,584	19,165
Amortization of deferred capital contributions	374,303	-	374,303	343,155
Miscellaneous	93,299	-	93,299	102,813
	637,203	-	637,203	626,097
	15,440,799	211,806	15,652,605	15,093,919
EXPENSES				
Salaries and wages				
Nursing services	8,426,218	-	8,426,218	7,897,679
Special services	905,689	-	905,689	799,015
General services	3,060,012	123,585	3,183,597	2,998,250
	12,391,919	123,585	12,515,504	11,694,944
Nursing services	242,298	-	242,298	232,086
Special services	95,682	-	95,682	96,490
General administration	356,909	84,886	441,795	678,542
Dietary	757,591	5,233	762,824	701,733
Laundry	200,221	-	200,221	223,660
Linen	27,347	-	27,347	27,371
Housekeeping	41,020	-	41,020	41,547
Physical plant	703,500	-	703,500	745,844
Debt structure and amortization (Note 2)	598,460	-	598,460	576,677
	15,414,947	213,704	15,628,651	15,018,894
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	25,852	(1,898)	23,954	75,025
Unfunded employee future benefits (Note 4)	(45,589)	-	(45,589)	(76,784)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - REVENUE FUND	(19,737)	(1,898)	(21,635)	(1,759)
ADD: PLANT FUND INCOME (Note 8)	51,432	-	51,432	30,172
EXCESS (DEFICIENCY) REVENUE OVER EXPENSES	$ 31,695	(1,898)	29,797	28,413

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HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008

PLANT FUND EXTERNALLY RESTRICTED NET ASSETS	MAJOR BUILDING REPAIRS - PHASE 1	MAJOR BUILDING REPAIRS - PHASE 2	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ 82,936	129,015	211,951	236,412
Add: Appropriation for year	8,136	15,000	23,136	23,136
	91,072	144,015	235,087	259,548
Deduct: Approved expenditures	-	2,060	2,060	47,597
BALANCE, END OF YEAR	$ 91,072	141,955	233,027	211,951

REVENUE FUND INTERNALLY RESTRICTED NET ASSETS	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ 2,502	26,095	203,446	232,043	232,043
Deduct: Approved expenditures	-	-	55,952	55,952	-
BALANCE, END OF YEAR	$ 2,502	26,095	147,494	176,091	232,043

NET ASSETS INVESTED IN CAPITAL ASSETS	2008	2007
BALANCE, BEGINNING OF YEAR	$ 853,885	863,566
Add (deduct): Net assets invested in capital assets	(10,418)	(10,419)
Change in accrued interest payable	733	738
BALANCE, END OF YEAR	$ 844,200	853,885

UNRESTRICTED NET ASSETS	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	REVENUE FUND	TOTAL REVENUE FUND	PLANT FUND	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ (343,100)	68,394	(274,706)	248,395	(26,311)	(53,986)
Add (deduct): Excess (deficiency) of revenue over expenses	(45,589)	23,954	(21,635)	51,432	29,797	28,413
Change in accrued interest payable	-	-	-	(733)	(733)	(738)
BALANCE, END OF YEAR	$ (388,689)	92,348	(296,341)	299,094	2,753	(26,311)

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HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2008

	2008	2007
Excess (deficiency) of revenue over expenditures	$ 29,797	28,413
Add non-cash item(s):		
Amortization of capital assets	374,303	343,155
Amortization of deferred capital contributions	(407,870)	(413,277)
Net assets invested in capital assets	(10,418)	(10,419)
	(14,188)	(52,128)
Change in non-cash working capital:		
Accounts receivable	(3,295)	(5,142)
Due from WRHA	(244,737)	70,066
Due from WRHA - Accrued vacation pay and pre-retirement leave	(84,980)	(65,874)
Inventory	(3,278)	112
Prepaid expenses	(126)	(497)
Accounts payable and accrued liabilities	733,137	(288,107)
Accrued vacation pay and pre-retirement leave	130,569	122,806
	513,102	(218,764)
INVESTING ACTIVITIES		
Purchase of capital assets - equipment and building improvements	(52,207)	(465,796)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(126,441)	(139,828)
Additions (utilization) of externally restricted fund balances - reserves	21,076	(24,461)
Additions (utilization) of internally restricted fund balances - reserves	(55,952)	-
Deferred capital contributions	229,127	662,254
	67,810	497,965
INCREASE (DECREASE) IN CASH	528,705	(186,595)
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,091,586	1,278,181
CASH AND INVESTMENTS, END OF YEAR (Note 3)	$ 1,620,291	1,091,586
ADDITIONAL INFORMATION:		
Interest received	$ 85,916	52,761
Interest paid	224,881	234,265

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HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

1. ACCOUNTING ENTITY

Holy Family Nursing Home was incorporated by a Special Act of the Province of Manitoba on May 6, 1963 and during the current fiscal year, the Home incorporated Holy Family Home, Inc. (HFH) as an operating name. 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".

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 Manitoba Health and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to Manitoba Health. 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) Purpose of Funds

The Revenue Fund accounts for the funded operations of HFH. The Plant Fund, which is owned and operated by SSMI, records the capital assets less the related debt and the equity belonging to SSMI.

The Externally Restricted Fund Balances represent unspent balances of amounts funded for future expenditures. Reserves for Major Building Repairs and the Amortization Fund are maintained as separately funded accounts and are utilized upon prior approval by the WRHA.

The Unrestricted Fund Balances represent the accumulated equity of HFH and SSMI.

c) 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.

d) Deferred Capital Contributions

Contributions received for the purchase and funding 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.

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HOLY FAMILY HOME INC. REVENUE FUND AND SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

f) 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.

g) Change in Accounting Policy

The organization has adopted the following new accounting pronouncements for its fiscal period beginning April 1, 2007. The adoption of these new pronouncements did not have an effect on the organization's financial position or results of operations.

CICA Handbook Section 3855 : "Financial Instruments - Recognition and Measurement" and Section 3861 : "Financial Instruments - Disclosure and Presentation", effective for fiscal years beginning on or after October 1, 2006, establishes standards for the recognition, classification and measurement of financial instruments including presentation of any resulting gain or losses.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2008	Total 2007
HFH Revenue fund	$ 922,627	-	922,627	453,772
SSMI Plant fund unrestricted	457,959	-	457,959	434,023
Major building repairs reserve fund	33,201	200,000	233,201	212,125
Equipment amortization fund	6,504	-	6,504	(8,334)
	$ 1,420,291	200,000	1,620,291	1,091,586

The investments are part of a jointly held investment pool (Note 8) with yields of 4.10% maturing on April 2, 2011.

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave	Unfunded Employee Future Benefits
March 31, 2005	Vacation pay	$ 719,492	715,493	3,999
	Pre-retirement leave	947,030	1,104,789	(157,759)
		$ 1,666,522	1,820,282	(153,760)

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

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)

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 $45,589 (2007 - $56,931) for the fiscal year ending March 31, 2008.

b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,097,884 (2007 -$1,012,904) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following years: 2006/07 and 2007/08. 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.

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, 2008 of $1,368,198 (2007 - $1,283,218) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2008, HFH paid out retirement allowances to their employees in the amount of $55,811, in which the WRHA only funded 64.25% of the payable. [The unfunded portion for the fiscal year 2007/2008 was $19,953 (2007 - $20,773)].

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4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

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 purchase service 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 purchase service 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

	2008		2007	
	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	1,184,669	1,616,588	1,151,533
Building - Phase II	3,957,077	2,373,753	3,957,077	2,295,924
Building - Phase V	1,621,247	669,646	1,621,247	599,157
Building - Link	1,500,962	664,688	1,500,962	621,794
Building - Canopy	70,161	36,538	70,161	33,615
Building Improvements	170,392	13,905	170,392	5,385
Equipment	2,382,970	1,731,897	2,330,762	1,593,384
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Other	42,574	-	42,574	-
	$ 12,289,300	7,144,913	12,237,092	6,770,609
Net book value	$ 5,144,387		5,466,483	

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

6. LONG-TERM DEBT

	2008	2007
TD Canada Trust Line of Credit, prime minus 0.50% (5.50%), due in 2008, repayable in monthly installments of $6,270 plus interest, secured by a letter of comfort issued by Manitoba Health and letters from Manitoba Health and HFH indicating their intentions to continue to operate and to fund HFH. Accrued interest $Nil (2007 - $245).	$ -	56,366
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 $4,488 (2007 - $4,698).	831,735	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 $17,747 (2007 - $18,015).	2,136,329	2,206,404
	2,968,064	3,094,505
Less: current portion	75,039	125,602
	$ 2,893,025	2,968,903

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2009	$ 75,039
	2010	81,311
	2011	87,980
	2012	95,159
	2013	102,866
	Thereafter	2,525,709
		$ 2,968,064

7. DEFERRED CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2008 Total	2007 Total
BALANCE, BEGINNING OF YEAR	$ -	1,477,786	1,477,786	1,228,809
Add: Deferred capital contributions - WRHA	48,300	172,638	220,938	576,730
Pre-approved funding - WRHA	-	-	-	8,334
Donation from SSMI/HFH - Building Expansion Fund	-	6,000	6,000	50,966
Donation from SSMI/HFH - Ladies Auxiliary	-	2,189	2,189	5,355
Other	-	-	-	20,869
	48,300	1,658,613	1,706,913	1,891,063
Deduct: Amortization of deferred contributions	41,796	366,074	407,870	413,277
BALANCE, END OF YEAR	$ 6,504	1,292,539	1,299,043	1,477,786

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8. REVENUE AND PLANT FUND INVESTMENT INCOME

	Revenue Fund	Plant Fund	2008	2007
HFH Revenue fund investment income	$ 8,584	-	8,584	19,165
SSMI Plant fund investment income	-	51,432	51,432	30,172
	$ 8,584	51,432	60,016	49,337

9. RELATED PARTY TRANSACTIONS

Holy Family Home Inc. Revenue Fund (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 (operating as Holy Family Home Inc. Building Expansion Fund); Sisters Servants of Mary Immaculate Seniors Tower Fund, Sisters Servants of Mary Immaculate (operating as Holy Family Home Inc. Ancillary Operations) and Holy Family Home Inc. 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. Revenue Fund charged Sisters Servants of Mary Immaculate Seniors Tower Fund an administration fee of $33,600 in 2008 (2006 - $30,996). 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 $5,109 (2007 - $8,861) 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 2008 (2007 - $13,560) for accounting support services. The transactions are at the exchange amount, which is the amount agreed upon by both parties.

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

10. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2008	2007
Total funds received during year	$10,578,517	10,536,420
Add: Year end adjustments receivable	554,492	246,092
	11,133,009	10,782,512
Deduct: Loan funding deferred	126,432	139,824
Major reserves funding deferred	23,136	23,136
Residential charges claw back	76,020	57,022
	225,588	219,982
	$10,907,421	10,562,530

11. COMMITMENTS

HFH leases office equipment under operating leases. The future annual lease commitments under these leases are as follows:

March 31, 2009	$	5,189
2010		5,976
2011		5,400
2012		7,860

12 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.

13 FINANCIAL INSTRUMENTS

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. Due to the short-term nature of the following financial instruments held by the organization, including cash, accounts receivable, accrued interest receivable, inventory, and accounts payable and accrued liabilities, the carrying value as presented in the financial statements are reasonable estimates of fair value. Investments are recorded at fair market value (including accrued interest). The carrying value of the loan receivable approximates fair market value. It is management's opinion that the organization is not exposed to significant interest, credit or currency risk arising from any of its financial instruments.

AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporated
Winnipeg, Manitoba

I have audited the statement of financial position of the Hope Centre Health Care Incorporated as at March 31, 2008 and the statement of operations and accumulated surplus 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, 2008 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.

David Hildebrand CGA CAFM
Certified General Accountant

2 – 715 Lanark Street
Winnipeg, R3N 1M4

June 27, 2008

Hope Centre Health Care Incorporated
Statement of Financial Position
As at March 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash		$ 24,667
Accounts receivable	$ 34,716	30,397
Total Current Assets	34,716	55,064
Property Plant & Equipment (Note 1 & 2)	44,625	38,286
Total Assets	**$ 79,341**	**$ 93,350**
LIABILITIES		
CURRENT LIABILITIES		
Bank Overdraft	$ 17,572	
Accounts payable	15,961	$ 24,298
Total Current Liabilities	33,533	24,298
OWNERS' EQUITY		
Investment in capital assets	44,625	38,286
Unrestricted	1,183	30,766
	45,808	69,052
Total Liabilities and Surplus	**$ 79,341**	**$ 93,350**

____________________________ Director

____________________________ Director

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

Hope Centre Health Care Incorporated
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2008

	2008	2007
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 860,158	$ 840,842
Medical Receipts	7,691	6,129
Other	3,097	2,253
	870,946	849,224
EXPENSES		
Administration	94,801	102,154
Primary Health Care	716,030	658,869
Occupancy	83,358	84,012
	894,189	845,035
Excess of revenue over expenses for the year	(23,243)	4,189
Accumulated surplus (deficiency), beginning of year	69,051	69,604
Prior Period Adjustment - Legal Fees 2004 - 2006	-	(4,742)
Accumulated surplus (deficiency), end of year	$ 45,808	$ 69,051

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, 2008

	2008	2007
Administration		
Salaries and Benefits	$ 82,280	$ 83,000
Board Expenses	20	817
Professional fees	7,825	11,495
Bank Charges	1,873	1,800
Insurance - Liability	2,803	5,042
	$ 94,801	$ 102,154
Primary Health Care		
Salaries - Physicians	169,447	157,472
Salaries & benefits - Health Care	$ 483,624	$ 440,240
Professional Development	3,944	2,736
Auto Allowance	2,197	1,120
Program Supplies	28,615	30,571
Program Equipment	6,967	6,852
Public Relations	8,962	9,081
Medical Courier	74	47
Communications	9,589	9,440
Postage	2,611	1,310
	$ 716,030	$ 658,869
Occupancy		
Cleaning - Janitorial	$ 9,500	$ 7,520
Cleaning Supplies	2,776	2,531
Properties - Heat	7,586	5,804
Properties - Light	3,444	3,613
Properties - Water	3,003	1,685
Properties - Maintenance	10,096	9,480
Properties - Taxes	1,337	1,229
Hardware Supplies	32	615
Rental - 240 Powers St.	40,800	40,800
Alarm Monitoring	1,123	1,319
Amortization	3,661	9,416
	$ 83,358	$ 84,012

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, 2008

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. Accounting Policies

The following is a summary of the significant accounting policies used by the organization

I) Property, Plant & Equipment and Amortization

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

ii) 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.

3. Property Plant & Equipment

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2008	2007
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	60,588	12,625	6,286
Furniture and fixtures	50,898	50,589	-	-
Equipment	28,500	28,500	-	-
	$ 184,611	$ 139,677	$ 44,625	$ 38,286

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 $62,244 (2007 - $55,643).

5. Statement of Cash Flows
   A statement of cash flows has not been prepared.

6. 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.

7. Prior Year Figures
   Certain of the prior year figures have been reclassified to conform to the current year presentation.

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, 2008 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, 2008 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.

Booke & Partners

Winnipeg, Canada
May 8, 2008

Chartered Accountants

Klinic Incorporated
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Fund	Wilson House Fund	Donation Fund	**2008 Total**	2007 Total
Revenues						
Grants and other revenue (Page 14)	$ 7,057,904	$ -	$ -	$ -	**$ 7,057,904**	$ 6,585,488
Donations	-	-	-	300,517	**300,517**	-
Interest	-	-	-	380	**380**	141
Amortization of deferred revenues	1,786	126,269	67,687	-	**195,742**	182,760
	7,059,690	126,269	67,687	300,897	**7,554,543**	6,768,389
Expenses						
Expenditures (Page 14)	6,948,008	-	-	-	**6,948,008**	6,561,228
Amortization	1,786	126,269	67,849	-	**195,904**	187,725
Special projects	-	-	-	10,147	**10,147**	10,637
	6,949,794	126,269	67,849	10,147	**7,154,059**	6,759,590
Excess (deficiency) of revenues over expenses from operations	109,896	-	(162)	290,750	**400,484**	8,799
Pre-retirement leave (Note 9)	(16,796)	-	-	-	**(16,796)**	168,271
Excess (deficiency) of revenues over expenses	$ 93,100	$ -	$ (162)	$ 290,750	**$ 383,688**	$ 177,070

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Fund	Wilson House Fund	Donation Fund	2008 Total	2007 Total
Fund balances, beginning of year	$ (158,417)	$ 3,120	$ 300,736	$ 18,291	**$ 163,730**	$ (13,340)
Prior period adjustments for						
Purchase of land (Note 10a)	-	-	160,500	-	**160,500**	160,500
Interfund loan (Note 10b)	160,500	-	(160,500)	-	**-**	-
Revenue overstated (Note 10c)	-	-	(142,633)	-	**(142,633)**	(142,633)
Fund balances, restated	2,083	3,120	158,103	18,291	**181,597**	4,527
Excess of revenues over expenses	93,100	-	(162)	290,750	**383,688**	177,070
Fund balances, end of year	$ 95,183	$ 3,120	$ 157,941	$ 309,041	**$ 565,285**	$ 181,597

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	2008 Total	2007 Restated Total
Assets						
Current						
Cash (Note 3)	$ 828,150	$ -	$ -	$ 31,872	**$ 860,022**	$ 499,612
Cash in trust - external projects (Note 4)	102,378	-	-	-	**102,378**	71,819
Receivables (Note 5)	980,003	-	-	-	**980,003**	665,445
Prepaid expenses	16,701	-	-	-	**16,701**	10,627
	1,927,232	-	-	-	**1,959,104**	1,247,503
Interfund balances (Note 6)	(346,027)	-	68,858	277,169	**-**	-
Capital assets (Note 7)	-	168,570	1,243,324	-	**1,411,894**	1,607,798
	$ 1,581,205	$ 168,570	$ 1,312,182	$ 309,041	**$ 3,370,998**	$ 2,855,301
Liabilities						
Current						
Payables and accruals	$ 817,398	$ -	$ -	$ -	**$ 817,398**	$ 714,732
Deferred revenue (Note 8)	151,120	-	-	-	**151,120**	1,517,867
Funds in trust - external projects (Note 4)	102,378	-	-	-	**102,378**	71,819
	1,070,896	-	-	-	**1,070,896**	2,304,418
Deferred revenue (Note 8)	-	165,450	1,154,241	-	**1,319,691**	2,304,418
Pre-retirement leave (Note 9)	415,126	-	-	-	**415,126**	369,286
	1,486,022	165,450	1,154,241	-	**2,805,713**	2,673,704
Fund balances						
Invested in capital assets	-	3,120	89,084	-	**92,204**	181,597
Unrestricted - retainable	95,183	-	68,857	309,041	**473,081**	-
	95,183	3,120	157,941	309,041	**565,285**	181,597
	$ 1,581,205	$ 168,570	$ 1,312,182	$ 309,041	**$ 3,370,998**	$ 2,855,301

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Cash Flows
March 31 **2008** 2007

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	**Total** 2008	Total 2007
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 4,794,744	$ -	$ -	$ -	**$ 4,794,744**	$ 4,339,680
Province of Manitoba	1,522,860	-	-	-	**1,522,860**	1,246,101
Government of Canada	100,818	-	-	-	**100,818**	195,680
University of Winnipeg	93,877	-	-	-	**93,877**	126,760
Workshops and honourariums	25,549	-	-	-	**25,549**	12,901
Donations	18,119	-	-	300,517	**318,636**	12,536
External projects	511,208	-	-	-	**511,208**	282,508
Other sources	468,473	-	-	380	**468,853**	502,628
Cash paid for:						
Human resources and benefits	(6,226,859)	-	-	-	**(6,226,859)**	(5,742,735)
Materials and services	(741,302)	-	-	(10,147)	**(751,449)**	(828,825)
External projects	(480,513)	-	-	-	**(480,513)**	(350,378)
Net cash (deficiency) generated through operating activities	86,974	-	-	290,750	**377,724**	(203,144)
Cash flows from financing and investing activities						
Building campaign	-	-	13,245	-	**13,245**	50,986
Purchase of capital assets	-	-	-	-	**-**	(58,514)
Net cash used in financing and investing activities	-	-	13,245	-	**13,245**	(7,528)
Net increase (decrease) in cash	86,974	-	13,245	290,750	**390,969**	(210,672)
Cash beginning of year	374,687	-	179,142	17,602	**571,431**	602,103
Interfund adjustments	468,867	-	(192,387)	(276,480)	**-**	-
Cash end of year (Note 14)	$ 930,528	$ -	$ -	$ 31,872	**$ 962,400**	$ 391,431

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 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.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased capital assets 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 Fund		
Building	20 years	straight-line
Furniture and equipment	5 years	straight line

e) 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.

f) 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.

g) Financial instruments

Unless otherwise stated in these financial statements, the fair value of Klinic's financial assets and liabilities approximate their carrying value. It is management's opinion that the Klinic is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

Klinic has available an operating line of credit with an authorized limit of $25,000 (2007 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2008 (2007 - $NIL).

4. Cash held in trust - external projects

Funding held in trust for external projects is as follows:

	2008	2007
Manitoba Association of Family Violence Workers	**$ 9,021**	$ 12,254
Manitoba Public Health Association	**15,966**	7,937
Mothers Support Circle	**434**	434
Downtown Parent Coalition	**59,038**	42,325
Manitoba Network for Suicide Prevention	**9,154**	16,085
Klinic Institute	**2,269**	3,769
Trauma Forum	**5,852**	(909)
Pregnancy Prevention Media Campaign	**1,857**	1,857
Male Childhood Abuse Workshop	**852**	852
Wellness committee	**(6,375)**	(5,131)
GLBTT	**3,021**	-
Manitoba Harm Reduction	**(137)**	(6,506)
Healthy Living	**17,880**	5,419
West Central Community Guide	**4,186**	-
West Central Women's Resource Centre	**(20,640)**	(6,567)
	$ 102,378	$ 71,819

5. Receivables

	2008	2007
Winnipeg Regional Health Authority	**$ 431,164**	$ 508,456
Other	**548,839**	156,989
	$ 980,003	$ 665,445

6. Interfund balances

The interfund balances are non interest bearing and have no terms of repayment.

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CHARTERED ACCOUNTANTS

7. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Fund			
Building	2,401,770	2,248,525	**153,245**
Furniture and equipment	278,616	263,291	**15,325**
	2,680,386	2,511,816	**168,570**
Wilson House Fund			
Land	160,500	-	**160,500**
Building	1,353,581	270,757	**1,082,824**
	1,514,081	270,757	**1,243,324**
	$ 4,310,642	$ 2,898,748	**$ 1,411,894**

	Cost	Accumulated Amortization	2007 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 114,389	$ 1,786
Capital Fund			
Building	2,401,770	2,128,436	273,334
Furniture and equipment	278,616	256,955	21,661
	2,680,386	2,385,391	294,995
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	203,064	1,150,517
	1,514,081	203,064	1,311,017
	$ 4,310,642	$ 2,702,844	$ 1,607,798

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CHARTERED ACCOUNTANTS

8. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2008	2007
Beginning balance	**$ 177,810**	$ 152,155
Less: amounts recognized as revenue during the year	**(65,022)**	(11,981)
Add: amounts received related to next year	**38,332**	37,636
	$ 151,120	$ 177,810

Changes in the deferred revenue balances for the Capital Fund are as follows:

	2008	2007
Beginning balance	**$ 291,875**	$ 354,727
Less: amounts recognized as revenue during the year	**(126,425)**	(118,246)
Add: amounts received related to next year	**-**	55,394
	$ 165,450	$ 291,875

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

	2008	2007
Beginning balance	**$ 1,048,182**	$ 1,077,791
Contributions received in the prior year (Note 10c)	**-**	142,633
Land (Note 10c)	**-**	(160,500)
Less: amounts recognized as revenue during the year	**(67,687)**	(62,725)
Add: contributions	**173,746**	50,983
	$ 1,154,241	$ 1,048,182
	$ 1,470,811	$ 1,517,867

Deferred revenue reported in the Capital 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.

9. 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	**2008**	2007
Opening balance	**$ 369,286**	$ 301,251
Increase in obligation	**45,840**	68,035
Ending Balance	**$ 415,126**	$ 369,286
Pre-retirement leave		
Prior year recovery	**$ -**	$ 191,304
Current year recovery	**29,044**	45,002
Increase in obligation	**(45,840)**	(68,035)
	$ (16,796)	$ 168,271

10. Prior period adjustments

a) Purchase of land

The opening surplus has been adjusted to reflect donation revenue received to purchase the land of Wilson House. Donations received to purchase non depreciable capital assets are to directly increase net assets. The net assets and deferred contributions have been adjusted to reflect the proper accounting for this transaction.

b) Interfund loan

In 2002, the Operating Fund transferred funds to the Wilson House Fund to purchase property. The transaction was incorrectly recorded as a transfer of surplus funds and, as a result, the loan to Wilson House Fund was recorded as an increase in net assets of the Wilson House Fund. The intent had been to transfer the funds as a loan and should not have been recorded as an increas to net assets. During the year, Wilson House repaid the interfund loan to the Operating Fund.

9. Prior period adjustments - continued

c) Revenue overstated

In 2004, contributions received to purchase depreciable capital assets were recorded as revenue of the Wilson House Fund. The contribution should have been recorded as deferred contributions and amortized into income at the same rate as the capital assets are currently being depreciated. As a result, net assets have been overstated by the amount received in 2004 less the amortization that should have been recorded since 2004. The correction of $142,632 reflects the adjustment made to decrease net assets and increase deferred contributions.

11. 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, $332,683 (2007 - $ 301,619) 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.

12. 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.

13. Interfund transfers

During the year, a total of $NIL (2007 - $3,120) was transferred from the Operating Fund to the Capital Fund to fund the cash outlays for capital asset acquisitions.

Klinic Incorporated
Notes to the Financial Statements
March 31, 2008

14. Cash balances

	2008	2007
Operating Fund		
Cash and short-term investments	**$ 828,150**	$ 302,868
Cash in trust - external projects	**102,378**	71,819
	930,528	374,687
Wilson House Fund	**-**	179,142
Donation Fund	**31,872**	17,602
	$ 962,400	$ 571,431

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Teen Talk	Evolve	Klinic on Campus	Rural Farm	Klinic on Broadway	Stepping Stones	Dream Catcher	2008 Total	2007 Total
Revenues										
Winnipeg Regional Health Authority										
Fixed payments	$ 4,424,285	$ 180,723	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,605,008	$ 4,321,237
Other funding	64,098	-	-	-	-	-	-	-	64,098	63,124
Province of Manitoba										
Manitoba Health	253,933	130,800	-	-	307,001	-	-	47,500	739,234	645,470
Healthy Child	-	253,900	-	-	-	-	-	-	253,900	253,900
Education	-	15,000	-	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	50,000	-	-	-	-	-	-	-	50,000	50,000
Manitoba Department of Family Services	-	-	472,820	-	-	-	-	-	472,820	432,000
Other departments	80,129	-	-	-	-	-	-	-	80,129	-
Government of Canada										
Canada Drug Strategy	4,246	-	-	-	-	-	-	-	4,246	-
Health Canada	-	-	-	-	-	-	-	-	-	114,895
Human Resources Development Canada	-	67,037	-	-	-	-	-	-	67,037	-
National Homelessness Initiative	-	-	-	-	-	-	-	-	-	6,883
National Crime Prevention Centre	-	-	-	-	-	-	77,338	-	77,338	70,439
Workers Compensation Board	54,999	-	-	-	-	-	-	-	54,999	55,000
Winnipeg Foundation	80,008	-	-	-	-	-	-	-	80,008	-
University of Winnipeg	-	-	-	105,957	-	-	-	-	105,957	105,910
Other	283,283	10,000	4,235	-	30	10,878	-	480	308,906	405,671
Workshops	24,178	-	-	-	-	-	-	-	24,178	11,851
Donations	13,969	-	472	-	3,678	-	-	-	18,119	2,389
Interest	31,928	-	-	-	-	-	-	-	31,928	16,813
Deferred revenue from prior year	4,999	-	-	-	-	-	-	-	4,999	14,906
Total revenues	5,370,055	657,460	477,527	105,957	310,709	10,878	77,338	47,980	7,057,904	6,585,488
Expenditures										
Salaries	3,451,912	506,260	419,933	89,465	209,269	-	56,832	41,688	4,775,359	4,451,299
Medical remuneration	307,627	-	-	3,200	-	-	-	-	310,827	319,201
Purchased services	282,991	-	-	-	-	-	-	-	282,991	265,195
Benefits and payroll tax	598,310	86,289	72,126	15,127	32,924	-	8,656	6,998	820,430	753,155
Food and dietary supplies	26,539	801	336	-	997	-	-	-	28,673	18,474
Fundraising	703	-	-	-	-	-	-	-	703	25,285
Housekeeping	10,706	-	-	-	-	-	-	-	10,706	7,129
Medical supplies	25,701	-	-	1,554	-	-	-	-	27,255	29,390
Office supplies	117,800	15,400	10,876	635	17,939	-	1,468	973	165,091	163,942
Other	137,876	46,083	6,401	221	28,118	-	10,382	1,043	230,124	255,436
Professional fees	46,590	-	3,000	-	-	-	-	-	49,590	25,620
Rent	256	-	8,576	-	17,419	-	-	-	26,251	24,741
Repairs and maintenance	109,252	1,386	508	-	4,043	13,294	-	-	128,483	120,325
Pharmacy and drugs	2,009	-	-	-	-	-	-	-	2,009	4,025
Reproductive health supplies	16,043	-	-	-	-	-	-	-	16,043	27,682
Utilities and property taxes	56,577	-	-	-	-	10,336	-	-	66,913	64,539
Volunteer services	6,560	-	-	-	-	-	-	-	6,560	5,790
Total expenditures	5,197,452	656,219	521,756	110,202	310,709	23,630	77,338	50,702	6,948,008	6,561,228
Excess (deficiency) of revenues over expenditures	$ 172,603	$ 1,241	$ (44,229)	$ (4,245)	$ -	$ (12,752)	$ -	$ (2,722)	$ 109,896	$ 24,260

See accompanying notes to the financial statements.

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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by other auditors.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

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, 2008

		2008	2007
ASSETS			
CURRENT			
Cash	$		301,806
Restricted cash - resident trust		**21,722**	22,250
Restricted cash - reserve fund		**65,346**	52,667
Restricted investment - reserve fund		**51,728**	50,839
Accounts receivable (note 3)		**14,547**	3,113
Due from Winnipeg Regional Health Authority (note 4)		**76,027**	
Due from a related party (note 8)		**6,212**	
Vacation entitlement receivable (note 5)		**138,650**	138,650
Prepaid expenses		**9,774**	10,195
		384,006	579,520
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 5)		**43,774**	123,081
CAPITAL ASSETS (note 6)		**10,286,386**	10,687,488
		10,714,166	11,390,089
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bank indebtedness (note 7)		**167,756**	
Accounts payable and accrued liabilities		**90,702**	44,693
Resident trust payable		**21,722**	22,250
Accrued vacation payable		**222,119**	210,087
Due to Winnipeg Regional Health Authority (note 4)			504,628
Due to a related party (note 8)			62,360
Demand loan payable (note 9)		**160,597**	215,557
		662,896	1,059,575
COMMITMENTS AND CONTINGENCIES (note 10)			
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 5)		**64,321**	143,628
DEFERRED CONTRIBUTIONS (note 11)		**9,176,651**	9,509,225
DEFERRED FUNDS		**4,172**	4,892
		9,908,040	10,717,320
NET ASSETS			
NET ASSETS (page 4)		**806,126**	672,769
	$	**10,714,166**	11,390,089

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, 2008

		2008	2007
REVENUE			
Winnipeg Regional Health Authority	$	**3,894,481**	3,649,860
Resident charges		**1,896,759**	1,842,957
Other		**55,654**	40,544
		5,846,894	5,533,361
EXPENDITURES			
Electricity		**110,423**	95,961
Gas		**84,609**	82,099
Health & Education Levy		**73,567**	66,728
Insurance		**39,091**	39,014
Medical remuneration		**19,100**	9,167
Medical supplies and equipment		**140,504**	109,793
Operational supplies and services		**230,940**	189,471
Other employee benefits		**462,477**	395,334
Plant maintenance		**46,258**	52,991
Pre-retirement leave		**8,982**	
Professional fees		**31,392**	46,994
Property taxes		**108,618**	108,780
Purchased meals		**517,011**	513,508
Purchased services (note 8)		**385,121**	388,705
Resident travel		**14,993**	21,849
Salaries		**3,538,191**	3,171,715
Water and waste		**39,844**	34,606
Workers Compensation premiums		**74,667**	87,301
		5,925,788	5,414,016
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS AND PRIOR YEAR ADJUSTMENTS		**(78,894)**	119,345
OTHER ITEMS			
Amortization of deferred contributions		**415,514**	413,888
Amortization of capital assets		**(415,514)**	(413,888)
Change in retirement obligation		**79,307**	(7,081)
		79,307	(7,081)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE PRIOR YEAR ADJUSTMENTS		**413**	112,264
PRIOR YEAR ADJUSTMENTS			
Winnipeg Regional Health Authority		**132,944**	
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$	**133,357**	112,264

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

STATEMENT OF NET ASSETS

March 31, 2008

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2008	TOTAL 2007
NET ASSETS, beginning of year	$ 1,066,211	(393,442)	672,769	560,505
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		133,357	133,357	112,264
PURCHASE OF CAPITAL ASSETS	14,412	(14,412)		
TRANSFER	(14,412)	14,412		
NET ASSETS, end of year	$ 1,066,211	(260,085)	806,126	672,769

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, 2008

		2008	2007
OPERATING ACTIVITIES			
Excess of revenue over expenditures for the year	$	**133,357**	112,264
Adjustments for			
Amortization of capital assets		**415,514**	413,888
Net (increase) decrease in resident trust		**528**	(1,823)
Net (increase) decrease in reserve funds		**(12,679)**	22,858
Net decrease in deferred contributions		**(332,574)**	(380,218)
Change in deferred funds		**(720)**	425
		203,426	167,394
Changes in non-cash working capital balances			
Accounts receivable		**(11,434)**	946
Prepaid expenses		**421**	(388)
Pre-retirement entitlement receivable		**79,307**	(7,081)
Accounts payable and accrued liabilities		**46,009**	(1,287)
Resident trust payable		**(528)**	1,823
Accrued vacation payable		**12,032**	15,992
Accrued pre-retirement entitlement		**(79,307)**	7,081
		249,926	184,480
INVESTING ACTIVITIES			
Purchase of capital assets		**(14,412)**	(5,690)
Net increase of investments		**(889)**	(50,839)
		(15,301)	(56,529)
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		**(580,655)**	(24,651)
Due to a related party		**(68,572)**	23,150
Repayment of demand loan		**(54,960)**	
		(704,187)	(1,501)
NET INCREASE (DECREASE) IN CASH		**(469,562)**	126,450
CASH POSITION, BEGINNING OF YEAR		**301,806**	175,356
CASH POSITION, END OF YEAR	$	**(167,756)**	301,806

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

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. 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:

Changes in Accounting Policies

Effective April 1, 2007 the organization adopted the new accounting standards relating to financial instruments as issued by the Canadian Institute of Chartered Accountants (CICA). The new standards are; Section 3855 Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865 Hedges, all of the CICA Handbook.

Financial Instruments

The new standards require that all financial assets and liabilities be initially recognized at fair value. In addition, the standard requires 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 net income. 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, short-term investments, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable. The organization has classified cash and short-term investments 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, short-term investments, 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 does 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 net income.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Hedges

Section 3865 Hedges establishes standards about when and how hedge accounting may be applied. Hedge accounting under this standard is optional. The organization does not have any outstanding hedges in place, and as such the adoption of this standard does not impact their 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 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 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, 2008.

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

		2008	2007
Receivable from residents	$	**6,082**	481
Accrued interest		**2,046**	2,225
Other		**6,419**	407
	$	**14,547**	3,113

4. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2008	2007
WRHA pre-retirement liability funding	$	**30,126**	46,562
Flu immunization costs		**1,077**	555
Median adjustment		**299,563**	93,785
Louis Riel day accrual		**9,980**	
Leap year residential charges		**5,261**	4,889
Pre-retirement payout		**7,695**	4,523
MNU contract baseline		**32,489**	
Staffing increase hours of care		**34,297**	
MNU LTD funding		**6,102**	
Constant care			2,924
Dialysis transportation		**699**	1,514
Accreditation survey fee			4,250
Residential charges		**(46,285)**	(461,188)
Capital interest		**(322)**	(196,887)
Other			(5,555)
Bridge funding		**(304,655)**	
	$	**76,027**	(504,628)

5. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WHRA

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

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	$ **189,282**		189,282	
Buildings	**12,324,767**	**2,462,607**	12,324,767	2,154,415
Furniture, fixtures and equipment	**1,059,768**	**836,791**	1,053,062	731,199
Land improvements	**17,289**	**5,322**	9,583	3,592
	13,591,106	**3,304,720**	13,576,694	2,889,206
Cost less accumulated amortization	**$ 10,286,386**		10,687,488	

Amortization of capital assets for the year ended March 31, 2008 is $415,514 (2007 - $413,888).

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, 2008 the organization had $25,890 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:

		2008	2007
Administration	$	**149,010**	165,197
Finance		**168,728**	167,577
Maintenance		**67,383**	55,930
		385,121	388,704
Dietary		**517,011**	513,508
Information systems			44,215
	$	**902,132**	946,427

The transactions are in the normal course of operations and are recorded at the exchange amount.

At the end of the year, the amount due from (to) a related party is as follows:

		2008	2007
Lions Manor	$	**6,212**	(62,360)

The balances are non-interest bearing, due on demand and are unsecured.

9. DEMAND LOAN PAYABLE

		2008	2007
Line of Credit - Royal Bank of Canada, repayable in monthly principal payment of $4,580 and monthly interest payments 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	$	**160,597**	215,557

10. COMMITMENTS AND CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in prospect at any time. As at March 31, 2008, no litigation is in process. With respect to potential claims at March 31, 2008, 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 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 statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

		2008	2007
Balance, beginning of year	$	**9,405,719**	9,758,957
Contributions - Winnipeg Regional Health Authority		**54,960**	60,650
Transfers from equipment funding		**14,412**	
Less amounts amortized to revenue		**(415,514)**	(413,888)
Balance, end of year	$	**9,059,577**	9,405,719

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.

		2008	2007
Balance, beginning of year	$	**28,368**	20,688
Contributions - Winnipeg Regional Health Authority		**7,680**	7,680
Balance, end of year	$	**36,048**	28,368

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.

		2008	2007
Balance, beginning of year	$	**75,138**	54,838
Contributions - Winnipeg Regional Health Authority		**20,300**	20,300
Purchases		**(14,412)**	
Balance, end of year	$	**81,026**	75,138
Total deferred contributions balance	$	**9,176,651**	9,509,225

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 year 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 $194,879 (2007 - $159,705) and are included in the statement of operations.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation. Excess of revenues over expenditures remains as previously reported.

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 Corporation. 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 Corporation'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 23, 2008

Chief Executive Officer

Finance Manager

To the Directors of Luther Home Corporation:

We have audited the balance sheet of Luther Home Corporation as at March 31, 2008 and the statements of operations and changes in net assets 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, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, except for the specifically identified items disclosed in note 2 that are required as a result of the operating agreements with Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The prior year's financial statements were audited by another firm of public accountants.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 23, 2008

Chartered Accountants

Luther Home Corporation
Balance Sheet
As at March 31, 2008

	2008	2007
Assets		
Current		
Cash and marketable securities *(Note 4)*	**1,302,974**	1,269,396
Accounts receivable	**241,292**	176,449
Prepaid expenses	**45,706**	58,439
Construction in progress	**7,000**	-
	1,596,972	1,504,284
Due from Winnipeg Regional Health Authority *(Note 5)*	**277,697**	250,436
Capital assets *(Note 6)*	**6,149,012**	6,358,895
	8,023,681	8,113,615
Liabilities		
Current		
Accounts payable and accrued liabilities	**995,620**	893,926
Current portion of long term debt	**282,745**	320,522
Accrued benefit entitlements	**195,518**	166,827
	1,473,883	1,381,275
Long term debt *(Note 7)*	**3,125,687**	3,408,440
Due to related parties *(Note 8)*	**331,815**	261,314
Deferred Contributions		
Capital assets	**881,823**	925,648
Subsidy surplus reserve *(Note 9)*	**66,334**	63,534
Replacement reserve *(Note 10)*	**336,572**	318,169
	6,216,114	6,358,380
Net Assets		
Invested in capital assets	**872,707**	697,656
Unrestricted	**934,860**	1,057,579
	1,807,567	1,755,235
	8,023,681	8,113,615

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

MNP

Luther Home Corporation
Statement of Operations
For the year ended March 31, 2008

	2008	2007
Revenues		
Long term care *(Schedule 1)*	**4,852,416**	4,536,738
1080 Powers *(Schedule 2)*	**498,201**	491,718
1084 Powers *(Schedule 3)*	**356,729**	376,634
364 Leila *(Schedule 4)*	**319,483**	264,726
Adult Day Program *(Schedule 5)*	**107,822**	106,157
	6,134,651	5,775,973
Expenses		
Long term care *(Schedule 1)*	**4,797,876**	4,383,388
1080 Powers *(Schedule 2)*	**498,201**	491,718
1084 Powers *(Schedule 3)*	**356,729**	376,634
364 Leila *(Schedule 4)*	**290,885**	257,824
Adult Day Program *(Schedule 5)*	**109,937**	104,866
	6,053,628	5,614,430
Excess of revenues over expenses before benefit bank value change	**81,023**	161,543
Benefit bank value change		
Vacation	**(28,691)**	(3,827)
Excess of revenues over expenses	**52,332**	157,716

The accompanying notes are an integral part of these financial statements

	Invested in capital assets	*Unrestricted*	*2008 Total*	*2007 Total*
Net assets, beginning of year	**697,656**	**1,057,579**	**1,755,235**	1,597,519
Excess (deficiency) of revenues over expenses	**(107,695)**	**160,027**	**52,332**	157,716
Capital asset additions	**108,877**	**(108,877)**	**-**	-
Debt repayment	**173,869**	**(173,869)**	**-**	-
Net assets, end of year	**872,707**	**934,860**	**1,807,567**	1,755,235

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and to comply with the operating agreement with the Manitoba Housing Renewal Corporation (MHRC) except as explained below and include the following significant accounting policies:

Revenue recognition

The Corporation uses the deferral method of accouting 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.

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. 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 earnings 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 Corporation 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 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. Signficant accounting policies *(Continued from previous page)*

Capital assets

Capital assets are recorded at cost less capital grants and accumulated amortization. Amortization is recorded at rates intended to amortize the value of the capital assets over their estimated useful lives. The annual rates are as follows:

1081 Andrews Street

Building	straight line over 20 and 50 years
Automotive	straight line over 8 years
Computer and system software	straight line over 4 years
Furniture, equipment, improvements	straight line over 10 and 20 years

In the year of acquisition, amortization is taken at one-half of the above rates.

364 Leila Avenue

Building	straight line over 40 years
Furniture and fixtures	straight line over 10 years

In the year of acquisition, amortization is taken at one-half of the above rates.

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 other capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

1084 Powers Street
Amortization is provided on the building, furniture and equipment purchased with loans from 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 Corporation is a registered 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, the Corporation has established reserves for future expenditures.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized on the same basis as the respective assets are amortized.

Cash flow statement

A cash flow statement has not been presented with these financial statements, as the required information is readily apparent from the other financial statements.

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

Pre-retirement entitlement obligation

1081 Andrews Street 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 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 diability.

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 Winnipeg Regional Health Authority up to a pre-determined percentage. Payments beyond the pre-determined percentage are reflected as an expense in the statement of operations.

Financial instruments

Held for trading:

The Corporation 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 income.

Loans and receivables:

The Corporation has classified accounts receivable 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. 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 net income upon derecognition or impairment.

Other financial liabilities:

The Corporation has classified accounts payable and accrued liabilities 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. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

3. Change in accounting policies

Financial instruments

During 2007, the Corporation retroactively adopted new presentation and disclosure recommendations with respect to financial instruments. The adoption of the standard resulted in no change to the comparative financial statements.

4. Cash and marketable securities

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 4.11% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to certain restrictions.

	2008	*2007*
Cash and marketable securities, restricted	**405,478**	387,582
Cash and marketable securities, unrestricted	**897,496**	881,814
	1,302,974	1,269,396

5. Due from Winnipeg Regional Health Authority (WRHA)

	2008	*2007*
Vacation entitlement	**133,100**	133,100
Pre-retirement asset entitlement	**144,597**	117,336
	277,697	250,436

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. The WRHA has indicated that it will repay this receivable over a 25 year period.

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, 2008, the WRHA fully funded changes in the pre-retirement obligation.

Confirmation has been received from the WRHA guaranteeing the payment of this receivable by the Province. Therefore, a write down of this receivable is not required.

6. Capital assets

	Cost	*Accumulated amortization*	*2008 Net book value*	*2007 Net book value*
Land - 1081 Andrews Street	**51,952**	**-**	**51,952**	51,952
Buildings - 1081 Andrews Street	**2,448,584**	**824,525**	**1,624,059**	1,588,337
Buildings - 364 Leila Avenue	**187,555**	**67,281**	**120,274**	123,556
Automotive - 1081 Andrews Street	**74,399**	**48,236**	**26,163**	29,627
Computer and system software - 1081 Andrews Street	**139,237**	**134,163**	**5,074**	13,791
Furniture, equipment and improvements - 1081 Andrews Street	**2,431,566**	**1,394,812**	**1,036,754**	1,119,439
Furniture and fixtures - 364 Leila Avenue	**24,404**	**19,780**	**4,624**	5,421
Land, building and equipment - 1080 Powers	**2,848,190**	**263,706**	**2,584,484**	2,619,711
Land, building and equipment - 1084 Powers	**1,925,129**	**1,229,501**	**695,628**	807,061
	10,131,016	**3,982,004**	**6,149,012**	6,358,895

7. Long-term debt

	2008	*2007*
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 and due July 1, 2027.	**2,206,648**	2,241,876
Mortgage loan, with CMHC, bearing interest at 6.875% per annum, repayable in monthly instalments of $3,532 including interest, secured by the land and building at 1081 Andrews Street and due January 1, 2020.	**344,298**	362,666
Mortgage loan, with MHRC, bearing interest at 10% per annum, repayable in monthly instalments of $1,408 including interest, secured by the building at 364 Leila Avenue and due March 1, 2011.	**107,876**	113,819
Mortgage loan, with CMHC, bearing interest at 3.65% per annum, repayable in monthly instalments of $9,673 including interest, secured by the land and building at 1084 Powers Street and due October 1, 2008.	**66,835**	178,267
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $5,580, secured by an assignment of proceeds of the contract with the WRHA for the building improvements and due September 1, 2013.	**352,409**	419,369
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $2,633, secured by an assignment of proceeds of the contract with the WRHA for the laundry project and due February 1, 2016.	**279,133**	310,733
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $4,250, secured by an assignment of proceeds of the contract with the WRHA for the dining room project and due March 1, 2009.	**51,233**	102,232
	3,408,432	3,728,962
Less: current portion	**282,745**	320,522
	3,125,687	3,408,440

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	282,745
2010	171,307
2011	177,828
2012	185,228
2013	193,339

8. Related party transactions

Amounts due to related parties are unsecured, interest bearing, and are not due within the next fiscal year. Interest earned by 1081 Andrews Street on the cash and marketable securities balance is allocated to the related parties based on their monthly balances. The Memorial Fund and Management Services are divisions of Luther Home Corporation.

A balance of $69,941 (2007 - $16,891) is due to the Memorial Fund and a balance of $261,874 (2007 - $244,423) is due to Management Services.

9. Subsidy surplus reserve

Under the terms of the agreement with CMHC, excess federal assistance payments received 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 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.

10. 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 (2007 - $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 be approved by WRHA from time to time. 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 annually until it accumulates to $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 (2007 - $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.

11. 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 $63,019 (2007 - $82,344).

12. Provincial home care

1084 Powers Street received $277,674 (2007 - $263,919) from the WRHA - Home Care Division during the year as a reimbursement of staff salaries and benefits paid.

13. Contingencies

1084 Powers Street
The MHRC provided a $12,251 forgivable "RRAP" loan to finance the upgrading of room 205 for handicap needs. The loan will be forgiven August 1, 2008 as long as:
i) The loan is used only to pay for designated repairs;
ii) Luther Home Corporation continues to own and occupy 1084 Powers Street until August 1, 2008.
If these conditions are not met, the loan plus 5.75% interest must be repaid. The cost of the upgrade and the loan proceeds were recorded through the replacement reserve.

1080 Powers Street
MHRC is currently reviewing $29,252 of 2004 repairs and maintenance costs that are above the $38,500 approved budget amount. Approval is pending. In 2005, 2006, 2007 and 2008 repairs and maintenance costs exceed the approved budget amounts by $11,322, $18,744, $20,804 and $19,646 respectively. If MHRC does not approve the excess expenditures they will have to be repaid to MHRC.

14. Comprehensive income

All gains and losses, including those arising from all financial instruments, have been recognized in excess of revenues over expenses for the year. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.

15. Economic dependence

A significant portion of Luther Home's revenues are received from the WRHA, MHRC, and CMHC. Of total revenue, 67% (2007 - 67%) is from these organizations.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. In 2007, the results of operations for 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street, and 364 Leila Avenue were reported on in four seperate financial statements. In 2008, the results of operations of these buildings have been combined into one financial statement.

SIMON HALL CHARTERED ACCOUNTANT INC.
400 - 208 Edmonton Street
Winnipeg, Manitoba. **(204)943-9931 (T)**
R3C 1R7 **(204)943-9932 (F)**

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, 2008 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, 2008 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 INC.

May 6, 2008
Winnipeg, Manitoba

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2008

	Operating Fund	Special Projects Fund	Capital Asset Fund	Investment In Union Centre Fund	Total 2008	Total 2007
	$	$	$	$	$	$
CURRENT ASSETS:						
Cash (note 3)	177,306	-	-	-	**177,306**	122,160
Short term investments (note 4)	146,021	175,000	-	-	**321,021**	306,345
Accounts receivable (note 5)	96,004	-	-	-	**96,004**	102,524
Prepaid expenses (note 6)	-	-	-	-	**-**	1,943
Total Current Assets	419,331	175,000	-	-	**594,331**	532,972
CAPITAL ASSETS: (note 7)	-	-	2,640	-	**2,640**	4,845
INVESTMENTS: (note 8)	-	-	-	204,669	**204,669**	204,669
TOTAL ASSETS	419,331	175,000	2,640	204,669	**801,640**	742,486
CURRENT LIABILITIES:						
Accounts payable & accrued liabilities (note 9)	144,139	-	-	-	**144,139**	123,628
Repayable to WRHA (note 10)	98,283	-	-	-	**98,283**	69,981
Deferred revenue (note 11)	49,095	-	-	-	**49,095**	48,295
Total Current Liabilities	291,517	-	-	-	**291,517**	241,904
DEFERRED CONTRIBUTIONS:						
Capital assets (note 12)	-	-	2,640	-	**2,640**	4,844
Total Deferred Contrib.	-	-	2,640	-	**2,640**	4,844
CONTINGENT LIABILITIES: (note 13)						
FUND BALANCES:						
Invested in Union Ctr.	-	-	-	204,669	**204,669**	204,669
Internally restricted	-	175,000	-	-	**175,000**	175,000
Unrestricted	127,814	-	-	-	**127,814**	116,069
Total Fund Balances	127,814	175,000	-	204,669	**507,483**	495,738
TOTAL LIABILITIES & FUND BALANCES	419,331	175,000	2,640	204,669	**801,640**	742,486

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, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2008 $	Total 2007 $
REVENUES:						
WRHA: Medical Clinic	758,619	-	-	-	**758,619**	741,952
WRHA: recoveries	(28,302)	-	-	-	**(28,302)**	(35,482)
Interest & other	15,055	-	-	-	**15,055**	12,634
MB Labour & Immigration	33,717	-	-	-	**33,717**	19,218
Fundraising	10,211	-	-	-	**10,211**	11,455
WCB Health Projects	101,839	-	-	-	**101,839**	62,538
Deferred contribution for capital assets	-	-	2,204	-	**2,204**	2,204
Repayment of funding	-	-	-	-	-	-
United Way Projects	-	-	-	-	-	19,550
Deferred revenue in	-	-	-	-	-	53,770
Deferred revenue out	-	-	-	-	-	(4,000)
Total Revenues	891,139	-	2,204	-	**893,343**	883,839
EXPENDITURES - OPERATING:						
Amortization on equip	-	-	2,204	-	**2,204**	2,204
Audit & accounting	8,407	-	-	-	**8,407**	4,983
Accreditation	-	-	-	-	-	1,267
Computer software &	4,994	-	-	-	**4,994**	5,557
Bank charges	13	-	-	-	**13**	
Delivery	184	-	-	-	**184**	265
Employee benefits	69,759	-	-	-	**69,759**	69,521
Equipment rental & minor purchases	17,312	-	-	-	**17,312**	12,874
Fundraising	712	-	-	-	**712**	648
Insurance	5,971	-	-	-	**5,971**	1,088
Memberships	375	-	-	-	**375**	-
Legal	120	-	-	-	**120**	20
License fees	900	-	-	-	**900**	900
Meeting Expense	2,487	-	-	-	**2,487**	789
Miscellaneous	924	-	-	-	**924**	4,537
Newsletter	11,172	-	-	-	**11,172**	9,717
Printing/Stationery & Office Supplies	11,748	-	-	-	**11,748**	15,479
Postage	1,233	-	-	-	**1,233**	(1,939)
Pre-retirement	8,091	-	-	-	**8,091**	-
	7,208	-	-	-	**7,208**	6,374
Public relations	9,722	-	-	-	**9,722**	29,161
Purchased services	53,192	-	-	-	**53,192**	29,036
Repairs & main	626	-	-	-	**626**	1,952

"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, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2008 $**	Total 2007 $
Rent	70,564	-	-	-	**70,564**	70,509
Staff education & recruitment	2,280	-	-	-	**2,280**	3,491
Staff parking	3,475	-	-	-	**3,475**	3,509
Staff travel & exp.	7,303	-	-	-	**7,303**	8,818
Stipend	232	-	-	-	**232**	-
Stretch/Massage/Breathe	9,484	-	-	-	**9,484**	5,240
Telephone	8,571	-	-	-	**8,571**	9,213
20th Anniversary	-	-	-	-	-	-
Wages & salaries	562,335	-	-	-	**562,335**	572,861
Total Operating Expend.	879,394	-	2,204	-	**881,598**	868,074
EXCESS OF REVENUE OVER EXPENDITURES	11,745	-	-	-	**11,745**	15,765

"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, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2008 $**	Total 2007 $
Fund balance, beginning of year	116,069	175,000	-	204,669	**495,738**	479,973
Surplus (deficiency) for the year	11,745	-	-	-	**11,745**	15,765
Purchase of capital assets	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Closing fund balance	127,814	175,000	-	204,669	**507,483**	495,738

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2008

	2008 $	2007 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	11,745	15,765
Add: amortization	2,204	2,204
	13,949	17,969
Change in working capital:		
Accounts receivable	6,520	(4,437)
Short term investments	(14,675)	(11,193)
Prepaid expenses	1,943	1,058
Accounts payable & accrued liabilities	20,511	1,267
Repayable to WRHA	28,302	35,482
Deferred revenue	800	(39,799)
	43,401	(17,622)
Cash from (used for) operations	57,350	347
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	(2,204)	(2,206)
Cash from (used for) investing & financing	(2,204)	(2,206)
Increase (decrease) in cash for the year	55,146	(1,859)
Cash, beginning of year	122,160	124,019
Cash, end of year (note 3)	177,306	122,160

"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, 2008

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.

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

	2008	2007
	$	$
Operating	**177,217**	122,073
Shares	**89**	87
	177,306	122,160

4. SHORT TERM INVESTMENTS

Daily interest account	**269,964**	256,942
Term deposits	**49,873**	48,334
Surplus shares	**1,184**	1,069
	321,021	306,345

5. ACCOUNTS RECEIVABLE

	2008	2007
	$	$
Trade receivables	93,442	99,678
Receiver General (GST)	2,561	2,846
	96,003	102,524

6. PREPAID EXPENSES

Xerox contract	-	-
ImagiNet	-	-
Insurance	-	1,943
Momentum Software	-	-
	-	1,943

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
	$	$	$	$
Audio visual equipment	11,738	(11,738)	-	569
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,053	(28,271)	782	1,490
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(33,793)	319	861
Security system	574	(574)	-	-
Phone system	7,700	(6,160)	1,540	1,925
Total	247,847	(245,206)	2,641	4,845

8. INVESTMENT IN UNION CENTRE INC.

	2008	2007
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.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade payables	22,086	6,852
Accrued liabilities	110,179	97,537
Trust liabilities	11,874	19,239
	144,139	123,628

10. REPAYABLE TO WRHA

	2008	2007
	$	$
Revenue in excess of agreement:		
2004/2005	16,731	16,731
2005/2006	17,768	17,768
2006/2007	35,482	35,482
2007/2008	28,302	-
	98,283	69,981

11. DEFERRED REVENUE

	2008	2007
Province of Manitoba: Labour & Immigration	9,971	9,971
WCB: Small Business Ergonomist (new)	3,290	3,290
WCB: Educator	2,829	2,829
WCB: Aboriginal Workers Outreach	28,205	28,205
WRHA: Insurance reserve	4,800	4,000
	49,095	48,295

12. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	WRHA	Bldg. Other	WCB Programs	2008	2007
	$	$	$	$	$
Capital assets	29,663	194,235	23,949	247,847	247,847
Accumulated amortization	(27,023)	(194,235)	(23,949)	(245,207)	(243,003)
Deferred contributions for capital assets	2,640	-	-	2,640	4,844

13. 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.

14. 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	63,269	2,621	243	66,133
Occupational Health Specialist	59,117	2,621	589	62,327
Occupational Health Nurses (Two positions)	132,689	5,423	534	138,646
Ergonomist	53,549	-	-	53,549
Finance/Office Admin	62,915	2,640	-	65,555

15. COMPARATIVE FIGURES

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

16. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

17. CORRECTION OF AN ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS

The prior year financial statements included two errors which have been corrected in the current year's financial statements. As a result the following changes have been made to the comparative figures in these financial statements.

The vacations liability was understated at March 31, 2007 by $9,999. As a result the salaries and benefits expense amount was increased by $9,999, the vacation pay liability amount has been increased by $12,828, the accounts receivable was increased by $2,829 and the unrestricted net assets amount has been reduced by $9,999 in the 2007 comparative figures.

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, 2008 and the statements of operations 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 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, excess of revenues over expenses, current assets and net assets.

Note 2 describes the amortization policy for property and equipment. The note also 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, 2008 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.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 15, 2008

Main Street Project, Inc.
Statements of Operations and Changes in Fund Balances

Year Ended March 31 **2008** 2007

	Operating Fund	Restricted Fund (Note 7)	Capital Fund	**Total**	Total
Revenues					
Grants	$1,946,774	$ 1,008	$ -	**$1,947,782**	$1,953,736
Per diem payments	870,094	-	-	**870,094**	685,066
Donations	-	63,735	-	**63,735**	36,238
Interest	6,128	8,808	-	**14,936**	7,822
Other	147	-	68,150	**68,297**	102,630
	2,823,143	73,551	68,150	**2,964,844**	2,785,492
Expenses					
Crisis and Detoxification Centre (Page 9)	1,335,619	23,895	11,463	**1,370,977**	1,317,821
I.P.D.A. (Page 10)	282,373	-	2,687	**285,060**	283,829
Mainstay - Residential Component (Page 11)	109,192	-	69,627	**178,819**	184,100
Mainstay - Client Services (Page 12)	386,994	-	3,845	**390,839**	356,324
Transition Teams (Page 13)	195,697	-	1,749	**197,446**	216,842
Opportunities Ahead (Page 14)	107,739	-	912	**108,651**	124,398
Shelter (Page 15)	261,103	-	2,288	**263,391**	245,533
	2,678,717	23,895	92,571	**2,795,183**	2,728,847
Excess (deficiency) of revenues over expenses	$ 144,426	$ 49,656	$ (24,421)	**$ 169,661**	$ 56,645

	Operating Fund	Restricted Fund (Note 7)	Capital Fund	**Total**	Total
Fund balances, beginning of year	$ 51,209	$ 221,871	$ 42,913	**$ 315,993**	$ 259,348
Excess (deficiency) of revenues over expenses	144,426	49,656	(24,421)	**169,661**	56,645
Property and equipment additions	(37,351)	(3,887)	41,238	**-**	-
Interfund transfers (Note 7)	(16,464)	16,464	-	**-**	-
Fund balances, end of year	$ 141,820	$ 284,104	$ 59,730	**$ 485,654**	$ 315,993

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statement of Financial Position

March 31	2008	2007
Assets		
Current		
Cash and term deposits	$ 51,376	$ 118,505
Receivables (Note 3)	523,539	453,679
Prepaids	26,123	23,445
Funds held in trust (Note 4)	8,924	5,860
	609,962	601,489
Property and equipment (Note 5)	765,209	770,179
Restricted funds (Note 7)	284,104	221,871
	$ 1,659,275	$ 1,593,539
Liabilities		
Current		
Payables and accruals	$ 315,575	$ 312,261
Current portion of long-term debt (Note 6)	14,876	13,023
Funds held in trust (Note 4)	8,924	5,860
	339,375	331,144
Long-term debt (Note 6)	834,246	946,402
	1,173,621	1,277,546
Fund Balances		
Unrestricted	141,820	51,209
Restricted (Note 7)	284,104	221,871
Invested in property and equipment	59,730	42,913
	485,654	315,993
	$ 1,659,275	$ 1,593,539

On behalf of the Board

____________________ Director ____________________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Notes to the Financial Statements
March 31, 2008

1. Nature of operations

Main Street Project, Inc. exists to assist individuals in the City of Winnipeg through periods of crisis and to help them make the best possible use of rehabilitation and support services that exist in Winnipeg. 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) Contributed property and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor the cost of these contributed services are recognized in these financial statements.

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2. Significant accounting policies (continued)

d) 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

e) Financial instruments

Unless otherwise stated in these financial statements, 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.

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.

3. Receivables

	2008	2007
Province of Manitoba	$ **50,876**	$ 35,351
City of Winnipeg Police Department	**80,675**	63,490
Manitoba Family Services & Housing	**67,500**	33,525
National Homelessness Initiative	**10,437**	28,505
Winnipeg Regional Health Authority (wage stabilization)	**197,016**	85,480
Winnipeg Regional Health Authority (additional funding)	**103,680**	167,429
Goods and Services Tax receivable	**6,788**	8,835
Other	**6,567**	31,064
	$ **523,539**	$ 453,679

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CHARTERED ACCOUNTANTS

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 of the organization. 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	2008 Net Book Value	2007 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha	554,295	130,021	**424,274**	437,977
Buildings - 75 and 77 Martha	421,563	179,408	**242,155**	248,882
Furniture and equipment	173,123	122,467	**50,656**	35,086
Vehicles	1,099	385	**714**	824
	$ 1,197,490	$ 432,281	**$ 765,209**	$ 770,179

6. Long-term debt

	2008	2007
M.H.R.C. first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7 1/4% per annum, due April 1, 2028.	**$ 752,563**	$ 766,266
Bank loan, repayable in monthly payments of $6,440 plus interest at a rate of prime less 1%, due December 1, 2009.	**96,559**	193,159
	849,122	959,425
Less: current portion	**(14,876)**	(13,023)
	$ 834,246	$ 946,402

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:

2009	$ 14,876
2010	15,974
2011	17,153
2012	18,419
2013	19,779

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CHARTERED ACCOUNTANTS

7. Restricted funds

	Staff Development Fund	Insurance Reserve	Replacement Reserve	Donations Reserve	**2008 Total**	2007 Total
Balance, beginning of year	$ 18,459	$ 5,032	$ 53,609	$ 144,771	**$ 221,871**	$ 190,223
Excess of revenues over expenses	353	1,008	2,062	46,233	**49,656**	37,721
Property and equipment additions	-	-	(3,887)	-	**(3,887)**	(10,123)
Transfer from operating fund	-	-	4,050	12,414	**16,464**	4,050
Balance, end of year	$ 18,812	$ 6,040	$ 55,834	$ 203,418	**$ 284,104**	$ 221,871

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the Board of Directors. The fund is to be used for subsidizing 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.

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. Contingency - Statement of Claim

The organization has an ongoing legal claim with a client regarding a wrongful detainment. The amount of the contingent loss, if any, cannot be reasonably estimated at this time.

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.

June 9, 2008

AUDITORS' REPORT

To the Board of Directors of
Manitoba Baptist Home Society Inc.

We have audited the statement of financial position of Meadowood Manor Personal Care Home as at March 31, 2008 and the statements of operations and 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 operations as outlined in Note 1 – Entity Definition as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig & Ross

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 1

Statement of Financial Position

March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Cash	$	**227,145**	$	248,258
Accounts receivable *(Note 4)*		**21,285**		24,359
Due from Winnipeg Regional Health Authority *(Note 6)*		**7,367**		-
Inventories		**17,393**		18,062
Prepaid expenses		**10,530**		6,966
Accrued interest receivable		**5,748**		12,989
		289,468		310,634
INVESTMENTS *(Note 5)*		**649,208**		615,742
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 6)*		**742,116**		541,075
CAPITAL ASSETS *(Note 7)*		**3,046,936**		3,242,656
	$	**4,727,728**	$	4,710,107
LIABILITIES AND NET ASSETS				
CURRENT				
Residential charges received in advance	$	**17,475**	$	42,319
Accounts payable and accrued expenses		**247,980**		283,030
Accrued salaries payable		**54,995**		14,685
Accrued vacation pay		**306,920**		290,753
Current portion due to related party *(Note 8)*		**50,000**		65,000
Current portion of long-term debt *(Note 9)*		**157,042**		155,071
		834,412		850,858
DUE TO RELATED PARTY *(Note 8)*		**-**		25,000
DUE TO WINNIPEG REGIONAL HEALTH AUTHORITY		**266,113**		39,860
ACCRUED PRE-RETIREMENT ENTITLEMENT		**329,800**		314,488
LONG-TERM DEBT *(Note 9)*		**1,615,967**		1,773,021
DEFERRED CONTRIBUTIONS *(Note 10)*				
Related to expenses of future periods		**173,624**		195,565
Related to capital assets		**1,643,722**		1,645,576
NET ASSETS *(Statement 2)*		**(135,910)**		(134,261)
	$	**4,727,728**	$	4,710,107

APPROVED ON BEHALF OF THE BOARD:

Director

Director

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 2

Statement of Operations and Net Assets

Year Ended March 31, 2008

	2008	2007
REVENUE		
Winnipeg Regional Health Authority	**$ 3,377,424**	$ 3,190,061
Residential charges	**1,392,492**	1,358,969
Amortization of deferred contributions	**233,220**	225,942
Recoveries - dietary, cafeteria, parking, rental	**153,559**	145,869
Interest income	**27,636**	36,066
Other income	**12,735**	4,839
Mortgage contribution earned *(Note 9)*	**3,672**	3,366
Total revenue	**5,200,738**	4,965,112
EXPENDITURES		
Administration	**309,453**	232,897
Amortization of capital assets	**255,967**	253,669
Dietary	**576,252**	602,123
Employee benefits	**550,903**	475,577
Housekeeping	**189,984**	188,043
Information systems	**32,686**	32,168
Interest on long-term debt *(Note 9)*	**128,363**	143,577
Laundry	**149,252**	142,895
Manitoba payroll tax	**72,335**	55,972
Medical remuneration	**2,952**	2,750
Nursing	**2,395,680**	2,301,745
Physical plant	**368,414**	361,459
Pre-retirement benefits	**4,977**	15,588
Social work	**37,159**	22,047
Therapeutic recreation	**128,010**	119,231
Total expenditures	**5,202,387**	4,949,741
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	**(1,649)**	15,371
NET ASSETS, BEGINNING OF YEAR	**(134,261)**	(149,632)
NET ASSETS, END OF YEAR	**$ (135,910)**	$ (134,261)

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 3

Statement of Cash Flow

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	$ (1,649)	$ 15,371
Adjustments for:		
Amortization of deferred contributions	(233,220)	(225,942)
Amortization of capital assets	255,967	253,669
	21,098	43,098
Adjustments for changes in non-cash working capital balances:		
Accounts receivable	3,074	(8,657)
Due (from) to Winnipeg Regional Health Authority	(7,367)	48,631
Inventories	669	(6,705)
Prepaid expenses	(3,564)	(566)
Accrued interest receivable	7,241	(8,056)
Residential charges received in advance	(24,844)	(46,685)
Accounts payable and accrued expenses	(35,050)	115,833
Accrued salaries	40,310	(84,764)
Accrued vacation pay	16,167	6,465
Cash flow from operating activities	17,734	58,594
FINANCING ACTIVITIES		
Change in deferred contributions related to expenses of future periods	(17,014)	14,989
Increase in deferred contributions related to capital assets	226,439	255,927
Due to Winnipeg Regional Health Authority	266,113	-
Increase in accrued pre-retirement entitlement	15,312	-
Loan received from related party	-	25,000
Repayment of loan due to related party	(40,000)	(39,449)
Long-term debt repayments	(155,083)	(202,999)
Cash flow from financing activities	295,767	53,468
INVESTING ACTIVITIES		
Purchase of capital assets	(60,247)	(61,284)
Due from Winnipeg Regional Health Authority	(240,902)	-
Purchase of investments	(33,465)	(30,166)
Cash flow from investing activities	(334,614)	(91,450)
INCREASE (DECREASE) IN CASH FLOW	(21,113)	20,612
CASH - BEGINNING OF YEAR	248,258	227,646
CASH - END OF YEAR	$ 227,145	$ 248,258

1. ENTITY DEFINITION

Meadowood Manor (the "Home") is a personal care home operated by the Manitoba Baptist Home Society Inc. (the "Corporation"). The Corporation provides care and shelter to the elderly and infirm. The Corporation is a Registered Charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Act are met.

These financial statements present the financial position and results of operations of the Personal Care Home Fund of the Manitoba Baptist Home Society Inc. As such, these financial statements do not include all of the assets, liabilities, equity, revenues, and expenses of the Manitoba Baptist Home Society Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

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. The financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of its review of the Home's accounts. Any adjustments will be reflected in the year the final statement of approved 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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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 residential services and marketed 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.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Capital assets

Purchased assets with a useful life beyond one year and a cost greater than $2,000 are recorded as capital assets at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair market value exceeds $2,000. Repairs and maintenance costs are recorded as an expense when incurred. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to ongoing operations, 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 and site services	10 years
Building	40 years
Building improvements and renovations	10 years
Building service equipment	20 years
Computer hardware and software	3 years
Furniture and equipment	10 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Home's financial instruments consist of cash, investments, accounts receivable, due from WRHA, accounts payable and accrued expenses, residential charges received in advance, amounts due to a related party, due to WRHA, accrued pre-retirement entitlement, and long-term debt. 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.

Use of estimates

The preparation of financial statements in accordance with 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. RESTATEMENT OF FINANCIAL STATEMENTS AND CHANGE IN ACCOUNTING POLICY

a) Restatement of financial statements – Due from Winnipeg Regional Health Authority and Manitoba Health

In the Statement of Financial Position of the prior year, a long-term account receivable for current and future employee benefits receivable was disclosed as Due from Manitoba Health. Subsequent to March 31, 2004, Manitoba Health transferred its obligation to the Corporation to Winnipeg Regional Health Authority. Accordingly, the Statements of Financial Position for the years ended March 31, 2007, March 31, 2006, and March 31, 2005 have been restated to indicate that this sum (see Note 6) is due from WRHA. There is no net effect on the Statements of Financial Position or on the Statements of Operations for any of these years as a result of this restatement.

b) Change in accounting policy – Financial Instruments

The Home adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard, Handbook Section 3855 – *Financial Instruments – Recognition and Measurement,* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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:

i) held for trading,
ii) loans and receivables,
iii) held-to-maturity,
iv) available-for-sale, or
v) other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenues 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.

3. RESTATEMENT OF FINANCIAL STATEMENTS AND CHANGE IN ACCOUNTING POLICY *(continued)*

b) Change in accounting policy – Financial Instruments *(continued)*

Upon adoption of this new standard, the Home designated cash as held-for-trading; investments as held-to-maturity, accounts receivable, due from WRHA as loans and receivables, residential charges received in advance, accounts payable and accrued liabilities, due to WRHA, accrued salaries payable, accrued vacation pay, due to related party and long-term debt as other liabilities. The Home has no available-for-sale 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 implementation of the standard on April 1, 2007 had no material impact on net assets.

c) Future accounting policy changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – *Capital Disclosures,* Handbook Section 3862 – *Financial Instruments – Disclosures,* and Handbook Section 3863 – *Financial Instruments – Presentation.* These new standards became effective for the Home on April 1, 2008.

Section 1535 specifies the disclosure of:

i) an entity's objectives, policies and procedures and process for managing capital,
ii) quantitative data about what the entity regards as capital,
iii) whether the entity has complied with any capital requirements, and
iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation,* revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Home is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

4. ACCOUNTS RECEIVABLE

	2008	2007
Receivable from residents	$ **26,992**	$ 19,541
Allowance for doubtful accounts	**(15,637)**	(6,138)
	11,355	12,211
Goods and Services Tax rebate	**9,013**	10,460
Other accounts receivable	**917**	1,688
	$ **21,285**	$ 24,359

5. INVESTMENTS

	2008	2007
Government bonds and term deposits	$ **649,208**	$ 615,742

Market value $647,707 (2007 - $610,114).

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY

	2008	2007
Current-		
Due from River Park Garden Personal Care Home	$ **7,367**	$ -
Long-term-		
Net year-end funding receivable (2004/2005; 2005/2006; 2006/2007; 2007/2008)	**185,729**	-
Current and future employee benefits recoverable-		
Vacation entitlement receivable at March 31, 2004	**228,609**	228,609
Pre-retirement entitlement receivable	**327,778**	312,466
	$ **742,116**	$ 541,075

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation. The liability for vacation benefits is accrued as earned by the employees.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for vacation entitlement and pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, when Manitoba transferred its obligation for this funding to the WRHA. This amount has been recorded as a long-term receivable on the Statement of Financial Position. The Province of Manitoba has guaranteed to the WRHA and through it to the Home, this outstanding receivable which will be paid "when required". Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the Statement of Operations. In the 2007/2008 fiscal year, the WRHA permitted accrual of the change in the actuarial valuation of the pre-retirement liability for the year ended March 31, 2008, which amounted to $15,312.

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(continued)*

The amount of the receivable is being recorded on a non-discounted basis. 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.

7. CAPITAL ASSETS

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 150,000**	**$ -**	$ 150,000	$ -
Land improvements & site services	**15,155**	**15,155**	15,155	15,155
Building	**5,080,825**	**2,396,925**	5,080,825	2,171,554
Building service equipment	**21,450**	**2,146**	21,450	1,073
Computer hardware & software	**7,459**	**7,459**	10,447	10,447
Furniture & equipment	**785,235**	**591,503**	724,988	561,980
	$ 6,060,124	**$ 3,013,188**	$ 6,002,865	$ 2,760,209
Net book value	**$ 3,046,936**		$ 3,242,656	

8. DUE TO RELATED PARTY

	2008	2007
Meadowood Manor Foundation Inc., $50,000 term loan issued April 10, 2003, bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%, with annual principal payments of $10,000, amortized over five years, unsecured, maturing in April 2008. The due dates for the instalment payments have been deferred until the maturity date.	**$ -**	$ 25,000
Meadowood Manor Foundation Inc., $40,000 promissory note issued February 9, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	**25,000**	40,000
Meadowood Manor Foundation Inc., $25,000 promissory note issued October 12, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	**25,000**	25,000
	50,000	90,000
Current portion due	**50,000**	65,000
	$ -	$ 25,000

9. LONG-TERM DEBT

	2008	2007
Canada Mortgage and Housing Corporation ("CMHC"), bearing interest at 10%, repayable in monthly instalments of $11,719 (P&I), secured by a first mortgage on the building, maturing in February 2028.	**$ 1,302,886**	$ 1,325,669
Toronto-Dominion Bank - $981,313 term loan, bearing interest at prime, with monthly principal payments of $8,180 amortized over ten years, secured by a Letter of Comfort from Manitoba Health for the full amount, maturing in March, 2012.	**326,913**	425,073
Toronto-Dominion Bank - $331,000 term loan, bearing interest at prime minus 0.50%, with monthly principal payments of $2,845 amortized over ten years, secured by a Letter of Comfort from Manitoba Health, maturing in March, 2012.	**143,210**	177,350
	1,773,009	1,928,092
Current portion of long-term debt	**157,042**	155,071
	$ 1,615,967	$ 1,773,021

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

2008 - 2009	**$ 157,042**
2009 - 2010	**159,202**
2010 - 2011	**161,583**
2011 - 2012	**98,481**
2012 - 2013	**41,452**
Thereafter	**1,155,249**
	$ 1,773,009

Under the terms of the operating agreement with CMHC, a reduction in mortgage principal is received by a contribution from CMHC. The original contribution of $183,600 is being amortized at the rate of $3,672 annually. At March 31, 2008, the unamortized contribution is $73,134 which reduces the repayable mortgage principal to $1,229,752.

The interest on long-term debt expense of $128,363 is the net expense after receiving an annual interest subsidy of $26,267 from CMHC as provided in the mortgage agreement. The subsidy reduces the effective interest rate from 10% to 8% over the term of the agreement.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods

	2008	2007
Balance, beginning of year	**$ 195,565**	$ 180,576
Add contributions received during the year – WRHA	**26,704**	26,704
Less amounts amortized to revenue for major repairs	**(4,927)**	-
Less expenditures for equipment replacement	**(43,718)**	(11,715)
Balance, end of year	**$ 173,624**	$ 195,565

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of funding received that is designated for the purchase of capital assets. The funding is amortized at the same rate as the related capital assets and amortization deferred contributions related to capital assets is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year (restated) *(Note 3)*	**$ 1,645,576**	$ 1,615,590
Add additional contributions received:		
Assets purchased from deferred contributions related to expenses of future periods	**43,718**	11,715
Donation	**1,380**	-
Transfer from Donation Fund	**20,000**	45,000
WRHA equipment grants	**9,930**	49,569
WRHA long-term debt principal funding	**151,411**	149,644
Less amounts amortized to revenue	**(228,293)**	(225,942)
Balance, end of year	**$ 1,643,722**	$ 1,645,576

11. 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 that provide the highest earnings, prior to retirement, termination or death.

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. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $159,129 (2007 - $159,129). This amount was determined by contributing 6.8% of eligible salaries up to $43,700 and 8.4% of the portion of salaries in excess of $43,700 effective July 1, 2007 (rates effective July 1, 2006: 6.6% and 8.2% and $42,100 respectively) and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to 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, 2006, indicates the Plan is fully funded.

12. 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 fiscal years ended March 31, 2005, March 31, 2006, and March 31, 2007. An adjustment for the receivable was permitted for the year ended March 31, 2008, amounting to an additional $15,312.

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 these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Meadowood Personal Care Home).

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.

13. COMPARATIVE FIGURES

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

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the 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, 2008 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, 2008 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 9, 2008

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 599,908	$ 297,895
Accounts receivable	18,150	21,854
Receivable from Winnipeg Regional Health Authority (note 4)	319,662	1,629
Employee benefits recoverable from Winnipeg Regional Health Authority [note 18(iii)]	487,714	487,714
Prepaid expenses	35,474	35,769
Inventory	40,629	36,347
Current portion of long-term receivables from Winnipeg Regional Health Authority (note 6)	72,851	106,231
Receivable from Residents' Trust Fund (note 11)	931	79
	1,575,319	987,518
Restricted cash and deposits (note 5)	321,061	348,180
Long-term receivables from Winnipeg Regional Health Authority (note 6)	200,663	278,545
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 18(i)]	707,611	699,539
Property and equipment (note 7)	7,336,984	7,715,130
	$ 10,141,638	$ 10,028,912

	2008	2007

Liabilities, Deferred Contributions and Net Assets

	2008	2007
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 601,247	$ 483,087
Advances payable to Winnipeg Regional Health Authority (note 10)	423,250	81,807
Vacation payable [note 18(iii)]	657,871	627,843
Deferred residential charges	238	5,499
Current portion of long-term debt (note 12)	99,859	127,409
	1,782,465	1,325,645
Long-term debt (note 12)	495,632	615,045
Future employee pre-retirement benefits payable [note 18(i)]	730,762	722,690
Deferred contributions (note 13):		
Expenses for future periods	23,450	27,826
Property and equipment	5,837,138	6,167,596
	5,860,588	6,195,422
Net assets:		
Invested in property and equipment (note 14)	1,226,614	1,273,319
Internally restricted:		
Donation	247,432	250,808
Auxiliary	17,179	13,847
Unrestricted	(219,034)	(367,864)
	1,272,191	1,170,110
Continuity of operations (note 1)		
	$ 10,141,638	$ 10,028,912

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Director

Director

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations
Year ended March 31, 2008, with comparative figures for 2007

	Invested in property and equipment	Internally restricted - Donation and Auxiliary	Unrestricted	2008 Total	2007 Total
Revenue:					
Residential charges	$ –	$ –	$ 3,064,791	$ 3,064,791	$ 2,957,453
Adult Day Program recoveries	–	–	30,681	30,681	28,363
	–	–	3,095,472	3,095,472	2,985,816
Winnipeg Regional Health Authority:					
Provincial plan	21,363	–	7,768,938	7,790,301	7,382,618
Year end commitments	–	–	14,709	14,709	6,239
Community Service Program	–	–	45,682	45,682	42,692
Adult Day Program	–	–	192,138	192,138	189,401
	21,363	–	8,021,467	8,042,830	7,620,950
Recoveries and other revenue (note 15)	–	–	306,797	306,797	273,615
Amortization of deferred contributions related to property and equipment (note 13)	488,971	–	–	488,971	523,713
Investment income (note 16)	–	11,335	28,226	39,561	28,295
Donation revenue	–	164,776	–	164,776	132,075
Auxiliary:					
Donations and other revenue	–	5,115	–	5,115	15,400
Investment income (note 16)	–	649	–	649	724
	–	5,764	–	5,764	16,124
Total revenue	510,334	181,875	11,451,962	12,144,171	11,580,588
Expenses:					
Operating:					
Salaries	–	47,061	7,858,076	7,905,137	7,439,257
Employee benefits	–	–	1,411,418	1,411,418	1,352,331
Manitoba payroll tax	–	–	161,611	161,611	157,150
Medical supplies	–	–	24,911	24,911	31,863
Incontinent supplies	–	–	99,349	99,349	77,047
Purchased services	–	–	107,229	107,229	98,480
Other supplies and expenses	–	–	977,104	977,104	939,575
Shop and tavern	–	–	13,442	13,442	15,763
Hair salon	–	–	53,948	53,948	51,150
Professional fees	–	–	25,665	25,665	19,629
Plant maintenance	–	–	251,148	251,148	207,672
Cafeteria	–	–	51,789	51,789	41,342
Miscellaneous:					
Donation	–	69,535	–	69,535	64,849
Auxiliary	–	2,433	–	2,433	14,303
Amortization of property and equipment	624,729	–	–	624,729	653,804
Interest on long-term debt	–	–	39,822	39,822	42,013
	624,729	119,029	11,075,512	11,819,270	11,206,228
Adult Day Program:					
Salaries	–	–	98,973	98,973	94,762
Employee benefits	–	–	18,634	18,634	18,632
Manitoba payroll tax	–	–	2,225	2,225	2,003
Food	–	–	28,964	28,964	19,510
Transportation	–	–	70,058	70,058	71,125
Other supplies	–	–	3,966	3,966	11,730
	–	–	222,820	222,820	217,762
Total expenses	624,729	119,029	11,298,332	12,042,090	11,423,990
Excess (deficiency) of revenue over expenses, before the undernoted	(114,395)	62,846	153,630	102,081	156,598
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	4,278
Winnipeg Regional Health Authority future employee benefits recoverable [note 18(i)]	–	–	8,072	8,072	102,492
Future employee pre-retirement benefits [note 18(i)]	–	–	(8,072)	(8,072)	(88,708)
Excess (deficiency) of revenue over expenses	$ (114,395)	$ 62,846	$ 153,630	$ 102,081	$ 174,660

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in property and equipment	Internally restricted		Unrestricted	2008 Total	2007 Total
		Donation	Auxiliary			
Balance, beginning of year	$ 1,273,319	$ 250,808	$ 13,847	$ (367,864)	$ 1,170,110	$ 995,450
Excess (deficiency) of revenue over expenses	(114,395)	59,514	3,332	153,630	102,081	174,660
Transfer of funds for long-term debt repayments and purchase of capital assets	67,690	(62,890)	–	(4,800)	–	–
Balance, end of year	$ 1,226,614	$ 247,432	$ 17,179	$ (219,034)	$ 1,272,191	$ 1,170,110

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 102,081	$ 174,660
Adjustments for:		
Amortization of property and equipment	624,729	653,804
Amortization of deferred contributions	(488,971)	(523,713)
	237,839	304,751
Increase in deferred contributions relating to expenses for future periods, net	(4,376)	11,689
Change in the following:		
Accounts receivable	3,704	4,850
Receivable from Winnipeg Regional Health Authority	(318,033)	532,307
Prepaid expenses	295	(34)
Inventory	(4,282)	2,653
Receivable from Residents' Trust Fund	(852)	1,163
Restricted cash and deposits	27,119	(40,204)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(8,072)	(88,708)
Accounts payable and accrued liabilities	118,160	21,885
Advances payable to Winnipeg Regional Health Authority	341,443	(446,822)
Vacation payable	30,028	31,312
Deferred residential charges	(5,261)	(2,165)
Future employee pre-retirement benefits payable	8,072	88,708
	425,784	421,385
Financing and investing activities:		
Proceeds of long-term debt	–	190,652
Repayments on long-term debt	(146,963)	(106,562)
Change in long-term receivables from Winnipeg Regional Health Authority	111,262	(90,333)
Deferred contributions received for property and equipment	158,513	380,083
Purchase of property and equipment	(246,583)	(395,202)
	(123,771)	(21,362)
Increase in cash	302,013	400,023
Cash (bank indebtedness), beginning of year	297,895	(102,128)
Cash, end of year	$ 599,908	$ 297,895

See accompanying notes to non-consolidated financial statements.

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated on April 29, 1884. Middlechurch Home, a residential care facility incorporated as a corporation without share capital under the laws of Manitoba, provides residential care services to Winnipeg and the surrounding community. Middlechurch Home is a registered charity under the *Income Tax Act* and is exempt from income taxes.

1. Continuity of operations:

At March 31, 2008, Middlechurch Home's current liabilities exceed its current assets by $207,146 (2007 - $338,127). Middlechurch Home also has an unrestricted net asset deficiency of $219,034 (2007 - $367,864) at March 31, 2008 mainly as a result of losses from operations in prior fiscal years.

The ability of Middlechurch 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 Middlechurch Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Winnipeg Regional Health Authority including retention of operating surpluses [note 2(e)].

2. Significant accounting policies:

(a) Basis of presentation:

Middlechurch on the Red Inc.:

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (the Organization) by virtue of its ability to appoint three of the five members of the Organization's Board of Directors and Middlechurch Home is the sponsor of the Organization in operating a life-lease apartment complex.

2. Significant accounting policies (continued):

The Organization has not been consolidated in Middlechurch Home's financial statements. Financial statements of the Organization are available upon request. A financial summary of this non-consolidated entity at March 31, 2008 and 2007 and for the years then ended are as follows:

	2008	2007
Financial position:		
Total assets	$ 4,469,695	$ 4,348,337
Total liabilities	$ 4,254,225	$ 4,175,231
Total net assets	215,470	173,106
	$ 4,469,695	$ 4,348,337
Results of operations:		
Total revenue	$ 334,220	$ 308,339
Total expenses	291,856	276,657
Excess of revenue over expenses	$ 42,364	$ 31,682

(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. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2008. 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 capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

2. Significant accounting policies (continued):

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 the lower of cost, on a first-in first-out basis, and replacement cost.

(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:

Asset	Term
Land improvements	20 years
Buildings	30, 40, and 50 years
Computer equipment and furniture and equipment	5 -10 years

(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 the greater of 50 percent of the operating surplus and 1 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by Middlechurch Home are subject to review by the WRHA. The remaining operating surplus of Middlechurch Home in any fiscal year is repayable to the WRHA. For fiscal 2008 and 2007, Middlechurch Home has received permission from the WRHA to retain all of its operating surplus.

2. Significant accounting policies (continued):

(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) Future employee pre-retirement benefits:

The cost of Middlechurch Home's future employee pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future employee 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 future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent), 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.

3. Changes in accounting policy:

Middlechurch Home adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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 net assets.

Upon adoption of this new standard, Middlechurch Home designated cash and restricted cash and deposits 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, receivable from Resident's Trust Fund, and long term receivables from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, advances payable to Winnipeg Regional Health Authority, vacation payable and long-term debt as other liabilities. Middlechurch 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.

There was no transitional adjustment at April 1, 2007 for the Middlechurch Home's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment at April 1, 2007 for Middlechurch Home's other financial instruments as their carrying amounts approximate amortized cost.

4. Receivable from Winnipeg Regional Health Authority:

	2008	2007
Receivable from:		
Employee retirement benefits	$ 104,609	$ 104,420
Wages standardization	341,443	–
Salaries and other	106,427	64,795
	552,479	169,215
Payable to:		
Resident charges	246,601	181,370
	305,878	(12,155)
Current future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 18(i)]	13,784	13,784
	$ 319,662	$ 1,629

5. Restricted cash and deposits:

	2008	2007
Restricted for capital asset replacement	$ 51,330	$ 69,120
Restricted for expenses for future periods	9,059	15,430
Internally restricted:		
Donation	243,443	249,775
Auxiliary	17,229	13,855
	$ 321,061	$ 348,180

6. Long-term receivables from Winnipeg Regional Health Authority:

	2008	2007
Long-term receivables from WRHA:		
Fire sprinkler system	$ 137,144	$ 161,183
Sewage plant	16,560	66,745
Roof resurfacing	119,810	156,848
	273,514	384,776
Portion included in current assets:		
Fire sprinkler system	16,571	15,931
Sewage plant	16,560	50,580
Roof resurfacing	39,720	39,720
	72,851	106,231
	$ 200,663	$ 278,545

6. Long-term receivables from Winnipeg Regional Health Authority (continued):

Middlechurch Home has three long-term receivables from WRHA relating to the funding of the sewage plant, fire sprinkler system and roof resurfacing. The long-term receivable for the sewage plant bears interest at bank prime, requires monthly principal payments of $4,215 plus interest and matures July 2008; the long-term receivable for the fire sprinkler system requires monthly payments of $2,350 including interest at prime less 0.50 percent and matures December 2013; and the long-term receivable for the roof resurfacing requires monthly payments of $3,310 plus interest at prime less 0.50 percent and matures March 2011.

7. Property and equipment:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1	$ –	$ 1	$ 1
Land improvements:				
Courtyard Project	563,897	435,351	128,546	135,940
Hostel Project	819,984	655,987	163,997	204,996
Buildings:				
West	993,353	774,815	218,538	231,770
Activity Centre	481,544	325,042	156,502	168,540
Hostel	11,838,351	6,090,170	5,748,181	6,083,919
Sewage Project	663,575	242,718	420,857	443,008
Garage	50,612	17,714	32,898	35,428
Computer equipment and furniture and equipment:				
Manitoba Health funded	1,296,177	856,556	439,621	372,587
Assets fully amortized	1,925,078	1,925,078	–	–
Other	75,520	47,677	27,843	38,941
	$ 18,708,092	$ 11,371,108	$ 7,336,984	$ 7,715,130

8. Bank indebtedness:

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 12 on the term loans with the Royal Bank of Canada. The operating line of credit was not utilized at March 31, 2008 and 2007.

9. Accounts payable and accrued liabilities:

	2008	2007
Accounts payable and accrued liabilities	$ 333,138	$ 309,790
Wages payable	268,109	173,297
	$ 601,247	$ 483,087

10. Advances payable to Winnipeg Regional Health Authority:

During the fiscal year, Middlechurch Home received funding advances from the Winnipeg Regional Health Authority in the amount of $341,443 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Receivable from Residents' Trust Fund:

Funds are held in trust for Home Residents and the Residents' Comfort Fund. These funds are not included in these financial statements.

	2008	2007
Cash	$ 40,324	$ 80,084
Accounts receivable	(1,797)	1,155
Residents' Trust funds	(37,596)	(81,160)
Net receivable from Residents' Trust Fund	$ 931	$ 79

12. Long-term debt:

	2008	2007
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5 3/4%, maturing in 2018	$ 321,977	$ 343,340
Royal Bank of Canada term loan, with monthly principal payments of $4,215 plus interest at prime, maturing July 2008, supported by a letter of comfort from WRHA	16,560	67,140
Royal Bank of Canada term loan, with monthly payments of $2,350 including interest at prime less 0.50%, maturing December 2013, supported by a letter of comfort from WRHA	137,144	161,182
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	119,810	170,792
	595,491	742,454
Current portion	99,859	127,409
	$ 495,632	$ 615,045

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

2009	$ 99,859
2010	85,816
2011	88,478
2012	51,575
2013	54,554
2014 and thereafter	215,209

13. Deferred contributions:

(a) Expenses for future periods:

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

	2008	2007
Balance, beginning of year	$ 27,826	$ 16,137
Additional contributions received	11,695	11,689
Less amount transferred to deferred contributions - property and equipment	(16,071)	–
	$ 23,450	$ 27,826

(b) Property and equipment:

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

	2008	2007
Balance, beginning of year	$ 6,167,596	$ 6,311,226
Additional contributions received	142,442	380,083
Add: amount transferred from deferred contributions - expenses for future periods	16,071	–
Less amounts amortized to revenue	(488,971)	(523,713)
	$ 5,837,138	$ 6,167,596

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2008	2007
Unamortized capital contributions used to purchase property and equipment	$ 5,788,393	$ 6,098,471
Unspent contributions	48,745	69,125
	$ 5,837,138	$ 6,167,596

14. Investment in property and equipment:

Investment in property and equipment is calculated as follows:

	2008	2007
Property and equipment	$ 7,336,984	$ 7,715,130
Amounts financed by:		
Deferred contributions	(5,788,393)	(6,098,471)
Mortgage payable	(321,977)	(343,340)
	$ 1,226,614	$ 1,273,319

15. Recoveries and other revenue:

	2008	2007
Cafeteria	$ 64,737	$ 51,554
Hair salon	69,046	62,917
Parking	47,992	47,618
Administrative	30,988	29,927
Community services	45,838	43,334
Shop and tavern	20,882	26,058
Miscellaneous	24,735	10,262
Vending	2,579	1,945
	$ 306,797	$ 273,615

16. Investment income:

Investment income earned and recorded in the statement of operations is calculated as follows:

	2008	2007
Investment income earned on:		
Donation - internally restricted	$ 11,335	$ 8,650
Auxiliary - internally restricted	649	724
Unrestricted resources	28,226	19,645
	$ 40,210	$ 29,019

17. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

	2008	2007
Revenues:		
Administration fees	$ 6,000	$ 6,000
Water charges	4,800	4,800
Insurance fees	5,999	4,811
Maintenance	7,023	3,707
Expenses:		
Operating	–	1,050

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 $20,949 (2007 - $16,358) and are available, at the discretion of the Foundation's Board of Directors, to Middlechurch Home. Subsequent to year end, Middlechurch Home is deemed to control the Foundation since certain directors of Middlechurch Home comprise the Board of Directors of the Foundation.

The net assets and results from operations of the Foundation are not included in the statements of Middlechurch Home. Separate financial statements of the Foundation are available upon request.

During the year, Middlechurch Home charged nil (2007 - $703) to the Foundation in order to recover costs incurred on behalf of the Foundation. The Foundation donated nil (2007 - $24,518) during the year to the Middlechurch Home for various expenditures.

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.

18. Future employee benefits and employee benefits:

(i) Middlechurch Home 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, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $730,762 (2007 - $722,690) for which Middlechurch Home 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-retirements benefits was initially 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 for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $8,072 (2007 - $88,708) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $13,784. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $707,611 (2007 - $699,539) 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. Actual funding provided by the WRHA for 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The funding shortfall for 2008 of $17,546 (2007 - $18,740) was paid from funding received for operations.

18. Future employee benefits and employee benefits (continued):

Additional, information about Middlechurch Home's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 49,080	$ 70,599
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	8,072	88,708
WRHA additional funding for pre-retirement benefits paid	31,534	51,976
WRHA funding for change in pre-retirement benefits payable	8,072	102,492
Future employee pre-retirement benefits payable	730,762	722,690

(ii) 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 $444,197 (2007 - $434,792) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 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.

(iii) The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by the employees and is reported as vacation payable on the statement of financial position. The vacation liability at March 31, 2008 is $657,871 (2007 - $627,843). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714. This amount is reported as employee benefits recoverable on the statement of financial position.

19. Advances from internally restricted - donation:

During fiscal 2007, the Board approved the advancing of funds from internally restricted - donation to fund an upgrade to telephone equipment. These funds are to be repaid out of unrestricted net assets.

	2008	2007
Telephone upgrade, payable in monthly instalments of $590, due April 30, 2012	$ 27,730	$ 34,802

20. 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 future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and future employee 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.

21. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for Middlechurch Home on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Middlechurch Home is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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

Winnipeg, Manitoba
May 8, 2008

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	$ **1,114,090**	$ 1,307,549
Short-term investments	**115,266**	110,985
Accounts receivable (Note 3)	**307,421**	216,187
Due from WRHA (Note 4)	**314,989**	417,045
Inventories	**127,891**	107,431
Prepaid expenses	**15,480**	16,328
Vacation entitlements receivable (Note 5)	**381,653**	381,653
	2,376,790	2,557,178
Retirement obligation receivable (Note 15)	**426,813**	398,115
Capital assets (Note 6)	**3,173,863**	2,279,803
Due from Mount Carmel Clinic Foundation	**277,782**	69,090
	$ **6,255,248**	$ 5,304,186
Liabilities and Net Assets		
Current		
Accounts payable and accruals	$ **681,968**	$ 795,520
Due to WRHA (Note 7)	**32,395**	16,472
Accrued vacation entitlements (Note 5)	**417,132**	396,942
Deferred revenue (Note 8)	**688,997**	567,481
Current portion of long-term debt (Note 9)	**-**	3,388
	1,820,492	1,779,803
Accrued retirement obligations (Note 15)	**547,847**	520,639
Long-term debt (Note 9)	**-**	141,687
Deferred Contributions (Note 10)		
Expenses of future periods	**40,770**	23,990
Capital assets	**2,441,969**	1,721,496
	4,851,078	4,187,615
Commitments and contingencies (Note 14)		
Net assets (Page 5)	**1,404,170**	1,116,571
	$ **6,255,248**	$ 5,304,186

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	2008	2007
Revenue		
Winnipeg Regional Health Authority (Note 13)	**$ 6,450,373**	$ 6,232,987
Pharmacy sales	**1,522,358**	1,663,561
Province of Manitoba	**599,926**	596,955
Other	**562,768**	543,305
Health Canada	**306,410**	324,910
Amortization of Deferred contributions	**125,788**	105,135
United Way of Winnipeg	**123,600**	121,356
Medical program	**74,540**	111,164
Dental revenue	**73,427**	79,422
Investment income	**29,547**	35,716
Parent fees	**27,669**	28,177
Donations	**26,257**	21,424
Department of Justice Funding	**-**	68,145
Rental revenue	**-**	8,000
	9,922,663	9,940,257
Expenditures		
Salaries	**5,936,834**	5,796,154
Drugs	**884,755**	1,016,176
Program supplies and other expenses	**834,673**	804,064
Employee benefits	**770,840**	795,361
Maintenance and repairs	**252,993**	544,397
Charitable drug program	**224,396**	289,833
Office supplies and expenses	**202,041**	183,159
Amortization of capital assets	**170,635**	153,940
Utilities	**154,857**	152,423
Other occupancy costs	**96,881**	69,048
Travel, meetings and conferences	**90,988**	83,559
Bank charges and Interest	**15,171**	13,568
	9,635,064	9,901,682
Excess of revenue over expenditures before other items	**287,599**	38,575
Other items		
Change in accrued retirement obligations		
WRHA funding accrued	**28,698**	122,560
Liability for the year	**(28,698)**	(7,386)
	-	115,174
Excess of revenue over expenditures for the year (Page 5)	**$ 287,599**	$ 153,749

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	Invested In Capital Assets (Note 12)	2008 Total	2007 Total
Net assets, beginning of year	$ 245,714	$ (3,861)	$ 128,602	$ 214,215	$ 531,901	$ 1,116,571	$ 967,622
Excess (deficiency) of revenue over expenditures for the year (Page 4)	289,847	-	36,372	5,826	(44,446)	287,599	153,749
Interfund transfers	35,328	-	(58,796)	(80,533)	104,001	-	(4,800)
Net assets, end of year (Page 3)	$ 570,889	$ (3,861)	$ 106,178	$ 139,508	$ 591,456	$ 1,404,170	$ 1,116,571

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	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 287,599	$ 153,749
Amortization of capital assets	170,635	153,940
Amortization of deferred contributions	(125,788)	(105,135)
	332,446	202,554
Changes in non-cash working capital		
Accounts receivable	(91,234)	(24,714)
Due from WRHA	102,056	(177,500)
Inventories	(20,460)	55,673
Prepaid expenses	848	54
Accounts payable and accruals	(113,552)	395,573
Due to WRHA	15,923	16,382
Accrued vacation entitlements	20,190	(7,365)
Deferred revenue	121,516	128,977
	35,287	387,080
Retirement obligation assets	(28,698)	(10,256)
Accrued retirement obligations	27,208	(55,848)
	366,243	523,530
Cash Flows from Financing Activities		
WRHA funding - capital	3,610	97,224
Bank loan payments	(145,075)	(3,304)
Other deferred contributions received	846,261	170,205
Transfer to expenses of future periods	13,169	2,092
	717,965	266,217
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(1,064,694)	(317,138)
Increase in investments	(4,281)	(3,906)
Due from Mount Carmel Clinic Foundation Inc.	(208,692)	(5,810)
	(1,277,667)	(326,854)
Net increase (decrease) in cash and cash equivalents	(193,459)	462,893
Cash and cash equivalents, beginning of year	1,307,549	844,656
Cash and cash equivalents, end of year	$ 1,114,090	$ 1,307,549
Supplementary Information		
Interest paid	$ 15,171	$ 13,568

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

March 31, 2008

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

Revenue Recognition

The Clinic follows the deferral method of accounting for contributions which include donations and government grants.

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, 2008.

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.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded in the capital asset fund at fair value at the date of contribution. Capital assets funded completely by grants are recorded in the statement of financial position. Amortization, which is reported in the capital asset fund, 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 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. Unless otherwise noted, it is management's opinion that the Clinic 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 Clinic classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Clinic's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments (guaranteed investment certificates). 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.

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 WRHA, vacation entitlements receivables 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 accruals. 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.

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:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Clinic is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Clinic is currently assessing the impact of the new standard.

1. Entity Definition

Mount Carmel Clinic is a multi-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.

2. Change in Accounting Policy

On April 01, 2007, the Clinic retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Clinic's consolidated statement of operations.

3. Accounts Receivable

	2008	2007
Receivable from clinic services	$ **239,395**	$ 166,231
Allowance for doubtful accounts	**-**	(450)
	239,395	165,781
Other receivables	**68,026**	50,406
	$ **307,421**	$ 216,187

4. Due from WRHA

	2008	2007
2004/05 and 2005/06 pre-retirement funding	$ **-**	$ 112,304
2004/05 funding adjustment	**38,083**	38,083
2005/06 funding adjustment	**58,037**	58,037
2006/07 funding adjustment	**22,214**	51,971
2007/08 funding adjustment	**106,273**	-
2006/07 Day Care funding	**-**	156,650
2007/08 Day Care funding	**90,382**	-
	$ **314,989**	$ 417,045

5. 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:

	2008	2007
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:

	2008	2007
Balance, beginning of year	**$ 396,942**	$ 404,307
Net increase (decrease) in accrued vacation entitlements	**20,190**	(7,365)
Balance, end of year	**$ 417,132**	$ 396,942

6. Capital Assets

	2008 Cost	**2008 Accumulated Amortization**	2007 Cost	2007 Accumulated Amortization
Landscaping	**$ 222,702**	**$ -**	$ 109,502	$ -
Buildings	**4,702,494**	**2,081,664**	3,604,183	1,967,603
Furniture, fixtures and equipment	**413,846**	**116,980**	280,891	130,742
Computer equipment	**12,695**	**7,922**	54,814	42,959
Automobiles	**66,952**	**38,260**	66,952	28,695
Construction-in-progress	**-**	**-**	333,460	-
	$ 5,418,689	**$ 2,244,826**	$ 4,449,802	$ 2,169,999
Cost less accumulated amortization		**$ 3,173,863**		$ 2,279,803

7. Due to WRHA

	2008	2007
Other	$ 32,395	$ 16,472

8. Deferred Revenue

	2008	2007
Operating Fund		
Day Care Subsidy Advance	$ 15,510	$ 15,510
Day Care Grant	7,549	11,836
Dental	46,000	46,000
Fetal Alcohol Program	73,998	47,469
Other	76,474	35,092
Parenting Student Program	28,583	11,978
Primary Health	45,521	42,347
FACT Coalition	84,053	59,848
Safe Corridors Project	181,672	21,836
	559,360	291,916
Donation Fund		
Sage House	20,765	20,326
Mount Carmel Foundation	84,789	205,448
Child Day Care Centre	18,226	14,492
Other	5,857	35,299
	129,637	275,565
	$ 688,997	$ 567,481

9. Long-Term Debt

	2008	2007
Term loan - CIBC	$ -	$ 145,075
Current portion of long-term debt	-	3,388
	$ -	$ 141,687

During the current year, the Clinic paid the outstanding principle balance of the term loan from CIBC.

10. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2008	2007
Balance, beginning of year	$ 23,990	$ 17,098
Add amounts during year	11,980	9,000
Less amounts used during year	-	(6,908)
Transfer from Day Care	4,800	4,800
Balance, end of year	$ 40,770	$ 23,990

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.

	2008	2007
Balance, beginning of year	$ 1,721,496	$ 1,559,201
Additional contributions received	846,261	267,430
Less amounts amortized to revenue	(125,788)	(105,135)
Balance, end of year	$ 2,441,969	$ 1,721,496

11. Operating Line of Credit

The Clinic has an operating line of credit for $275,000 which bears interest at the bank's prime rate. The balance in the line of credit at year end was $NIL (2007 - $NIL). The Clinic's approved line of credit are secured by a general assignment of the Clinic's assets.

12. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 3,173,863	$ 2,279,803
Less amounts financed by		
Deferred contributions	2,441,969	1,721,496
Loan payable	-	145,075
Advances from other funds (net of cash on deposit)	140,438	(118,669)
	$ 591,456	$ 531,901

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

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 125,788	$ 105,135
Amortization of capital assets	(170,635)	(153,940)
Other items (net)	401	-
	$ (44,446)	$ (48,805)
Net changes in investment in capital assets		
Purchase of capital assets	$ 1,064,694	$ 317,138
Amounts funded by		
Deferred contributions	(846,261)	(267,430)
Advances to (from) other funds	(259,507)	95,666
Repayment of loan	145,075	3,304
	$ 104,001	$ 148,678

13. Revenue from the WRHA

	2008	2007
Revenue as per WRHA final funding document (March 17, 2008 EFT)	**$ 6,177,036**	$ 5,916,793
Add:		
Midwifery	**29,350**	30,371
Reserve for major repairs	**-**	6,644
Wound clinic security	**20,734**	20,119
Stat pay adjustment	**1,800**	-
Out of Globe		
Pre-retirement leave	**17,237**	2,566
Fax line change	**6,927**	-
MNU agreement	**36,589**	-
Diabetes program funding	**14,511**	25,634
Wage standardization	**33,457**	34,216
Skim program	**2,923**	-
TERF	**-**	6,090
	163,528	125,640
Deduct:		
Medical remuneration	**(15,923)**	-
Total funding approved by WRHA	**6,324,641**	6,042,433
Add:		
Day Care operations	**133,732**	198,554
Deduct:		
Reserve for major repairs	**(7,000)**	(7,000)
Deferred revenue - insurance deductible	**(1,000)**	(1,000)
	(8,000)	(8,000)
Revenue from WRHA	**$ 6,450,373**	$ 6,232,987

14. 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, 2008, 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, 2008.

The Clinic is a named insured under the WRHA policy with HIROC.

C) The Clinic leases equipment under the provisions of operating leases for a 60 month period which expire up to January 2013. Commitments to expire are as follows:

2009	$	13,507
2010		13,507
2011		8,992
2012		4,477
2013		2,805

15. 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, 2008. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable form 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.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	**$ 387,859**	$ 387,859
Winnipeg Regional Health Authority	**38,954**	10,256
	$ 426,813	$ 398,115

15. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

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

		2008		2007
Balance, beginning of year	**$**	**520,639**	$	576,487
Net increase (decrease) in pre-retirement entitlements		**27,208**		(55,848)
Balance, end of year	**$**	**547,847**	$	520,639

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 6.40% of salary, 8.00% for salaries greater than $41,100, 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 plan is fully funded. Contributions to the plan made during the year by the Clinic on behalf of its employees amounted to $263,010 (2007 - $285,315) and are included in the statement of operations.

16. 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.

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CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

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, 2008 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 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 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.

We were appointed auditors during the year and were therefore unable to perform audit procedures on the Organization's opening financial statement balances. As a result of being unable to perform audit procedures on the opening balances, we were unable to determine whether any adjustments were necessary with respect to assets, liabilities and fund balances.

In our opinion, except as explained in the preceding paragraphs and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning both the completeness of those revenues referred to above and the opening balances referred to above, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 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 15, 2008

Nine Circles Community Health Centre Inc.
Statement of Financial Activities
Year Ended March 31, 2008

	Operating Fund	Capital Fund	Ed Mousseau Fund	**Total**
Revenues				
Winnipeg Regional Health Authority	$2,303,563	$ -	$ -	**$2,303,563**
AIDS Community Action Program	292,000	-	-	**292,000**
Grants	218,626	-	-	**218,626**
Interest income	29,192	-	4,598	**33,790**
Donations	9,577	-	-	**9,577**
Other	4,638	-	-	**4,638**
Amortization of deferred contributions	-	22,550	-	**22,550**
	2,857,596	22,550	4,598	**2,884,744**
Expenses				
Operating Fund (Page 10)	2,769,633	-	-	**2,769,633**
Amortization	-	30,214	-	**30,214**
	2,769,633	30,214	-	**2,799,847**
Excess (deficiency) of revenues over expenses before under noted items	87,963	(7,664)	4,598	**84,897**
Pre-retirement leave (Note 11)				
Current year recovery	11,933	-	-	**11,933**
Expense	(14,785)	-	-	**(14,785)**
Excess (deficiency) of revenues over expenses	$ 85,111	$ (7,664)	$ 4,598	**$ 82,045**

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, 2008

	Unrestricted Funds	Invested in Capital Assets	Ed Mousseau Fund	**Total**
Fund balance, beginning of year	$ 248,007	$ 78	$ -	**$ 248,085**
Excess (deficiency) of revenues over expenses	85,111	(7,664)	4,598	**82,045**
Transfer to Capital Fund	(6,615)	6,615	-	**-**
Fund balance, end of year	$ 326,503	$ (971)	$ 4,598	**$ 330,130**

See accompanying notes to the financial statements.

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Nine Circles Community Health Centre Inc.
Statement of Financial Position
March 31, 2008

Assets	
Current	
Cash and short-term investments (Note 4)	$1,086,691
Receivables	234,100
Due from Winnipeg Regional Health Authority	10,000
Prepaids	4,273
	1,335,064
Long-term investments	134,860
Capital (Note 5)	47,106
	$1,517,030

Liabilities	
Current	
Payables and accruals	$ 432,259
Funds held in trust (Note 6)	11,366
Deferred contributions	
General operations (Note 7)	467,581
	911,206
Deferred contributions	
Related to capital assets (Note 8)	48,077
Restricted contributions (Note 9)	130,262
Pre-retirement leave (Note 11)	97,355
	1,186,900
Fund Balances	
Operating Fund	326,503
Capital Fund	(971)
Ed Mousseau Fund	4,598
	330,130
	$1,517,030

Commitments (Note 10)

On behalf of the Board

________________ Director ________________ Director

See accompanying notes to the financial statements.

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Nine Circles Community Health Centre Inc.
Notes to the Financial Statements
March 31, 2008

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	2.5 - 8 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 a non-redeemable Guaranteed Investment Certificate 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.

See Note 3 for change in accounting policy adopted during 2008.

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 and pre-retirement leave. The fair values of cash, receivables, payables and accruals, funds held in trust 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. Change in accounting policy

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 these sections for the fiscal year ended March 31, 2008. As a result of this adoption, the Organization has elected to classify its short-term investments as held-to-maturity, measured at amortized cost rather than book value held at the commencement of the fiscal year and its long-term investments as held-for-trading, measured at fair value rather than book value held at the commencement of the fiscal year. The new accounting policy does not result in any changes to the values previously reported for these financial instruments as book value already approximated fair value.

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4. Cash and short-term investments

Cash and short-term investments consist of:

Cash	**$ 688,294**
Cash held in trust	**11,366**
Royal Bank of Canada GIC, bearing interest at 4.15%, maturing and renewed annually on March 9th	**387,031**
	$1,086,691

5. Capital assets

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 52,076	$ 45,724	**$ 6,352**
Computer equipment	72,594	56,257	**16,337**
Computer software	34,311	34,311	**-**
Leaseholds	79,470	55,053	**24,417**
	$ 238,451	$ 191,345	**$ 47,106**

6. Funds held in trust

The Organization administers funds on behalf of the PHA Caucus of Manitoba.

7. Deferred contributions

Deferred contributions represent unrestricted 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:

Beginning balance	**$ 313,259**
Grant revenue recognized during the year	**(271,658)**
Contributions received during the year	**425,980**
Ending balance	**$ 467,581**

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8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $48,077 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.

10. Commitments

The Organization has entered into a lease agreement for its premises expiring on June 30, 2009 with an aggregate minimum annual rental of $179,694. A lease renewal is in the final negotiation stage at year end with an aggregate minimum annual rental of $238,255.

The Organization also leases various office equipment.

The minimum lease payments for the next five years is as follows:

2009	$	185,870
2010		229,791
2011		239,866
2012		239,152
2013		238,255

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 obligaton 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 $14,785.

A portion of the pre-retirement benefits for the current year of $11,933 were funded by Winnipeg Regional Health Authority during the year.

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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. Statement of cash flows

This statement has not been presented as management does not believe it provides additional meaningful information

14. Comparative figures - not presented

Comparative balances showing the figures for the corresponding preceding year have not been prepared since the presentation of the financial statements has changed in such a way which precludes the comparative figures from being meaningful.

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Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses
Year Ended March 31, 2008

Salaries	**$1,479,056**
Physician salaries and benefits	**441,886**
Employee benefits	**214,494**
Health and education tax	**32,499**
Medical	**19,472**
Purchased and professional services	**105,561**
Rent and insurance	**182,779**
Maintenance	**94,301**
Travel and course fees	**63,786**
General expenses	**259,199**
	2,893,033
Less: recoveries	**(123,400)**
	$2,769,633

See accompanying notes to the financial statements.

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BOKHAUT & COMPANY

CHARTERED ACCOUNTANT INC

AUDITOR'S REPORT

To the Board of Directors 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. (the Co-operative) as at March 31, 2008 and the statements of operations and changes in surplus 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, 2008 and the results of its operations and changes in surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

June 13, 2008
Winnipeg, Manitoba
Bokhaut & Company
Chartered Accountant Inc.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

Nor'West Co-op Community Health Centre, Inc.

Statement of Financial Position

As at March 31, 2008

	2008	2007
ASSETS		
Cash and term deposits	1,023,306	864,796
Accounts receivable (Note 4)	180,461	196,532
Prepaid expenses	1,949	1,880
Vacation entitlement receivable	133,168	109,217
	1,338,884	1,172,425
CAPITAL ASSETS (Note 5)	55,048	41,198
TOTAL ASSETS	**1,393,932**	**1,213,623**
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	166,918	127,643
Vacation entitlement payable	144,254	116,924
Deferred revenue (Note 8)	50,247	84,294
	361,419	328,861
DEFERRED CONTRIBUTIONS (Note 9)	54,365	39,155
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION (Note 11)	101,052	104,881
TOTAL LIABILITIES	**516,836**	**472,896**
FUND BALANCES		
Membership fees	2,147	2,135
Surplus		
Invested in capital assets	672	2,032
Internally restricted	103,500	103,500
Restricted for FAS Program	77,342	80,779
Restricted for Family Voilence Couns. Program	83,023	73,359
Restricted for Community Development	8,512	8,513
Restricted for IWCS Program	109,767	95,171
Restricted for Women's Place	63,290	-
Surplus subject to audit	98,361	76,865
Unrestricted	330,482	298,372
TOTAL FUND BALANCES	**877,096**	**740,726**
TOTAL LIABILITIES AND FUND BALANCES	**1,393,932**	**1,213,623**

Approved on behalf of the Board:

____________________ Chairperson ____________________

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

Nor'West Co-op Community Health Centre, Inc.

Statement of Changes in Surplus

For the year ended March 31, 2008

HEALTH CENTRE	Membership	Invested in Capital assets	Internally Restricted	Restricted FAS Program	Restricted Family Violence	Restricted Comm. Develop	Restricted IWCS Program	Restricted Women's Place	Surplus subject to WRHA audit	Unrestricted	2008	2007
Balance beginning of year	1,965	2,032	103,500	80,779	73,359	8,513	95,171	-	76,865	231,220	673,404	529,513
Membership	12	-	-	-	-	-	-	-	-	-	12	-
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-	-	-	-	-	-
Year End Assessments- 01/02, 02/03, 03/04 Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	-	(1,360)	-	(3,438)	9,664	-	14,596	63,290	21,496	35,420	139,668	143,892
Balance end of year	1,977	672	103,500	77,341	83,023	8,513	109,767	63,290	98,361	266,640	813,084	673,405
EARLY LEARNING CHILD CARE CENTRE												
Balance, beginning of year	170	-	-	-	-	-	-		-	67,152	67,322	60,363
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-		-	(3,308)	(3,308)	6,959
	170	-	-	-	-	-	-		-	63,844	64,014	67,322
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-		-	-	-	-
Balance, end of year	170	-	-	-	-	-	-		-	63,844	64,014	67,322
Total Surplus (Deficit), end of year	**2,147**	**672**	**103,500**	**77,341**	**83,023**	**8,513**	**109,767**		**98,361**	**330,484**	**877,098**	**740,727**

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

BOKHAUT & COMPANY
CHARTERED ACCOUNTANT INC

Nor'West Co-op Community Health Centre, Inc.

Statement of Operations

For the year ended March 31, 2008

	Health Centre (Schedule 1)	Early Learning and Child Care Centre (Schedule 2)	2008	2007
Revenue				
Winnipeg Regional Health Authority	1,162,001	-	1,162,001	1,142,185
Family Services and Housing	701,690	-	701,690	425,600
Healthy Child Manitoba	334,449	-	334,449	336,878
Winnipeg Foundation	107,297	-	107,297	165,194
United Way	204,100	-	204,100	148,446
Child care fees	-	186,310	186,310	140,447
Maintenance fees	-	143,197	143,197	101,629
Manitoba Housing Authority	24,745	-	24,745	27,310
Manitoba Justice	20,000	-	20,000	18,825
Province of Manitoba	-	43,065	43,065	20,671
Manitoba Law Foundation	-	-	-	12,393
Manitoba Community Services Council Inc./Community Places	1,550	5,000	6,550	11,500
Community Connections/Urban Green Team	14,696	-	14,696	10,066
Investors Group	10,000	-	10,000	10,000
Manitoba Arts Council	6,822	-	6,822	9,228
Manitoba Health	-	-	-	8,980
Manitoba Labour and Immigration	36,722	-	36,722	8,476
Human Resource Development Canada	-	-	-	7,122
Red River Co-op	-	-	-	5,328
Success Skills Centre	12,192	-	12,192	2,178
Other	41,618	29,705	71,323	45,095
Interest Income	32,117	2,158	34,275	32,226
Amortization of deferred contributions (Note 9)	15,466	-	15,466	13,470
Deferred revenue (Note 8)	(50,247)	-	(50,247)	(84,293)
	2,675,218	**409,435**	**3,084,653**	**2,618,956**
Expenses				
Accounting and computer fees	17,143	-	17,143	18,145
Administrative	83,558	19,460	103,018	111,088
Amortization	16,827	-	16,827	15,226
Information technologist	8,814	-	8,814	6,242
Medical supplies	16,982	-	16,982	18,918
Pre-retirement	14,155	1,643	15,798	7,867
Professional fees	5,740	-	5,740	5,805
Program expenses	144,590	42,426	187,016	109,613
Rent	83,328	39,710	123,038	112,684
Repairs and maintenance	26,984	-	26,984	35,517
Salaries and benefits	2,039,014	309,504	2,348,518	1,973,481
Service contracts	11,676	-	11,676	11,009
Staff training	39,390	-	39,390	18,919
Travel-staff	27,350	-	27,350	23,590
	2,535,551	**412,743**	**2,948,294**	**2,468,105**
Excess of revenue over expenses	**139,667**	**(3,308)**	**136,359**	**150,851**

The accompanying notes to the financial statements are an integral part of these financial statements

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

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 neighborhoods and identified populations. The Co-operative was incorporated November 23, 1972 without share capital, presently operates 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. Significant Accounting Policies

Fund accounting
The Health Centre fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's primary care, health promotion, counseling and foot care outreach programs.

The Sunshine Day Nursery Fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's daycare centre.

Revenue recognition
Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate program when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services
In the normal course of business, the Co-operative receives volunteer assistance in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer services are not recognized in the financial statements

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.

Capital assets
Purchased capital assets are recorded at cost. Depreciation is provided on a straight-line basis over their estimated useful lives as follows:

Furniture, fixtures, and equipment	5 years
Computer software and hardware	3 years
Leasehold Improvements	5 years

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

2. Significant Accounting Policies (cont'd)

Vacation entitlement receivable/payable
These employee benefits are recorded in accordance with the policy determined by WRHA. 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 Operations. The receivable on the Statement of Financial Position is to be capped at the balance as at March 31, 2004.

Internally restricted surplus
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.

Surplus subject to audit
On an annual basis, the Co-operative estimates and records adjustments to its surplus accounts for potential funding adjustments as a result of Winnipeg Regional Health Authority's periodic audits of the Co-operative's expenditures.

Measurement uncertainty
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 contingencies at the date of financial statements are the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Economic Dependence

The Co-operative is economically dependent on funding from the Winnipeg Regional Health Authority. If funding were discontinued, it would affect the Co-operative's ability to continue operations.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

4. Accounts Receivable

	2008	2007
HEALTH CENTRE		
Goods and Services Tax receivable	10,660	10,451
Winnipeg Regional Health Authority	56,344	78,757
Grants Receivable	69,052	70,600
Other	5,971	7,861
	142,027	167,669
EARLY LEARNING CHILD CARE CENTRE		
Goods and services tax receivable	1,926	1,179
Day care fees	30,870	15,532
Family Services & Housing - Daycare 1 time funding	5,639	6,750
Mount Carmel Clinic	-	5,402
	38,434	28,863
Total	**180,461**	**196,532**

5. Capital Assets

	Cost	Accumulated Amortization	2008 Net	2007 Net
Furniture, fixtures and equipment	72,019	43,915	28,104	39,951
Computer software	16,646	16,646	-	-
Computer hardware	46,066	37,750	8,316	1,247
Leasehold Improvements	20,698	2,070	18,628	-
	155,429	**100,381**	**55,048**	**41,198**

6. Accounts Payable And Accrued Liabilities

	2008	2007
HEALTH CENTRE		
Winnipeg Regional Health Authority	12,822	12,030
Trade payables	51,020	49,885
Accrued audit fees	6,631	6,517
Salaries payable	61,610	39,442
Other	20,094	3,376
	152,178	111,250
EARLY LEARNING CHILD CARE CENTRE		
Accrued audit fees	1,920	1,974
Subsidy advances	8,680	8,680
Salaries payable	841	406
Other	3,300	5,333
	14,740	16,393
Total	**166,918**	**127,643**

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

6. Accounts Payable And Accrued Liabilities (continued)

The repayable subsidy advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. Operating Leases

The Co-operative leases premises and a photocopy machine under operating lease agreements. The future minimum lease payments for the remaining terms of the operating leases are as follows:

2009	$115,519
2010	$84,707
2011	$52,956
2012	$52,956
2013	$52,956

8. Deferred Revenue

Deferred revenue relates to restricted operating funding for various programs received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2008	2007
Beginning balance	84,294	105,349
Less: amount recognized as revenue in the year	(174,342)	(80,600)
Add: amount received related to the following year	140,296	59,545
	50,274	84,294

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PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

9. Deferred Contributions Related To Capital Assets

Contributions related to capital assets are deferred and are being recognized as revenue on the same basis as the depreciation on the related capital assets.

The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

	2008	2007
Beginning balance	39,154	43,815
Contributions	30,677	8,809
Amounts recognized in revenue	(15,466)	(13,470)
	54,365	39,154

10. Pension

The Co-operative has a defined contribution pension plan. During the year, the Co-operative made actual cash contributions of $118,388 (2007-$94,047). The pension contributions are included in employee benefits of the applicable programs in the statement of operations.

11. Pre-retirement Leave Benefit Obligation

Based on 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 2007/2008, WRHA agreed to provide pre-retirement funding of 64.25% of benefits paid by the organization. Employee applications for early retirement during the year amounted to $19,627 (2007-$0).

During 2008, the benefit obligation earned by employees as at March 31, 2008 was actuarially determined to be $101,052. This has been reported as a liability on the Statement of Financial Position.

12. Statement of Cash Flow

A statement of cash flow has not been presented since the sources and uses of cash are readily apparent from the information included in the financial statements.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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

Winnipeg, Manitoba
May 23, 2008

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31		2008		2007
Assets				
Current Assets				
Cash	$	**182,961**	$	146,001
Short-term investments (Note 2)		**408,579**		400,000
Accounts receivable		**127,487**		107,383
Employee benefits recoverable (Note 4)		**230,242**		230,242
Inventory - supplies on hand		**24,397**		7,071
Prepaid expenses		**19,052**		16,547
Due from Winnipeg Regional Health Authority (Note 6)		**41,723**		-
		1,034,441		907,244
Deferred benefit entitlements (Note 4)		**377,907**		357,416
Capital assets (Note 5)		**2,200,659**		2,285,613
	$	**3,613,007**	$	3,550,273
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	**280,177**	$	197,753
Due to Winnipeg Regional Health Authority (Note 6)		**-**		118,318
Accrued vacation entitlements (Note 4)		**241,088**		255,575
Trust liabilities		**14,497**		13,606
Advances from Winnipeg Regional Health Authority		**142,078**		-
		677,840		585,252
Pre-retirement entitlement (Note 4)		**345,170**		324,679
Deferred Contributions				
Externally restricted (Schedule 1)		**73,297**		66,768
Capital assets (Schedule 2)		**2,134,640**		2,219,594
Donations (Schedule 3)		**19,159**		4,366
Reserve for insurance deductible (Schedule 4)		**6,153**		5,153
		2,233,249		2,295,881
Total liabilities and deferred contributions		**3,256,259**		3,205,812
Contingencies (Note 9)		**-**		-
Net assets, unrestricted		**356,748**		344,461
	$	**3,613,007**	$	3,550,273

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		**2008**		2007
Balance, beginning of year	**$**	**344,461**	$	199,521
Excess of revenue for the year		**12,287**		144,940
Balance, end of year	**$**	**356,748**	$	344,461

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	2008	2007
Revenue		
Winnipeg Regional Health Authority (Note 8)	$ 3,268,384	$ 3,162,764
Residential charges	1,496,621	1,464,688
Amortization of deferred contributions related to capital assets	112,169	112,410
Recoveries and offset income	76,437	57,187
Adult day care program (Schedule 5)	61,525	61,817
Mortgage interest subsidy	45,359	56,045
Interest earned	17,246	13,272
Donations and other	7,453	28,692
	5,085,194	4,956,875
Expenditures		
Nursing personal care	2,798,400	2,647,898
Food services	636,836	605,140
General and administrative	332,698	344,096
Housekeeping	216,303	188,099
Plant maintenance	210,481	134,866
Plant operation	203,125	195,644
Recreation	161,483	138,629
Laundry and linen	126,931	124,287
Amortization	112,169	112,410
In-service education	86,329	81,784
Adult day care program (Schedule 5)	56,823	59,949
Interest on long-term debt	48,401	58,208
Social work	41,512	45,962
Donations and other	6,303	18,129
	5,037,794	4,755,101
Excess of revenue over expenditures for the year before the undernoted	47,400	201,774
Pre-retirement payouts	(14,622)	(64,811)
Pre-retirement future benefits expenses (Note 4)	(20,491)	(36)
Winnipeg Regional Health Authority prior year adjustments	-	8,013
Excess of revenue for the year	$ 12,287	$ 144,940

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	2008	2007
Cash Flows from Operating Activities		
Excess of revenues for the year	$ **12,287**	$ 144,940
Adjustments for		
Amortization of capital assets	**112,169**	112,410
Amortization of deferred contributions related to capital assets	**(112,169)**	(112,410)
	12,287	144,940
Changes in non-cash working capital balances		
Accounts receivable	**(20,104)**	101,050
Due from Winnipeg Regional Health Authority	**(41,723)**	-
Inventory - supplies on hand	**(17,326)**	(708)
Prepaid expenses	**(2,505)**	(10,415)
Deferred benefit entitlements	**(20,491)**	(36)
Accrued vacation entitlement	**(14,487)**	14,445
Pre-retirement entitlement	**20,491**	36
Advances from Winnipeg Regional Health Authority	**142,078**	-
Accounts payable and accrued expenses	**82,424**	(124,367)
Due to Winnipeg Regional Health Authority	**(118,318)**	(244,365)
Trust liabilities	**891**	942
	10,930	(263,418)
	23,217	(118,478)
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	**6,529**	(11,914)
Deferred contributions - capital assets	**27,215**	27,693
Deferred contributions - donations	**14,793**	(7,397)
Reserve for insurance deductible	**1,000**	984
	49,537	9,366
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	**(27,215)**	(25,962)
Decrease in short-term investments	**(8,579)**	(50,000)
	(35,794)	(75,962)
Increase (decrease) in cash and cash equivalents	**36,960**	(185,074)
Cash and cash equivalents, beginning of year	**146,001**	331,075
Cash and cash equivalents, end of year	$ **182,961**	$ 146,001

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

Summary of Significant Accounting Policies

March 31, 2008

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

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

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 (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. The organization has classified accounts receivable, employee benefits recoverable, due from WRHA and deferred benefit entitlements in this category.

Held-for-trading - This category is comprised of certain investments in equity and debt instruments. The organization has classified all cash, bank indebtedness and investments in this category. They are carried on the statement of financial position at the 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.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts 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 organization has classified accounts payable, accrued liabilities, due to WRHA, accrued vacation entitlements, advances from WRHA and pre-retirement entitlement in this category.

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 4.

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 5.5% (4.85% in 2007), a rate of salary increase of 3.5% (3% in 2007) 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:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (cont'd)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The organization is currently assessing the impact of the new standard.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

March 31, 2008

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

		2008		2007
Manitoba Builder Bonds, 4.25%, matures June 15, 2008	$	**200,000**	$	200,000
Steinbach Credit Union Plan 24 Savings, 4.25%		**105,229**		100,000
CIBC GIC Investment, 3.45%, matures October 4, 2008		**103,350**		100,000
	$	**408,579**	$	400,000

3. Change in Accounting Policy

On April 1, 2007, the organization retroactively adopted, without restatement of net assets, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no effect on recorded amounts presented in the balance sheet or the statement of operations at the beginning of the year.

4. 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, 2008 reports an obligation of $345,170 ($324,679 in 2007). 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 organization has been notified by the WRHA that the incremental pre-retirement liability for fiscal 2008 of $20,491 ($36 in 2007) will be funded together with a portion of the incremental pre-retirement benefits liability for fiscal 2005 and 2006, which netted to zero for the organization.

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.

5. Capital Assets

			2008	2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land improvements	**$ 217,027**	**$ 215,833**	**$ 1,194**	$ 3,083
Buildings	**3,397,938**	**1,535,841**	**1,862,097**	1,921,962
Building addition Special Needs Unit	**388,858**	**129,619**	**259,239**	350,786
Equipment	**884,180**	**806,051**	**78,129**	9,782
Equipment Special Needs Unit	**31,771**	**31,771**	**-**	-
	$ 4,919,774	**$ 2,719,115**	**$ 2,200,659**	$ 2,285,613

6. 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:

	2008	2007
2005 fiscal year end	$ **153,650**	$ 153,650
2006 fiscal year end	**9,415**	9,415
2007 fiscal year end	**(44,747)**	(44,747)
2008 fiscal year end	**(160,041)**	-
Balance, end of year	$ **(41,723)**	118,318

7. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

8. Winnipeg Regional Health Authority Operating Income

	2008	2007
Budgeted Items	$ **3,058,416**	$ 3,051,765
Current adjustments - Out of Globe	**209,968**	110,999
Balance, end of year	$ **3,268,384**	$ 3,162,764

9. 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, 2008.

10. 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.

11. Pension Plans

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.

During the year, the organization contributed $186,648 ($168,513 in 2007) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. 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% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 8.4% on earnings in excess of the YMPE.

12. Comparative Figures

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

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2008		2007
Reserve for Major Repairs				
Balance, beginning of year	$	**48,282**	$	47,903
Current year funding		**18,344**		18,336
Current year expenditures		**(18,450)**		(17,957)
Balance, end of year	$	**48,176**	$	48,282
Equipment Replacements				
Balance, beginning of year	$	**18,486**	$	30,779
Current year funding		**15,400**		15,400
Current year expenditures		**(8,765)**		(27,693)
Balance, end of year	$	**25,121**	$	18,486
Total Deferred Contributions - Externally Restricted	$	**73,297**	$	66,768

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2008	2007
Balance, beginning of year	$ **2,219,594**	$ 2,304,311
Current year funding	**-**	-
Transfer from deferred contributions - equipment	**27,215**	27,693
Amortize to revenue	**(112,169)**	(112,410)
Balance, end of year	$ **2,134,640**	$ 2,219,594

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2008		2007
Balance, beginning of year	$	**4,366**	$	11,763
Current year donations		**19,194**		4,874
Current year expenditures		**(4,401)**		(12,271)
Balance, end of year	$	**19,159**	$	4,366

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2008		2007
Balance, beginning of year	**$**	**5,153**	$	4,169
Current year funding		**1,000**		984
Balance, end of year	**$**	**6,153**	$	5,153

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31		2008		2007
Revenues				
Winnipeg Regional Health Authority	$	**53,210**	$	52,416
Participants		**8,315**		9,401
		61,525		61,817
Expenditures				
Salaries and benefits		**31,146**		30,066
Transportation		**15,402**		16,989
Meals		**7,032**		6,467
Supplies		**2,654**		5,943
Health and education levy		**589**		484
		56,823		59,949
Excess of revenue over expenditures for the year	$	**4,702**	$	1,868

To the Board members 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, 2008 and the statements of operations and changes in net assets, including the supporting schedule 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, 2008 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 9, 2008

Chartered Accountants

Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2008

	2008	2007
Assets		
Current		
Cash *(Note 4)*	**834,169**	1,176,513
Short term investments *(Note 5)*	**1,575,664**	1,332,366
Accounts receivable *(Note 6)*	**94,190**	125,725
Prepaid expenses	**26,457**	25,621
	2,530,480	2,660,225
Capital assets *(Note 7)*	**1,774,146**	1,838,229
Receivable from Winnipeg Regional Health Authority	**997,309**	737,418
	5,301,935	5,235,872
Liabilities		
Current		
Accounts payable and accruals	**1,591,441**	1,487,060
Residents' trust payable	**7,623**	9,343
Current portion of long-term debt	**175,000**	174,000
	1,774,064	1,670,403
Long-term debt *(Note 8)*	**420,744**	597,016
Deferred contributions *(Note 9)*	**1,206,750**	1,030,329
	3,401,558	3,297,748
Net Assets		
Invested in capital assets	**41,740**	59,709
Unrestricted *(Note 11)*	**368,549**	335,512
	410,289	395,221
Restricted *(Note 10)*	**1,490,088**	1,542,903
	1,900,377	1,938,124
	5,301,935	5,235,872

Approved on behalf of the Board of Directors

Director ____________ **Director**

	Operating Fund	*Adult Day Program*	*Capital Fund*	**2008**	2007
Revenues					
Residential charges	1,633,640	-	-	**1,633,640**	1,589,454
Winnipeg Regional Health Authority					
Operating	3,471,021	-	-	**3,471,021**	3,368,644
Bed grant	7,680	-	-	**7,680**	7,680
Interest on approved borrowing	29,933	-	-	**29,933**	35,520
Year end adjustment *(Note 15)*	(10,051)	-	-	**(10,051)**	(31,022)
Medical salaries	2,952	-	-	**2,952**	2,760
Supplemental funding	111,144	-	-	**111,144**	118,752
Accrued wage adjustment	189,461	-	-	**189,461**	101,077
Pre-retirement leave - future benefits *(Note 16)*	(23,858)	-	-	**(23,858)**	40,573
Pre-retirement leave - current benefits *(Note 16)*	60,620	-	-	**60,620**	10,089
Pre-retirement leave - prior years benefits *(Note 16)*	-	-	-	**-**	25,283
Investment income	952	-	-	**952**	681
Meal recoveries	62,341	-	-	**62,341**	58,287
Amortization of deferred operating contributions *(Note 9)*	733	-	-	**733**	1,500
Amortization of deferred capital contributions *(Note 9)*	-	-	122,066	**122,066**	113,419
Adult Day Program revenue *(Schedule 1)*	-	119,162	-	**119,162**	123,648
	5,536,568	119,162	122,066	**5,777,796**	5,566,345
Expenses					
Amortization	-	-	140,035	**140,035**	136,713
Dietary	181,460	-	-	**181,460**	179,877
Employee benefits	765,117	-	-	**765,117**	686,287
Employee future benefits - pre-retirement adjustment *(Note 16)*	(23,858)	-	-	**(23,858)**	40,573
Employee future benefits - vacation	16,281	-	-	**16,281**	15,845
General expenses	87,288	-	-	**87,288**	83,812
Housekeeping	18,586	-	-	**18,586**	22,732
Interest on long-term debt	36,907	-	-	**36,907**	42,468
Laundry	10,146	-	-	**10,146**	11,446
Linen	27,650	-	-	**27,650**	6,307
Medical administration	2,956	-	-	**2,956**	2,750
Medical supplies	94,908	-	-	**94,908**	96,451
Physical plant	293,738	-	-	**293,738**	298,421
Pre-retirement leave	94,350	-	-	**94,350**	13,727
Salaries and wages	3,893,045	-	-	**3,893,045**	3,825,732
Therapeutic recreation	8,354	-	-	**8,354**	8,777
Adult Day Program expenses *(Schedule 1)*	-	115,765	-	**115,765**	116,476
	5,506,928	115,765	140,035	**5,762,728**	5,588,394
Excess (deficiency) of revenues over expenses	29,640	3,397	(17,969)	**15,068**	(22,049)

The accompanying notes are an integral part of these financial statements

	Operating Fund *(Note 11)*	Adult Day Program *(Note 11)*	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	322,211	13,301	59,709	**395,221**	417,270
Excess (deficiency) of revenues over expenses	29,640	3,397	(17,969)	**15,068**	(22,049)
Net assets, end of year	351,851	16,698	41,740	**410,289**	395,221

The accompanying notes are an integral part of these financial statements

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 guidelines produced 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 its estimated useful life. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	20-40 years
Computer equipment	straight-line	5 years
Equipment	straight-line	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.

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

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health/Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists 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.

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 investments are based on quoted market prices.

Classification of financial instruments

The Organization has classified short-term 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 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 fund balances upon impairment.

The Organization has classified accounts payable and terms loans 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 fund balances upon derecognition.

3. Change in accounting policies

Financial instruments

Effective April 1, 2007, the Organization adopted the CICA's new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss).

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives and other financial instruments as separate components of the change in net assets.

The adoption of the standards resulted in cumulative unrealized losses on short-term investments in the amount of $59,492 from prior years and current year gain adjustment of $39,011. Resulting in an cumulative decrease to the Restricted Fund in the amount of $20,478 in the current period. The new requirements were applied prospectively and prior periods have not been restated.

4. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain internal restrictions. Cash on hand earned interest at 3.31% (2007- 4.0%) at year-end. The Organization has available line of operating credit to a maximum of $75,000. The operating line has interest charged annually 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.

	2008	*2007*
Cash on hand	**754,251**	1,113,841
Restricted cash	**79,918**	62,672
	834,169	1,176,513

5. Short term investments

	2008	*2007*
Bond matured in the year.	-	175,000
Money market mutual fund	**246,750**	7,974
Canadian Imperial Bank of Commerce GIC, earning interest at 4.35%, maturing June 2008	**250,000**	250,000
Manitoba Builder bonds, earning interest at 4.45%, maturing June 2009	**200,000**	200,000
City of Winnipeg debenture, earning interest at 3.90%, maturing March 2010	**101,046**	100,132
NB bonds, earning interest at 4.5%, maturing December 2009	**204,907**	199,260
Farm Credit Canada bonds, earning interest at 5.5%, maturing June 2010	**191,900**	200,000
Farm Credit Canada bonds, earning interest at 6.00%, maturing September 2012	**181,000**	200,000
Province of Manitoba Step-up bond, earning interest at 4.7%, maturing June 2008	**200,061**	-
	1,575,664	1,332,366

The market value of the portfolio at year-end was $1,575,664 (2007 - $1,272,873) and includes cumulative unrealized losses of $20,479 (2007 - loss of ($59,493)).

The cost of the portfolio at year-end was $1,596,143 (2007 - $1,332,366).

6. Accounts receivable

	2008	*2007*
Trade receivables	**13,797**	12,145
Goods and Service Tax receivable	**16,268**	7,921
Accrued interest receivable	**64,125**	105,659
	94,190	125,725

7. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2008* Net book value	*2007* Net book value
Land	28,266	-	-	**28,266**	-	**28,266**	28,266
Buildings	3,302,015	62,197	-	**3,364,212**	**1,739,147**	**1,625,065**	1,673,774
Computer equipment	41,804	-	6,090	**35,714**	**35,714**	-	1,056
Equipment	560,593	13,755	10,690	**563,658**	**442,843**	**120,815**	135,133
	3,932,678	75,952	16,780	**3,991,850**	**2,217,704**	**1,774,146**	1,838,229

8. Long-term debt

	2008	*2007*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017	**288,365**	310,997
Term loan payable in monthly instalments of $8,800 plus interest at prime less 0.5%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2009	**150,729**	256,329
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 September 2012	**156,650**	203,690
	595,744	771,016
Less: current portion	**175,000**	174,000
	420,744	597,016

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	175,000
2010	177,000
2011	125,000
2012	42,000
2013	42,000

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 recongnized 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*	*2008*	*2007*
Balance, beginning of year	1,027,426	2,903	**1,030,329**	864,097
Contributions received during the year				
Donations	20,018	-	**20,018**	20,019
Winnipeg Regional Health Authority				
- Principal repayment	256,398	-	**256,398**	158,328
- Equipment replacement	17,500	-	**17,500**	17,500
- Major repairs	4,296	-	**4,296**	4,296
- Mould remediation - lump sum funding	-	-	**-**	80,000
- Insurance deductible	-	1,008	**1,008**	1,008
Recognized as revenue during the year	(122,066)	(733)	**(122,799)**	(114,919)
Balance, end of year	1,203,572	3,178	**1,206,750**	1,030,329

10. Restricted net assets

Internally restricted net assets are comprised of:

	2008	*2007*
Special purpose reserve:		
Balance, beginning of year	**1,542,903**	1,411,029
Trust contributions	**1,796**	13,510
Private grants and donations	**63,908**	55,606
Unrealized loss, adoption of new accounting policy (Note 3)	**(59,492)**	-
Current year change in unrealized gains on available-for-sale asstes (Note 3)	**39,011**	-
Net change in other income (expenses)	**(98,038)**	62,758
Balance, end of year	**1,490,088**	1,542,903

These net assets are restriced 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 discrection of the board of directors.

11. Unrestricted net assets

Unrestricted net assets are comprised of:

	2008	*2007*
Personal care operations	**396,275**	366,635
Pre-retirement leave actuarial adjustments	**(44,424)**	(44,424)
Adult Day Program	**16,698**	13,301
	368,549	335,512

12. Financial instruments

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable as described in Note 6. Of the $1,091,499 (2007 - $863,143) of receivables, $896,703 (2006 - $702,734) is due from the Manitoba Health/Winnipeg Regional Health Authority.

13. Major Customer

A significant portion of the personal care home's operating fund are received from the Winnipeg Regional Health Authority, of total revenue 70.0% (2007 - 62.1%) is from the Winnipeg Regional Health Authority.

14. Statement of cash flows

A statement of change in cash flows has not been prepared because information about financing and investing activites and their effects on cash resources are readily apparent from the other financial information.

15. 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.

16. Pre-retirement leave/vacation pay

Under guidelines produced by Manitoba Health/Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to vacation pay liability is recognized as accounts receivable in the amount of $232,434 as at March 31, 2004.

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

17. 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, 2008

	2008	*2007*
Revenue		
Winnipeg Regional Health Authority - Operating	**106,048**	110,258
Participant fees	**13,114**	13,390
	119,162	123,648
Expenses		
Benefits	**10,235**	9,839
Health and education tax	**1,272**	1,276
Management fees	**1,040**	1,040
Meals	**9,490**	9,788
Salaries and wages	**61,294**	62,528
Supplies	**3,641**	3,314
Travel	**28,793**	28,691
	115,765	116,476
Excess of revenue over expenses	**3,397**	7,172

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008 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

Winnipeg, Manitoba
April 30, 2008

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	**$ 18,998**	$ -
Restricted cash	**111,599**	98,294
Accounts receivable (Note 3)	**35,474**	23,057
Inventories	**4,896**	3,060
Prepaid expenses	**5,023**	4,986
Vacation entitlement receivable (Note 4)	**121,948**	121,948
	297,938	251,345
Retirement obligations asset (Note 9)	**145,826**	118,866
Capital assets (Note 5)	**810,603**	1,068,123
	$ 1,254,367	$ 1,438,334

Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	**$ -**	$ 7,336
Accounts payable (Note 7)	**350,714**	221,477
Accrued vacation entitlements (Note 4)	**141,925**	127,567
	492,639	356,380
Accrued retirement obligation (Note 9)	**145,826**	118,866
Deferred contributions (Note 8)	**842,109**	1,086,804
	1,480,574	1,562,050
Net Assets		
Invested in capital assets	**79,134**	79,134
Unrestricted	**(305,341)**	(202,850)
	(226,207)	(123,716)
	$ 1,254,367	$ 1,438,334

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 Assets

For the year ended March 31			2008	2007
	Invested in Capital Assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 79,134	$ (202,850)	$ (123,716)	$ (97,751)
Deficiency of revenue over expenditures for the year	-	(102,491)	(102,491)	(25,965)
Net assets, end of year	$ 79,134	$ (305,341)	$ (226,207)	$ (123,716)

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 Operations

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	$ 2,365,945	$ 2,263,469
Residential charges	845,304	831,400
Other income	5,749	6,577
	3,216,998	3,101,446
Expenditures		
Drugs and medical supplies	48,511	54,231
Interest	26,799	-
Office and miscellaneous	57,690	58,243
Other supplies and expenses	40,113	40,845
Professional fees	60,812	27,932
Purchased services	374,709	340,284
Repairs and maintenance	4,502	6,954
Resident trust fees	4,671	5,208
Salaries and benefits	2,377,320	2,282,299
Service charges and fees	7,939	8,407
Shared building operation expenses (Note 10)	338,320	334,889
Telephone	3,972	3,621
Travel	91	123
	3,345,449	3,163,036
Deficiency of revenue over expenditures before amortization	(128,451)	(61,590)
Amortization		
Deferred contributions (Note 8)	257,520	257,520
Capital assets	(257,520)	(257,520)
	-	-
Deficiency of revenue over expenditures before other item	(128,451)	(61,590)
Other Item		
Accrued pre-retirement leave entitlement	25,960	35,625
Deficiency of revenue over expenditures for the year	$ (102,491)	$ (25,965)

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	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (102,491)	$ (25,965)
Amortization of capital assets	257,520	257,520
	155,029	231,555
Changes in non-cash working capital		
Accounts receivable	(12,417)	13,962
Vacation entitlement receivable	(26,960)	(38,646)
Inventory	(1,836)	2,255
Prepaid expenses	(37)	1,455
Accounts payable	129,237	(58,281)
Vacation entitlement payable	41,318	64,877
	284,334	217,177
Cash Flows from Financing Activities		
Deferred contributions	(244,695)	(244,870)
Cash Flows from Investing Activities		
Purchase of capital assets	-	(12,509)
Net increase (decrease) in cash and cash equivalents	39,639	(40,202)
Cash and cash equivalents, beginning of year	90,958	131,160
Cash and cash equivalents, end of year	$ 130,597	$ 90,958
Comprised of		
Cash	$ 18,998	$ -
Restricted cash	111,599	98,294
Bank indebtedness	-	(7,336)
	$ 130,597	$ 90,958

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 - 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.

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 Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized based on long-term debt repayment funding.

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's financial instruments consist of cash, accounts receivable, accounts payable, and related party balances. 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 trade date basis.

The Home classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. The Home accounting is as follows:

Held-for-trading

This category is comprised of cash and restricted cash. 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.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2008

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 (accounts receivable), but also incorporate other types of contractual monetary assets. 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 trade payables and amounts due to related parties. 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.

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.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2008

Recent 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 Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The organization is currently assessing the impact of the new standard.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The organization does not expect the adoption of these changes to have a material impact on its financial statements.

March 31, 2008

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. Change in Accounting Policy

On April 1, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

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

3. Accounts Receivable

	2008	2007
Receivable from residents	$ 7,299	$ 2,779
GST rebate receivable	15,684	15,748
Other	12,491	4,530
	$ 35,474	$ 23,057

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:

	2008	2007
Balance, beginning of year	**$ 121,948**	$ 118,927
Net changes in vacation entitlements receivable	**-**	3,021
Balance, end of year	**$ 121,948**	$ 121,948

An analysis of the changes in the accrued vacation entitlements is as follows:

	2008	2007
Balance, beginning of year	**$ 127,567**	$ 101,336
Net increase (decrease) in accrued vacation entitlements	**14,358**	26,231
Balance, end of year	**$ 141,925**	$ 127,567

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Leasehold improvements	**$ 2,477,195**	**$ 1,787,991**	$ 2,477,195	$ 1,563,834
Furniture, fixtures and equipment	**393,568**	**272,169**	393,568	238,806
	$ 2,870,763	**$ 2,060,160**	$ 2,870,763	$ 1,802,640
Cost less accumulated amortization		**$ 810,603**		$ 1,068,123

Amortization of capital assets for the year ended March 31, 2008 is $257,520 (2007 - $257,520).

6. Bank Overdraft

The organization has a demand credit facility with Royal Bank, amounting to $50,000 ($50,000 in 2007), available for operating needs. The overdraft facility bears interest at the bank's prime rate, calculated and payable monthly.

7. Accounts Payable

	2008	2007
Trade accounts payable	$ 39,855	$ 41,220
Due to Manitoba Housing Authority	4,416	-
Salaries and employee benefits payable	98,341	77,060
Winnipeg Regional Health Authority	91,966	95,964
Due to related parties	116,136	7,233
	$ 350,714	$ 221,477

8. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received 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 assets purchased with grants.

Changes in the deferred contribution balance are as follows:

	2008	2007
Balance, beginning of year	$ 988,510	$ 1,234,000
Additional contributions received		
Winnipeg Regional Health Authority	257,520	257,520
Less amounts amortized to revenue	(257,520)	(257,520)
Contributions applied to debt assumed by Province	(258,000)	(245,490)
Balance, end of year	$ 730,510	$ 988,510

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.

	2008	2007
Balance, beginning of year	**$ 98,294**	$ 97,674
Additional contributions received		
Winnipeg Regional Health Authority	**9,975**	9,975
Equipment purchases	**-**	(12,510)
Interest received	**3,330**	3,155
Balance, end of year	**111,599**	98,294
Total deferred contributions	**$ 842,109**	$ 1,086,804

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

Royal Bank Revolving Loan, bearing interest at 4.26%, due April 1, 2008	$730,510

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, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) 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.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	**$ 83,241**	$ 83,241
Winnipeg Regional Health Authority	**62,585**	35,625
	$ 145,826	$ 118,866

9. **Employee Future Benefits** (continued)

a) Accrued retirement obligation (continued)

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

	2008	2007
Balance, beginning of year	**$ 118,866**	$ 83,241
Net increase (decrease) in pre-retirement entitlements	**26,010**	35,625
Balance, end of year	**$ 144,876**	$ 118,866

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, 2006 indicates the Plan is in a surplus position. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $113,551 (2007 - $98,313) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

Management fee charges	$	71,720
Shared building operations expenses		338,320

Accounts payable includes $116,136 (2007 - $7,233) payable to related parties.

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, 2008.

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 , 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.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

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, 2008 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, 2008 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 13, 2008

	Operating Fund 2008	Operating Fund 2007	Capital Fund 2008	Capital Fund 2007	Total 2008	Total 2007

Liabilities, Deferred Contributions and Fund Balances

	Operating Fund 2008	Operating Fund 2007	Capital Fund 2008	Capital Fund 2007	Total 2008	Total 2007
Current liabilities:						
Accounts payable and accrued liabilities	$ 2,353,002	$ 3,143,845	$ 35,224	$ 33,224	$ 2,388,226	$ 3,177,069
Employee vacation payable (note 9)	2,136,892	2,111,439	–	–	2,136,892	2,111,439
Funds held in trust for residents	352,049	332,851	–	–	352,049	332,851
Advances (note 4)	377,480	377,480	–	–	377,480	377,480
Current portion of long-term debt (note 5)	–	–	5,575,602	5,635,979	5,575,602	5,635,979
	5,219,423	5,965,615	5,610,826	5,669,203	10,830,249	11,634,818
Future employee pre-retirement benefits payable (note 9)	1,932,109	2,104,142	–	–	1,932,109	2,104,142
Long-term debt (note 5)	–	–	1,815,686	1,404,659	1,815,686	1,404,659
Deferred contributions (note 6):						
Expenses of future periods	1,268,325	1,601,628	–	–	1,268,325	1,601,628
Capital assets	–	–	6,046,686	4,989,041	6,046,686	4,989,041
	1,268,325	1,601,628	6,046,686	4,989,041	7,315,011	6,590,669
Fund balances:						
Invested in capital assets	–	–	3,992,122	4,928,491	3,992,122	4,928,491
Internally restricted	816,126	450,905	–	–	816,126	450,905
Unrestricted	383,743	198,016	–	–	383,743	198,016
	1,199,869	648,921	3,992,122	4,928,491	5,191,991	5,577,412
Excess of appraised value over cost	–	–	214,240	214,240	214,240	214,240
Commitment (note 12)						
	$ 9,619,726	$ 10,320,306	$ 17,679,560	$ 17,205,634	$ 27,299,286	$ 27,525,940

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date: June 19/2008

Approved on behalf of the ~~Member of the Corporation:~~

Date: June 25/2008

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances

Exhibit 2

Year ended March 31, 2008, with comparative figures for 2007

	Winnipeg Regional Health Authority	Family Services	Other Funded	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2008 Combined	2007 Combined
Revenues:									
Manitoba Family Services	$ –	$ 20,652,651	$ –	$ 20,652,651	$ –	$ 20,652,651	$ –	$ 20,652,651	$ 19,394,521
Winnipeg Regional Health Authority	22,975,965	–	–	22,975,965	–	22,975,965	–	22,975,965	22,224,243
Manitoba Health	88,147	770,000	–	858,147	–	858,147	–	858,147	–
Government of Canada	5,187	3,239	–	8,426	–	8,426	–	8,426	11,063
School divisions	–	278,835	–	278,835	–	278,835	–	278,835	555,025
Fees	–	137,109	56,785	193,894	–	193,894	–	193,894	125,691
Grants	71,409	5,564	–	76,973	–	76,973	–	76,973	83,273
Other governments	103,757	–	16,000	119,757		119,757	–	119,757	100,152
Recoveries	388,742	–	–	388,742	–	388,742	–	388,742	403,129
Investment income	143,280	–	–	143,280	–	143,280	–	143,280	121,667
St. Amant Foundation Inc. donations (note 7)	114,822	24,792	18,590	158,204	–	158,204	9,784	167,988	248,884
Amortization of deferred contributions (note 6)	–	–	–	–	–	–	496,270	496,270	500,879
Gain on sale of capital assets	–	–	–	–	–	–	3,870	3,870	20,603
Other programs	136,297	650,365	–	786,662	–	786,662	–	786,662	744,625
	24,027,606	22,522,555	91,375	46,641,536	–	46,641,536	500,140	47,151,460	44,533,755
Expenses:									
Salaries and wages	17,866,804	15,008,478	5,293	32,880,575	–	32,880,575	–	32,880,575	30,810,221
Employee benefits	3,284,085	2,722,056	832	6,006,973	–	6,006,973	–	6,006,973	5,702,696
Purchased services	562,057	25,477	28,815	616,349	–	616,349	–	616,349	319,351
Supplies	1,082,772	151,906	6,883	1,241,561	–	1,241,561	–	1,241,561	1,438,732
Food	551,109	378,264	14,100	943,473	–	943,473	–	943,473	932,260
Utilities	709,676	200,376	–	910,052	–	910,052	–	910,052	881,777
Equipment	96,707	113,284	–	209,991	–	209,991	–	209,991	228,104
Property taxes	226,259	92,853	–	319,112	–	319,112	–	319,112	316,464
Repairs and maintenance	50,558	267,016	–	317,574	–	317,574	–	317,574	393,325
Interest on long-term debt	–	–	–	–	–	–	269,040	269,040	202,056
Amortization	–	–	–	–	–	–	1,777,450	1,777,450	1,393,865
Other (note 8)	(876,547)	2,874,183	24,844	2,022,480	–	2,022,480	22,251	2,044,731	2,215,589
	23,553,480	21,833,893	80,767	45,468,140	–	45,468,140	2,068,741	47,536,881	44,834,440
Excess (deficiency) of revenues over expenses for the year before the undernoted	474,126	688,662	10,608	1,173,396	–	1,173,396	(1,558,817)	(385,421)	(300,685)
Future employee pre-retirement revenue reduction (note 9)	(172,033)	–	–	(172,033)	–	(172,033)	–	(172,033)	289,422
Future employee pre-retirement benefits obligation (note 9)	172,033	–	–	172,033	–	172,033	–	172,033	(132,389)
Excess (deficiency) of revenues over expenses	474,126	688,662	10,608	1,173,396	–	1,173,396	(1,558,817)	(385,421)	(143,652)
Transfer to Capital Fund for purchased capital assets	(59,478)	(11,064)	–	(70,542)	–	(70,542)	70,542	–	–
Transfer to Capital Fund for principal repayment	(103,899)	(180,891)	–	(284,790)	–	(284,790)	284,790	–	–
Transfer to Capital Fund for interest	(66,317)	(200,799)	–	(267,116)	–	(267,116)	267,116	–	–
Transfer to internally restricted	(298,104)	(110,181)	(10,608)	(418,893)	418,893	–	–	–	–
Transfer from internally restricted	53,672	–	–	53,672	(53,672)	–	–	–	–
Net change in fund balances	$ –	$ 185,727	$ –	185,727	365,221	550,948	(936,369)	(385,421)	(143,652)
Fund balances, beginning of year				198,016	450,905	648,921	4,928,491	5,577,412	5,721,064
Fund balances, end of year				$ 383,743	$ 816,126	$ 1,199,869	$ 3,992,122	$ 5,191,991	$ 5,577,412

See accompanying notes to financial statements.

ST. AMANT INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used for):		
Operating activities:		
Deficiency of revenues over expenses	$ (385,421)	$ (143,652)
Items not involving cash:		
Amortization of capital assets	1,777,450	1,393,865
Amortization of deferred contributions	(496,270)	(500,879)
Gain on sale of capital assets	(3,870)	(20,603)
Change in non-cash operating working capital:		
Accounts receivable	(269,877)	61,596
Inventories	4,460	(31,286)
Prepaid expenses	(5,812)	38,644
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	172,033	(126,891)
Due from St. Amant Foundation Inc.	(354,987)	(141,496)
Accounts payable and accrued liabilities	(788,843)	342,972
Employee vacation payable	25,453	135,438
Future employee pre-retirement benefits payable	(172,033)	132,389
Net increase (decrease) in deferred contributions related to expenses of future periods	(333,303)	392,566
	(831,020)	1,532,663
Financing and investing activities:		
Increase in deferred contributions related to capital assets	1,553,915	874,599
Purchase of capital assets	(1,777,835)	(3,577,678)
Proceeds on disposal of capital assets	3,870	362,147
Proceeds from long-term debt	1,142,721	1,615,405
Repayment of long-term debt	(792,071)	(669,634)
	130,600	(1,395,161)
Increase (decrease) in cash	(700,420)	137,502
Cash, beginning of year	1,518,548	1,381,046
Cash, end of year	$ 818,128	$ 1,518,548

See accompanying notes to financial statements.

ST. AMANT INC.

Notes to Financial Statements

Year ended March 31, 2008

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) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Housing (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, 2008. The Organization's Service Purchase Agreement (SPA) with the WRHA continues in effect until March 31, 2012 and the SPA with Family Services continues in effect until March 31, 2009.

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 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted for use in the River Road Place program which cannot be expended without the approval of the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital expenditures funded by operations and by contributions from other funds 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.

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

(d) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation (note 5), for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

ST. AMANT INC.
Notes to Financial Statements (continued)

Year ended March 31, 2008

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

(e) 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.

(f) 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.

(g) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act.*

(h) 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.

(i) 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 5.50 percent (2007 - 4.85 percent) and a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age related merit/promotion scale with no provision for disability.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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1. Significant accounting policies (continued):

(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 policy:

The Organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement,* on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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.

Upon adoption of this new standard, the Organization designated cash and funds held in trust for residents 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, 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 rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Change in accounting policy (continued):

There was no transitional adjustment for the Organization's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment for the Organization's other financial instruments as their carrying amounts approximate amortized cost.

3. Capital assets:

	Cost or appraised value	Accumulated amortization	2008 Net book value	2007 Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	488,414	221,616	266,798	286,456
Buildings	16,212,984	8,561,017	7,651,967	7,491,936
Building service equipment	4,638,244	1,680,712	2,957,532	2,886,870
Furniture and equipment	5,787,610	4,550,205	1,237,405	1,408,610
Automotive	184,803	149,940	34,863	43,703
Software	1,014,059	366,335	647,724	801,125
	28,539,002	15,529,825	13,009,177	13,131,588
Community residences:				
Land	1,217,034	–	1,217,034	1,142,771
Land improvements	4,678	2,354	2,324	2,533
Buildings	4,492,880	742,399	3,750,481	3,563,706
Building service equipment	10,124	7,593	2,531	3,037
Furniture and equipment	1,234,764	652,267	582,497	748,529
Automotive	206,000	138,170	67,830	39,325
	7,165,480	1,542,783	5,622,697	5,499,901
	$ 35,704,482	$ 17,072,608	$ 18,631,874	$ 18,631,489

4. 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, 2008

5. Long-term debt:

	2008	2007
Canada Mortgage and Housing Corporation:		
Mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 15, 2015	$ 459,061	$ 501,794
National Bank of Canada - Manitoba Health approved borrowings, due on demand, interest at bank prime rate less .5%, payable $4,891 monthly, principal payments, maturing October 2016	498,864	557,554
St. Amant Foundation Inc.:		
Loans payable, interest at 7.00%	–	9,409
National Bank of Canada, mortgages payable, at interest rates ranging from bank prime to 6.20%, payable $16,877 monthly including principal and interest, maturing at various dates from September 2009 through July 2012	2,765,871	2,685,241
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $4,445 monthly, principal payments, maturing in December 2022	733,325	786,665
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	2,000,000	2,499,975
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $7,500 monthly, principal payments, maturing in March 2013	442,500	–
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $8,333 monthly, principal payments, maturing in March 2013	491,667	–
	7,391,288	7,040,638
Current portion	5,575,602	5,635,979
	$ 1,815,686	$ 1,404,659

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 2007 and 2008 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 2007 and 2008.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Long-term debt (continued):

For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

Principal repayments over the next five years and thereafter, based on current repayment terms, are approximately as follows:

2009	$ 5,575,602
2010	119,477
2011	126,350
2012	131,315
2013 and thereafter	1,438,544
	$ 7,391,288

6. Deferred contributions:

(i) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2008	2007
Balance, beginning of year	$ 1,601,628	$ 1,209,062
Additional contributions received	4,428,950	4,266,999
Less amounts transferred to deferred contributions - capital assets	(573,465)	–
Less amounts recognized as revenue	(4,188,788)	(3,874,433)
	$ 1,268,325	$ 1,601,628

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Deferred contributions (continued):

(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.

	2008	2007
Balance, beginning of year	$ 4,989,041	$ 4,615,321
Additional contributions received	980,450	874,599
Add amount transferred from deferred contributions - expenses of future periods	573,465	–
Less amounts amortized to revenue	(496,270)	(500,879)
	$ 6,046,686	$ 4,989,041

	Grants	Accumulated amortization	2008 Net book value	2007 Net book value
Land improvements	$ 278,095	$ 26,115	$ 251,980	$ 268,993
Buildings	5,006,353	1,278,581	3,727,782	2,786,381
Buildings service equipment	1,575,770	545,027	1,030,743	938,711
Furniture and equipment	2,982,345	1,946,164	1,036,181	994,956
	$ 9,842,573	$ 3,795,887	$ 6,046,686	$ 4,989,041

7. Related party transactions:

The Organization made payments on loans held by the St. Amant Foundation Inc., a corporation with the same Member as the Organization, of $17,284 (2007 - $24,325), of which $7,500 (2007 - $22,867) was principal. The Organization pays rent on eight community residences to St. Amant Foundation Inc. for $80,903 (2007 - $80,903). The Organization charged St. Amant Foundation Inc. $20,000 (2007 - $18,000) for costs related to the parking lot.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

7. Related party transactions (continued):

St. Amant Foundation Inc. has provided funds towards the Organization's operations in the following amounts:

	2008	2007
Community residences program:		
Vehicles	$ 15,000	$ 15,000
Other	2,513	9,355
	17,513	24,355
Client services programs:		
Resident care program	2,500	55,489
Summer recreation program	–	9,110
Recreation program	–	25,000
School program	–	25,328
Aboriginal Culture and Initiative Outreach	42,323	38,003
Community support	834	1,600
Daycare	6,444	–
	52,101	154,530
Education and training:		
St. Amant Inc. conference	18,590	15,000
Research program	70,000	55,000
Capital projects:		
Grounds enhancement	20,235	43,741
Development services renovations	107,151	45,819
Deck 1 (west)	3,000	–
Software	11,000	–
Common area renovations	172,893	–
Community residential program	28,860	–
River Road Place	61,115	–
School and developmental services	15,049	–
	419,303	89,560
	$ 577,507	$ 338,445

Of these contributions, $419,303 (2007 - $89,560) have been recorded in deferred contributions related to capital assets.

The receivable from St. Amant Foundation Inc. of $801,789 (2007 – $446,802) is non-interest bearing, has no specified terms of repayment and is unsecured.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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7. Related party transactions (continued):

The Organization purchased occupational health services from St. Boniface General Hospital, a corporation with the same Member of the Corporation, of nil (2007 - $30,043).

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.

8. Inter-program recoveries:

The Organization records inter-program recoveries of $1,545,612 (2007 - $1,033,665) to offset the costs associated with the management and administration of the various programs. These amounts are recorded as other expenses in the related programs.

9. Employee benefits recoverable and payable:

(i) The Organization 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, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,932,109 (2007 - $2,104,142) 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 for fiscal 2007 and 2008, which include an interest component. The decrease recorded in fiscal 2008 was $172,033 (2007 - $126,891 increase in future employee pre-retirement benefits recoverable) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $162,531. This amount also includes an interest component, and is included as a current accounts receivable. This amount was received subsequent to March 31, 2008.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

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9. **Employee benefits recoverable and payable (continued):**

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $1,653,621 (2007 - $1,825,654) and has no specified terms of repayment.

Additional, information about the Organization's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 237,849	$ 97,737
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	(172,033)	132,389

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 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $85,031 (2007 - $25,900) 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 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 $1,745,544 (2007 - $1,523,894) on behalf of its employees, the most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. 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, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates increased to 6.8 percent and 8.4 percent, respectively.

(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, 2008 is $2,136,892 (2007 - $2,111,439). 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.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures,* and Handbook Section 3863 - *Financial Instruments - Presentation.* These new standards became effective for the Organization on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - Financial Instruments - *Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Organization is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

11. Fair value:

The fair value of the following items is not determinable due to the underlying terms and conditions: due 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 is approximately $4,963,000 (2007 - $3,485,000) as compared to their carrying value of $4,932,227 (2007 - $3,471,906). 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.

12. Commitment:

The Organization is committed to construction contracts for the 2009 fiscal year of approximately $701,000.

Deloitte.

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

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, 2008 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, 2008 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, 2008

ST. JOSEPH'S RESIDENCE INC.
Statement of Operations
Year ended March 31, 2008

		2008		2007
REVENUE				
WRHA	$	**4,144,032**	$	3,793,156
Residential charges		**1,495,844**		1,407,226
Canada Mortgage and Housing Corporation (Note 7)		**35,946**		35,946
		5,675,822		5,236,328
Amortization of deferred contributions - capital assets		**90,750**		84,902
Recoveries - general		**61,153**		78,218
Cafeteria		**14,037**		17,371
Interest		**50,052**		55,507
Donations		**8,628**		18,013
		224,620		254,011
		5,900,442		5,490,339
EXPENSES				
Salaries and wages		**3,957,518**		3,687,587
Unfunded portion of pre-retirement leave		**68,762**		-
Plant operations and maintenance		**392,232**		300,739
Employee benefits		**638,252**		554,165
Dietary		**199,079**		194,094
General services		**177,269**		184,905
Special services		**62,636**		83,024
Depreciation		**106,314**		98,324
Interest on long term debt		**58,417**		53,063
Housekeeping, laundry and linen		**100,103**		95,188
Medical supplies		**92,398**		80,543
Health and education tax		**81,263**		75,273
		5,934,243		5,406,905
(DEFICIT) SURPLUS FOR THE YEAR	**$**	**(33,801)**	$	83,434

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
March 31, 2008

		2008		2007
ASSETS				
CURRENT				
Cash and certificates of deposit	$	**1,142,552**	$	1,291,409
Cash held in trust		**14,552**		10,658
Accounts receivable		**672,012**		281,642
Inventory		**25,266**		23,966
Prepaid expenses		**12,296**		11,626
Due from WRHA - vacation pay		**248,912**		248,912
		2,115,590		1,868,213
CAPITAL ASSETS (Note 4)		**2,351,684**		2,112,550
DUE FROM WRHA - PRE-RETIREMENT LEAVE		**383,010**		435,489
	$	**4,850,284**	$	4,416,252
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**1,081,651**	$	816,492
Accrued vacation pay		**295,109**		288,194
Funds held in trust		**20,755**		10,658
Current portion of long-term debt (Note 6)		**168,168**		128,697
		1,565,683		1,244,041
LONG-TERM DEBT (Note 6)				
Mortgage		**718,367**		818,591
Term Loan		**474,258**		394,159
ACCRUED PRE-RETIREMENT LEAVE (Note 5)		**451,772**		435,489
DEFERRED CONTRIBUTIONS				
EXPENSES OF FUTURE PERIODS (Note 10)		**86,240**		67,048
CAPITAL ASSETS (Note 11)		**728,977**		611,034
MAJOR REPAIRS (Note 12)		**46,188**		34,188
		4,071,485		3,604,550
NET ASSETS				
INVESTED IN CAPITAL ASSETS (Note 13)		**419,250**		299,905
UNRESTRICTED FUND		**359,549**		511,797
		778,799		811,702
	$	**4,850,284**	$	4,416,252

APPROVED BY THE BOARD

Director

Director

ST. JOSEPH'S RESIDENCE INC.
Statement of Changes in Net Assets
Year ended March 31, 2008

	2008			2007
	Invested in Capital Assets	**Unrestricted**	**Total**	Total
Balance, beginning of year as previoulsy stated	**$ 301,376**	**$ 509,936**	**$ 811,312**	$ 728,268
Change in Accounting Policies (Note 2)	**-**	**1,288**	**1,288**	-
Balance, beginning of year, restated	**301,376**	**511,224**	**812,600**	728,268
(Deficit) surplus for the year	**(18,312)**	**(15,489)**	**(33,801)**	83,434
Investment in capital assets (Note 13)	**136,186**	**(136,186)**	**-**	-
Balance, end of year	**$ 419,250**	**$ 359,549**	**$ 778,799**	$ 811,702

ST. JOSEPH'S RESIDENCE INC.
Statement of Cash Flows
Year ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
(Deficit) surplus for the year	$ (33,801)	$ 83,434
Items not affecting cash		
Depreciation	106,314	98,324
Amortization of deferred contributions - expenses of future periods	(61,003)	(27,853)
Amortization of deferred contributions - capital assets	(90,750)	(84,902)
Unrealized loss on investments	3,647	-
	(75,593)	69,003
Changes in non-cash working capital balances		
Accounts receivable	(390,370)	(223,832)
Inventory	(1,300)	(922)
Prepaid expenses	(670)	(1,807)
Due from WRHA - pre-retirement leave	52,479	(50,012)
Accounts payable and accrued liabilities	265,159	269,654
Accrued vacation pay	6,915	31,739
Accrued pre-retirement leave	16,283	50,012
	(127,097)	143,835
FINANCING ACTIVITIES		
Funds held in trust	10,097	(1,210)
Long-term debt repayments	(96,093)	(92,284)
Proceeds of term loan	168,513	184,882
Term loan repayments	(53,075)	(32,460)
Additional deferred contributions received		
- expenses of future periods	80,195	60,116
- capital assets	205,945	179,794
- major repairs	12,000	12,000
	327,582	310,838
INVESTING ACTIVITIES		
Cash held in trust	(3,894)	1,210
Capital asset purchases	(345,448)	(249,134)
Proceeds on disposal of capital assets	-	880
	(349,342)	(247,044)
NET INCREASE IN CASH AND CERTIFICATES OF DEPOSIT	(148,857)	207,629
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR	1,291,409	1,083,780
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$ 1,142,552	$ 1,291,409
INTEREST PAID	$ 58,757	$ 53,390

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

The Residence has adopted the following recommendations of the CICA Handbook:

a) Effective April 1, 2007, the Residence adopted the revised CICA Section 1506 Accounting Changes, which requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Residence has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) Section 3855, Financial Instruments – Recognition and Measurement. This standard describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) Section 3861, Financial Instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) Section 3251, Equity. This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

The Residence has made the following classifications:

- Cash and certificates of deposit are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest rate method.
- Future retirement entitlements recoverable and accrued vacation entitlements recoverable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method
- Accounts payable and accrued charges and accrued vacation entitlements are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

2. CHANGES IN ACCOUNTING POLICIES (continued)

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. Accordingly, the Residence's net assets at April 1, 2007 were affected by the application of these new standards in the amount of $1,288. As at that date, net assets were increased by that amount together with an offsetting increase to various investments to adjust these assets to their market value.

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:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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
Investments	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA/Manitoba Health	Loans and receivables
Accounts payable and accrued charges	Other liabilities
Accrued vacation entitlements	Other liabilities

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-maturity
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

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 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 substantially at average cost.

i) *Credit risk*

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Residence. 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.

j) *Fair value*

The carrying value of the corporation's financial assets and liabilities reflect their fair values, unless otherwise disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *Future accounting changes*

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Residence will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Residence is currently assessing the impact of these new standards on its financial statements.

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	**$ 193,965**	**$ -**	$ 193,965	$ -
Parking lot	**86,781**	**19,831**	65,604	16,551
Building	**2,888,704**	**1,365,221**	2,716,098	1,314,657
Building service equipment	**314,772**	**47,216**	314,772	31,477
Furniture and equipment	**1,311,793**	**1,101,427**	1,249,492	1,064,696
	4,796,015	**2,533,695**	4,539,931	2,427,381
Net Book Value	**$ 2,262,320**		$ 2,112,550	

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 5.50% (2007– 4.85) and a rate of salary increase of 3.5% plus age related merit/promotion scale with nil for disability. Actual payments made during the year for the Residence's pre-retirement leave were $38,710 (2007 -$10,446).

6. LONG-TERM DEBT

		2008		2007
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	**$**	**818,735**	$	914,828
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,705, interest rate of prime minus 0.75% per annum, due October 31, 2014		**209,277**		241,737
Term loan, payable to Toronto Dominion Bank, repayable In monthly principal payments of $2,945, interest rate of prime minus 0.75% per annum, due August 31, 2018		**332,781**		184,882
Total long-term debt		**1,360,793**		1,341,447
Current portion		**(168,168)**		(128,697)
	$	**192,625**	$	1,212,750

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:	2008	$	100,368
	2009		104,578
	2010		108,969
	2011		113,536
	2012		118,297
Term loan:	2008	$	67,800
	2019		67,800
	2010		67,800
	2011		67,800
	2012		67,800

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 2008 was $35,946 (2007 - $35,946).

8. RELATED ENTITIES

a) The residence is dependent on the Winnipeg Regional Health Authority for the majority of the funding of its operations.

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2007 - $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 $8,428 (2007 - $27,854).

At March 31, 2008, Friends of St. Joseph's Residence Inc. owed to St. Joseph's Residence Inc. $59,972 (2007 - $84,826).

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 3.20% and 5.10%. The fair market value of these fixed income securities as at March 31, 2008 is $756,839.

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.

Credit risk is increased where a significant portion of the 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.

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

		2008		2007
Balance, beginning of year	$	**67,048**	$	34,785
Additional contributions		**80,195**		60,116
Distribution for expenses		**(61,003)**		(27,853)
Balance, end of year	$	**86,240**	$	67,048

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:

	2008				2007
	Purchased Capital Assets	**Future Capital Assets**	**Contributed Surplus**	**Total**	Total
Balance beginning of year, as restated	$ 191,620	$ 139,836	$ 279,578	$ 611,034	$ 516,142
Additional contributions received:	39,276	17,500		56,776	55,050
Debt repayment	149,169			149,169	124,744
Amortization	(78,683)		(9,319)	(88,002)	(84,902)
Balance, end of year	$ 301,382	$ 157,336	$ 270,259	$ 728,977	$ 611,034

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:

		2008		2007
Balance, beginning of year	$	**34,188**	$	22,188
Additional contributions		**12,000**		12,000
Balance, end of year	$	**46,188**	$	34,188

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 2,262,320**	$ 2,112,550
Amounts financed by		
Deferred contributions	**(571,641)**	(471,198)
Mortgage payables	**(818,735)**	(914,828)
Term loans	**(542,058)**	(426,619)
	$ 329,886	$ 299,905

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

	2008	2007
Depreciation of capital assets included in operations	**$ (106,314)**	$ (98,324)
Amortization of deferred contributions related to capital assets include operations	**88,002**	84,902
	$ (18,312)	$ (13,442)

Net change in invested in capital assets is as follows:

	2008	2007
Purchase of capital assets	**$ 256,084**	$ 249,134
Proceeds on disposal of capital assets	**-**	(880)
Increase in deferred contributions	**(189,917)**	(162,274)
Increase in term loans	**(168,513)**	(184,882)
Repayment of term loan	**53,075**	32,460
Loan repayments	**96,093**	92,284
	$ 46,822	$ 25,842

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 $229,302 (2007 - $202,607).

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CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

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, 2008, 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, 2008, 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.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 26, 2008

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Statement of Operations

Year Ended March 31	**2008**	2007
Revenues (Page 9)	**$ 1,592,193**	$ 1,485,258
Less: revenues deferred to subsequent fiscal period (Note 5)	**(180,380)**	(184,572)
Net revenues	**1,411,813**	1,300,686
Expenditures (Page 10)	**1,361,843**	1,284,076
Excess of revenues over expenditures from operations	**49,970**	16,610
Pre-retirement leave (expense) - current (Note 9)	**(4,915)**	(9,945)
Pre-retirement leave recovery - current (Note 9)	**4,915**	9,945
Pre-retirement leave(expense) recovery - current (Note 9)	**(3,512)**	30,279
Excess of revenues over expenditures	**$ 46,458**	$ 46,889

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Relocation Reserve	Operating Fund	2008	2007
Balance, beginning of year	$ 15,093	$ 33,415	**$ 48,508**	$ 1,619
Excess of revenues over expenditures	-	46,458	**46,458**	46,889
Interfund transfer	15,000	(15,000)	**-**	-
Balance, end of year	$ 30,093	$ 64,873	**$ 94,966**	$ 48,508

See accompanying notes to the financial statements.

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Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2008	2007
Assets		
Operating Fund		
Cash and short term deposits	**$ 227,656**	$ 85,207
Receivables	**194,932**	265,352
Prepaids	**17,890**	16,756
	440,478	367,315
Property and equipment (Note 3)	**28,027**	35,034
	468,505	402,349
Relocation Reserve		
Cash	**30,093**	15,093
	$ 498,598	$ 417,442
Liabilities		
Operating Fund		
Payables and accruals (Note 4)	**$ 137,499**	$ 98,516
Deferred revenue (Note 5)	**180,380**	184,572
	317,879	283,088
Pre-retirement leave (Note 9)	**65,717**	60,802
Deferred contributions related to property and equipment (Note 6)	**20,036**	25,044
Fund balance	**64,873**	33,415
	468,505	402,349
Relocation Reserve		
Fund balance	**30,093**	15,093
	$ 498,598	$ 417,442

Commitments (Note 8)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. 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 entity 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:

Revenue recognition

Sexuality Education Resource Centre Manitoba, Inc. follows the deferral method of accounting for revenue.

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.

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.

Property and equipment

Property and equipment 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:

Furniture and equipment	20%
Computers	20%

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CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

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.

Financial instruments

Unless otherwise stated in these financial statements, 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. Equipment

	Cost	Accumulated Amortization	**2008 Net Book Value**	2007 Net Book Value
Winnipeg				
Computers	$ 61,475	$ 42,379	**$ 19,096**	$ 23,870
Furniture and equipment	22,607	15,577	**7,030**	8,788
Brandon				
Computers	10,880	9,004	**1,876**	2,345
Furniture and equipment	663	638	**25**	31
	$ 95,625	$ 67,598	**$ 28,027**	$ 35,034

4. Payables and accruals

	2008	2007
Vacation pay and salary accrual	**$ 48,930**	$ 36,093
Trade	**88,569**	62,423
	$ 137,499	$ 98,516

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CHARTERED ACCOUNTANTS

5. Deferred revenue

Deferred revenue reported in the Operating Fund relates to restricted operating funding received in the current year that is related to the subsequent year.

	2008	2007
Winnipeg Regional Health Authority	$ **40,000**	$ 40,000
Province of Manitoba		
Manitoba Health - HIV Training	**82,127**	98,901
Manitoba Health - Addressing the Future	**3,099**	3,247
Manitoba Health - STI	**10,000**	10,000
Manitoba Harm Reduction Network	**3,340**	3,340
Government of Canada		
Justice - Strengthening Families	**2,187**	-
Birth Control Kits	**3,545**	3,545
Health Canada	**6,288**	6,845
Cancercare	**6,358**	6,358
Klinic	**1,610**	1,610
Nine Circles	**10,000**	-
Winnipeg Foundation	**7,726**	7,726
Foundation for Sexual Health	**1,100**	-
Planned Parenthood Federation of Canada	**3,000**	3,000
	$ **180,380**	$ 184,572

6. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent grants and contributions for computers. Deferred contributions are amortized on the statement of operations. Amortization was provided in the current year for $5,009 (2007 - $6,944).

7. Economic dependence

The association is economically dependent upon receiving grants from various funding bodies.

8. Lease commitments

The organization leases office space located at 555 Broadway. The organization has a five year lease which expires August 31, 2009 and which obligates the organization to make annual rental payments totaling $47,515 in the remaining two years.

The organization has a five year lease for the Brandon office which expires December 1, 2009 and which obligates the organization to make annual rental payments totaling $14,400.

9. 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 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.

Change in obligation	**2008**	2007
Opening balance	**$ 60,802**	$ 50,857
Increase in obligation	**4,915**	9,945
	$ 65,717	$ 60,802

Pre-retirement leave		
Current year expense (recovery)	**$ 3,512**	$ (30,279)
Current year recovery	**(4,915)**	(9,945)
Increase in obligation	**4,915**	9,945
	$ 3,512	$ (30,279)

10. Statement of cash flows

The statement of cash flows has not been presented as management does not believe that it provides additional meaningful information.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Revenues

Year Ended March 31	2008	2007
Province of Manitoba		
Winnipeg Regional Health Authority	$ 872,899	$ 805,323
Manitoba Health - Addressing the Future	7,372	140,421
Manitoba Health - HIV Training	82,127	98,901
Manitoba Labour and Immigration	56,967	20,617
Manitoba Harm Reduction Network	63,340	53,340
Manitoba Health - STI	10,000	10,000
Manitoba Health - HIV Curriculum	16,774	4,599
Think Again	-	3,000
Government of Canada		
Multiculturalism	18,725	27,225
Justice	104,801	32,091
Health Canada	160,804	103,802
United Way		
Winnipeg	109,650	109,654
Brandon	14,375	15,000
Designated funds	326	1,726
Winnipeg Foundation	7,726	7,726
Canadian Federation for Sexual Health	3,000	3,000
North End Community Renewal Corporation	125	2,625
Capital grants (Note 6)	5,009	6,944
Membership	430	620
Donations	1,963	2,556
Sales of Promotional Material	1,831	2,301
Foundation for Sexual Health	1,101	-
Interest	4,482	2,912
Honoraria and other	38,366	30,365
Nine Circles	10,000	-
Conference	-	510
	$ 1,592,193	$ 1,485,258

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Schedule of Expenditures

Year Ended March 31	2008	2007
Amortization	$ 7,007	$ 6,944
Annual general meeting	1,579	1,682
Annual general meeting - MHRN	10,000	9,729
Bank charges and interest	252	297
Board	463	247
Child care	9,890	2,233
Computer services and maintenance	13,052	14,408
Contract fee	223,368	140,601
Copying	11,929	5,379
Electronic program delivery	2,669	15,502
Employee benefits	86,214	90,367
Evaluation	20,482	5,930
Membership dues	570	2,929
Office supplies and services	29,316	26,654
Postage	1,089	7,226
Printing - resource materials	17,742	125,561
Professional fees	6,302	4,883
Program costs	29,021	14,056
Project administration	400	1,750
Promotion/publicity	20,769	6,750
Relocation	20,000	-
Rent	68,950	66,525
Repairs and maintenance	9,860	8,497
Resource centre	6,189	1,664
Salaries	649,806	634,259
Staff training	2,955	4,175
Staff travel	29,582	25,306
Taxes and insurance	2,128	96
Telephone	28,090	29,056
Utilities	11,521	9,230
Volunteer costs	40,648	22,140
	$ 1,361,843	$ 1,284,076

See accompanying notes to the financial statements.

booke & partners CHARTERED ACCOUNTANTS

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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's operations as outlined in Note 1 of these financial statements, as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not include a review of the the 2008 budget figures and consequently, we do not express an opinion on these figures.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 25, 2008

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31		2008		2007
Assets				
Current Assets				
Accounts receivable (Note 3)	$	**50,641**	$	56,978
Prepaid expenses		**7,229**		6,888
Vacation entitlement receivable (Note 4)		**171,526**		171,526
		229,396		235,392
Investments (Market value 2007 - $442,468)		**449,007**		442,468
Retirement obligations receivable (Note 4)		**276,262**		266,755
Restricted cash and deposits (Note 5)		**241,152**		232,606
Capital assets (Notes 6)		**962,668**		953,756
	$	**2,158,485**	$	2,130,977
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness	$	**103,128**	$	18,001
Accounts payable and accrued charges (Note 7)		**326,886**		294,767
Current portion of long-term debt (Note 9)		**27,120**		27,120
Accrued vacation pay		**204,678**		191,079
		661,812		530,967
Accrued retirement obligations		**205,579**		196,072
Residents' Trust Fund (Note 5)		**13,515**		19,614
Long-term debt (Note 9)		**168,037**		195,157
Deferred contributions (Note 10)		**597,666**		620,249
Net assets		**511,876**		568,918
	$	**2,158,485**	$	2,130,977

Approved on behalf of the Board:

Director / PRESIDENT

Director / TREASURER

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Changes in Net Assets

For the year ended March 31				2008	2007
	Invested in Capital Assets	Adult Day Program	Unrestricted	Total	Total
Balance, beginning of year	$ 509,705	$ 9,399	$ 49,814	$ 568,918	$ 504,819
Change in accounting policy (Note 2)	-	-	50,640	50,640	-
Balance, beginning of year restated	509,705	9,399	100,454	619,558	504,819
Excess (deficiency) of revenue over expenditures for the year	-	697	(108,379)	(107,682)	64,099
Capital assets purchased	78,431	-	(78,431)	-	-
Principal repayments not funded	27,129	-	(27,129)	-	-
Balance, end of year	$ 615,265	$ 10,096	$ (113,485)	$ 511,876	$ 568,918

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Operating

For the year ended March 31

	2008				2007
	Budget	**Operations**	**Capital**	**Actual**	Actual
Revenue					
Winnipeg Regional Health Authority	**$ 2,726,519**	**$ 2,970,339**	**$ -**	**$ 2,970,339**	$ 2,779,769
Residential charges	**1,444,036**	**1,493,945**	**-**	**1,493,945**	1,407,792
Offset income	**18,000**	**29,281**	**-**	**29,281**	35,513
Investment income	**19,700**	**2,187**	**-**	**2,187**	19,195
Amortization of deferred contributions related to capital assets (Note 10)	**55,869**	**-**	**69,519**	**69,519**	78,683
Gain on sale of investments	**-**	**-**	**-**	**-**	20,014
	4,264,124	**4,495,752**	**69,519**	**4,565,271**	4,340,966
Expenditures					
Operating (Page 21)	**4,170,123**	**4,586,472**	**-**	**4,586,472**	4,184,261
Interest on long-term debt	**16,000**	**17,659**	**-**	**17,659**	15,052
Amortization of capital assets	**78,001**	**-**	**69,519**	**69,519**	79,926
	4,264,124	**4,604,131**	**69,519**	**4,673,650**	4,279,239
Excess (deficiency) of revenue over expenditures for the year before other items	**-**	**(108,379)**	**-**	**(108,379)**	61,727
Other Items					
Retirement obligation					
WRHA funding accrued	**-**	**9,507**	**-**	**9,507**	10,087
Increase in liability for the year	**-**	**(9,507)**	**-**	**(9,507)**	(10,087)
Excess (deficiency) of revenue over expenditures for the year	**$ -**	**$ (108,379)**	**$ -**	**$ (108,379)**	$ 61,727

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Adult Day Program

For the year ended March 31		2008	2007
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority	$ 36,624	$ 37,176	$ 38,061
Participants' fees	6,300	4,353	5,003
	42,924	41,529	43,064
Expenditures			
Accrued vacation	720	-	(1,714)
Administration fee	480	480	480
Employee benefits	2,112	2,269	3,665
Food	4,680	2,964	3,540
Manitoba Health and Education Tax	360	393	462
Other supplies	2,652	2,652	585
Salaries	18,720	19,636	21,706
Transportation	13,200	12,438	11,968
	42,924	40,832	40,692
Excess of revenue over expenditures for the year	$ -	$ 697	$ 2,372

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

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31		2008		2007
Cash Flows from Operating Activities				
Excess (deficiency) of revenue over expenditures for the year				
Operating and capital	$	(108,379)	$	61,727
Adult Day Program		697		2,372
Adjustments for				
Amortization of capital assets		69,519		79,926
Net increase (decrease) in deferred contributions		(22,583)		61,318
Change in resident trust funds		(6,099)		1,597
Changes in Fair Value of investments		9,192		-
		(57,653)		206,940
Changes in non-cash working capital		38,116		98,553
		(19,537)		305,493
Cash Flows from Financing Activities				
Long-term debt		(27,120)		(67,556)
Pre-retirement leave		9,507		10,087
		(17,613)		(57,469)
Cash Flows from Investing Activities				
Purchase of capital assets		(78,431)		(79,731)
Disposal of investments		39,000		7,478
		(39,431)		(72,253)
Net increase (decrease) in cash and cash equivalents		(76,581)		175,771
Cash and cash equivalents, beginning of year		214,605		38,834
Cash and cash equivalents, end of year	$	138,024	$	214,605
Represented by:				
Operations	$	(103,128)	$	(18,001)
Restricted		241,152		232,606
	$	138,024	$	214,605

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 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 an accounting period are accrued. Where a portion of a grant related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Winnipeg Regional Health Authority (WRHA) with respect to the year ended March 31, 2008.

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, which continues in effect until March 31, 2007 unless terminated sooner in accordance with the agreement.

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.

Major Repairs Fund and Equipment Replacement Fund

The Home has established Funds to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the Winnipeg Regional Health Authority.

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%
Computer equipment	33%
Computer software	33%
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 trade date basis.

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

Held-for-trading

This category is comprised of investments, restricted cash and deposits and bank indebtedness. 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 and loans receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision or impairment. Transaction costs related to loans and receivables are 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 receivable, accounts payable and long-term debt. 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.

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:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Home does not expect the adoption of these changes to have a material impact on its financial statements.

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.

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.

2. Change in Accounting Policy

On January 1, 2007 the Home retroactively adopted, without restatement of net assets, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards has resulted in an adjustment to opening unrestricted net assets in the amount of $50,640.

3. Accounts Receivable

		2008		2007
Winnipeg Regional Health Authority				
Pre-retirement leave	**$**	**39,744**	$	59,440
Companion services		**-**		39,599
Gastric feed		**3,650**		13,138
Loan funding variance		**17,581**		69,674
Other		**4,335**		4,676
MNU and MNU related salary increases		**15,042**		15,042
Capital asset funding (century tubs and lifts)		**21,756**		67,478
2007/2008 wage accruals		**72,272**		-
		174,380		269,047
Residential charges payable		**(171,826)**		(229,810)
Net receivable from WRHA		**2,554**		39,237
Receivable from residents		**17,801**		3,157
Accrued interest		**1,500**		1,500
G.S.T. receivable		**16,056**		8,589
Benefit Fund receivable		**10,955**		-
Parking Fund receivable		**1,775**		4,495
	$	**50,641**	$	56,978

4. Current and Future Employee Benefits Recoverable from Manitoba Health

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 was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and had been recorded as a receivable on the statement of financial position in the amount of $256,668. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The resulting increase to receivables and revenues was $9,507 for the 2008 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. 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 Home). 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.

5. Restricted Cash and Deposits

	2008	2007
Reserve for insurance deductible	**$ 6,254**	$ 6,048
Equipment replacement	**137,572**	132,972
Major repair	**76,457**	73,972
Residents' Trust Fund	**20,869**	19,614
	$ 241,152	$ 232,606

6. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	1,584,527	796,842	1,584,527	765,152
Computer equipment	136,621	133,034	133,033	124,016
Computer software	55,313	55,313	55,313	52,869
Furniture - sun room	24,344	24,344	24,344	24,344
Furniture and equipment	794,332	639,205	719,488	612,837
	$ 2,611,406	$ 1,648,738	$ 2,532,974	$ 1,579,218
Cost less accumulated amortization		$ 962,668		$ 953,756

7. Accounts Payable and Accrued Charges

	2008	2007
Accounts payable - trade	$ 115,623	$ 119,151
Accrued property taxes	7,328	7,328
Accrued audit fees	9,240	9,600
Accrued salaries	194,695	158,688
	$ 326,886	$ 294,767

8. 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 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, 2006 indicates the plan is in a surplus position. Contributions to the Plan made during the year by The Home on behalf of its employees amounted to $141,780 (2007 - $126,067) and are included in the statement of operations.

9. Long-term Debt

	2008	2007
Loan payable		
CIBC - construction, payable in monthly instalments of $2,260 plus interest at bank prime, secured by investments held by The Home	$ 195,157	$ 222,277
Current portion of long-term debt	27,120	27,120
	$ 168,037	$ 195,157

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

2009	$ 27,120
2010	27,120
2011	27,120
2012	27,120
2013	27,120

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.

	2008	2007
Balance, beginning of year	$ 407,257	$ 365,487
Contributions received	41,648	134,811
Contributions spent on capital debt	(14,256)	(14,358)
Less amounts amortized to revenue	(69,519)	(78,683)
Balance, end of year	365,130	407,257
Reserve for insurance deductible		
Balance, beginning of year	6,048	5,040
Additions	1,004	1,008
Balance, end of year	7,052	6,048
Unspent basic equipment		
Balance, beginning of year	132,972	118,272
Additions	14,700	14,700
Balance, end of year	147,672	132,972
Unspent reserve for major repairs		
Balance, beginning of year	73,972	70,132
Additions	3,840	3,840
Balance, end of year	77,812	73,972
Total deferred contributions	$ 597,666	$ 620,249

11. Restricted Net Assets

All of the net assets for the equipment replacement and major repairs and renovations and insurance deductible reserve are subject to externally imposed restrictions.

12. Insurance

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, 2008, 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, 2008.

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

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Management of The Salvation Army Golden West Centennial Lodge

We have audited the statement of financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2008 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, 2008 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 year ended March 31, 2007 were audited by another firm of chartered accountants, who expressed an opinion without reservation in their report dated June 8, 2007.

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 16, 2008

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Financial Position
March 31, 2008

		2008		2007 (Restated Note 3)
ASSETS				
CURRENT				
Cash (Note 4)	$	**218,841**	$	110,028
Accounts receivable		**14,119**		9,962
Prepaid expenses		**1,444**		4,969
Inventory		**15,804**		12,763
Employee benefits recoverable from Winnipeg Regional Health Authority (Note (9)		**342,550**		311,682
		592,758		449,404
Cash held for restricted purposes (Note 5)		**123,029**		212,051
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (Note 9)		**264,804**		234,727
Capital assets (Note 6)		**3,535,881**		3,614,771
Deferred grant receivable (Note 7)		**50,338**		52,891
Trust assets - Residents		**17,097**		13,244
	$	**4,583,907**	$	4,577,088
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 8)	$	**441,898**	$	381,968
Accrued vacation payable		**303,232**		295,864
Advances from and amounts due to Winnipeg Regional Health Authority (Note 8)		**268,180**		264,090
Demand loans payable and current portion of long-term debt (Note 11)		**1,022,215**		1,341,694
		2,035,525		2,283,616
Accrued pre-retirement benefits (Note 9)		**304,273**		274,196
Deferred contributions (Note 10)		**2,191,305**		1,924,187
Long-term debt (note 11)		**373,932**		395,384
Trust liability - Residents		**17,097**		13,244
		4,922,132		4,890,627
NET DEFICIENCY				
Invested in capital assets (Note 12)		**77,251**		85,751
Internally restricted		**92,120**		79,803
Unrestricted		**(507,596)**		(479,093)
		(338,225)		(313,539)
Continuity of operations (Note 1)				
		4,583,907	$	4,577,088

See accompanying notes to financial statements.

APPROVED BY THE BOARD

. Director

. Director

HE SALVATION ARMY
OLDEN WEST CENTENNIAL LODGE
tatement of Operations
ear Ended March 31, 2008

	2008	2007
EVENUE		
Winnipeg Regional Health Authority	$ 4,094,392	$ 3,989,126
Residential charges	2,035,919	1,885,767
Amortization of deferred contributions (Note 10)	273,643	299,060
Dietary services	38,047	33,147
Other income	31,276	28,779
	6,473,277	6,235,879
XPENSES		
Administration	91,013	98,922
Amortization	282,143	285,371
Employee benefits	716,423	685,437
Medical supplies	111,909	100,029
Operating expenses	380,280	408,394
Payroll tax	89,703	93,743
Physical plant	374,940	381,537
Pre-retirement leave costs (Note 9)	22,908	47,491
Interest on long-term debt	91,980	101,314
Salaries	4,345,069	4,134,219
	6,506,368	6,336,457
Deficiency of revenue over expenses on long term operations	(33,091)	(100,578)
Deficiency of revenue over expenses on Adult Day Care program	(8,611)	(14,421)
Deficiency of revenue over expenses on operations	(41,702)	(114,999)
Other revenue and expenses	17,016	1,917
Deficiency of revenue over expenses for the year	$ (24,686)	$ (113,082)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Changes in Net Assets
Year Ended March 31, 2008

	2008				2007
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	85,751	79,803	(479,093)	(313,539)	(200,457)
Excess (deficiency) of revenue over expenses for the year (Note 12 (b))	(8,500)	-	(16,186)	(24,686)	(113,082)
Fund transfers (Note 13)	-	12,317	(12,317)	-	-
Balance, end of year	$ 77,251	$ 92,120	$ (507,596)	$ (338,225)	$ (313,539)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007 (Restated Note 3)
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ **(24,686)**	$ (113,082)
Items not affecting cash		
Amortization of capital assets	**282,143**	285,371
Amortization of deferred contributions	**(273,643)**	(299,060)
	(16,186)	(126,771)
Changes in non-cash working capital balances		
Accounts receivable	**(4,157)**	88,305
Prepaid expenses	**3,525**	17,527
Inventory	**(3,041)**	(1,303)
Employee benefits recoverable	**(30,868)**	-
Future employee pre-retirement benefits recoverable	**(30,077)**	(22,531)
Accrued pre-retirement entitlements	**30,077**	22,531
Accrued vacation payable	**7,368**	11,939
Due to Winnipeg Regional Health Authority	**4,090**	-
Accounts payable and accrued liabilities	**59,930**	97,080
	20,661	86,777
FINANCING ACTIVITIES		
Grants received	**2,553**	2,386
Additional deferred contributions received	**540,761**	393,981
Repayments of long-term debt	**(340,931)**	(315,420)
	202,383	80,947
INVESTING ACTIVITIES		
Capital assets purchases	**(203,253)**	(38,709)
Decrease in cash held for restricted purposes	**89,022**	149,406
	(114,231)	110,697
NET INCREASE IN CASH	**108,813**	278,421
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	**110,028**	(168,393)
CASH, END OF YEAR	$ **218,841**	$ 110,028

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial 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 Grace General Hospital and Golden West Centennial Lodge (See Note 14).

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, 2008. At March 31, 2008, the Lodge's current liabilities exceed its current assets by $1,442,767 (2007 - $1,834,212). The Lodge also has a net asset deficiency of $338,225 (2007 - $313,539) at March 31, 2008, mainly as a result of losses from operations in prior fiscal years.

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 Lodge continuing to operate at a break-even or surplus position in future years, and the continued support of the Winnipeg Regional Health Authority.

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. 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 donations and government grants.

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.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Building expansion	30 years
Major equipment	10 years
Nursing station	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.

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 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.

The Lodge 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 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 entitlements and accrued retirement entitlements. 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 employee benefits recoverable from the WRHA.

g) *Internally restricted net assets*

Internally restricted net assets represent funds which have been received through donations and have been internally restricted by the Lodge's Board of Management. These funds can only be utilized with the prior approval of the Board of Management.

h) *Use of estimates*

The preparation of the 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. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES (continued)

i) *Financial instruments*

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 this risk.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Lodge's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value
The fair value of the cash, cash held for restricted purposes, accounts receivable and accounts payable and accrued liabilities, approximate their carrying value due to their short-term maturity.

The fair value of deferred grant receivable and long-term debt approximates their carrying values as their interest rates are comparable to market rates.

j) *Future accounting change*

On December 31, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards become effective for the Lodge on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative date about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Lodge is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

3. CHANGES IN ACCOUNTING POLICIES

a) *Financial Instruments*

The Lodge adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. 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 net assets.

Upon adoption of this new standard, the Lodge designated cash and cash held for restricted purposes as held-for-trading; accounts receivable, employee benefits and future employee benefits recoverable from Winnipeg Regional Health Authority, deferred grant receivable and Trust assets - Residents as loans and receivables; and accounts payable and accrued liabilities, advances from and amounts due to Winnipeg Regional Health Authority, accrued vacation payable, and demand loans payable and long-term debt as other liabilities. The Lodge 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 rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 as a result of adoption of this standard. There was no impact on the Lodge's reported results for fiscal 2008. In accordance with the standard, prior periods are not restated.

b) *Presentation of long-term debt*

During fiscal 2008, the Lodge changed its accounting policy for the treatment of long-term debt that is secured by a letter of comfort issued by Manitoba Health. In previous periods, the Lodge had presented such debt as deferred contributions, and the loans are now presented separately on the statement of financial position, as long-term debt. Management has determined that the new policy is preferable because it better reflects the third party nature of this debt. Prior periods have been restated. The impact of the change on the statement of financial position was to:

- reduce deferred contributions by $1,396,147 as at March 31, 2008 and $1,737,078 as at March 31, 2007

- increase demand loans and current portion of long-term debt by $1,022,215 as at March 31, 2008 and $1,341,694 as at March 31, 2007

- increase long-term debt by $373,932 as at March 31, 2008 and $395,384 as at March 31, 2007.

The impact of the change on the statement of operations was to increase both revenue from the WRHA and interest expense by $91,980 for the year ended March 31, 2008, and by $101,314 for the year ended March 31, 2007.

This change in presentation had no impact on net assets or results of operations for any period presented.

4. CASH

	2008	2007
Cash	**$ 150,658**	$ 47,552
Funds on deposit with Salvation Army Headquarters	**68,183**	62,476
	$ 218,841	$ 110,028

5. CASH HELD FOR RESTRICTED PURPOSES

	2008	2007
CAPITAL		
Cash	$ -	$ 4,047
Funds on deposit with Salvation Army Headquarters	30,909	128,201
	30,909	132,248
OTHER		
Internally restricted net assets (Note 2(g))	92,120	79,803
	$ 123,029	$ 212,051

Funds on deposit with Salvation Army Headquarters represent funds which have been bequeathed to the Lodge. Such funds can only be utilized for capital purposes with the prior approval of the Territorial Finance Council and Property Board.

6. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 55,159	$ -	$ 55,159	$ 55,159
Buildings	998,208	757,895	240,313	260,278
Building expansion	5,744,613	2,968,114	2,776,499	2,967,636
Major equipment	888,535	798,615	89,920	69,210
Nursing station	92,276	92,276	-	-
Nurse call system	163,889	-	163,889	-
Roof expansion	274,499	134,134	140,365	162,370
Office furniture and equipment	452,508	386,812	65,696	91,300
Computer hardware and software	209,210	205,170	4,040	8,818
	$ 8,878,897	$ 5,343,016	$ 3,535,881	$ 3,614,771

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% interest annually for 50 years (maturing 2020). The annual payment is $6,060 including principal and interest.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

a) Accounts payable and accrued liabilities consist of:

	2008	2007
Accounts payable	$ 86,100	$ 108,306
Accrued salaries and benefits	313,434	230,792
Accrued pre-retirement benefits	40,000	40,000
Accrued interest	2,364	2,870
	$ 441,898	$ 381,968

b) Advances from and amounts due to Winnipeg Regional Health Authority:

During the fiscal year, the Lodge received funding advances from the Winnipeg Regional Health Authority in the amount of $221,700 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are included in amounts due to the WRHA and are unsecured and non-interest bearing.

9. EMPLOYEE BENEFITS

a) Pre-retirement benefits

The Lodge has undertaken an actuarial valuation as of March 31, 2008 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 5.50% (2007 – 4.85%) and a rate of salary increase of 3.5% (2007 – 3.0%) plus age related merit/promotion scale and a factor ranging from 0 – 1.31% (2007 – 0 – 1.30%) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $22,908 (2007 - $47,491).

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 and 2008, which include an interest component. In addition, the WRHA approved partial funding of the incremental increases in the future employee benefits payable for fiscal 2005 and 2006 of $23,499, which also includes an interest component, and is included in employee benefits recoverable from WRHA on the statement of financial position.

The future employee benefits recoverable from WRHA of $264,804 at March 31, 2008 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, the Winnipeg Regional Health Authority and the Salvation Army.

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2008			2007 (restated – note 3(b))
	Purchased Capital Assets	Future Capital Purchases and Major Repairs	Total	Total
Balance, beginning of year	$ 1,791,939	$ 132,248	$ 1,924,187	$ 1,829,266
Additional contributions received				
Mortgage / loan payments (Note 11)	340,935	-	340,935	315,420
Capital assets and major repairs	-	199,425	199,425	78,561
Interest earned restricted funds	-	2,709	2,709	-
	$ 2,132,874	$ 334,382	$ 2,467,256	$ 2,223,247
Transfers as a result of capital asset purchases	203,252	(203,252)	-	-
Major repairs	-	(2,308)	(2,308)	-
Amortization	(273,643)	-	(273,643)	(299,060)
Balance, end of year	$ 2,062,483	$ 128,822	$ 2,191,305	$ 1,924,187

11. LONG-TERM DEBT

	2008	2007 (restated – note 3(b))
Bank demand instalment loan, interest at prime less 1/2%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing April, 2011	**$ 914,900**	$ 1,211,300
Canada Mortgage and Housing Corporation, Mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	**395,384**	415,435
Bank demand instalment loan, interest at prime less 1/2%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	**85,863**	110,343
	1,396,147	1,737,078
Current portion	**1,022,215**	1,341,694
	$ 373,932	$ 395,384

Principal and interest payments are funded by the Province of Manitoba via the WRHA.

Principal payments expected in the next five years are as follows:

2009	$342,333
2010	343,831
2011	345,438
2012	64,399
2013	28,113

During the year, interest expense relating to the debt funded amounted to $91,980 (2007 - $101,314).

12. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 3,535,881**	$ 3,614,771
Amounts financed by:		
Deferred contributions - purchased capital assets	**(2,062,483)**	(1,791,942)
Long-term debt	**(1,396,147)**	(1,737,078)
Balance, end of year	**$ 77,251**	$ 85,751

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

	2008	2007
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	$ 273,643	$ 280,621
Amortization of capital assets	(282,143)	(285,371)
Deficiency of revenue over expenses	$ (8,500)	$ (4,750)
Net change in investment in capital assets		
Purchase of capital assets (net)	$ 203,252	$ 38,709
Amounts funded by increase in deferred contributions	(203,252)	(63,409)
Invested in capital assets	$ -	$ (24,700)

13. FUND TRANSFERS

The Board of Management approved the transfer of funds from internally restricted net assets to the unrestricted net deficiency to cover the cost of accumulated expenditures that related to the projects for which internal restrictions were established.

14. RELATED PARTIES

The Board of Management of the Lodge also governs The Salvation Army Grace General Hospital (the Hospital). Included in the Lodge's expenses is $2,453 (2007 - $1,346) for medical supplies purchased from the Hospital. The Lodge also received donations of $nil (2007 - $ 15,000) from the Hospital during the year. These transactions are recorded at fair value.

Effective April 1, 2008, the Winnipeg Regional Health Authority assumed management of The Salvation Army Grace General Hospital. The Lodge believes that the Hospital is not a related party thereafter.

15. 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.

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 Plan is fully funded. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $253,011 (2007 - $226,220) and are included in the statement of operations.

16. COMPARATIVE FIGURES

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

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Other Revenue and Expenses
Year Ended March 31, 2008

Schedule 1

	2008	2007
REVENUE		
Red Shield Appeal designated for supervision	$ **25,000**	$ 22,000
Internally restricted donations / fundraising (net)	**17,176**	5,934
	42,176	27,934
EXPENSES		
Contributed services (net)	$ **164**	$ 1,017
Territorial Headquarters supervision	**24,996**	25,000
	25,160	26,017
Excess of revenue over expenses for the year	$ **17,016**	$ 1,917

Schedule 2

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Schedule of Operating, Physical Plant, and Administration Expenses
Year Ended March 31, 2008

	2008	2007
ADMINISTRATION EXPENSES		
Membership fees	$ 1,161	$ 2,101
Postage	2,653	2,750
Office supplies	13,117	15,978
Professional fees	16,618	17,393
Service bureau fees	14,180	14,114
Sundry	28,863	29,139
Telephone	12,205	14,848
Travel and education	2,216	2,599
	$ 91,013	$ 98,922
OPERATING EXPENSES		
Food	$ 201,477	$ 207,145
Other supplies and expenses	77,419	82,592
Purchased services	101,384	118,657
	$ 380,280	$ 408,394
PHYSICAL PLANT EXPENSES		
Electricity	$ 67,080	$ 62,679
Natural Gas	106,532	106,134
Property taxes	76,858	76,516
Insurance	16,315	17,348
Repairs and maintenance	54,571	69,904
Water	53,584	48,956
	$ 374,940	$ 381,537

THE SALVATION ARMY

Schedule 3

GOLDEN WEST CENTENNIAL LODGE

Adult Day Care

Statement of Revenue and Expenses

Year Ended March 31, 2008

	2008	2007
REVENUE		
Winnipeg Regional Health Authority	$ **157,611**	$ 155,280
Participant fees	**20,748**	20,711
	178,359	175,991
EXPENSES		
Salaries	**84,256**	90,368
Employee benefits	**14,954**	14,518
Payroll tax	**1,789**	1,859
Food	**11,809**	9,007
Client travel	**55,172**	53,654
Supplies	**18,990**	21,006
	186,970	190,412
(Deficiency) of revenue over expenses	**(8,611)**	(14,421)

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

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, 2008 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, 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the year ended March 31, 2007 were audited by another firm of chartered accountants.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

THE SHARON HOME, INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and investments	$ **1,301,735**	$ 163,346
Accounts receivable (Note 4)	**2,895,001**	1,833,298
Due from Winnipeg Regional Health Authority (Note 5)	**74,081**	103,526
Prepaid expenses	**107,555**	72,244
Vacation entitlements receivable (Note 9)	**603,753**	603,753
	4,982,125	2,776,167
Loan receivable (Note 6)	**70,989**	70,989
Capital assets (Note 7)	**16,301,290**	16,747,124
Property under development (Note 8)	**22,628,452**	3,937,852
Pre-retirement entitlements receivable (Note 17)	**1,160,567**	1,131,803
	$ **45,143,423**	$ 24,663,935
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 10)	$ **20,927,531**	$ 4,170,103
Demand bank loans (Note 11)	**186,853**	286,393
Accounts payable (Note 12)	**3,917,358**	983,427
Accrued vacation entitlements (Note 9)	**663,116**	644,858
Current portion of mortgages payable (Note 13)	**45,300**	42,395
Current portion of note payable (Note 14)	**718,750**	718,750
	26,458,908	6,845,926
Mortgages payable (Note 13)	**885,987**	932,676
Note payable (Note 14)	**5,750,000**	6,468,750
Deferred contributions (Note 15)	**10,216,832**	8,326,776
Accrued pre-retirement obligations (Note 17)	**1,048,968**	1,020,204
Net Assets		
Invested in capital assets	**278,411**	566,022
Unrestricted	**504,317**	503,581
	$ **45,143,423**	$ 24,663,935

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

March 31, 2008			2008	2007
	Investment in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 566,022	$ 503,581	$ 1,069,603	$ 1,267,883
Excess (deficiency) of revenue over expenditures for the year	(318,219)	31,344	(286,875)	(198,280)
Net changes in investment in capital assets	30,608	(30,608)	-	-
Balance, end of year	$ 278,411	$ 504,317	$ 782,728	$ 1,069,603

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

THE SHARON HOME, INC.
Statement of Operations - Personal Care Home

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	**$ 9,438,923**	$ 9,020,962
Capital funding Winnipeg Regional Health Authority	**82,461**	92,397
Capital funding Manitoba Health	**421,218**	464,135
Future pre-retirement benefit revenue	**28,794**	77,503
Residential charges	**3,947,493**	3,765,725
Contributions from the Sharon Home Fund Inc.	**77,584**	74,769
Other income	**65,711**	65,536
Adult Day Program (Page 22)	**-**	-
	14,062,184	13,561,027
Expenditures		
Administration	**558,805**	619,657
Information technology	**37,653**	-
Communications	**140,639**	132,310
Employee benefits	**1,799,848**	1,713,769
Housekeeping	**635,146**	603,364
Interest and carrying charges on land for future improvement	**77,584**	74,769
Interest		
Short-term debt	**12,812**	19,421
Long-term debt	**490,867**	537,112
Laundry and linen	**354,145**	391,834
Nutrition and food services	**1,444,184**	1,414,646
Occupational therapy	**5,820**	7,070
Plant maintenance	**414,949**	358,345
Plant operation	**833,626**	688,499
Resident care	**6,630,336**	6,210,086
Security	**63,431**	63,607
Social work	**78,745**	72,202
Spiritual care	**67,393**	69,528
Staff development	**57,607**	57,437
Therapeutic recreation	**297,283**	290,346
Volunteer services	**29,967**	26,760
	14,030,840	13,350,762
Excess of revenue over expenditures before amortization	**31,344**	210,265
Amortization		
Deferred contributions	**631,027**	590,307
Capital assets	**(949,246)**	(992,455)
Deficiency of revenue over expenditures before other item	**(286,875)**	(191,883)
Other Item		
Miscellaneous adjustment	**-**	(6,397)
Deficiency of revenue over expenditures for the year	**$ (286,875)**	$ (198,280)

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	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (286,875)	$ (198,280)
Amortization of capital assets	949,246	992,455
Amortization of deferred contributions related to capital assets	(631,027)	(590,307)
	31,344	203,868
Changes in non-cash working capital		
Accounts receivable	(1,061,703)	(1,712,355)
Due from Winnipeg Regional Health Authority	29,445	129,627
Prepaid expenses	(35,311)	27,046
Accounts payable and accrued liabilities	2,933,931	521,908
Accrued vacation pay	18,258	8,429
Pre-retirement benefits recoverable	(28,764)	(77,503)
Accrued pre-retirement benefits	28,764	77,503
	1,915,964	(821,477)
Cash Flows from Financing Activities		
Increase in bank indebtedness	16,757,428	3,170,103
Repayments of mortgages payables	(43,784)	(40,712)
Repayment of demand bank loans	(99,540)	(204,926)
Repayment of note payable	(718,750)	(718,750)
	15,895,354	2,205,715
Cash Flows from Investing Activities		
Purchase of capital assets	(503,412)	(21,050)
Additions to property under development	(18,690,600)	(3,937,852)
Deferred contributions received related to capital assets	2,521,083	2,552,866
	(16,672,929)	(1,406,036)
Net increase (decrease) in cash and cash equivalents during the year	1,138,389	(21,798)
Cash and cash equivalents, beginning of year	163,346	185,144
Cash and cash equivalents, end of year	$ 1,301,735	$ 163,346
Supplementary Information		
Interest paid	$ 556,333	$ 609,599

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

March 31, 2008

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, 2008.

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.

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.

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:

Building	10 to 50 years
Equipment	3 to 10 years
Renovations	5 to 15 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 into one of the following categories based on the purpose for which the asset was acquired. The Home's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments, bank indebtedness and demand bank loans . 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, amount due from the WRHA, vacation entitlements receivable and retirement obligation 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, accrued vacation entitlements, pre-retirement obligations, mortgages and note 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

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 instruments - disclosures and presentation
CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Use of Estimates

The preparation of financial statements in accordance with 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.

March 31, 2008

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. Changes in Accounting Policies

On April 01, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation",and Section 3855, "Financial Instruments - Recognition and Measurement". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Home's statement of operations.

3. Economic Dependence

The Home is economically dependent on funding from WHRA. If this funding were discontinued, it would affect the Home's ability to continue operations.

4. Accounts Receivable

	2008	2007
Receivable from residents	**$ 26,886**	$ 27,887
GST rebate receivable	**133,604**	42,595
The Sharon Home Fund Inc. (related party)	**2,715,881**	1,711,715
Other	**18,630**	51,101
	$ 2,895,001	$ 1,833,298

5. Due from (to) WHRA

	2008	2007
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)	109,508
2007/2008 funding adjustment	128,901	-
	$ 74,081	$ 103,526

The Home is subject to periodic review by WHRA. Operating surpluses or deficiencies may be repayable to recoverable as determined by WHRA. 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 and 2006/2007 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. 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.

7. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Kanee Centre				
Land	**$ 558,008**	**$ -**	$ 558,008	$ -
Buildings	**12,301,262**	**8,016,922**	12,301,262	7,510,086
Equipment	**2,610,007**	**2,449,996**	2,607,211	2,378,102
Simkin Centre				
Land	**786,418**	**-**	786,418	-
Building	**10,335,648**	**1,835,952**	10,217,773	1,580,356
Equipment	**1,510,307**	**812,648**	1,127,566	697,728
Land held for future development	**1,315,158**	**-**	1,315,158	-
	$ 29,416,808	**$ 13,115,518**	$ 28,913,396	$ 12,166,272
Cost less accumulated amortization		**$ 16,301,290**		$ 16,747,124

8. Property Under Development

On May 11, 2006, the Home entered into an agreement with WHRA to construct Phase II of the Simkin Centre to be completed in fiscal year 2009. The completed cost of this project is estimated to be $31,000,000. Upon completion of the construction project, the operations of the Kanee Centre will be transferred to the Simkin Centre and the property and related mortgages will be transferred to WHRA. The net effect of this transition cannot be determined at this time. At March 31, 2008, the book value of the Kanee Centre, net of mortgages and related deferred contributions is $431,390. Any loss, when the building is taken out of service, will be recorded at that time.

Included in property under development was interest capitalized of $549,512 as at March 31, 2008.

9. 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:

	2008	2007
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 accrued vacation entitlements is as follows:

	2008	2007
Balance, beginning of year	**$ 644,858**	$ 636,429
Net increase in accrued vacation entitlements	**18,258**	8,429
Balance, end of year	**$ 663,116**	$ 644,858

10. Bank Indebtedness

	2008	2007
Credit facility agreement	**$ 1,000,000**	$ 1,000,000
Interim construction costs agreement	**19,927,531**	3,170,103
	$ 20,927,531	$ 4,170,103

The credit facility agreement with 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 interim construction costs agreement with the Toronto Dominion Bank is supported by a letter of comfort from the WRHA to a maximum of $25,551,821, with interest at prime minus 1.0%.

March 31, 2008

11. Demand Bank Loans

		2008		2007
Demand loan #1 - Manitoba Health	$	**58,830**	$	119,010
Phase II renovations		**128,023**		167,383
	$	**186,853**	$	286,393

The demand loan #1 with Manitoba Health bears interest at prime rate minus 0.8% with interest to be paid monthly.

The Phase II renovations loan bears interest at prime rate minus 0.75% repayable in equal monthly payments of $3,280 plus interest.

12. Accounts Payable

		2008		2007
Trade accounts payable	$	**2,360,060**	$	386,606
Accrued liabilities		**178,480**		142,808
Salaries and employee benefits payable		**246,666**		366,924
Holdback payable		**1,132,152**		87,089
	$	**3,917,358**	$	983,427

13. Mortgages Payable

		2008		2007
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 6.875%, requiring monthly principal and interest payments of $3,333, secured by the related property at the Kanee Centre, maturing in 2019.	**$**	**323,731**	$	341,358
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.875%, requiring monthly principal and interest payments of $3,806, secured by the related property at the Kanee Centre, maturing in 2020.		**365,847**		382,747
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.75%, requiring monthly principal and interest payments of $1,218, secured by the related property at the Kanee Centre, maturing in 2021.		**125,017**		129,980
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.625%, requiring monthly principal and interest payments of $1,096, secured by the related property at the Kanee Centre, maturing in 2022.		**116,692**		120,986
		931,287		975,071
Current portion of mortgages payable		**45,300**		42,395
	$	**885,987**	$	932,676

The mortgages are secured by the related property at the Kanee Centre.

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

2009	$	45,300
2010		49,070
2011		52,625
2012		56,440
2013		60,532
Subsequent years		667,320
	$	931,287

14. Note Payable

	2008	2007
Province of Manitoba - with interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	$ 6,468,750	$ 7,187,500
Current portion of note payable	718,750	718,750
	$ 5,750,000	$ 6,468,750

Minimum principal repayments required under the terms of the note payable are as follows:

2009	$ 718,750
2010	718,750
2011	718,750
2012	718,750
2013	718,750
Subsequent years	2,875,000
	$ 6,468,750

15. Deferred Contributions

Deferred contributions represent the unamortized 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:

	2008	2007
Balance, beginning of year	$ 8,326,776	$ 6,364,217
Contributions	2,521,083	2,552,866
Less amounts amortized to revenue	(631,027)	(2,521,083)
Balance, end of year	$ 10,216,832	$ 8,326,776

The balances as at March 31, 2008 and 2007 consist if the following:

	2008	2007
Deferred contributions relating to capital assets	$ 10,076,633	$ 8,218,559
Unspent funding for equipment	130,274	87,949
Unspent funding for major repairs	9,925	20,268
Balance, end of year	$ 10,216,832	$ 8,326,776

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 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, 2008.

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

17. 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

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) 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.

17. Employee Future Benefits (continued)

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.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	**$ 967,427**	$ 967,427
Winnipeg Regional Health Authority	**193,140**	164,376
	$ 1,160,567	$ 1,131,803

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2008	2007
Balance, beginning of the year	**$ 1,020,204**	$ 942,701
Net increase in pre-retirement entitlements	**28,764**	77,503
Balance, end of year	**$ 1,048,968**	$ 1,020,204

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 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, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $514,850 (2007 - $489,387) and are included in the statement of operations.

18. 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, 2008 and 2007 and for the years then ended are as follows:

	2008	2007
Financial position		
Total assets	**$ 4,318,283**	$ 3,216,668
Total liabilities	**$ 2,715,907**	$ 1,711,769
Total fund balances	**1,602,376**	1,504,899
Balance, end of year	**$ 4,318,283**	$ 3,216,668

	2008	2007
Results of operations		
Total revenue	**$ 1,330,851**	$ 1,636,250
Total expenses	**(23,307)**	(20,488)
Excess of revenue over expenses before the following	**1,307,544**	1,615,762
Contributions to The Sharon Home, Inc.	**(1,210,067)**	(1,701,924)
Excess (deficiency) of revenue over expenses	**$ 97,477**	$ (86,162)
Cash flows		
Cash provided by operating activities	**$ 1,104,676**	$ 1,611,123
Cash used in investing activities	**(41,816)**	(41,741)
Increase in cash	**$ 1,062,860**	$ 1,569,382

18. Related Entity (continued)

During the fiscal year 2008 the Home charged the Fund on a cost recovery basis $21,181 (2007 - $16,162) for administrative and special program expenditures. During the fiscal year 2008, the Fund contributed $77,584 (2007 - $74,769) 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, 2008, included in accounts receivable is an amount of $2,715,881 (2007 - $1,711,715) receivable from the Fund, of which $2,640,645 (2007 - $1,516,969) is a 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).

19. Resident Trust Funds

Included in the cash and accounts payable are funds held in trust for the Home's residents totalling $30,324 (2007 - $23,867).

20. Restricted Cash

Cash in the amount of $140,199 (2007 - $108,217) is restricted for capital asset purchases.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba	$ 65,890	$ 65,064
Participants' fees	13,252	11,615
	79,142	76,679
Expenses		
Salaries - general	36,658	34,194
Other	61,380	56,477
	98,038	90,671
Deficiency of revenue over expenses	(18,896)	(13,992)
Deficiency receivable from WRHA	18,896	13,992
Ending balance	$ -	$ -

To the Board members 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, 2008 and the statements of operations and changes in 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, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

May 22, 2008

Meyers Norris Penny LLP

Chartered Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2008

	2008	2007
Assets		
Current		
Cash *(Note 4)*	**600,095**	403,472
Short term investments *(Note 5)*	**1,663,525**	1,785,630
Accounts receivable *(Note 6)*	**166,575**	75,434
Prepaid expenses and deposits	**96,821**	78,711
Current portion of investments *(Note 7)*	**300,000**	400,000
	2,827,016	2,743,247
Investments *(Note 7)*	**-**	300,000
Capital assets *(Note 8)*	**1,468,890**	1,611,353
Deferred charges - future employee benefits *(Note 9)*	**549,197**	575,214
Receivable from Winnipeg Regional Health Authority	**680,786**	498,982
	5,525,889	5,728,796
Liabilities		
Current		
Accounts payable and accruals	**1,808,808**	1,857,599
Trust funds payable	**209,039**	205,354
Current portion of long-term debt	**131,000**	128,000
	2,148,847	2,190,953
Long-term debt *(Note 10)*	**1,247,686**	1,378,704
Deferred contributions *(Note 11)*	**438,087**	365,166
Accrued future employee benefits *(Note 9)*	**606,533**	632,550
	4,441,153	4,567,373
Net Assets		
Invested in capital assets	**89,523**	38,026
Unrestricted	**365,272**	569,033
	454,795	607,059
Restricted *(Note 12)*	**629,941**	554,364
	1,084,736	1,161,423
	5,525,889	5,728,796

Approved on behalf of the Board

_______________ Director _______________ Director

West Park Manor Personal Care Home, Inc.

Statement of Operations

For the year ended March 31, 2008

	Operating Fund	*Capital Fund*	**2008**	2007
Revenues				
Residential charges	2,660,597	-	**2,660,597**	2,558,127
Winnipeg Regional Health Authority				
Operating	4,562,276	-	**4,562,276**	4,444,399
Bed grant	11,703	-	**11,703**	11,712
Interest on approved borrowing	85,453	-	**85,453**	92,737
Year end adjustment *(Note 16)*	(6,928)	-	**(6,928)**	(17,179)
Medical salaries	3,816	-	**3,816**	3,552
Pre-retirement leave amortization	63,202	-	**63,202**	12,955
Wages accrual - MNU related	69,550	-	**69,550**	45,384
Over-cost funding	55,045	-	**55,045**	108
Median rate adjustment per diem	304,548	-	**304,548**	227,205
Non median rate funding	169,760	-	**169,760**	178,765
CUPE related	94,435	-	**94,435**	93,888
Other revenue	173,309	-	**173,309**	46,141
Amortization of deferred operating contributions *(Note 11)*	1,193	89,166	**90,359**	85,549
	8,247,959	89,166	**8,337,125**	7,783,343
Expenses				
Amortization	-	176,619	**176,619**	174,483
Dietary services and supplies	294,999	-	**294,999**	277,655
Employee benefits	1,169,224	-	**1,169,224**	1,043,013
Employee benefits - pre-retirement leave	98,368	-	**98,368**	17,625
General administration	196,488	-	**196,488**	118,272
Health and safety	67,293	-	**67,293**	48,666
Housekeeping	40,914	-	**40,914**	36,952
Interest on long-term debt	99,477	-	**99,477**	106,058
Laundry	24,947	-	**24,947**	23,450
Linen	1,728	-	**1,728**	6,225
Medical salaries	3,604	-	**3,604**	4,254
Nursing services and supplies	185,546	-	**185,546**	166,121
Recreation and handicraft supplies	15,046	-	**15,046**	14,894
Repairs and maintenance	123,264	-	**123,264**	103,552
Salaries and wages	5,716,389	-	**5,716,389**	5,437,927
Utilities	327,314	-	**327,314**	312,653
	8,364,601	176,619	**8,541,220**	7,891,800
Deficiency before adjustments	(116,642)	(87,453)	**(204,095)**	(108,457)
Pre-retirement future liability income *(Note 9)*	26,017	-	**26,017**	86,633
Pre-retirement future liability expense *(Note 9)*	(26,017)	-	**(26,017)**	(52,497)
Excess (deficiency) of revenues over expenses	(116,642)	(87,453)	**(204,095)**	(74,321)

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home, Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2008

	Operating Fund	Invested in capital assets	2007 Total	2006 Total
Net assets, beginning of year	569,033	38,026	**607,059**	670,487
Excess (deficiency) of revenues over expenses	(116,642)	(87,453)	**(204,095)**	(74,321)
Inter-fund transfer	(87,119)	87,119	-	-
Transfer from non-operating income reserve	-	51,831	**51,831**	10,893
Net assets, end of year	365,272	89,523	**454,795**	607,059

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 with the guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, and include the following significant accounting policies:

Marketable securities

Marketable securities are valued at the lower of cost and market value except where a decrease in market value is considered other than temporary.

Capital assets

Capital assets are recorded at cost. Other than buildings, 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 life. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	30 %
Equipment	straight-line	20 %
Call system and fire alarm	straight-line	6.25 %

Amortization on buildings is based on the annual principal reduction of associated debt, which is intended to amortize the value of the capital asset over their estimated useful life.

Reserve 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.

2. Accounting policies *(Continued from previous page)*

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 expenses 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.

The Organization estimates the net book value of capital assets based upon the amortization period and the estimated useful lives of the capital assets. 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.

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health and/or Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists 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. Accounting policies *(Continued from previous page)*

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 investments are based on quoted market prices.

Classification of financial instruments

The Organization has classified short-term 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 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 fund balances upon impairment.

The Organization has classified accounts payable 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 fund balances upon derecognition.

3. Change in accounting policies

Financial instruments

Effective April 1, 2007, the Organization adopted the CICA's new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss).

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives and other financial instruments as separate components of the change in net assets.

4. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Bank accounts earn interest at 4.25% (2006 - 2.25%) as at year-end.

	2008	*2007*
Bank	**582,616**	385,993
Restricted cash	**17,479**	17,479
	600,095	403,472

5. Short term investments

	2008	*2007*
Money market mutual funds, earning interest at 4.5% (2007 - 4.0%) at year end.	**1,663,525**	1,785,630

The market value of the portfolio is $1,663,525 (2007 - $1,785,630) and includes no unrealized gains or losses.

6. Accounts receivable

	2008	*2007*
Trade receivables	**103,507**	19,991
Goods and Services Tax receivable	**39,980**	17,542
Interest receivable	**23,088**	37,901
	166,575	75,434

7. Investments

	2008	*2007*
Guaranteed investment certificate, matured during the year	-	400,000
Guaranteed investment certificate, interest 3.2%, matures March 31, 2009	**300,000**	300,000
	300,000	700,000
Less: current portion	**(300,000)**	(400,000)
	-	300,000

8. Capital assets

	Opening Cost	Additions	Disposals/ Write-offs	Closing Cost	Accumulated Amortization	*2008* Net book value	*2007* Net book value
Land	128,980	-	-	**128,980**	-	**128,980**	128,980
Buildings	2,193,659	-	-	**2,193,659**	**1,370,812**	**822,847**	942,466
Computer equipment	40,776	-	-	**40,776**	**35,445**	**5,331**	13,487
Equipment	1,794,524	34,157	-	**1,828,681**	**1,316,949**	**511,732**	526,420
	4,157,939	34,157	-	**4,192,096**	**2,723,206**	**1,468,890**	1,611,353

9. Deferred charges

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, funding owed to the Organization related to pre-retirement leave benefit and vacation pay liability is recognized as an out of global budget accounts receivable (Note 6) 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 is not recorded as a receivable, as Manitoba Health and/or Winnipeg Regional Health Authority had directed all health care facilities to record the future employee benefits but not the corresponding receivable. For March 31, 2007 fiscal year the organization incurred an employee future benefit liability increase of $52,497 and a future employee benefit receivable of $52,497 was recorded as directed by Manitoba Health and/or Winnipeg Regional Health Authority. An additional short term fundable receivable of $34,136 was recorded to offset a portion of the employee future benefit liablility increases recorded for the (2005 $25,484) and (2006 $31,852) fiscal years. For March 31, 2008 fiscal year the Organization incurred an employee future benefit long term liability decrease of $26,017 and a future employee benefit long term receivable decrease was recorded for the same amount as directed by Manitoba Health and the WRHA as an offset to revenue and expense respectively.

10. Long-term debt

	2008	*2007*
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 $643,000 (2006 - $688,000), due August 1, 2023.	**900,188**	929,758
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $3,550 plus interest, secured with a general security agreement, due November 1, 2011.	**156,200**	198,800
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a general Security agreement, due March 15, 2014.	**169,810**	200,230
Bank loan bearing interest at prime minus 0.50%, payable in montly instalments of $2,119 plus interest, secured with a general security agreement, due March 31, 2014.	**152,488**	177,916
	1,378,686	1,506,704
Less: current portion	**131,000**	128,000
	1,247,686	1,378,704

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	131,000
2010	133,000
2011	136,000
2012	124,000
2013	96,000

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11. Deferred contributions

Changes for the year in the deferred contribution balance are as follows:

	Capital	*Insurance*	*2008*	*2007*
Balance, beginning of year	355,448	9,718	**365,166**	289,601
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	127,070	-	**127,070**	124,904
- 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	(89,166)	(1,193)	**(90,359)**	(85,549)
Balance, end of year	427,546	10,541	**438,087**	365,166

12. Restricted net assets

Internally restricted net assets are comprised of:

	2008	*2007*
Non-operating income reserve		
Balance, beginning of year	**526,131**	444,955
Interest	**109,834**	101,299
Payments/expenditures	**(100)**	(9,230)
Contribution to Capital Fund	**(34,157)**	(10,893)
Balance, end of year	**601,708**	526,131
Reserve for major repairs		
Balance, beginning of year	**28,233**	28,233
Expenditures	-	-
Balance, end of year	**28,233**	28,233
	629,941	554,364

These net assets are restriced 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 discrection of the board of directors.

13. 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 as described in Note 6. Of the $847,361 (2007 - $574,417) of receivables, $680,786 (2007 - 498,982) is due from the Manitoba Health/Winnipeg Regional Health Authority.

14. 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.

15. 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.

16. 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 for residential charges received from residents. The amount is set up as a payable to Winnipeg Regional Health Authority (WRHA) and represents a decrease to WRHA revenue.

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

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

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, 2008 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 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 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, 2008 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 27, 2008

Chartered Accountants

Women's Health Clinic Inc.
Statement of Financial Activities
Year Ended March 31 **2008** 2007

	Operating Fund	Donation Fund	Capital Fund	**Total**	Total
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$2,623,321	$ -	$ -	**$2,623,321**	$2,238,674
Capital payments	-	-	23,798	**23,798**	27,178
United Way of Winnipeg	207,012	3,958	-	**210,970**	194,730
Province of Manitoba	138,880	2,416	-	**141,296**	142,948
Challenge grant	-	-	-	**-**	2,713
Medical supplies	68,252	21,517	-	**89,769**	102,497
Membership	1,170	-	-	**1,170**	1,405
Miscellaneous	32,008	-	-	**32,008**	33,560
Investment income	-	22,741	-	**22,741**	15,148
Health Canada	122,164	-	-	**122,164**	195,382
The Winnipeg Foundation	-	-	-	**-**	33,894
Annual general meeting	880	-	-	**880**	995
Fee for service	297,184	-	-	**297,184**	297,415
Contributions and fundraising	-	31,402	10,993	**42,395**	43,710
Rent	-	-	19,035	**19,035**	19,215
	3,490,871	82,034	53,826	**3,626,731**	3,349,464
Expenses					
Operating Fund (Page 11)	3,302,267	-	-	**3,302,267**	3,173,842
Donation Fund (Page 12)	-	47,448	-	**47,448**	62,783
Amortization	-	-	70,834	**70,834**	68,282
Interest on mortgage	-	-	38,066	**38,066**	38,615
	3,302,267	47,448	108,900	**3,458,615**	3,343,522
Excess (deficiency) of revenues over expenses before under noted items	188,604	34,586	(55,074)	**168,116**	5,942
Pre-retirement leave (Note 11)					
Prior year recovery	-	-	-	**-**	16,180
Current year recovery	22,453	-	-	**22,453**	15,217
Expense	(22,453)	-	-	**(22,453)**	(22,712)
Excess (deficiency) of revenues over expenses	$ 188,604	$ 34,586	$ (55,074)	**$ 168,116**	$ 14,627

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	**2008 Total**	2007 Total
Fund balance, beginning of year	$ (28,785)	$ 115,311	$ 34,634	**$ 121,160**	$ 106,533
Excess (deficiency) of revenues over expenses	188,604	34,586	(55,074)	**168,116**	14,627
Fund balance, end of year	$ 159,819	$ 149,897	$ (20,440)	**$ 289,276**	$ 121,160

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2008	2007
Assets		
Current		
Cash (Note 3)	**$ 824,950**	$ 560,831
Receivables	**192,040**	124,584
Due from Winnipeg Regional Health Authority	**108,716**	105,352
Inventories	**30,216**	20,585
Prepaids	**8,813**	6,480
	1,164,735	817,832
Capital (Note 4)	**954,416**	962,466
	$2,119,151	$1,780,298

	2008	2007
Liabilities		
Current		
Payables and accruals	**$ 436,852**	$ 394,399
In Trust for Women's Health Conference	**-**	5,306
In Trust for Disabled Women's Network	**90**	-
Deferred revenue	**9,026**	8,052
Deferred contributions		
Operating Fund (Note 5)	**331,714**	182,240
Related to capital assets (Note 6)	**290,470**	306,017
Demand loans (Note 7)	**589,130**	612,984
	1,657,282	1,508,998
Pre-retirement leave	**172,593**	150,140
	1,829,875	1,659,138
Fund Balances		
Operating Fund	**159,819**	(28,785)
Donation Fund	**149,897**	115,311
Capital Fund	**(20,440)**	34,634
	289,276	121,160
	$2,119,151	$1,780,298

On behalf of the Board

_______________________ Director _______________________ Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Cash Flows

Year Ended March 31	2008	2007
Cash derived from (applied to)		
Operating		
Excess of revenues over expenses	**$ 168,116**	$ 14,627
Amortization	**70,834**	68,282
Bad debt	**-**	20,000
Amortization of deferred contributions	**(34,791)**	(37,671)
	204,159	65,238
Change in non-cash operating assets and liabilities (Note 8)	**127,353**	76,663
	331,512	141,901
Investing		
Purchase of capital assets	**(62,783)**	(39,308)
Funding received to purchase capital assets	**19,244**	15,339
	(43,539)	(23,969)
Financing		
Repayment of demand loan	**(23,854)**	(23,306)
Net increase in cash	**264,119**	94,626
Cash, beginning of year	**560,831**	466,205
Cash, end of year	**$ 824,950**	$ 560,831

See accompanying notes to the financial statements.

booke & partners
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.

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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	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

Unless otherwise stated in these financial statements, 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. Cash

The Organization has a line of credit in the amount of $25,000 which is not being used at March 31, 2008 nor at March 31, 2007.

4. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	883,016	147,903	**735,113**	727,565
Computers	58,931	22,069	**36,862**	9,054
Furniture and fixtures	44,626	28,824	**15,802**	57,711
Security system	45,591	16,169	**29,422**	33,982
Medical equipment	10,320	3,103	**7,217**	4,154
	$ 1,172,484	$ 218,068	**$ 954,416**	$ 962,466

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2008	2007
Health Canada	**$ 16,406**	$ 17,770
United Way of Winnipeg	**6,678**	6,690
University of Alberta	**4,255**	4,255
Winnipeg Regional Health Authority	**289,525**	138,695
Healthy Child Manitoba	**10,126**	10,126
The Winnipeg Foundation	**3,184**	3,184
CWHN	**1,500**	1,500
Healthy Baby	**40**	20
	$ 331,714	$ 182,240

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $290,470 (2007 - $306,017) 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

	2008	2007
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 584,551**	$ 606,366
Loan, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $200, due on demand	**4,579**	6,618
	$ 589,130	$ 612,984

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:

2009	$ 29,174
2010	30,896
2011	30,355
2012	32,041
2013	33,933
	$ 156,399

8. Change in non-cash operating assets and liabilities

	2008	2007
Receivables and due from Winnipeg Regional Health Authority	**$ (70,820)**	$ (27,238)
Inventories	**(9,632)**	8,967
Prepaids	**(2,333)**	(184)
Payables and accruals	**64,906**	85,285
Funds held in trust	**(5,216)**	-
Deferred revenue and deferred contributions	**150,448**	9,833
	$ 127,353	$ 76,663

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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CHARTERED ACCOUNTANTS

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, 2008, the Organization's contributions to the Endowment Fund totalled $60,153 (2007 - $47,295).

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 obligaton 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 $22,453 (2007 - $22,712).

A portion of the pre-retirement benefits for the prior year of $NIL (2007 - $16,180) and current year of $22,453 (2007 - $15,217) were funded by Winnipeg Regional Health Authority during the year.

Women's Health Clinic Inc.
Schedule of Operating Fund Expenses

Year Ended March 31	**2008**	2007
Salaries	**$2,025,734**	$1,832,309
Employee benefits	**271,734**	245,179
Purchased services	**423,421**	403,528
Community relations	**15,665**	10,849
Association membership fees	**551**	1,017
Labour relations membership fees	**90**	385
Bad debt	**-**	32,500
Bonding and insurance	**3,216**	7,798
Postage	**17,778**	23,437
Printing, stationery and office supplies	**68,873**	57,028
Professional fees	**21,889**	8,121
Accounting and computer fees	**15,769**	38,173
Staff recruitment	**3,530**	1,017
Staff training	**11,547**	17,941
Telephone	**30,577**	31,624
Other supplies	**35,482**	29,414
Medical and surgical supplies	**98,992**	85,019
Purchases of medical supplies inventories	**63,125**	96,912
Repairs and maintenance	**18,666**	89,654
Health education materials	**1,382**	1,452
Occupancy costs	**94,591**	104,944
Utilities	**61,307**	35,819
Volunteer services	**818**	321
Lectures and honorariums	**282**	5,376
Travel	**17,248**	14,025
	$3,302,267	$3,173,842

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31	2008	2007
Volunteer appreciation	$ **1,098**	$ 3,228
Fundraising	**9,727**	17,495
Programs	**23,765**	29,773
The Winnipeg Foundation "Women's Health Clinic Fund" (Note 10)	**12,858**	12,287
	$ **47,448**	$ 62,783

See accompanying notes to the financial statements.

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Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre for Children Foundation Inc.

We have audited the statement of financial position of the Rehabilitation Centre for Children Foundation Inc. as at March 31, 2008 and the statements of revenue and expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation'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, the Foundation derives revenue from donations and fundraising activities, 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 Foundation and we were unable to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenditures, assets and fund balances.

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 donations and fundraising proceeds referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008 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 6, 2008

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.
Statement of Revenue and Expenditures
Year Ended March 31, 2008

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2008	Total 2007
REVENUE					
Donations					
General	$ 94,065	$ -	$ -	**$ 94,065**	$ 80,049
Restricted	-	319,127	-	**319,127**	203,730
Estates	2,000	-	-	**2,000**	25,000
In kind	18,862	-	-	**18,862**	44,605
Investment income	49,897	-	-	**49,897**	64,617
Fundraising	174,180	274,128	-	**448,308**	375,463
	339,004	593,255	-	**932,259**	793,464
EXPENDITURES					
Grants					
Assistive Technology (Note 8)	16,183	128,353	-	**144,536**	157,013
Staff Development	15,379	-	-	**15,379**	12,056
Assessment and Treatment Equipment	-	185,186	-	**185,186**	122,688
Research	24,990	-	-	**24,990**	24,990
SSCY Funds	-	-	-	**-**	-
	56,552	313,539	-	**370,091**	316,747
Fundraising materials	79,812	-	-	**79,812**	77,296
Recognition awards	9,324	-	-	**9,324**	5,922
Public relations	55,252	-	-	**55,252**	13,896
Membership and conference fees	3,061	-	-	**3,061**	2,509
Salaries and benefits	188,818	-	-	**188,818**	175,863
Office expenses	17,151	-	-	**17,151**	15,327
Professional fees	3,313	-	-	**3,313**	3,327
Marketing expenses	26,138	-	-	**26,138**	13,486
Amortization	-	-	2,757	**2,757**	1,481
	439,421	313,539	2,757	**755,717**	625,854
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	$ (100,417)	$ 279,716	$ (2,757)	**$ 176,542**	$ 167,610

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.
Statement of Financial Position
March 31, 2008

		2008		2007
ASSETS				
Current				
Cash	$	**131,220**	$	185,790
Accounts receivable		**40,742**		6,094
Inventory		**23,621**		20,712
Prepaid expenses		**9,387**		3,118
		204,970		215,714
INVESTMENTS (Note 4)		**1,748,150**		1,571,443
OTHER ASSETS (Note 5)		**61,758**		56,808
	$	**2,014,878**	$	1,843,965
LIABILITIES				
Current				
Accounts payable	$	**49,433**	$	35,957
Due to Rehabilitation Centre for Children, Inc. (Note 10)		**51,749**		60,079
		101,182		96,036
FUND BALANCES				
Unrestricted Fund		**977,762**		1,092,956
Capital Asset Fund		**6,471**		5,226
Restricted Fund		**753,931**		477,284
Road to Rehab Restricted Fund		**11,250**		8,181
Leslie Barker Estate Fund		**164,282**		164,282
		1,913,696		1,747,929
	$	**2,014,878**	$	1,843,965

APPROVED BY THE BOARD

. . . . Director
John Platt

. . . . Director
J.P. (Pat) McNeil

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.
Statement of Changes in Fund Balances
Year Ended March 31, 2008

	2008						2007
	Unrestricted Fund	**Capital Asset Fund**	**Restricted Fund**	**Road to Rehab Restricted Fund**	**Leslie Barker Estate Fund**	**Total**	Total
Balance, beginning of year as previously stated	$ 1,092,956	$ 5,226	$ 477,284	$ 8,181	$ 164,282	**$ 1,747,929**	$ 1,580,319
Change in accounting policies (Note 2)	(10,775)	-	-	-	-	**(10,775)**	-
Balance, beginning of year, restated	1,082,181	5,226	477,284	8,181	164,282	**1,737,154**	1,580,319
Excess of revenue over expenses (expenses over revenue) for the year	(100,417)	(2,757)	279,716	-	-	**176,542**	167,610
Interfund transfers	(4,002)	4,002	(3,069)	3,069	-	-	-
Balance, end of year	$ 977,762	$ 6,471	$ 753,931	$ 11,250	$ 164,282	**$ 1,913,696**	$ 1,747,929

1. NATURE AND OBJECTIVE OF THE FOUNDATION

The Rehabilitation Centre for Children Foundation Inc. (the "Foundation") was formed by Articles of Incorporation under the Corporations Act of Manitoba on October 27, 1981, without share capital, and is a registered charity under the Income Tax Act, Canada. The Foundation solicits, maintains and allocates funds in support of the activities of the Rehabilitation Foundation for Children, Inc., an organization whose primary purpose is to improve the quality of life for children and families through the provision of pediatric rehabilitation.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the Foundation has adopted the following recommendations of the CICA Handbook:

a) Section 1506, Accounting Changes. This revised standard requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Foundation has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) *Section 3855, Financial Instruments – Recognition and Measurement.* This standard describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) *Section 3861, Financial Instruments – Disclosure and Presentation.* This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) *Section 3251, Equity.* This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

The Foundation has made the following classifications:

- Cash and Investments are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest rate method.
- Accounts payable is classified as other liabilities and is measured at amortized cost using the effective interest rate method.

2. CHANGES IN ACCOUNTING POLICIES (continued)

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. Accordingly, the Foundation's net assets at April 1, 2007 were affected by the application of these new standards in the amount of $10,775. As at that date, net assets were decreased by that amount together with an offsetting decrease to various investments to adjust these assets to their market value.

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:

a) *Fund accounting*

The Foundation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund is available for unrestricted distribution in accordance with the aims and objectives of the Foundation and the discretion of the Board.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

The Road to Rehab Restricted fund is restricted for the use in that program.

The Restricted Fund is available for restricted distribution in accordance with the conditions attached by the donors and contributors.

The Leslie Barker Estate Fund is restricted for use for research of special devices for disabled children in Manitoba.

b) *Capital assets*

Equipment acquisitions are recorded at cost, and are amortized on a straight-line basis over three years, with one-half year's amortization taken in the year of acquisition.

c) *Revenue recognition*

Restricted contributions are recognized as revenue in the appropriate fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All investment income is unrestricted and is recognized as revenue in the Unrestricted Fund.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Foreign exchange*

Monetary balances, including investments, held at year-end in U.S. currency are translated to Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at the rate of exchange prevailing at the time of the transaction.

Gains and losses on translation of foreign currency are included in income.

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 Foundation's designation of such instruments.

Classification

Cash	Held for trading
Investments	Held for trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Amounts due to Rehabilitation Foundation for Children	Other liabilities

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments.

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.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Foundation does not have any financial instruments classified as held-to-maturity as at March 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

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 Foundation 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) Future accounting changes

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Foundation will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Foundation is currently assessing the impact of these new standards on its financial statements.

4. INVESTMENTS

	2008	2007
GIC's (> 1 year)		
Special Edition 19-month GIC	$ **150,000**	$ -
Bonds		
Government of Canada Bond, maturing September 1, 2010, interest at 4.00%	**20,619**	85,000
Canada Housing Trust No. 1, maturing between September 15, 2008 and December 15, 2008, interest between 3.70% and 4.10%	**332,730**	330,000
Manitoba Hydro Bonds, maturing between June 15, 2010 and June 15, 2011, Interest between 4.20% and 4.60%	**400,000**	352,300
Province of Manitoba Builder Bonds, maturing Between June 15, 2008 and June 15, 2009, interest between 3.25 and 4.45%	**312,100**	312,100
General Motors Acceptance Corp, maturing May 9, 2008, interest at 5.125%	**54,096**	61,199
Bank of Nova Scotia, maturing September 16, 2008, interest between 4.00% and 7.25%	**49,590**	50,000
Province of Ontario, maturing September 22, 2008, interest at 4.15%	**198,886**	200,000
Accrued interest	**29,966**	27,798
Mutual Funds		
Canadian Financial Income Fund Units	**33,320**	38,496
Citadel Premium Income	**38,760**	45,675
Macquarie Power and Infrastructure Income Fund	**34,120**	42,258
First Asset Diversified Convertible Debenture Fund	**86,000**	-
CIBC Money Market Fund	**6,525**	26,617
CIBC Money Market Fund – U.S.	**1,438**	-
	$ 1,748,150	$ 1,571,443

5. OTHER ASSETS

	2008	2007
Charitable remainder trusts	$ **55,287**	$ 51,582
Capital assets (Note 6)	**6,471**	5,226
	$ **61,758**	$ 56,808

The Foundation is the owner and capital beneficiary of the charitable remainder trusts and will become entitled to the investment income from these funds upon the death of the donor.

6. CAPITAL ASSETS

	2008	2007
Equipment		
Balance, beginning of year	$ **20,209**	$ 13,939
Net additions	**4,002**	6,270
Balance, end of year	**24,211**	20,209
Accumulated amortization		
Balance, beginning of year	**14,983**	13,502
Amortization for the year	**2,757**	1,481
Balance, end of year	**17,740**	14,983
Net book value	$ **6,471**	$ 5,226

Included in net assets is $6,270 (2007 – $6,270) of donated capital assets.

7. INTEREST RATE AND CREDIT RISK

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in nominal interest rate and equity markets.

b) Credit Risk

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Foundation has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the 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.

8. ASSISTIVE TECHNOLOGY

Included in the assistive technology expenditures for the year ended March 31, 2008 are donations in-kind of $15,141 (2007 - $38,335).

9. STATEMENT OF CASH FLOWS

A separate statement of cash flows is not presented since cash flows from operating, investing and financing activities are readily apparent from other financial statements.

10. RELATED ENTITIES

The Rehabilitation Foundation for Children, Inc. operates a health care facility in Winnipeg, Manitoba. The Foundation exists primarily to support the activities of the Rehabilitation Centre for Children (the Centre). A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. 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.

During the year, the Foundation donated a total of $356,412 to the Centre in the form of cash and capital donations (2007 - $314,830).