

Financial Statements of
MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)
Year Ended March 31, 2009



MANTELL | DICKSON | BLADES | WISEMAN

Chartered Accountants

102-4430 Chatterton Way Victoria, BC V8X 5J2
Tel: 250.744.3543 | Fax: 250.744.3546
Web: www.mdbw.ca

AUDITORS' REPORT

To: The Members of the Marie Esther Society

We have audited the statement of financial position of Mount St. Mary Hospital (the "Hospital") as at March 31, 2009 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, 2009 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 8, 2009

Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION

MARCH 31,	2009	2008
	\$	\$
ASSETS		
CURRENT		
Cash and short-term investments	3,365,270	3,137,416
Accounts receivable	60,254	503,538
Supplies	49,723	55,170
Prepaid expenses	69,189	57,968
	<u>3,544,436</u>	<u>3,754,092</u>
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 3)</i>	168,087	182,026
PROPERTY AND EQUIPMENT <i>(Note 4)</i>	<u>32,110,624</u>	<u>33,152,066</u>
	<u>35,823,147</u>	<u>37,088,184</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	872,271	806,824
Accrued vacation pay	489,132	463,529
Current portion of accrued sick and severance pay <i>(Note 5)</i>	120,000	120,280
	<u>1,481,403</u>	<u>1,390,633</u>
ACCRUED SICK AND SEVERANCE PAY <i>(Note 5)</i>	956,936	927,895
DEFERRED CONTRIBUTIONS <i>(Note 6)</i>	538,516	665,600
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 7)</i>	<u>29,156,140</u>	<u>30,344,812</u>
	<u>32,132,995</u>	<u>33,328,940</u>
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT <i>(Note 8)</i>	4,009,361	4,020,307
INTERNALLY RESTRICTED <i>(Note 9)</i>	195,235	195,235
UNRESTRICTED	<u>(514,444)</u>	<u>(456,298)</u>
	<u>3,690,152</u>	<u>3,759,244</u>
	<u>35,823,147</u>	<u>37,088,184</u>

CONTINGENT LIABILITY *(Note 13)*

APPROVED BY THE BOARD OF DIRECTORS

 Chair

J. James

 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,

	Invested in Property and Equipment \$	Unrestricted \$	Internally Restricted \$	2009 \$	2008 \$
NET ASSETS, beginning of year	4,020,307	(456,298)	195,235	3,759,244	3,813,630
(DEFICIENCY) OF REVENUES OVER EXPENSES	(10,946)	(58,146)	-	(69,092)	(54,386)
NET ASSETS, end of year	<u>4,009,361</u>	<u>(514,444)</u>	195,235	<u>3,690,152</u>	<u>3,759,244</u>

See accompanying notes

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

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31,	2009	2008
	\$	\$
REVENUES		
Vancouver Island Health Authority Grant	10,922,135	11,108,545
Resident contributions	3,066,983	3,038,632
Amortization of deferred capital contributions <i>(Note 7)</i>	1,309,468	1,315,524
Special programs <i>(Note 6)</i>	325,348	98,522
Other revenue <i>(Note 10)</i>	271,248	391,778
	<u>15,895,182</u>	<u>15,953,001</u>
EXPENSES		
Salaries, wages and benefits	12,121,577	12,618,638
Pharmacy costs	463,962	466,125
Laundry and other purchased services	581,072	465,672
Supplies	813,052	781,775
Utilities	239,501	199,466
Premises	49,627	47,762
Sundry	49,721	31,208
Amortization of property and equipment	1,320,414	1,293,454
Mission related	-	4,765
Special programs <i>(Note 6)</i>	325,348	98,522
	<u>15,964,274</u>	<u>16,007,387</u>
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	<u>(69,092)</u>	<u>(54,386)</u>

See accompanying notes

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

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31,	2009 \$	2008 \$
OPERATING ACTIVITIES		
(Deficiency) of revenues over expenses	(69,092)	(54,386)
Items not involving cash:		
Amortization of property and equipment	1,320,414	1,293,454
Amortization of deferred capital contributions	<u>(1,309,468)</u>	<u>(1,315,524)</u>
	(58,146)	(76,456)
Cash provided by changes in non-cash operating accounts:		
Decrease in accounts receivable	443,281	457,856
Decrease in supplies	5,447	3,810
(Increase) decrease in prepaid expenses	(11,221)	14,757
Increase in accounts payable	65,449	44,961
(Decrease) increase in accrued vacation pay	25,603	(19,205)
Increase in accrued sick and severance pay	<u>28,761</u>	<u>104,773</u>
Cash from operations	<u>499,174</u>	<u>530,496</u>
INVESTING ACTIVITIES		
Decrease in advances to Mount St. Mary Foundation	13,939	16,254
Purchase of property and equipment	<u>(278,972)</u>	<u>(162,320)</u>
	<u>(265,033)</u>	<u>(146,066)</u>
FINANCING ACTIVITIES		
Capital grants and contributions (net)	<u>(6,287)</u>	300,198
INCREASE DURING THE YEAR	227,854	684,628
CASH AND SHORT-TERM INVESTMENTS, beginning of year	<u>3,137,416</u>	<u>2,452,788</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u>3,365,270</u>	<u>3,137,416</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, 2009

1. PURPOSE

Mount St. Mary Hospital is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. 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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and 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.

Use of Estimates

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. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. 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.

Property and Equipment

Property and equipment 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%.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

2. ACCOUNTING POLICIES (continued)

Supplies

Supplies 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.

Employee Future Benefits

The Hospital and its employees contribute to sick and severance benefit plans and multiple-employer defined benefit plans as the employees render services to earn the benefits. Sick and severance liabilities, net of plan assets, are recorded in the financial statements.

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

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 assumptions. 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 (2008 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2008 - 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.

Financial Instruments

The Hospital's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and accrued sick and severance pay. The Hospital classifies its cash, short-term investments, accounts receivable and accounts payable and accrued liabilities as held-for-trading. Accrued sick and severance pay is classified as other financial liabilities.

Change in Accounting Policies

Inventories

The CICA has issued Section 3031, Inventories, which amends the recognition, measurement, presentation and disclosure requirements for inventory. The adoption of this standard on April 1, 2008 has had no impact on the Hospital's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

3. DUE FROM MOUNT ST. MARY FOUNDATION

In 2005, the Hospital Board of Management approved a loan of up to \$200,000, to the Mount St. Mary Foundation. The loan is non-interest bearing and without specific repayment terms.

4. PROPERTY AND EQUIPMENT

	2009		2008	
	S		S	
	Cost	Accumulated Amortization	Net	Net
Land	3,740,000	-	3,740,000	3,740,000
Building	32,528,902	5,647,905	26,880,997	27,801,649
Furniture and equipment	4,034,622	2,544,995	1,489,627	1,610,417
	<u>40,303,524</u>	<u>8,192,900</u>	<u>32,110,624</u>	<u>33,152,066</u>

5. EMPLOYEE FUTURE BENEFITS

(a) 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 independent actuarial valuation as at March 31, 2007, extrapolated to March 31, 2009, using an early measurement date of December 31, 2008.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2009 are as follows:

	2009	2008
	S	S
Accrued benefit obligation:		
Sick leave	317,785	346,619
Severance	500,053	551,942
Total unfunded obligation	817,838	898,561
Balance of unamortized amounts	259,098	149,614
Accrued sick and severance liabilities	1,076,936	1,048,175
Less: current portion	(120,000)	(120,280)
	<u>956,936</u>	<u>927,895</u>
Sick and severance plan expense	129,537	130,901
Benefits paid	100,776	50,335

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

5. EMPLOYEE FUTURE BENEFITS (continued)

The significant actuarial assumptions adopted in measuring the Hospital's accrued sick and severance liabilities are as follows:

	2009	2008
	\$	\$
Accrued benefit obligation as at March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	3.20%	3.25%
Benefit costs for years ended March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	3.20%	3.25%

(b) 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 of \$616,555 (2008 - \$653,524) were expensed during the year.

(c) Employee Healthcare Benefits

The Hospital contributes to the Healthcare Benefit Trust, a multi-employer plan for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for certain employee groups. Employer contributions to the Healthcare Benefit Trust of \$1,088,909 (2008 - \$1,082,414) were expensed during the year.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for special programs. These programs include implementation of the resident assessment instrument, InterRAI MDS v2.0, additional staff training to enhance resident care, music therapy, pet therapy, gardens, pastoral care and resident activities. Changes in deferred contributions balance are as follows:

	2009	2008
	\$	\$
Balance, beginning of year	665,600	667,188
Add: Donations received	198,264	96,934
Less: Amount recognized as revenue in the year	<u>(325,348)</u>	<u>(98,522)</u>
Balance, end of year	<u>538,516</u>	<u>665,600</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance, beginning of year	30,344,812	31,358,550
Add: Capital funding	120,796	301,786
Less: Amortization for the year	<u>(1,309,468)</u>	<u>(1,315,524)</u>
Balance, end of year	<u>29,156,140</u>	<u>30,344,812</u>

The balance of unamortized capital contributions related to property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
Unamortized capital contribution used to purchase property and equipment	28,373,537	29,404,032
Unspent contributions	<u>782,603</u>	<u>940,780</u>
Balance, end of year	<u>29,156,140</u>	<u>30,344,812</u>

8. INVESTMENT IN PROPERTY AND EQUIPMENT

Investment in property and equipment is calculated as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Property and equipment	32,110,624	33,152,066
Amounts financed by deferred capital contributions	<u>(28,101,263)</u>	<u>(29,131,759)</u>
	<u>4,009,361</u>	<u>4,020,307</u>

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are comprised of the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
Mission related projects	<u>195,235</u>	<u>195,235</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

10. OTHER REVENUE

Other revenue is comprised of the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
External recoveries	-	122,269
Cafeteria	87,768	87,768
Resident services	47,440	54,180
Fees	46,875	51,122
Investments	41,722	40,507
Community bathing	5,245	4,550
Other	42,198	31,382
	<u>271,248</u>	<u>391,778</u>

11. RESIDENTS' TRUST FUNDS

	<u>2009</u>	<u>2008</u>
	\$	\$
Residents' funds held in trust	<u>23,545</u>	<u>29,172</u>

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

12. FINANCIAL INSTRUMENTS

At March 31, 2009, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

Short-term investments are recorded at market value based on quoted market prices at the balance sheet date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

Unless otherwise noted, it is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from the financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

13. CONTINGENT LIABILITY

The Hospital has been named as a defendant in an action commenced by Sharp Transportation Systems Inc. alleging a breach of contract under a bill of lading for freight charges. The Hospital has served a statement of defense and commenced a third party action against Western Interior Design Group seeking contribution and indemnity. The claim remains unsettled at March 31, 2009 and management believes the Hospital has valid defenses in place. No provision has been made in the financial statements since the outcome is not yet determinable. In the event the claim is successful, management believes the claim will not have a material effect on the Hospital's financial position.

14. COMPARATIVE FIGURES

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