

ST. MICHAEL'S CENTRE
COMBINED FINANCIAL STATEMENTS
31 MARCH 2023

ST. MICHAEL'S CENTRE
Combined Financial Statements

For the year ended 31 March 2023

Contents

Independent Auditors' Report	
Combined Statement of Financial Position	3
Combined Statement of Changes in Net Assets	4
Combined Statement of Operations	5
Combined Statement of Cash Flows	6
Notes to the Combined Financial Statements	7 - 20
Schedule 1 - Combined Schedule of Revenue	21
Schedule 2 - Combined Schedule of Expenses - Operations	22

INDEPENDENT AUDITORS' REPORT

To the Members and the Board of Directors of St. Michael's Centre, and,
To the Minister of Health, Province of British Columbia

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of St. Michael's Centre (the "Centre"), which comprise the combined statement of financial position as at 31 March 2023, and the combined statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Centre as at 31 March 2023, and the the combined results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 in the combined financial statements, which indicates that the Centre has an accumulated unrestricted operating deficit of \$2,757,305 as of the year ended 31 March 2023. As stated in Note 1, the unrestricted operating deficit, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Centre's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT - Continued

In preparing the combined financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit 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 Centre's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Centre to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT - Continued

- ♦ Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Rolfe Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
16 May 2023

ST. MICHAEL'S CENTRE
Combined Statement of Financial Position
31 March 2023

	2023	2022
Assets		
Current		
Cash and cash equivalents	\$ 961,617	\$ 653,864
Term deposit	51,079	-
Accounts receivable (Note 3)	685,891	34,308
Prepaid expenses	42,475	14,707
Supplies inventory	6,620	-
	1,747,682	702,879
Restricted cash (Note 4)	59,449	48,210
Tangible capital assets (Note 5)	3,023,034	3,004,602
	\$ 4,830,165	\$ 3,755,691

Liabilities

Current		
Demand loan payable (Note 6)	\$ 757,784	\$ 773,181
Accounts payable and accrued liabilities (Note 10)	536,784	497,647
Salaries payable (Note 7)	1,072,917	742,733
Deferred revenue (Note 8)	1,004,390	652,665
Accrued vacation payable	360,644	366,464
Current portion of capital lease obligation (Note 9)	14,168	13,241
	3,746,687	3,045,931
Capital lease obligation (Note 9)	2,480	16,648
Resident trust funds	11,780	8,987
Accrued employee future benefits (Note 10)	755,820	726,604
Deferred capital contributions (Note 11)	2,176,269	2,091,884
	6,693,036	5,890,054

Contingent liabilities (Note 12)

Net Assets

Unrestricted operating deficit	(2,757,305)	(3,095,232)
Replacement reserve (Note 2(f))	47,669	39,223
Invested in tangible capital assets (Note 13)	846,765	921,646
	(1,862,871)	(2,134,363)
	\$ 4,830,165	\$ 3,755,691

APPROVED BY THE DIRECTORS:


Director
-


Director

The accompanying notes are an integral part of these combined financial statements

ST. MICHAEL'S CENTRE
Combined Statement of Changes in Net Assets
For the year ended 31 March 2023

	Unrestricted operating deficit	Replacement reserve	Invested in tangible capital assets	Total 2023	Total 2022
Balance - beginning of year	\$ (3,095,232)	\$ 39,223	\$ 921,646	\$ (2,134,363)	\$ (2,159,669)
Excess of revenues over expenses	101,492	-	-	101,492	152,191
Amortization of tangible capital and intangible assets	559,820	-	(559,820)	-	-
Amortization of deferred capital contributions	(466,011)	-	466,011	-	-
Recognition of actuarial gains (losses) on accrued employee future benefits	170,000	-	-	170,000	(126,885)
Transfer annual replacement reserve	(8,446)	8,446	-	-	-
Investment in tangible capital assets funded by operations	(18,928)	-	18,928	-	-
Balance - end of year	\$ (2,757,305)	\$ 47,669	\$ 846,765	\$ (1,862,871)	\$ (2,134,363)

The accompanying notes are an integral part of these combined financial statements

ST. MICHAEL'S CENTRE
Combined Statement of Operations
For the year ended 31 March 2023

	2023	2022
		(Note 21)
Revenues - Schedule 1		
Resident care	\$ 15,682,978	\$ 14,658,953
Other income	229,060	181,834
Amortization of deferred capital contributions	466,011	467,768
	<u>16,378,049</u>	<u>15,308,555</u>
Expenses - Schedule 2		
Salaries, wages and employee benefits	13,122,878	12,368,426
Physical plant services and supplies	752,450	600,645
Administrative	535,595	422,132
Food and dietary	518,337	450,838
Patient services and supplies	511,703	531,537
General services	237,847	205,890
Mortgage interest	37,927	19,454
Amortization	559,820	557,442
	<u>16,276,557</u>	<u>15,156,364</u>
Excess of revenues over expenses for the year	\$ 101,492	\$ 152,191

The accompanying notes are an integral part of these combined financial statements

ST. MICHAEL'S CENTRE
Combined Statement of Cash Flows
For the year ended 31 March 2023

	2023	2022
Cash provided by (used in):		
Operating activities		
Excess of revenues over expenses for the year	\$ 101,492	\$ 152,191
Items not involving cash		
Amortization of tangible capital and intangible assets	559,820	557,442
Amortization of deferred capital contributions	(466,011)	(467,768)
Actuarial gains (losses) recognized in net assets	170,000	(126,885)
Amortization of deferred loan costs	9,150	9,150
	374,451	124,130
Changes in non-cash working capital balances		
Accounts receivable	(651,583)	186,021
Prepaid expenses	(27,768)	(3,857)
Supplies inventory	(6,620)	31,260
Accounts payable and accrued liabilities	39,135	180,729
Salaries payable	330,184	(104,642)
Deferred revenue	351,725	75,323
Accrued vacation payable	(5,820)	(62,615)
Accrued employee future benefits	29,216	20,500
	432,920	446,849
Investing activities		
Decrease (increase) in restricted cash	(11,239)	28,293
Purchase of tangible capital assets	(578,250)	(28,769)
Increase in term deposit	(51,079)	-
	(640,568)	(476)
Financing activities		
Repayment of demand loan payable	(24,547)	(40,399)
Repayment of capital lease obligation	(13,241)	(12,281)
Contributions received for tangible capital asset additions	550,396	14,050
Resident funds	2,793	(3,040)
	515,401	(41,670)
Net increase in cash and cash equivalents	307,753	404,703
Cash and cash equivalents - beginning of year	653,864	249,161
Cash and cash equivalents - end of year	\$ 961,617	\$ 653,864

The accompanying notes are an integral part of these combined financial statements

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

1. Organization and basis of presentation

Nature of operations

The St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society operate a hospice and an extended care facility located in Burnaby under the name St. Michael's Centre (the "Centre"). Both societies are incorporated under the Societies Act (British Columbia) as non-profit organizations. St. Michael's Centre Hospital Society is a registered charity under the Income Tax Act.

The facility operates in affiliation with the Fraser Health Authority, the principal funding agency.

Continuing operations

These combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations that apply to a going concern. Under the going concern assumption, an entity is viewed as being able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations.

The Centre incurred an excess of revenues over expenses of \$101,492 in the current year (2022 - \$152,191) and has reported a deficiency of revenues over expenses each year since the fiscal year ended 31 March 2010 up to 31 March 2020. The Centre has an unrestricted operating deficit of \$2,757,305 (2022 - \$3,095,232), a working capital deficiency of \$1,999,005 (2022 - \$2,343,052) and long-term accrued employee future benefits obligations of \$755,820 (2022 - \$726,604). The Centre is also exposed to contingent liabilities (Note 12).

The Centre's ability to continue as a going concern is dependent upon receiving continued support from the principal funding agency, achieving profitable operations to reduce the unrestricted operating deficit, or acquiring additional financial assistance through other sources. The Centre also has access to funds held by the Burnaby Hospital Foundation (Note 16). The Centre continues to develop capital improvement plans and other long-term plans for the future sustainability of the Centre. These combined financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Centre be unable to continue operations.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

2. Summary of significant accounting policies

These combined financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Combination

These financial statements combine the results of St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society. Balances and transactions between these entities have been eliminated upon combination. This combination is appropriate as the two societies share the same premises and employees.

(b) Financial instruments

(i) Measurement of financial instruments

The Centre initially measures its financial assets and liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the combined statement of operations.

Financial assets measured at amortized cost include cash and cash equivalents, term deposit, accounts receivable and restricted cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, salaries payable, accrued vacation payable, demand loan payable, accrued employee future benefits, resident trust funds and capital lease obligation.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the combined statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the combined statement of operations.

(iii) Transaction costs

The Centre recognizes its transaction costs in the combined statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

2. Summary of significant accounting policies - Continued

(c) Revenue recognition

The Centre follows the deferral method of accounting for contributions. Grant revenues from the principal funding agency are recognized based on the amounts per the annual funding contracts. Government funding for incremental overtime and other Covid-19 related costs are recognized when the amounts to be received are determined and approved by the funder. Other restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and self pay revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions from the Burnaby Hospital Foundation are recognized when funding applications are submitted and approved (Note 16).

(d) Tangible capital assets

Property and equipment are recorded at cost. The Centre provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful life at the following rates:

Buildings	2% to 4%
Building improvements, 2009 to 2022	7% or to 2027
Building improvements, 2023 and after	4%
Furniture and equipment	10%
Computers	20%

(e) Impairment of long-lived assets

The Centre tests long-lived assets for impairment when events or changes in circumstances indicate that their carrying value may not be recovered. When a tangible capital asset or intangible asset no longer contributes to the services provided by the Centre its carrying amount is written down to its residual value. No impairment losses were determined by management to be necessary for the year.

(f) Replacement reserve

The replacement reserve is established for future replacement of items of a capital nature. Under the terms of the operating agreement for the demand mortgage loan (Note 6) with BC Housing Management Commission ("BCHMC"), the replacement reserve is to be funded with an annual provision in the amount of \$7,680 from the operating budget plus an allocation for interest. The funds in the account may only be used for expenditures approved by BCHMC.

(g) Income tax

The Centre is exempt from federal and provincial income taxes, providing certain requirements are met.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

2. Summary of significant accounting policies - Continued

(h) Cash and cash equivalents

The Centre's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that can fluctuate from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

(i) Pension plan

The Centre is a member of the British Columbia Municipal Pension Plan (the "Plan"). The Plan is a contributory defined benefit pension plan providing a pension on retirement based on various factors, including age at retirement, length of service and earnings. As the assets and the liabilities of the Plan are not segregated by member, the Plan is accounted for as a defined contribution plan and any contributions by the Centre to the Plan are expensed as incurred.

(j) Employee future benefits

The Centre is a member of a Sick Leave and Severance Benefits Plan (the "Plan") for the Ministry of Health and participating entities. The Plan is a defined benefit plan providing sick and severance benefits based on various factors, including age, years of service and earnings. The following accounting policies relate to this Plan:

- i) The obligation is measured using an actuarial funding valuation;
- ii) The full amount of a defined benefit obligation, net of plan assets, is recognized in the combined statement of financial position;
- iii) Changes in the fair value of plan assets and in the measurement of the plan obligation, excluding remeasurement and other items, are recognized immediately in income;
- iv) Remeasurements and other items are recognized directly in net assets in the combined statement of financial position;
- v) Plan obligations and plan assets are measured as of the combined statement of financial position date.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

2. Summary of significant accounting policies - Continued

(k) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the combined statements of financial position. Accounts and disclosures subject to estimates include amortization of tangible capital assets, allowance for doubtful accounts, accounts payable, accrued liabilities, salaries payable, amortization of deferred capital contributions and the balance of accrued employee future benefits which is determined using an actuarial valuation and the determination of asset retirement obligations. Management believes that the estimates utilized in preparing the combined financial statements are prudent and reasonable; however, actual results could differ from those estimates.

3. Accounts receivable

	2023	2022
		(Note 21)
Accounts receivable	\$ 67,546	\$ 67,422
Allowance for doubtful accounts	(34,333)	(48,605)
Grants receivable	587,994	-
GST receivable	64,684	15,491
	\$ 685,891	\$ 34,308

4. Restricted cash

	2023	2022
Replacement reserve	\$ 47,669	\$ 39,223
Resident trust funds	11,780	8,987
	\$ 59,449	\$ 48,210

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

5. Tangible capital assets

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land and improvements	\$ 447,449	\$ -	\$ 447,449	\$ 447,449
Buildings	12,442,935	10,867,403	1,575,532	1,969,385
Building improvements	1,606,584	975,141	631,443	319,443
Furniture and equipment	4,586,819	4,218,209	368,610	258,512
Computers	109,333	109,333	-	9,813
	\$ 19,193,120	\$ 16,170,086	\$ 3,023,034	\$ 3,004,602

Included in equipment is an asset under capital lease acquired in 2020 with a cost of \$61,209 and accumulated amortization of \$27,532 (2022 - \$15,296).

6. Demand loan payable

In December 2015, the Centre entered into a demand loan agreement with British Columbia Housing Management Commission ("BCHMC"). The terms of the loan require repayment with monthly blended interest and principal payments to start 1 August 2016 which are to be determined on a monthly basis by BCHMC based on the prevailing interest rates. The loan is to be amortized over a 25 year period. Interest charged is to be no more than the Royal Bank Prime Rate plus 1% and is adjusted monthly based on the weighted average of the interest charged by the Ministry of Finance of the Government of British Columbia to BCHMC and an administration spread of 9/16%. The loan will expire on the earlier of the date BCHMC makes demand or 1 August 2026 and is secured by a second mortgage charging the Centre's leasehold interest in the land and premises at 7451 Sussex Avenue, Burnaby, B.C. which has a carrying value of \$2,654,424 (2022 - \$2,736,277).

	2023	2022
Balance - beginning of the year	\$ 773,181	\$ 804,430
Less: Principal repayments	(24,547)	(40,399)
Add: Amortization of financing costs	9,150	9,150
Balance - end of the year	\$ 757,784	\$ 773,181

Included in the balance of demand loan payable is financing costs of \$93,179 (2022 - \$93,179) with accumulated amortization of \$70,304 (2022 - \$61,154).

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

7. Salaries payable

Included in salaries payable is \$473,924 (2022 - \$319,459) of government remittances payable.

8. Deferred revenue

Deferred revenue consists of grants received which may only be used for the purpose of operating or other specific costs of future periods.

	Balance, beginning of year	Received and receivable	Recognized	Balance, end of year
Fraser Health Authority - operating funding for the subsequent year	\$ 460,599	\$ 471,813	\$ (460,599)	\$ 471,813
Fraser Health Authority - Quality and Safety	100,545	160,000	(100,545)	160,000
Fraser Health Authority - Safe Long-Term Care	91,521	731,550	(504,021)	319,050
BC Housing - Housing Provider IT	-	53,527	-	53,527
BC Care - EquipCare BC	-	51,120	(51,120)	-
	<u>\$ 652,665</u>	<u>\$ 1,468,010</u>	<u>\$ (1,116,285)</u>	<u>\$ 1,004,390</u>

\$550,396 (2022 - \$14,050) of the amounts recognized are for contributions received for tangible capital asset additions and have been recorded in deferred capital contributions on the combined statement of financial position.

9. Capital lease obligation

The Centre has entered into an agreement to lease certain equipment. This lease has been accounted for as a capital lease, bears an implicit interest rate of 8.41% and has a 60 month term.

	<u>2023</u>	2022
Capital lease	\$ 16,648	\$ 29,889
Less current portion	<u>14,168</u>	13,241
Due beyond one year	<u>\$ 2,480</u>	\$ 16,648

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

9. Capital lease obligation - Continued

The following is a schedule of future minimum lease payments under the capital lease:

2024	\$ 15,036
2025	<u>2,506</u>
Total future minimum lease payments	17,542
Less amount representing interest	<u>894</u>
Principal portion	16,648
Less current portion	<u>14,168</u>
	<u>\$ 2,480</u>

10. Accrued employee future benefits

Under the terms of the Centre'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 an actuarial valuation as at 31 March 2023.

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation - beginning	\$ 924,213	\$ 852,400
Expense	99,487	85,928
Immediate recognition of actuarial losses in net assets	(170,000)	126,885
Actual benefit payments	<u>(30,700)</u>	<u>(141,000)</u>
Accrued benefit obligation - ending	823,000	924,213
Current portion	<u>(67,180)</u>	<u>(197,609)</u>
	<u>\$ 755,820</u>	<u>\$ 726,604</u>

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

10. Accrued employee future benefits - Continued

The key assumptions made in the valuation were as follows:

- (a) An interest (discount) rate of 4.80% per annum, based on market interest rates as at 31 March 2023. This is an increase from the discount rate of 3.90% at 31 March 2022;
- (b) It was assumed that employees will withdraw from service prior to retirement in accordance with the rates of termination that depend on their age and length of service. These rates include withdrawal, death and disability. No withdrawals were assumed to occur after age 55.
- (c) Utilization of sick leave and retirement time is based on a study of a number of demographic assumptions (mortality, termination, retirement, disability and accumulation of sick banks). Many of the demographic assumptions are based on the most recent BC Municipal Pension Plan as of 31 December 2021 (Note 14); and
- (d) A salary increase rate of 4.17% in 2022, 7.00% in 2023, 3.00% in 2024 and 2.50% per annum in 2025 and thereafter. This is an increase from the salary increase rate of 2.50% per annum at 31 March 2022.

11. Deferred capital contributions

Deferred capital contributions includes the unamortized amount of grants and donations received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the combined statement of operations.

	2023	2022
Balance - beginning of the year	\$ 2,091,884	\$ 2,545,602
Contributions received for tangible capital asset additions (Note 8)	550,396	14,050
	2,642,280	2,559,652
Less: amounts amortized to revenue	(466,011)	(467,768)
Balance - end of the year	\$ 2,176,269	\$ 2,091,884

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

12. Contingent liabilities

The Centre's contract with the principal funding agency requires the Centre to maintain a certain percentage of occupancy rate for long-term care and provide a certain number of daily care hours to each resident. At certain points during the current and previous years, the Centre did not meet the occupancy rate requirements, and in previous years the Centre did not meet the daily care hours requirement.

In the prior year, the principal funding agency provided certain temporary funding that may require repayment. In the current year, management believes the repayment for these amounts are no longer required.

Additionally, the Centre received funding for specific projects, and the use of these funds is subject to future review and approval by the principal funding agency.

In connection with these matters, the principal funding agency reserves the right to require repayment of funding provided to the Centre. At the date of the Independent Auditors' Report, the Centre had not received notification from the principal funding agency that repayment would be required for the above items.

As the amount of any potential liability resulting from these events cannot be reasonably estimated, no liability has been recorded in these combined financial statements. Any adjustments to the amounts payable will be recorded in the period that these become known.

13. Investment in tangible capital and intangible assets

The balance consists of grants received for the purchase of land and unamortized balance of self-funded purchase of property and equipment.

The Centre's agreement with its principal funding agency required that amounts received for capital projects in excess of \$100,000 will be repayable on a pro-rata basis should the Centre cease operations in the 5 years subsequent to the funding.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

14. Pension plan

The Centre is a member of the Municipal Pension Plan which is open to eligible employees of health care facilities, local governments, school districts, colleges and a number of small public bodies. The Municipal Pension Plan is a contributory defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service. The Centre contributes 9.31% (2022 - 9.31%) and employees contribute 8.61% (2022 - 8.61%) on the first \$66,600 (2021 - \$64,900) of their salaries to the plan and 8.61% (2022 - 8.61%) of salary in excess of \$66,600 (2021 - \$64,900).

An actuarial valuation of the Municipal Pension Plan's assets and pension liabilities is performed at least every three years. The most recent full actuarial valuation for funding purposes available was prepared as at 31 December 2021. The valuation disclosed a surplus for basic pension benefits of \$3,761 million in the plan.

Contributions to the plan are expensed in the year made and in the current year amounted to \$698,752 (2022 - \$676,500).

15. Financial instruments

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations at the combined statement of financial position date, 31 March 2023:

(a) Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, salaries payable, accrued vacation payable, accrued employee future benefits, resident trust funds, demand loan payable and capital lease obligation. It is the Centre's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand, future funding from Fraser Health Authority and potentially obtaining additional financing. During the year, the Centre has taken measures in managing its cash balance to ensure adequate cash flow is available to meet payroll obligations and to repay trade creditors as payments become due. There has been no change to this risk exposure from the prior year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Centre's main credit risks relate to its cash, term deposits and accounts receivable. Cash and term deposits are held with a regulated financial institution within Canada. The Centre provides credit to its residents in the normal course of operations. The Centre assess, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from the prior year.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

15. Financial instruments - Continued

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Centre is mainly exposed to interest rate risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-rate instruments subject the Centre to a fair value risk while the variable rate instruments subject the Centre to a cash flow risk. The Centre does not use financial instruments to reduce its risk exposure.

16. Fundraising - Burnaby Hospital Foundation

Starting from 2021, funds held by St. Paul's Foundation in the capacity as the Centre's designated foundation were transferred to the Burnaby Hospital Foundation. In accordance with the new agreement between the Centre and the Burnaby Hospital Foundation, Burnaby Hospital Foundation will replace St. Paul's Foundation as the Centre's new designated foundation to accept fundraising and donation processing on behalf of the Centre. The total funds initially transferred in 2021 were in the amount of \$875,859 and were divided into \$243,859 (the "Designated Account") and \$632,000 (the "Specified Account") respectively.

Fundraising in 2021 and subsequent years will be received in the Designated Account and expenditures from the Designated Account will require approval by the Burnaby Hospital Foundation.

The Specified Account is unrestricted upon transfer to the Burnaby Hospital Foundation with the Centre's Board of Directors having discretion over its use.

The funds Burnaby Hospital Foundation holds on behalf of the Centre is summarized below. These funds are in Burnaby Hospital Foundation's possession until the Centre submits funding applications to Burnaby Hospital Foundation for administrative approval and as such, these amounts are not included in the Centre's combined statement of financial position. Revenue is recognized by the Centre when funding applications are submitted and approved by Burnaby Hospital Foundation. During the year, \$Nil (2022 - \$Nil) has been disbursed to the Centre and recorded as the Centre's revenues (Note 2(c)).

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

16. Fundraising - Burnaby Hospital Foundation - Continued

	2023	2022
Specified Account - opening and ending balance	\$ 602,000	\$ 602,000
Designated Account - opening balance	296,028	273,975
Designated Account - fundraising obtained	19,391	22,053
Designated Account - ending balance	315,419	296,028
Total	\$ 917,419	\$ 898,028

17. Remuneration of Directors, Employees and Contractors

For the fiscal year ended 31 March 2023 the amounts paid to directors of the Centre for acting in their noted capacity was \$Nil (2022 - \$Nil). During the year, the total remuneration paid to the top 10 employees and contractors earning more than \$75,000 each was \$1,270,413 (2022 - \$1,276,904).

18. Impact of COVID-19

In March 2020, the World Health Organization declared the COVID-19 (the "pandemic") outbreak to be a public health emergency. The pandemic has caused disruptions in organizations operating in long-term and extended resident care. During the year, the Centre observed disruptions in resident admissions and an increase in staff overtime and other costs compared to years prior to the pandemic. The Centre's primary sources of revenue are derived from funding received for resident care and resident rents. At the date of the Independent Auditors' Report, the Centre continued to receive funding from its principal funding agency and rents from its residents. The pandemic did not have a significant negative financial impact overall in the current year as the Centre continued to receive pandemic-specific funding, but the potential impact on future revenues and expenses are still to be determined.

ST. MICHAEL'S CENTRE
Notes to the Combined Financial Statements
For the year ended 31 March 2023

19. Self pay revenue

Self pay represents the maximum monthly facility rate the Centre is entitled to receive from its long-term and extended care residents. Amounts paid by residents in excess of this amount are clawed-back by the principal funding agency throughout the year.

The balance is comprised of fees received and receivable by the Centre during the year from its residents net of \$887,501 (2022 - \$809,820) which is the portion of fees in excess to the maximum facility monthly rate paid or payable to the health authorities.

	2023	2022
Total self pay received and receivable	\$ 2,911,982	\$ 2,643,628
Amounts clawed back	(887,501)	(809,820)
Total	<u>\$ 2,024,481</u>	<u>\$ 1,833,808</u>

20. Asset retirement obligations

In a prior year, the Centre conducted an asbestos building materials assessment of its entire building. Asbestos-contain materials ("ACMs") were found and presumed in certain unexposed parts of the building. The assessment also identified other materials that might contain ACM's but were not sampled. Under the provincial and local government guidelines, the organization has a legal obligation to remove ACMs upon future developments, renovations or demolition of the building. While the assessment identified certain areas where ACM's were present via sampling, at the date of the Independent Auditors' Report management has not obtained information on the cost of removing the ACMs or additional steps to be taken. As such, management is unable to make a reasonable estimate of the liability associated with removing ACMs until further studies are performed and no amount has been recorded in these combined financial statements.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

ST. MICHAEL'S CENTRE
Schedule 1 - Combined Schedule of Revenue
For the year ended 31 March 2023

	2023	2022
		(Note 21)
Resident care		
Grants	\$ 13,658,497	\$ 12,825,145
Self pay (Note 19)	<u>2,024,481</u>	<u>1,833,808</u>
	<u>15,682,978</u>	<u>14,658,953</u>
 Amortization of deferred capital contributions	 <u>466,011</u>	 <u>467,768</u>
 Other income		
Other	199,287	177,401
Interest	<u>29,773</u>	<u>4,433</u>
	<u>229,060</u>	<u>181,834</u>
	 <u>\$ 16,378,049</u>	 <u>\$ 15,308,555</u>

ST. MICHAEL'S CENTRE
Schedule 2 - Combined Schedule of Expenses - Operations
For the year ended 31 March 2023

	2023	2022
Salaries, wages and employee benefits		
Salaries and wages	\$ 10,022,744	\$ 9,404,549
Employee benefits	<u>3,100,134</u>	<u>2,963,877</u>
	<u>13,122,878</u>	<u>12,368,426</u>
Patient services and supplies	<u>511,703</u>	<u>531,537</u>
General services		
Housekeeping and laundry	<u>237,847</u>	<u>205,890</u>
Physical plant services and supplies		
Maintenance, security and supplies	437,432	329,687
Utilities	302,977	266,959
Furniture and equipment replacements	<u>12,041</u>	<u>3,999</u>
	<u>752,450</u>	<u>600,645</u>
Food and dietary	<u>518,337</u>	<u>450,838</u>
Administrative		
Other fees	390,291	246,636
Audit and legal	36,532	58,976
Miscellaneous	35,529	69,088
Telephone	32,406	22,905
Office, including printing, stationery and postage	26,401	17,917
Education	8,411	778
Association membership fees	5,480	5,832
Travel	<u>545</u>	<u>-</u>
	<u>535,595</u>	<u>422,132</u>
Mortgage interest	<u>37,927</u>	<u>19,454</u>
Amortization	<u>559,820</u>	<u>557,442</u>
	<u>\$ 16,276,557</u>	<u>\$ 15,156,364</u>