



Financial Statements


Murchison Foundation Inc.

March 31, 2018


Murchison Foundation Inc.

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Independent auditor's report



To the Board of Directors of
Murchison Foundation Inc.

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

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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


Basis for qualified opinion

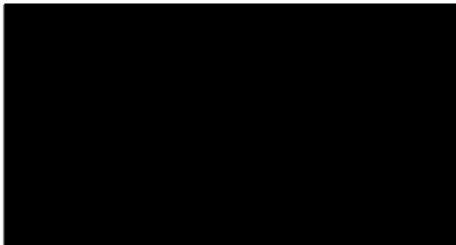
In common with other similar facilities, the Foundation derives cash revenue and disburses cash prizes at its locations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues and prizes was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to bingo facility revenues, cash prizes, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, and assets and net assets as at March 31, 2018 and 2017.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Murchison Foundation Inc. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Summerside, Prince Edward Island

October 5, 2018



Murchison Foundation Inc.

Statement of operations

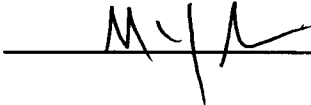
Year Ended March 31	2018	2017
Sales		
Bingo	\$ 4,510,596	\$ 4,538,751
Canteen	124,897	128,249
	<u>4,635,493</u>	<u>4,667,000</u>
Cost of sales		
Inventory, beginning of year	17,275	18,201
Purchases	230,005	229,775
Prizes	3,279,712	3,285,244
	<u>3,526,992</u>	<u>3,533,220</u>
Inventory, end of year	21,181	17,275
	<u>3,505,811</u>	<u>3,515,945</u>
Gross profit	<u>1,129,682</u>	<u>1,151,055</u>
Expenses		
Advertising	35,879	32,133
Bank charges	5,638	6,709
Building rent	24,000	25,000
Depreciation	65,358	67,294
Financial management	64,419	49,465
Insurance	21,892	20,286
Interest on long-term debt	22,044	25,201
License fees	45,434	45,919
Meetings	518	664
Office and general	6,301	8,460
Professional fees	9,071	7,324
Property taxes	37,046	36,741
Repairs and maintenance	90,815	87,808
Staff development	1,541	-
Telephone	8,542	11,416
Travel	4,639	4,827
Utilities	52,885	50,509
Wages	337,412	328,436
	<u>833,434</u>	<u>808,192</u>
Excess revenues over expenditures from operations	296,248	342,863
Other income (Note 7)	48,301	53,957
Gain on sale of tangible capital assets	2,200	1,000
	<u>346,749</u>	<u>397,820</u>
Distribution to CMHA PEI Division	111,330	129,996
Excess revenues over expenditures	<u>\$ 235,419</u>	<u>\$ 267,824</u>

See accompanying notes to the financial statements.

Murchison Foundation Inc.
Statement of financial position

March 31	2018	2017
Assets		
Current		
Cash	\$ 59,808	\$ 51,010
Receivables	16,808	7,115
Inventory	<u>21,181</u>	<u>17,275</u>
	97,797	75,400
Internally restricted cash - capital reserve	400,000	200,000
Tangible capital assets (Note 3)	<u>1,226,627</u>	<u>1,285,620</u>
	<u>\$ 1,724,424</u>	<u>\$ 1,561,020</u>
Liabilities		
Current		
Payables and accruals (Note 5)	\$ 55,956	\$ 51,867
Current portion of long-term debt (Note 6)	<u>79,125</u>	<u>76,058</u>
	135,081	127,925
Long-term debt (Note 6)	<u>413,747</u>	<u>492,918</u>
	548,828	620,843
Net assets (Page 5)		
General operating fund	775,596	740,177
Internally restricted capital fund	<u>400,000</u>	<u>200,000</u>
End of year	<u>1,175,596</u>	<u>940,177</u>
	<u>\$ 1,724,4284</u>	<u>\$ 1,561,020</u>

On Behalf of the Board

See accompanying notes to the financial statements.

Murchison Foundation Inc.
Statement of changes in net assets

Year Ended March 31 2018 2017

	General Operating <u>Fund</u>	Internally Restricted <u>Capital assets</u>	<u>Total</u>	<u>Total</u>
Opening balance	\$ 740,177	\$ 200,000	\$ 940,177	\$ 672,353
Excess revenues over expenses	235,419	-	235,419	267,824
Inter-fund transfers	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 775,596</u>	<u>\$ 400,000</u>	<u>\$ 1,175,596</u>	<u>\$ 940,177</u>

See accompanying notes to the financial statements.

Murchison Foundation Inc.
Statement of cash flows

Year Ended March 31

2018

2017

Increase (decrease) in cash and cash equivalents

Operating		
Excess revenues over expenditures	\$ 235,419	\$ 267,824
Depreciation	65,358	67,294
(Gain) loss on sale of assets	-	(1,000)
	<u>300,777</u>	<u>334,118</u>
Net changes in working capital balances:		
Accounts receivable	(9,693)	7,413
Inventory	(3,906)	926
Accounts payable	4,089	(5,257)
Deferred revenue	-	(4,300)
	<u>291,267</u>	<u>332,900</u>
Financing		
Change in bank indebtedness	-	(362)
Repayment of long-term debt	(76,104)	(65,284)
Issuance of long-term debt	-	133,605
	<u>(76,104)</u>	<u>67,959</u>
Investing		
Purchase of tangible capital assets	(28,111)	(269,074)
Capital grants received	21,746	113,894
Change in internally restricted capital reserve	(200,000)	(200,000)
	<u>(206,365)</u>	<u>(355,180)</u>
Net increase in cash and cash equivalents	8,798	45,679
Cash and cash equivalents, beginning of year	<u>51,010</u>	<u>5,331</u>
Cash and cash equivalents, end of year	\$ <u>59,808</u>	\$ <u>51,010</u>

See accompanying notes to the financial statements.

Murchison Foundation Inc.

Notes to the financial statements

March 31, 2018

1. Purpose of the organization

Murchison Foundation Inc. (the "Foundation") is an incorporated non-profit organization and is a registered charity under the Income Tax Act.

The Foundation operates bingo facilities in Charlottetown, Summerside and Alberton which provide a primary source of funding to Canadian Mental Health Foundation – Prince Edward Island Division.

2. Summary of significant accounting policies

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Bingo, canteen, rental and satellite revenues are recognized when received. The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received. Fundraising events are recognized when the events occur not when the revenue is collected.

Tangible capital assets

Tangible capital assets acquired are recorded at cost.

Rates and bases of depreciation applied to write-off the cost of tangible capital assets over their estimated lives are as follows:

Building	25 years, straight line
Equipment	5 years straight line
Building improvement	25 years, straight line

When the Foundation recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

Government assistance

Government grants relating to the acquisition of capital assets are treated as a reduction in the cost of the related asset. During the year, government assistance of \$21,746 (2017 – \$113,894) was received.

Inventory

Inventory is valued at the lower of cost and net realizable value. Costs include all expenses directly attributable to the purchase and delivery of the product to the Foundation's locations. Costs are assigned using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business.

Murchison Foundation Inc.

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of bank indebtedness. Bank borrowings are considered to be financing activities.

Use of estimates

In preparing the Foundation's financial statements, management is required 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 revenues and expenses during the reporting periods. Actual results could differ from estimates used in these financial statements. Significant estimates include the useful life of tangible capital assets.

Financial assets and liabilities

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- Cash and cash equivalents
- Bank indebtedness
- Trade receivables
- Trade payables
- Long-term debt

A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, except for certain non-arm's length transactions at each reporting date, the Foundation measures its financial assets and liabilities at amortized cost, less any reduction for impairment

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument

Cash and cash equivalents
Bank indebtedness
Trade receivables
Trade payables
Long-term debt

Subsequent measurement

Amortized cost
Amortized cost
Amortized cost
Amortized cost
Amortized cost

The Foundation removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

Murchison Foundation Inc.
Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of write-downs or reversals are recognized in net income.

3. Tangible capital assets

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land				
Charlottetown	\$ 303,965	\$ -	\$ 303,965	\$ 303,965
Building				
Charlottetown	1,037,346	480,380	556,966	594,832
Summerside - [REDACTED]	536,272	67,995	468,277	484,878
Less: Capital grant	(121,250)	-	(121,250)	(121,250)
	<u>1,452,368</u>	<u>548,375</u>	<u>903,993</u>	<u>958,460</u>
Equipment				
Charlottetown	145,505	132,727	12,778	14,467
Summerside - [REDACTED]	10,755	7,650	3,105	5,013
Alberton	5,941	3,155	2,786	3,715
	<u>162,201</u>	<u>143,532</u>	<u>18,669</u>	<u>23,195</u>
	<u>\$ 1,918,534</u>	<u>\$ 691,907</u>	<u>\$ 1,226,627</u>	<u>\$ 1,285,620</u>

4. Bank indebtedness

The Foundation has an authorized operating line of credit of \$50,000, bearing interest at prime plus 2.5%, of which, \$50,000 was unused as at March 31, 2018. Prime as of March 31, 2018 was 3.40% (2017 – 2.70%). For details of the security provided for the line of credit, see Note 6.

Murchison Foundation Inc.

Notes to the financial statements

March 31, 2018

5. Payables and accruals	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 52,989	\$ 47,333
Government remittances	2,967	4,535
	<u>\$ 55,956</u>	<u>\$ 51,867</u>

6. Long-term debt	<u>2018</u>	<u>2017</u>
3.64% mortgage, amortized to 2020, due in 2020, repayable in monthly instalments of \$5,264, including principal and interest. See below for general security assigned to the loan.	\$ 229,024	\$ 282,777
4.64% mortgage, due October 2021, repayable in biweekly instalments of \$1,350, including principal and interest, secured by a collateral mortgage on land and building at [REDACTED] Summerside.	<u>263,848</u>	<u>286,199</u>
	<u>492,872</u>	<u>568,976</u>
Less: current portion	<u>79,125</u>	<u>76,058</u>
	<u>\$ 413,747</u>	<u>\$ 492,918</u>

As additional security for the long term debt, the Foundation has provided a general security agreement constituting a first charge over all property, a first fixed charge on lands and improvements located at [REDACTED], Charlottetown, Prince Edward Island and [REDACTED], Summerside, Prince Edward Island.

Expected principal repayments in each of the next five years are as follows: 2019 - \$79,125; 2020 - \$83,262; 2021 - \$85,645; 2022 - \$82,404; and 2023 - \$28,184.

7. Other income	<u>2018</u>	<u>2017</u>
Rent income, net	\$ 44,512	\$ 48,910
Donation	3,146	5,047
Fundraising, net	<u>643</u>	<u>-</u>
	<u>\$ 48,301</u>	<u>\$ 53,957</u>

Murchison Foundation Inc.
Notes to the financial statements

March 31, 2018

8. Financial instruments

The Foundation's risk exposure and the impact on the Foundation's financial instruments are summarized below:

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Foundation to interest rate risk include financial liabilities with floating interest rates. The Foundation currently has a line of credit which is exposed to interest rate risk due to floating rates.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation ensures that it has sufficient capital to meet short term financial obligations after taking into account its operations and cash on hand. The Foundation actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.
