

Financial Statements of

WRINCH MEMORIAL HOSPITAL

Year ended March 31, 2008

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Financial Statements of Wrinch Memorial Hospital for the year ended March 31, 2008 have been prepared by management in accordance with Canadian generally accepted accounting principles and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

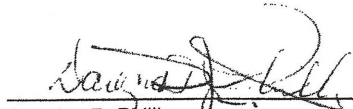
The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Operations and Finance Committee of the Board. The Operations and Finance Committee meets with management and the external auditor at least once a year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Hospital's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Operations and Finance Committee of the Board and have the option to meet with it on regular basis.

On behalf of Wrinch Memorial Hospital



Sharon Robertson
Health Service Administrator
May 29, 2008



Douglas R. Phillips
Manager Business Support, Northwest Health Service Delivery Area
May 29, 2008



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AUDITORS' REPORT TO THE DIRECTORS OF THE WRINCH MEMORIAL HOSPITAL

We have audited the statement of financial position of Wrinch Memorial Hospital 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 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, 2008 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

Prince George, Canada

May 29, 2008

WRINCH MEMORIAL HOSPITAL

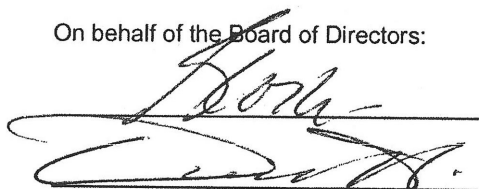
Statement of Financial Position

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

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,860	\$ 5,612
Accounts receivable (note 4)	107,142	40,835
Due from Northern Health Authority	152,577	537,810
	<u>265,579</u>	<u>584,257</u>
Capital assets (note 5)	2,282,212	1,931,309
	<u>\$ 2,547,791</u>	<u>\$ 2,515,566</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Current portion of retirement allowance (note 7)	\$ 52,726	\$ 65,825
Long-term liabilities:		
Deferred capital contributions (note 6)	2,227,287	1,877,383
Retirement allowance (note 7)	395,417	334,900
Net assets (deficiency):		
Invested in capital assets (note 8)	6,101	6,101
Unrestricted	(133,740)	231,357
	<u>(127,639)</u>	<u>237,458</u>
	<u>\$ 2,547,791</u>	<u>\$ 2,515,566</u>

See accompanying notes to financial statements.

On behalf of the Board of Directors:



Director

Director

WRINCH MEMORIAL HOSPITAL

Statement of Operations

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

	2008	2007
Revenues:		
Other contributions	\$ 4,055,116	\$ 3,792,125
Medical Service Plan	325,563	325,763
Amortization of deferred capital contributions	248,266	244,804
Other	182,908	141,434
Patients, client and residents	129,881	136,228
Investment income	13,686	19,194
	4,955,420	4,659,548
Expenses:		
Compensation and benefits	3,863,100	3,371,184
Supplies	750,346	666,376
Depreciation of capital assets	248,266	244,804
Distributions to affiliated organizations	216,002	216,002
Equipment and building services	160,758	122,306
Sundry	48,976	69,152
Referred-out and contracted services	33,069	29,282
	5,320,517	4,719,106
Deficiency of revenues over expenses	\$ (365,097)	\$ (59,558)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Changes in Net Assets

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

	Invested in		2008	2007
	Capital assets	Unrestricted	Net assets	Net assets
Balance, beginning of year	\$ 6,101	\$ 231,357	\$ 237,458	\$ 297,016
Deficiency of revenue over expenses (note 8)		(365,097)	(365,097)	(59,558)
Balance, end of year	\$ 6,101	\$ (133,740)	\$ (127,639)	\$ 237,458

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Cash Flows

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

	2008	2007
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (365,097)	\$ (59,558)
Items not involving cash:		
Amortization of deferred capital contributions	(248,266)	(244,804)
Depreciation of capital assets	248,266	244,804
	<u>(365,097)</u>	<u>(59,558)</u>
Change in non-cash operating working capital:		
Accounts receivable and due from Northern Health Authority	317,927	(45,831)
Inventories	-	42,709
Retirement allowance	47,418	31,520
	<u>248</u>	<u>(31,160)</u>
Cash flows from investing activities:		
Purchase of capital assets	(598,169)	(187,252)
Cash flows from financing activities:		
Increase in deferred capital contributions	598,169	218,412
Increase in cash and cash equivalents	248	-
Cash and cash equivalents, beginning of year	5,612	5,612
Cash and cash equivalents, end of year	<u>\$ 5,860</u>	<u>\$ 5,612</u>

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

Wrinch Memorial Hospital (the "Hospital") is owned and operated by the United Church of Canada, to manage through the Board of Directors ("Board") and under an affiliation agreement with Northern Health Authority, the delivery of health care within the Hazelton region of the Province of British Columbia.

The mandate of the Hospital, defined by its affiliation agreement with Northern Health Authority, is to plan, deliver, monitor and report on health services which include acute care, public and population health programs. Services for persons with mental health or substance use disorders and home and community care programs for people who live in the region and through referral from outside the region.

The Hospital is a registered charity under the *Income Tax Act* and accordingly is exempt from income and capital taxes, provided certain requirements of the *Income Tax Act* are met.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Cash and cash equivalents:

All short-term investments, with term to maturity of three months or less at the date of purchase, are treated as cash and cash equivalents.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Hospital records depreciation on its assets on straight-line basis over the useful life of the assets as follows.

Asset	Rate
Buildings	10 – 50 years
Building service equipment	5 – 25 years
Equipment	3 – 20 years
Land improvements	5 – 25 years

(d) Asset retirement obligations:

The Hospital recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and change in the fair value assessment of the retirement obligation.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) Revenue recognition:

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of British Columbia, through the Northern Health Authority, in accordance with budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recorded as revenues in the period to which they relate and 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.

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.

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined benefit plans as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to sick and severance benefits is 10 years (2007 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(g) Asset and service contributions:

Volunteers contribute their time to assist the Hospital in carrying out its service delivery activities. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates as assumptions that affects the reported amounts of assets and liabilities and the disclosure on contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, recognition of assets retirement obligations, contingencies and, in particular, assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

2. Financial Instruments:

(a) Fair value:

During the year, the Hospital adopted Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation to account for its financial assets and financial liabilities. These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held-for-trading.

Subsequent measurement and changes in fair value will depend on initial classification. Held for trading assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings. Available for sale investments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the investment is re-recognized or other than temporarily impaired which time the amounts would be recorded in net earnings.

These sections also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of (i) unrealized gains on financial assets classified as available-for-sale, which are recognized in net assets until the financial asset is derecognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The adoption of these sections did not have a significant impact on the financial statements.

(b) Credit risk:

The Hospital faces credit risk with respect to the collection of its accounts receivable. There is a concentration of credit risk from the collection of receivables from the Ministry of Health. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

3. Future accounting changes:

Financial instruments:

On December 1, 2006 the Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards: Handbook Section 3862, Financial Instruments – Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments – Presentation (Section 3863). These new standards become effective for the Hospital on April 1, 2008.

Sections 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 and disclosures about the Nature and extend of risks arising from financial instruments and how the entity manages those risks.

The Hospital is currently evaluating the impact of these accounting standards for fiscal year 2009.

4. Accounts receivable:

		2008		2007
Foundations, Auxiliaries, Regional Hospital Districts	\$	73,104	\$	-
Ministry of Health		-		12,160
Patients, clients, residents and agencies		32,927		27,825
Other		1,111		850
	\$	107,142	\$	40,835

5. Capital assets:

			2008		2007	
	Cost	Accumulated depreciation	Net book value		Net book value	
Land and Improvements	\$ 18,057	\$ (10,936)	\$ 7,121	\$	7,121	
Buildings	5,180,530	(4,461,661)	718,869		825,127	
Building service equipment	508,328	(91,084)	417,244		255,103	
Construction in progress	300,000	-	300,000		100,751	
Equipment	2,429,466	(1,590,488)	838,978		743,207	
	\$ 8,436,381	\$ (6,154,169)	\$ 2,282,212	\$	1,931,309	

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Deferred capital contributions, beginning of year	\$ 1,877,383	\$ 1,903,775
Contributions during the year:		
Ministry of Health	339,389	98,492
Regional Hospital Districts	125,626	64,000
Other	133,155	55,920
	2,475,553	2,122,187
Less amortization for the year	(248,266)	(244,804)
Deferred capital contributions, end of year	\$ 2,227,287	\$ 1,877,383

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	\$ 2,276,111	\$ 1,925,208
Excess contributions	(48,824)	(47,825)
	\$ 2,227,287	\$ 1,877,383

7. Employee future benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified in the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Hospital's liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be at of December 31, 2009.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

7. Employee future benefits (continued):

(a) Retirement allowance (continued):

Information about employee retirement allowance and severance benefits as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ 145,560	\$ 156,679
Severance benefits	221,060	245,607
Total unfunded retirement allowance obligation	366,620	402,286
Balance of unamortized amounts	81,523	(1,561)
Accrued retirement allowance benefits	\$ 448,143	\$ 400,725

The amounts recorded in the financial statements are as follows

	2008	2007
Accrued retirement allowance benefits:		
Current portion	\$ 52,726	\$ 65,825
Long-term portion	395,417	334,900
	\$ 448,143	\$ 400,725
Retirement allowance expense	\$ 47,420	\$ 37,369
Retirement allowance benefits paid	-	-

The significant actuarial assumptions adopted in measuring the Hospital's accrued retirement allowance are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs of years ended March 31		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

7. Employee benefits (continued):

(a) Retirement allowance (continued):

The amount recorded as a liability by the Hospital in the amount of \$448,143 differs from the actuarially determined accrued benefit obligation of \$366,620 due to the amortization of prior years experience gains and losses taken into account in the determination of the accrued benefit obligation.

(b) Long-term disability benefits:

The Healthcare Benefit Trust ("the Trust") administers long-term disability, group life insurance, accidental death and dismemberment and extended health and dental claims for certain employee groups of the Hospital and other provincially funded organizations.

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997 and for extended health and dental benefits initiated after March 31, 2004. The actuary does not attribute any unfunded liability to the Hospital. Consequently, the Hospital's share of any unfunded liability cannot be determined. Each employer expenses contributions to the Trust in the year in which payments are made.

The most recent actuarial valuation at December 31, 2007 indicated a surplus of \$41 million. The plan covers approximately 77,289 active employees of which approximately 50 are employees of the Hospital. The next required valuation will be as of December 31, 2008 with the results available in 2009.

While the Trust has been restructured, the Hospital and other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(c) Employee pension benefits:

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with the results available in 2010. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The plan covers approximately 140,000 active employees of which approximately 60 are employees of the Hospital. The Hospital paid \$182,502 (2007 - \$154,498) for employer contributions to the plan in the year.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	\$ 2,282,212	\$ 1,931,309
Amounts financed by:		
Deferred capital contributions (note 5)	(2,276,111)	(1,925,208)
	\$ 6,101	\$ 6,101

(b) Deficiency of revenue over expenses

	2008	2007
Amortization of deferred capital contributions	\$ 248,266	\$ 244,804
Depreciation of capital assets	(248,266)	(244,804)
	\$ -	\$ -

(c) Transfer to invested in capital assets

	2008	2007
Purchase of capital assets, net	\$ 598,169	\$ 187,252
Amounts funded by deferred capital contributions	(598,169)	(187,252)
	\$ -	\$ -

9. Economic dependence:

A substantial portion of the Hospital's revenue is received from the Northern Health Authority. Accordingly, any disruption in that funding could have a significant effect upon operations of the Hospital. The Northern Health also provided the Hospital with administrative support during the year for a charge of approximately \$216,000 (2007 - \$226,000).

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Related party transactions:

During the year the Hospital received an amount of approximately \$68,115 (2007 - \$28,000) in rental income and \$56,318 (2007 - \$37,000) of recoveries from United Church Health Services, the parent organization.

11. Financial instruments:

The Hospital's financial instruments include cash and cash equivalents, accounts receivable, due from Northern Health Authority, retirement allowance and long-term disability benefits. The carrying value of cash and cash equivalents, accounts receivable and due from Northern Health Authority approximate their fair values due to the short-term nature of these financial assets.

The fair value of accrued retirement allowance liability and long-term disability benefits are disclosed in note 7. It is management's opinion that the Hospital is not exposed to significant risk arising from these financial instruments.

12. Comparative figures:

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