

Financial Statements of
MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)
Year Ended March 31, 2005

MANTELL

DICKSON

BLADES

WISEMAN

CHARTERED ACCOUNTANTS

Bruce Mantell CA
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**denotes Professional Corporation*

AUDITORS' REPORT

To: The Members of the Marie Esther Society

We have audited the statement of financial position of Mount St. Mary Hospital as at March 31, 2005 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 Hospital'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 Hospital as at March 31, 2005 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Victoria, B.C.
May 24, 2005

Chartered Accountants

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

STATEMENT OF FINANCIAL POSITION

MARCH 31,	2005	2004
	\$	\$
ASSETS		
CASH AND SHORT-TERM INVESTMENTS	2,953,143	2,854,726
CASH – RESTRICTED <i>(Note 3)</i>	389,389	5,462,051
ACCOUNTS RECEIVABLE	83,140	129,981
ACCRUED INTEREST RECEIVABLE	42,350	45,111
SUPPLIES	67,636	77,654
PREPAID EXPENSES	48,358	19,824
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 4)</i>	15,475	-
CAPITAL ASSETS <i>(Note 5)</i>	<u>36,400,279</u>	<u>37,268,410</u>
	<u>39,999,770</u>	<u>45,857,757</u>
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,034,005	948,940
ACCRUED VACATION PAY	494,343	464,427
ACCRUED SICK AND SEVERANCE PAY <i>(Note 6)</i>	839,919	799,333
DEFERRED CONTRIBUTIONS <i>(Note 7)</i>	164,839	78,897
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 8)</i>	<u>33,565,696</u>	<u>39,450,533</u>
	<u>36,098,802</u>	<u>41,742,130</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS <i>(Note 9)</i>	4,017,386	4,006,862
INTERNALLY RESTRICTED <i>(Note 12)</i>	200,000	682,611
UNRESTRICTED	<u>(316,418)</u>	<u>(573,846)</u>
	<u>3,900,968</u>	<u>4,115,627</u>
	<u>39,999,770</u>	<u>45,857,757</u>

APPROVED BY THE BOARD OF MANAGEMENT


 _____ Trustee


 _____ Trustee

See accompanying notes

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31,

	Invested in Capital Assets	Unrestricted	Internally Restricted (Note 12)	2005	2004
	\$	\$	\$	\$	\$
NET ASSETS, beginning of year	4,006,862	(573,846)	682,611	4,115,627	3,409,249
INTER-FUND TRANSFERS	-	479,194	(479,194)	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>10,524</u>	<u>(221,766)</u>	<u>(3,417)</u>	<u>(214,659)</u>	<u>706,378</u>
NET ASSETS, end of year	<u>4,017,386</u>	<u>(316,418)</u>	<u>200,000</u>	<u>3,900,968</u>	<u>4,115,627</u>

See accompanying notes

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31,	2005 \$	2004 \$
REVENUES		
Vancouver Island Health Authority Grant	10,891,221	11,548,634
Resident contribution	2,630,864	2,268,277
Start up grants	-	409,959
Amortization of deferred capital contributions	1,234,410	1,266,454
Investment	50,029	55,228
Cafeteria	81,941	81,383
Special Programs - Donations	32,075	44,796
Other	195,378	117,992
	<u>15,115,918</u>	<u>15,792,723</u>
EXPENSES		
Salaries, wages and benefits	12,056,388	11,413,167
Pharmacy costs	441,542	395,859
Laundry and other purchased services	538,088	505,409
Supplies	779,238	655,019
Premises	215,087	202,362
Administration	40,857	52,523
Start up costs	-	409,959
Amortization of capital assets	1,223,886	1,207,008
Organizational development	969	17,069
Mission related	2,447	3,822
Special programs	32,075	44,796
	<u>15,330,577</u>	<u>14,906,993</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	(214,659)	885,730
WRITE OFF OF NET ASSETS	<u>-</u>	<u>179,352</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>(214,659)</u>	<u>706,378</u>

See accompanying notes

MOUNT ST. MARY HOSPITAL
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STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,	2005 \$	2004 \$
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	(214,659)	706,378
Items not involving cash:		
Amortization of capital assets	1,223,886	1,207,008
Amortization of deferred capital contributions	(1,234,410)	(1,266,454)
Write off of net assets	-	179,352
	<u>(225,183)</u>	<u>826,284</u>
Cash provided by changes in non-cash operating accounts:		
Decrease in accounts receivable	46,841	288,832
Decrease in accrued interest receivable	2,761	8,153
Decrease (increase) in supplies	10,018	(33,826)
(Increase) decrease in prepaid expenses	(28,534)	207
Increase (decrease) in accounts payable	171,006	(76,376)
Increase in accrued vacation pay	29,916	78,781
Increase in accrued sick and severance pay	40,586	49,666
	<u>47,411</u>	<u>1,141,721</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(355,755)	(1,668,698)
Proceeds on disposition of capital assets	-	11,100
	<u>(355,755)</u>	<u>(1,657,598)</u>
FINANCING ACTIVITIES		
Capital grants (returned) and contributions (net)	(4,665,901)	891,513
(DECREASE) INCREASE DURING THE YEAR	(4,974,245)	375,636
CASH AND SHORT-TERM INVESTMENTS, beginning of year	<u>8,316,777</u>	<u>7,941,141</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u><u>3,342,532</u></u>	<u><u>8,316,777</u></u>

See accompanying notes

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

1. PURPOSE

Mount St. Mary Hospital is an extended care facility. The Hospital is owned and operated by the Marie Esther Society of the Sisters of St. Ann, and is directed by a Board of Management on appointment by the Marie Esther Society. The Provincial Government and the Medical Advisory Committee may each appoint one member to the Board of Management. The Society was incorporated under the Society Act of British Columbia October 19, 1990 as a not-for-profit organization and is a registered charity under the Income Tax Act. The financial statements include only those assets, liabilities and activities directly related to the operation of the Hospital.

2. ACCOUNTING POLICIES

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives for depreciation and the estimation of amounts which may become payable to retiring employees. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Revenue Recognition

The Hospital follows the deferral method of accounting for grants and contributions received, whereby revenues are matched with expenses. Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable.

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 the 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 results could differ from these estimates.

Basis of Presentation

The Hospital accounts are maintained on a fund basis with all activities recorded in either the capital or operating fund.

In accordance with a directive from the Provincial Ministry of Health, the annual financial statements are prepared on an integrated basis representing the combined accounts of all funds.

Investments

Investments are recorded at cost. Market value of investments approximates their carrying value.

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

2. ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets using annual rates varying from 2% to 20%.

Supplies

Supplies of inventory are recorded at the lower of cost and replacement cost.

Contributed Services

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty in determining fair value, contributed services are not recognized on the financial statements.

Accrued Sick and Severance Pay

The sick and severance pay liability is accrued at rates prescribed by the Ministry of Health.

3. CASH RESTRICTED

Restricted cash balances are comprised of:

	2005	2004
	\$	\$
Cash and investments – new facility	389,389	5,399,282
Appropriated cash	-	62,769
	<u>389,389</u>	<u>5,462,051</u>

As per the memorandum of understanding between the Province of British Columbia, the Capital Region Hospital District and the Marie Esther Society the proceeds from the sale of parcels of land are to be used for the redevelopment project. The amount of unused funds were returned to the Capital Regional Hospital District and at the direction of the Province of British Columbia to the Vancouver Island Health Authority.

4. DUE FROM MOUNT ST. MARY FOUNDATION

During the year the Hospital Board of Management approved a loan of up to \$200,000 as needed, to the Mount St. Mary Foundation. The loan is non-interest bearing and without specific repayment terms.

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

5. CAPITAL ASSETS

	2005		2004	
	\$		\$	
	Cost	Accumulated Amortization	Net	Net
Land	3,768,393	-	3,768,393	3,768,393
Building	32,296,182	1,877,639	30,418,543	26,237,014
Deconstruction and planning	-	-	-	4,912,281
Furniture and equipment	<u>3,344,747</u>	<u>1,131,404</u>	<u>2,213,343</u>	<u>2,350,722</u>
	<u>39,409,322</u>	<u>3,009,043</u>	<u>36,400,279</u>	<u>37,268,410</u>

Under the terms of the memorandum of understanding for the redevelopment project the land that the former facility occupied will be transferred back to the Sisters of St. Ann. The land is currently recorded with a book value of \$28,393.

6. ACCRUED SICK AND SEVERANCE PAY

Under the terms of the employer's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees have been estimated by actuarial valuation as at March 31, 2004, extrapolated to March 31, 2005, using an early measurement date of December 31, 2004.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2005 are as follows:

Sick leave	\$257,061
Severance	<u>406,863</u>
	<u>\$663,924</u>

This is a decrease of \$175,995 from the amounts recorded in the accounts at March 31, 2005.

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for special programs. These programs include music therapy, pet therapy, gardens, pastoral care and resident activities. Changes in deferred contributions balance are as follows:

	2005	2004
	\$	\$
Beginning balance	78,897	59,755
Less: Amount recognized as revenue in the year	(32,075)	(44,796)
Add: Donations received	113,244	49,958
Interest revenue	4,773	13,980
Ending balance	<u>164,839</u>	<u>78,897</u>

8. DEFERRED CAPITAL CONTRIBUTIONS

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.

	2005	2004
	\$	\$
Balance, beginning of year	<u>39,450,533</u>	<u>40,428,241</u>
Capital funding:		
Returned to Vancouver Island Health Authority	(2,872,119)	-
Returned to Capital Regional Hospital District	(1,914,745)	-
Other capital sources (net)	<u>136,437</u>	<u>288,746</u>
	<u>(4,650,427)</u>	<u>288,746</u>
	34,800,106	40,716,987
Less: amortization for the year	<u>1,234,410</u>	<u>1,266,454</u>
Balance, end of year	<u>33,565,696</u>	<u>39,450,533</u>

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

8. DEFERRED CAPITAL CONTRIBUTIONS (continued)

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

	2005	2004
	\$	\$
Unamortized capital contribution used to purchase capital assets	33,177,263	34,658,519
Unspent contributions	388,433	4,792,014
Balance, end of year	<u>33,565,696</u>	<u>39,450,533</u>

9. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2005	2004
	\$	\$
Capital assets	36,400,279	37,268,410
Amounts financed by deferred capital contributions	<u>(32,382,893)</u>	<u>(33,261,548)</u>
	<u>4,017,386</u>	<u>4,006,862</u>

10. RESIDENTS' TRUST FUNDS

	2005	2004
	\$	\$
Residents' funds held in trust	<u>31,553</u>	<u>30,579</u>

The resident funds held in trust are not included in the accompanying financial statements.

11. FINANCIAL INSTRUMENTS

The Hospital's financial instruments consist of cash, accounts receivable, temporary investments and accounts payable. Unless otherwise noted, it is management's opinion that the hospital 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 due to the relatively short periods to maturity of these items.

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

12. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are comprised of the following:

	2005	2004
	\$	\$
Organizational development	-	462,769
Mission related projects	200,000	219,842
	<u>200,000</u>	<u>682,611</u>

13. COMPARATIVE FIGURES

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