

Financial Statements of

**WRINCH MEMORIAL HOSPITAL**

Year ended March 31, 2010

## STATEMENT OF MANAGEMENT RESPONSIBILITY


The Financial Statements of Wrinch Memorial Hospital for the year ended March 31, 2010 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  
Chief Operating Officer  
May 27, 2010



David Ross  
Manager Business Support, Northwest Health Service Delivery Area  
May 27, 2010



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**Chartered Accountants**  
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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 (the "Hospital") as at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Prince George, Canada  
May 27, 2010

# WRINCH MEMORIAL HOSPITAL

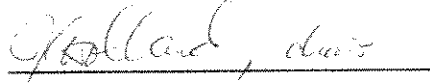
## Statement of Financial Position


March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Accounts receivable (note 3)	\$ 34,202	\$ 43,788
Due from Northern Health Authority	231,927	48,708
	266,129	92,496
Capital assets (note 4)	2,188,086	2,482,535
	\$ 2,454,215	\$ 2,575,031
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Current portion of retirement allowance (note 6)	\$ 66,536	\$ 45,904
Long-term liabilities:		
Deferred capital contributions (note 5)	2,294,618	2,476,434
Retirement allowance (note 6)	396,875	443,344
	2,691,493	2,919,778
Net assets (deficiency):		
Invested in capital assets (note 7)	6,101	6,101
Unrestricted	(309,915)	(396,752)
	(303,814)	(390,651)
	\$ 2,454,215	\$ 2,575,031

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, 2010, with comparative figures for 2009

	2010	2009
<b>Revenues:</b>		
Contributions from Northern Health	\$ 4,444,351	\$ 4,273,196
Medical Services Plan	358,827	346,254
Amortization of deferred capital contributions	340,809	268,482
Other revenue	277,597	210,241
Patients, clients and residents	163,057	152,797
Contributions from federal government	114,793	-
Investment income	2,593	9,787
	<u>5,702,027</u>	<u>5,260,757</u>
<b>Expenses:</b>		
Compensation and benefits	4,048,556	4,095,974
Supplies	652,798	722,149
Depreciation of capital assets	340,809	268,482
Distribution to affiliated organization (note 8)	216,002	216,002
Equipment and building services	145,967	107,508
Sundry	155,103	63,222
Referred-out and contracted services	55,955	50,432
	<u>5,615,190</u>	<u>5,523,769</u>
Excess (deficiency) of revenues over expenses	\$ 86,837	\$ (263,012)

See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Changes in Net Assets

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

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	Invested in		<b>2010</b>	<b>2009</b>
	Capital assets	Unrestricted	Net assets	Net assets
Balance, beginning of year	\$ 6,101	\$ (396,752)	\$ (390,651)	\$ (127,639)
Excess (deficiency) of revenue over expenses	-	86,837	86,837	(263,012)
<b>Balance, end of year</b>	<b>\$ 6,101</b>	<b>\$ (309,915)</b>	<b>\$ (303,814)</b>	<b>\$ (390,651)</b>

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See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Cash Flows

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

	2010	2009
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 86,837	\$ (263,012)
Items not involving cash:		
Amortization of deferred capital contributions	(340,809)	(268,482)
Depreciation of capital assets	340,809	268,482
	<u>86,837</u>	<u>(263,012)</u>
Change in non-cash operating working capital:		
Accounts receivable and Due from Northern Health Authority	(173,633)	167,223
Retirement allowance	(25,837)	41,105
	<u>(112,633)</u>	<u>(54,684)</u>
Cash flows from investing activities:		
Purchase of capital assets	(46,360)	(468,805)
Cash flows from financing activities:		
Increase in deferred capital contributions	158,993	517,629
Decrease in cash and cash equivalents	-	(5,860)
Cash and cash equivalents, beginning of year	-	5,860
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010 with comparative figures for 2009

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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 a 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 a 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, 2010 with comparative figures for 2009

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions which include donations and government contributions. 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 of Health Services. 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 (2009 – 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, 2010 with comparative figures for 2009

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## 1. Significant accounting policies (continued):

### (h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of 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 a 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 asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued employee benefits. Actual results could differ from these estimates.

### (i) Financial instruments:

The Hospital has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables and certain investments which are designated as held to maturity.

- The Hospital initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Held to maturity investments and loans and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the Hospital's long-term disability liabilities are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, loans, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Hospital has not classified any assets or liabilities as available for sale.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transactions that received hedge accounting. The Hospital has no derivative investments at year end.

The Hospital has elected to defer applying section 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Hospital has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

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## 2. Changes in accounting standards:

### (a) Revisions to Not-for-profit accounting standards:

Effective April 1, 2009, the Hospital adopted the amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and added a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have any impact on the Hospital's financial statements.

### (b) Amendments to Section 1000, Financial Statement Concepts:

Effective, April 1, 2009, the Hospital adopted the amendments in CICA Handbook Section 1000 *Financial Statement Concepts*. The amendments clarify the relationship between incurring expenditures and creating assets and clarifies that items which do not meet the definition of assets or liabilities, are not eligible for recognition. The application of the amendments did not have an impact on the financial statements.

### (c) Future accounting framework:

The Hospital is currently classified as a government not-for-profit organization. Under the direction of the Public Sector Accounting Standards Board ("PSAB"), the Hospital adheres to the standards for not-for-profit ("NPO") organizations in the CICA Handbook.

PSAB proposes to incorporate into the PSA Handbook, the current NPO Sections (4400 Standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections as this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government not-for-profit organizations, for fiscal periods beginning on or after January 1, 2012.

The Hospital intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the Hospital will determine the impact on the financial statements.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

### 3. Accounts receivable:

	2010	2009
Patients, clients, residents and agencies	16,787	14,953
Foundations, Auxiliaries, Regional Hospital Districts	10,000	28,835
Other	7,415	-
	\$ 34,202	\$ 43,788

### 4. Capital assets:

	2010		2009	
	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	\$ 16,139	\$ (10,038)	\$ 6,101	\$ 6,101
Buildings	5,598,642	(4,681,734)	916,908	755,525
Building service equipment	405,658	(165,061)	240,597	295,952
Equipment	2,933,109	(1,908,629)	1,024,480	1,151,122
Capital projects in progress	-	-	-	273,835
	\$ 8,953,548	\$ (6,765,462)	\$ 2,188,086	\$ 2,208,700

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

## 5. 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.

	2010	2009
Deferred capital contributions, beginning of year	\$ 2,476,434	\$ 2,227,287
Contributions during the year:		
Ministry of Health	17,820	473,622
Regional Hospital Districts	121,173	18,090
Other	20,000	25,917
Total contributions during the year	158,993	517,629
	2,635,427	2,744,916
Less amortization for the year	(340,809)	(268,482)
Deferred capital contributions, end of year	\$ 2,294,618	\$ 2,476,434

Deferred capital contributions are comprised of the following:

	2010	2009
Contributions used to purchase capital assets	\$ 2,181,985	\$ 2,476,434
Unspent contributions	112,633	-
	\$ 2,294,618	\$ 2,476,434

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

## 6. 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, 2009. The next valuation will be as of December 31, 2012.

Information about employee retirement allowance benefits is as follows:

	2010	2009
Accrued benefit obligation:		
Sick leave benefits	\$ 142,116	\$ 123,259
Severance benefits	204,183	185,115
Total unfunded retirement allowance obligation	346,299	308,374
Balance of unamortized amounts	117,112	180,874
Accrued retirement allowance benefits	\$ 463,411	\$ 489,248

The amounts recorded in the financial statements are as follows:

	2010	2009
Accrued retirement allowance benefits:		
Current portion	\$ 66,536	\$ 45,904
Long-term portion	396,875	443,344
	\$ 463,411	\$ 489,248
Retirement allowance expense	\$ 40,941	\$ 45,990
Retirement allowance benefits paid	66,778	4,886

The amount recorded as a liability by the Hospital in the amount of \$463,411 differs from the actuarially determined accrued benefit obligation of \$346,299 due to the amortization of prior years' experience gains and losses taken into account in the determination of the accrued benefit obligation.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

## 6. Employee future benefits (continued):

### (a) Retirement allowance (continued):

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

	2010	2009
Accrued benefit obligation as at March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs of years ended March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	2.50%	2.50%

### (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, 2009 indicated a surplus of \$42.1 million. The plan covers approximately 80,000 active employees of which approximately 50 are employees of the Hospital. The next required valuation will be as of December 31, 2010 with results available in fiscal year 2011.

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 of \$197,776 (2009 - \$179,572) 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 of 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 157,000 active employees of which approximately 73 are employees of the Hospital.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

## 7. Invested in capital assets:

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

	2010	2009
Capital assets	\$ 2,188,086	\$ 2,482,535
Amounts financed by:		
Deferred capital contributions (note 5)	(2,181,985)	(2,476,434)
	\$ 6,101	\$ 6,101

### (b) Deficiency of revenue over expenses

	2010	2009
Amortization of deferred capital contributions	\$ 340,809	\$ 268,482
Depreciation of capital assets	(340,809)	(268,482)
	\$ -	\$ -

### (c) Transfer to invested in capital assets

	2010	2009
Purchase of capital assets, net	\$ 46,360	\$ 468,805
Amounts funded by deferred capital contributions, net	(46,360)	(468,805)
	\$ -	\$ -

## 8. Economic dependence:

A substantial portion of the Hospital's revenue is received from the Ministry of Health Services via the Northern Health Authority. Accordingly, any disruption in that funding could have a significant effect upon operations of the Hospital. The Northern Health Authority also provided the Hospital with administrative support during the year for a charge of \$216,002 (2009 - \$216,002).



# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2010 with comparative figures for 2009

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## 9. Related party transactions:

During the year the Hospital received an amount of \$70,753 (2009 - \$76,397) in rental income and \$37,689 (2009 - \$35,000) of recoveries from United Church Health Services, the parent organization.

## 10. Risk management:

Risk management and insurance services for all health authorities and their affiliates in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

## 11. Financial instruments:

The Hospital's financial instruments include accounts receivable and due from Northern Health Authority. The carrying value of accounts receivable and due from Northern Health Authority approximate their fair values due to the short-term nature of these financial assets.

It is management's opinion that the Hospital is not exposed to significant interest or currency risk arising from these financial instruments.

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 Northern Health Authority. Management does not perceive this concentration of credit risk to be significant based on the nature of the debtor and historical collection experience.

## 12. Capital management:

The Hospital receives its principal source of capital through funding from the Ministry of Health Services. The Hospital defines capital to be net assets and deferred capital contributions.

The Hospital's objective when managing capital is to meet current Service Plan initiatives with the current funding available from the Ministry of Health Services and other sources. The service Plan outlines the current and long term operating capital initiatives of the Hospital. The Hospital manages the capital structure in conjunction with the Ministry of Health Services and makes adjustments to its Service Plan and to related budgets based on available government funding. Currently, the Hospital's strategy is to monitor expenditures to obtain efficiencies and cost reductions, and to advance standardization, integration and consolidation. The focus is to ensure that service levels are preserved, while not exceeding the funding granted by the Ministry of Health services.

The Hospital is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Hospital has complied with the external restrictions on the funding provided.