

**Financial Statements of**  
**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**Year Ended March 31, 2007**



**MANTELL | DICKSON | BLADES | WISEMAN**

Chartered Accountants

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## 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, 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 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, 2007 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.

*Mantell Dickson Blades Wiseman*

Victoria, B.C.  
May 11, 2007

Chartered Accountants

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

**STATEMENT OF FINANCIAL POSITION**

**MARCH 31,** **2007** **2006**  
**\$** **\$**

**ASSETS**

CASH AND SHORT-TERM INVESTMENTS	2,245,823	3,031,774
CASH – RESTRICTED <i>(Note 3)</i>	161,584	196,557
ACCOUNTS RECEIVABLE <i>(Note 4)</i>	961,394	1,114,399
ACCRUED INTEREST RECEIVABLE	45,381	68,540
SUPPLIES	58,980	54,709
PREPAID EXPENSES	72,725	37,961
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 5)</i>	198,280	132,318
CAPITAL ASSETS <i>(Note 6)</i>	<u>34,283,200</u>	<u>35,371,034</u>
	<u>38,027,367</u>	<u>40,007,292</u>

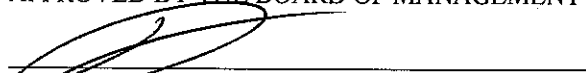

**LIABILITIES**

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	761,863	1,812,407
ACCRUED VACATION PAY	482,734	481,189
ACCRUED SICK AND SEVERANCE PAY <i>(Note 7)</i>	943,402	854,879
DEFERRED CONTRIBUTIONS <i>(Note 8)</i>	127,188	115,955
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 9)</i>	<u>31,898,550</u>	<u>32,965,517</u>
	<u>34,213,737</u>	<u>36,229,947</u>

**NET ASSETS**

INVESTED IN CAPITAL ASSETS <i>(Note 10)</i>	3,998,237	3,986,670
INTERNALLY RESTRICTED <i>(Note 13)</i>	200,000	200,000
UNRESTRICTED	<u>(384,607)</u>	<u>(409,325)</u>
	<u>3,813,630</u>	<u>3,777,345</u>
	<u>38,027,367</u>	<u>40,007,292</u>

APPROVED BY THE BOARD OF MANAGEMENT

 Chair  
 Board Member

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,**

	<b>Invested in Capital Assets \$</b>	<b>Unrestricted \$</b>	<b>Internally Restricted (Note 12) \$</b>	<b>2007 \$</b>	<b>2006 \$</b>
NET ASSETS, beginning of year	3,986,670	(409,325)	200,000	3,777,345	3,900,968
WRITE OFF OF NET ASSETS	-	-	-		(28,394)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	11,567	24,718	-	36,285	(95,229)
NET ASSETS, end of year	<u>3,998,237</u>	<u>(384,607)</u>	200,000	<u>3,813,630</u>	<u>3,777,345</u>

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
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**STATEMENT OF OPERATIONS**

**YEAR ENDED MARCH 31,**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
Vancouver Island Health Authority Grant <i>(Note 4)</i>	11,597,387	12,264,574
Resident contribution	2,894,165	2,706,642
Amortization of deferred capital contributions	1,303,674	1,275,560
Investment	36,597	41,085
Cafeteria	93,147	91,970
Special Programs - Donations	66,209	57,110
Other	168,130	134,955
	<u>16,159,309</u>	<u>16,571,896</u>
<b>EXPENSES</b>		
Salaries, wages and benefits	12,720,656	13,238,997
Pharmacy costs	471,144	451,498
Laundry and other purchased services	508,180	551,900
Supplies	780,902	787,686
Utilities	193,984	181,890
Premises	58,250	59,356
Sundry	31,592	60,806
Amortization of capital assets	1,292,107	1,277,882
Special programs	66,209	57,110
	<u>16,123,024</u>	<u>16,667,125</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>36,285</b>	<b>(95,229)</b>
<b>WRITE OFF OF NET ASSETS</b>	<b>-</b>	<b>28,394</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b><u>36,285</u></b>	<b><u>(123,623)</u></b>

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
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**STATEMENT OF CASH FLOW**

YEAR ENDED MARCH 31,	2007 \$	2006 \$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	36,285	(123,623)
Items not involving cash:		
Amortization of capital assets	1,292,107	1,277,882
Amortization of deferred capital contributions	(1,303,674)	(1,275,560)
Write off of net assets	-	28,394
	<u>24,718</u>	<u>(92,907)</u>
Cash provided by changes in non-cash operating accounts:		
(Increase) decrease in accounts receivable	153,005	(1,031,259)
(Increase) decrease in accrued interest receivable	23,159	(26,190)
(Increase) decrease in supplies	(4,271)	12,927
(Increase) decrease in prepaid expenses	(34,764)	10,397
(Decrease) increase in accounts payable	(1,050,545)	778,402
(Decrease) increase in accrued vacation pay	1,545	(13,154)
Increase in accrued sick and severance pay	<u>88,523</u>	<u>14,960</u>
Cash from operations	<u>(798,630)</u>	<u>(346,824)</u>
<b>INVESTING ACTIVITIES</b>		
Increase in advances to Mount St. Mary Foundation	(65,962)	(116,843)
Purchase of capital assets	<u>(204,272)</u>	<u>(277,030)</u>
	<u>(270,234)</u>	<u>(393,873)</u>
<b>FINANCING ACTIVITIES</b>		
Capital grants and contributions (net)	<u>247,940</u>	<u>626,496</u>
<b>(DECREASE) DURING THE YEAR</b>	<b>(820,924)</b>	<b>(114,201)</b>
CASH AND SHORT-TERM INVESTMENTS, beginning of year	<u>3,228,331</u>	<u>3,342,532</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u>2,407,407</u>	<u>3,228,331</u>

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2007**

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**1. PURPOSE**

Mount St. Mary Hospital is a residential facility providing complex care. 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 amortization 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, 2007**

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**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 is comprised of:

	2007	2006
	\$	\$
Cash and investments – capital building purposes	<u>161,584</u>	<u>196,557</u>

**4. ACCOUNTS RECEIVABLE**

Accounts receivable includes one time only amount of \$892,000 which is due from the Vancouver Island Health Authority. These funds are made available to assist in addressing a deficit that would have been realized had it not been for the one time funding of \$892,000. Payment will be made after the conditions have been met as outlined in the March 29, 2007 correspondence.

**5. DUE FROM MOUNT ST. MARY FOUNDATION**

During the prior 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, 2007**

**6. CAPITAL ASSETS**

	2007		2006	
	\$		\$	
	Cost	Accumulated Amortization	Net	Net
Land	3,740,000	-	3,740,000	3,740,000
Building	32,479,962	3,761,122	28,718,840	29,622,255
Furniture and equipment	3,642,269	1,817,909	1,824,360	2,008,779
	<u>39,862,231</u>	<u>5,579,031</u>	<u>34,283,200</u>	<u>35,371,034</u>

**7. 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 has been estimated by actuarial valuation as at March 31, 2007, using an early measurement date of December 31, 2006.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2007 are as follows:

Sick leave	\$325,311
Severance	<u>525,104</u>
	<u>\$850,415</u>

This is a decrease of \$92,987 from the amounts recorded in the accounts at March 31, 2007.

**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2007**

**8. 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:

	<u>2007</u>	<u>2006</u>
	\$	\$
Beginning balance	115,955	164,839
Less: Amount recognized as revenue in the year	(66,209)	(57,110)
Add: Donations received	77,442	4,432
Interest revenue	-	3,794
Ending balance	<u>127,188</u>	<u>115,955</u>

**9. 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.

	<u>2007</u>	<u>2006</u>
	\$	\$
Balance, beginning of year	32,965,517	33,565,696
Capital funding	236,707	675,381
Less: amortization for the year	<u>1,303,674</u>	<u>1,275,560</u>
Balance, end of year	<u>31,898,550</u>	<u>32,965,517</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2007**

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**9. DEFERRED CAPITAL CONTRIBUTIONS (continued)**

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

	<u>2007</u>	<u>2006</u>
	\$	\$
Unamortized capital contribution used to purchase capital assets	31,196,963	32,228,961
Unspent contributions	701,587	736,556
Balance, end of year	<u>31,898,550</u>	<u>32,965,517</u>

**10. INVESTMENT IN CAPITAL ASSETS**

Investment in capital assets is calculated as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Capital assets	34,283,200	35,371,034
Amounts financed by deferred capital contributions	<u>(30,284,963)</u>	<u>(31,384,364)</u>
	<u>3,998,237</u>	<u>3,986,670</u>

**11. RESIDENTS' TRUST FUNDS**

	<u>2007</u>	<u>2006</u>
	\$	\$
Residents' funds held in trust	<u>35,673</u>	<u>38,559</u>

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

**12. FINANCIAL INSTRUMENTS**

The Hospital's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities. 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, 2007**

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**13. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets are comprised of the following:

	<u>2007</u>	<u>2006</u>
	\$	\$
Mission related projects	<u>200,000</u>	<u>200,000</u>