

Financial Statements of

**MENNONITE BENEVOLENT SOCIETY
MENNO HOSPITAL**

Year ended March 31, 2010



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AUDITORS' REPORT

To the Members of the
Mennonite Benevolent Society

We have audited the statement of financial position of Menno Hospital as at March 31, 2010 and the statements of operations, changes in net assets (deficiency) 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 Menno Hospital as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we also report that, in our opinion, these principles have been applied on a basis consistent with those of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are written in a cursive, flowing style.

Chartered Accountants

Abbotsford, British Columbia
May 21, 2009

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Statement of Financial Position


March 31, 2010, with comparative figures for 2009

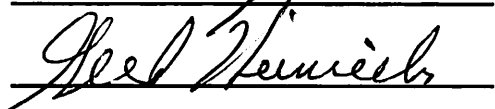
	2010	2009
Assets		
Current assets:		
Cash (Note 3)	\$ 678,614	\$ 909,445
Short-term investments (Note 4)	927,485	891,901
Accounts receivable (Note 10)	174,764	130,125
Inventory	101,137	71,814
Prepaid expenses	12,401	15,891
	<u>1,894,401</u>	<u>2,019,176</u>
Building and equipment (Note 5)	2,697,530	3,171,412
	<u>\$ 4,591,931</u>	<u>\$ 5,190,588</u>

Liabilities, Deferred Contributions and Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 306,008	\$ 452,000
Accrued wages and benefits payable	305,524	277,790
Vacation pay payable	397,324	412,412
Unearned income - patients	8,480	12,706
Current portion of retirement allowance (Note 6)	110,638	82,608
	<u>1,127,974</u>	<u>1,237,516</u>
Retirement allowance (Note 6)	1,102,972	1,118,430
Deferred contributions (Note 7)	2,447,344	3,124,317
Deficiency:		
Invested in building and equipment (Note 8(a))	284,132	164,513
Internally restricted (Note 9)	61,674	44,281
Deficiency - operating	<u>(432,165)</u>	<u>(498,469)</u>
	<u>(86,359)</u>	<u>(289,675)</u>
	<u>\$ 4,591,931</u>	<u>\$ 5,190,588</u>

On behalf of the Board:


 _____ Director


 _____ Director

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Fraser Health Authority operating grant	\$ 9,618,018	\$ 9,309,041
Resident user charges	1,728,076	1,664,094
Room differential charges	418,142	411,829
Interest and other income	76,213	87,683
	<u>11,840,449</u>	<u>11,472,647</u>
Expenses:		
Salaries and wages	7,606,760	7,290,376
Employee benefits	2,037,910	2,131,237
Medical supplies and services	505,856	417,003
Dietary supplies and services	434,521	401,033
Utilities	189,045	207,389
Office and administration	155,591	141,186
Rent (Note 10)	150,000	150,000
Contract services	135,085	141,225
Repairs and maintenance	123,294	95,550
Linen, laundry supplies and services	49,290	136,588
Housekeeping supplies and services	44,685	54,792
Professional fees	22,543	11,050
Security and miscellaneous	7,021	13,013
Recreation	6,694	12,654
Association membership fees and accreditation	6,026	6,658
Occupational therapy supplies	-	20
	<u>11,474,321</u>	<u>11,209,774</u>
Excess of revenue over expenses before the undernoted	366,128	262,873
Other revenue (expenses):		
Amortization of deferred contributions related to building and equipment (Note 7)	740,050	744,522
Amortization of building and equipment	(796,982)	(774,145)
Retirement allowance	(105,880)	(106,988)
	<u>(162,812)</u>	<u>(136,611)</u>
Excess of revenue over expenses	<u>\$ 203,316</u>	<u>\$ 126,262</u>

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2010, with comparative figures for 2009

	Invested in building and equipment (Note 8)	Internally restricted (Note 9)	Deficiency operating	2010 Total	2009 Total
Balance, beginning of year	\$ 164,513	\$ 44,281	\$ (498,469)	\$ (289,675)	\$ (415,937)
Excess (deficiency) of revenue over expenses	(56,932)	-	260,248	203,316	126,262
Net change in investment in building and equipment	176,551	-	(176,551)	-	-
Internally restricted funds, net	-	17,393	(17,393)	-	-
Balance, end of year	\$ 284,132	\$ 61,674	\$ (432,165)	\$ (86,359)	\$ (289,675)

Determination of unrestricted deficiency - operating after excluding retirement allowance - long-term portion:

	2010	2009
Deficiency - operating, end of year	\$ (432,165)	\$ (498,469)
Less: Retirement allowance - long-term portion	1,102,972	1,118,430
Unrestricted net assets - operating	\$ 670,807	\$ 619,961

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 203,316	\$ 126,262
Items not involving cash:		
Amortization of building and equipment	796,982	774,145
Amortization of deferred contributions related to building and equipment	(740,050)	(744,522)
Retirement allowance	105,880	106,988
Retirement payouts	(93,308)	(43,632)
Changes in non-cash operating working capital:		
Accounts receivable	(44,639)	(56,311)
Inventory	(29,323)	(5,156)
Prepaid expenses	3,490	(8,043)
Accounts payable and accrued liabilities	(145,992)	243,021
Accrued wages and benefits payable	27,734	(59,255)
Vacation pay payable	(15,088)	20,649
Unearned income - patients	(4,226)	-
	64,776	354,146
Financing:		
Deferred capital contributions received	63,077	115,427
Investments:		
Purchase of equipment	(323,100)	(111,854)
Increase (decrease) in cash and short-term investments	(195,247)	357,719
Cash and short-term investments, beginning of year	1,801,346	1,443,627
Cash and short-term investments, end of year	\$ 1,606,099	\$ 1,801,346

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

General:

Menno Hospital (the "Hospital") operates as a separate entity within The Mennonite Benevolent Society and provides residential complex care under contract with the Fraser Health Authority.

The Hospital is dependent on the Fraser Health Authority (funded by the Ministry of Health Services) to provide sufficient funding for operations, for replacement of essential medical and basic hospital services equipment and for building and renovation projects.

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and Ministry of Health accounting guidelines.

(b) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which includes government grants and donations. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. 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.

(c) Inventory:

Inventory is recorded at the lower of cost and replacement cost.

(d) Building and equipment:

Purchased building and equipment are recorded at cost. Contributed building and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(d) Building and equipment (continued):

Building and equipment are amortized on a straight-line basis at the following annual rates:

Buildings	5%
Major equipment	10%
Minor equipment	25% to 30%

(e) Retirement allowance:

Under the terms of the Hospital's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees have been estimated by actuarial valuation as at March 31, 2010.

(f) Income taxes:

The Hospital is exempt from federal and provincial income taxes.

(g) Use of estimates:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(h) Financial instruments:

Financial assets and liabilities have been designated to be classified as follows:

- (i) Cash and short-term investments as held-for-trading, being measured at fair value.
- (ii) Accounts receivable as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities, accrued wages and benefits payable, vacation pay payable, retirement allowance and long-term debt as other financial liabilities, which are measured at amortized cost.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

2. Future changes in accounting standards:

The Accounting Standards Board and the Public Sector Accounting Board have recently approved for release an exposure draft which suggests that Not-for-Profit enterprises (NFPs) in Canada that are not in the public sector be given a choice to adopt either International Financial Reporting Standards (IFRS) or a private company framework with not-for-profit oriented specific areas, similar to what is currently in use in Canada. The final status of Generally Accepted Accounting Principles ("GAAP") for NFPs in Canada is pending comments received on the exposure draft and an eventual final standard. For those entities that do adopt IFRS, the changeover will require the following:

IFRS balance sheet and profit and loss information to be available for the "comparative period". As such, the opening balance sheet as at the April 1, 2010 transition date will need to be converted to IFRS.

IFRS disclosures (which are considered to be much more extensive than current Canadian GAAP).

Based on this exposure draft, the Society will be required to adopt one of these accounting frameworks for the year beginning April 1, 2012. Until that date, no change in the accounting standards currently used would occur. The Society is currently evaluating its options and will finalize its decision once the final accounting standards for NFPs are released.

3. Cash:

The Hospital's cash is held in a cash management account which earns interest at prime minus 2.05%.

THE MENNONITE BENEVOLENT SOCIETY

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Notes to Financial Statements (continued)

Year ended March 31, 2010

4. Short-term investments:

	2010	2009
AGF 2.06% GIC, \$200,000 face value, matures October 14, 2011 with interest paid on maturity	\$ 201,896	\$ -
CCS 1.35% GIC, \$200,000 face value, matures October 14, 2010 with interest paid on maturity	201,243	-
Bank of Nova Scotia 6% bond, \$142,000 face value, matures October 3, 2013 with interest paid semi-annually on April 3 and October 3	159,005	153,555
CIBC 4.0% bond, \$150,000 face value, matures November 1, 2011 with interest paid semi-annually on May 1 and November 1	158,486	158,702
AGF 2.61% GIC, \$125,000 face value, matures October 15, 2012 with interest paid on maturity	126,502	-
CCS 2.00% GIC, \$80,295 face value, matures March 19, 2012 with interest paid on maturity	80,352	-
Dundee security cash balance	1	5,222
BMO 3.75% bond, \$200,000 face value, matures June 17, 2009 with interest paid annually semi-annually on June 17 and December 17	-	197,661
Household Financial 4.2% bond, \$148,000 face value, matures April 13, 2009 with interest paid semi-annually on April 13 and October 13	-	150,752
BMO 4.6% bond, \$150,000 face value, matures June 25, 2009 with interest paid semi-annually on June 25 and December 25	-	149,850
Dundee investment savings account	-	76,159
	\$ 927,485	\$ 891,901

The above investments are recorded at their market value at March 31, 2009 and at March 31, 2008.

\$850,000 of the investment portfolio is temporarily pledged as security in conjunction with the Phase 5 construction financing in MBS Corporate/Menno Housing. This restriction will be removed when the covenant requirements have been met which is anticipated to occur in March 2011.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

5. Building and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 9,263,584	\$ 7,065,503	\$ 2,198,081	\$ 2,575,978
Major equipment	2,264,381	1,989,328	275,053	319,826
Minor equipment	1,870,160	1,645,764	224,396	275,608
	\$ 13,398,125	\$ 10,700,595	\$ 2,697,530	\$ 3,171,412

Certain of the above assets are pledged as security for a mortgage held by the Mennonite Benevolent Society.

6. Retirement allowance:

The accumulated benefit obligation for sick and severance benefits is as follows:

	2010	2009
Sick leave benefits	\$ 480,906	\$ 475,924
Severance benefits	732,704	725,114
	1,213,610	1,201,038
Less current portion	110,638	82,608
Long-term portion	\$ 1,102,972	\$ 1,118,430

The retirement allowance liability of \$1,213,610 (2009 - \$1,201,038) is unfunded at March 31, 2010.

The portion of the retirement allowance liability that relates to employees who have qualified for the retirement allowance as at March 31, 2010 is approximately \$398,000 (2009 - \$380,000).

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

7. Deferred contributions:

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

	2010	2009
Balance, beginning of year	\$ 3,124,317	\$ 3,753,413
Less amounts amortized to revenue	(740,050)	(744,522)
	2,384,267	3,008,891
Capital expenditure grants and donations received	63,077	115,426
	\$ 2,447,344	\$ 3,124,317

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

	2010	2009
Unamortized capital contributions used to purchase building and equipment	\$ 2,413,398	\$ 3,006,899
Unspent capital grants	18,559	100,863
Unspent private donations	15,387	16,555
	\$ 2,447,344	\$ 3,124,317

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

8. Invested in building and equipment:

(a) Investment in building and equipment is calculated as follows:

	2010	2009
Building and equipment - net book value	\$ 2,697,530	\$ 3,171,412
Amounts financed by unamortized deferred contributions	(2,413,398)	(3,006,899)
	\$ 284,132	\$ 164,513

(b) Change in net assets invested in building and equipment is calculated as follows:

	2010	2009
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to building and equipment	\$ 740,050	\$ 744,522
Amortization of building and equipment	(796,982)	(774,145)
	\$ (56,932)	\$ (29,623)
Net change in investment in building and equipment:		
Equipment acquired	\$ 323,100	\$ 111,854
Amount funded by deferred contributions	(146,549)	(43,187)
	\$ 176,551	\$ 68,667

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010

9. Internally restricted:

The Board of Directors has internally restricted \$61,674 of the Hospital's net assets for the future building repairs. These internally restricted net assets are not available for other purposes without the approval of the Board of Directors.

	2010	2009
Balance, beginning of year	\$ 44,281	\$ -
Transfer from deficiency - operating	117,238	44,281
Expenditures incurred	(99,845)	-
Balance, end of year	\$ 61,674	\$ 44,281

10. Related party transactions:

During the year, the Hospital paid rent of \$150,000 (2009 - \$150,000) to the Mennonite Benevolent Society. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Included in accounts receivable is \$65,819 (2009 - \$40,052) receivable from Menno Home and included in accounts payable is \$ 42,906 (2009 - nil) payable to Mennonite Benevolent Society.