

Financial Statements of

**RW LARGE
MEMORIAL HOSPITAL**

Year Ended March 31, 2011

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF THE UNITED CHURCH HEALTH SERVICES SOCIETY

We have audited the accompanying financial statements of RW Large Memorial Hospital, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RW Large Memorial Hospital as at March 31, 2011, 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.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
June 28, 2011

RW Large Memorial Hospital

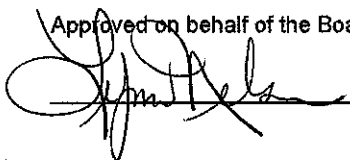
Statement of Financial Position

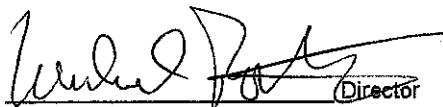
March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 277,288	\$ 382,305
Accounts receivable (note 2)	128,589	82,058
Inventories of materials and supplies (note 3)	302,198	298,411
Prepaid expenses	21,987	25,345
	<u>730,062</u>	<u>788,119</u>
Capital assets (note 4)	1,193,932	1,516,087
	<u>\$ 1,923,994</u>	<u>\$ 2,304,206</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 272,084	\$ 481,021
Deferred operating contributions	120,112	41,385
Due to Vancouver Coastal Health Authority (note 6)	1,378,817	1,195,014
Current portion of retirement allowance (note 7(a))	10,443	5,606
	<u>1,781,456</u>	<u>1,723,026</u>
Retirement allowance (note 7(a))	143,632	138,597
Deferred capital contributions (note 8)	1,152,183	1,484,734
	<u>3,077,271</u>	<u>3,346,357</u>
Net assets (deficiency):		
Invested in capital assets (note 9(a))	75,900	65,504
Internally restricted for projects (note 10)	249,511	249,511
Unrestricted	(1,478,688)	(1,357,166)
	<u>(1,153,277)</u>	<u>(1,042,151)</u>
Commitment (note 13)		
	<u>\$ 1,923,994</u>	<u>\$ 2,304,206</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

RW Large Memorial Hospital

Statement of Operations

Year Ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Ministry of Health contributions	\$ 2,876,721	\$ 2,922,138
Medical compensation recovery	1,288,314	1,488,930
Pharmacy	746,546	785,961
Amortization of deferred capital contributions (note 8)	381,631	368,047
Patient fees	180,843	183,980
Recoveries and others	48,134	33,408
	<u>5,522,189</u>	<u>5,782,464</u>
Expenses:		
Compensation and benefits	2,349,687	2,400,316
Medical compensation	1,288,314	1,488,930
Drugs	647,026	721,757
Depreciation of capital assets	388,384	373,312
Administration and support	287,955	297,206
Facility and equipment costs	227,068	222,544
Medical and diagnostic supplies	177,856	131,278
Purchased services	155,101	215,867
Patient support	111,924	106,184
	<u>5,633,315</u>	<u>5,957,394</u>
Deficiency of revenues over expenses	\$ (111,126)	\$ (174,930)

See accompanying notes to financial statements.

RW Large Memorial Hospital

Statement of Changes in Net Assets (Deficiency)

Year Ended March 31, 2011, with comparative figures for 2010

	Invested in capital assets (Note 9)	Internally restricted for projects (Note 10)	Unrestricted	2011	2010
Balance, beginning of year	\$ 65,504	\$ 249,511	\$ (1,357,166)	\$ (1,042,151)	\$ (867,221)
Deficiency of revenues over expenses	(6,753)	-	(104,373)	(111,126)	(174,930)
Transfer to invested in capital assets	17,149	-	(17,149)	-	-
Balance, end of year	\$ 75,900	\$ 249,511	\$ (1,478,688)	\$ (1,153,277)	\$ (1,042,151)

See accompanying notes to financial statements.

RW Large Memorial Hospital

Statement of Cash Flows

Year Ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities:		
Deficiency of revenues over expenses	\$ (111,126)	\$ (174,930)
Items not involving cash:		
Bad debt expense	-	25,170
Amortization of deferred capital contributions	(381,631)	(368,047)
Depreciation of capital assets	388,384	373,312
Retirement allowance expense	15,478	13,909
	(88,895)	(130,586)
Net change in non-cash operating items (note 12 (b))	6,633	(97,221)
	(82,262)	(227,807)
Cash flows from investing activities:		
Redemption of short-term investments	-	124,622
Purchase of capital assets	(66,229)	(97,973)
	(66,229)	26,649
Cash flows from financing activities:		
Capital contributions	49,080	87,738
Retirement allowance contributions	(5,606)	(5,596)
	43,474	82,142
Decrease in cash	(105,017)	(119,016)
Cash, beginning of year	382,305	501,321
Cash, end of year	\$ 277,288	\$ 382,305

Supplemental Information (note 12 (a))

See accompanying notes to financial statements.

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

RW Large Memorial Hospital (the "Hospital") was established under the *Hospital Act* to manage the delivery of health care services within the Bella Bella region of the Province of British Columbia.

With approval from the Ministry of Health Services (the "Ministry") and the Vancouver Coastal Health Authority (the "VCHA"), the Hospital operates under the Constitution and Bylaws of the United Church Health Services Society (the "UCHSS"), a non-profit society wholly-owned by the United Church of Canada.

1. Significant accounting policies:

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Affiliated organization:

The Hospital is affiliated with the VCHA via an affiliation agreement between the UCHSS and the VCHA. The affiliation agreement establishes accountabilities, funding guidelines, operating and other principles between the parties.

(b) Basis of presentation:

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

(c) Investments:

The Hospital classifies its investments as held-for-trading which are, therefore, measured at fair value.

(d) Inventories of materials and supplies:

Inventories of materials and supplies are measured at the lower of average cost and replacement cost. Pharmacy inventories for resale are measured at the lower of cost and net realizable cost.

(e) 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:

Buildings	20 years
Equipment	5-20 years

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(f) Internally restricted net assets:

The Hospital has internally restricted certain funds for a variety of uses. These uses include repairs and maintenance, capital asset acquisitions, staff training and other sundry uses. Use of these funds is limited to the related terms of reference as approved by the Board.

(g) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which include donations and government contributions.

Under the *Hospital Act* and Regulations thereto, the Hospital is funded primarily by the Ministry through the VCHA in accordance with budget arrangements established and approved by the VCHA.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

Pharmacy revenue is recognized when sales are made.

(h) Employee benefits:

(i) Liabilities, net of plan assets, are recorded for employee retirement allowance benefits, as employees render services to earn 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 retirement allowance benefits is 10 years (2010 - 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.

(ii) Defined contribution plan accounting is applied to multiple-employer defined benefit plans and, accordingly, contributions are expensed.

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(i) Income taxes:

The Hospital is exempt from federal and provincial income and capital taxes.

(j) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Hospital in carrying out its programs and services. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

The Hospital operates on land owned by the UCHSS. There is no rental agreement between the Hospital and the UCHSS, and as a result the use of the land is rent free to the Hospital.

(k) Measurement uncertainty:

The preparation of these 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 revenue 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: valuation of accounts receivable and inventories of materials and supplies; the determination of obsolescence and useful lives for depreciation of capital assets and amortization of deferred capital contributions; accrued liabilities and contingent liabilities and, the assumption with respect to long-term disability benefits and retirement allowance. Actual results could differ from the estimates.

(l) 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 receivables.

- 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.
- Other liabilities which include the Hospital's accrued retirement allowance liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

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 does not have any derivative instruments.

The Hospital's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, due to the VCHA, and accrued retirement allowance liability. It is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued retirement allowance liability which is disclosed in Note 7.

The Hospital has elected to defer applying Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 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.

(m) Future accounting framework:

Effective April 1, 2012, the Hospital will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The Hospital is reviewing the impact of this change on the financial statements.

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

2. Accounts receivable:

	2011	2010
Patients, agencies and others	\$ 105,194	\$ 85,430
HST rebates	34,365	13,688
Medical Services Plan	9,742	13,827
	149,301	112,945
Less provision for doubtful accounts	20,712	30,887
	\$ 128,589	\$ 82,058

3. Inventories of materials and supplies:

Inventories of materials and supplies are comprised of:

	2011	2010
Medical supplies	\$ 182,045	\$ 174,906
Pharmaceuticals	120,153	123,505
	\$ 302,198	\$ 298,411

4. Capital assets:

2011	Cost	Accumulated Depreciation	Net book value
Buildings	\$ 6,531,147	\$ 5,672,032	\$ 859,115
Equipment	2,372,573	2,037,756	334,817
	\$ 8,903,720	\$ 7,709,788	\$ 1,193,932

2010	Cost	Accumulated Depreciation	Net book value
Buildings	\$ 6,531,147	\$ 5,343,498	\$ 1,187,649
Equipment	2,306,345	1,977,907	328,438
	\$ 8,837,492	\$ 7,321,405	\$ 1,516,087

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

5. Accounts payable and accrued liabilities:

	2011	2010
Trade accounts payable and accrued liabilities	\$ 98,389	\$ 162,441
Salaries and benefits payable	90,449	223,846
Accrued vacation payable	83,246	94,734
	\$ 272,084	\$ 481,021

6. Related party transactions:

(a) Related parties:

The Hospital is related to all Province of B.C. ministries, Crown corporations, school districts, Health Authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions with these parties in the following amounts:

	2011	2010
Revenue		
Ministry of Health contributions	\$ 2,876,721	\$ 2,922,138
Expenses		
Compensation and benefits	\$ 78,988	\$ 0
Administration and support	55,033	81,572
Facility and equipment costs	34,323	32,250
	\$ 168,344	\$ 113,822
Accounts receivable		
Medical Services Plan	\$ 9,742	\$ 13,827
Due to Vancouver Coastal Health Authority	\$ 1,378,817	\$ 1,195,014
Accounts payable and accrued liabilities	\$ 41,627	\$ 77,536
Deferred capital contributions	\$ 1,152,183	\$ 1,484,734

The amount due to the VCHA of \$1,378,817 (2010 - \$1,195,014) is unsecured, non-interest-bearing and due on demand. The amount arises from payments made by the VCHA on behalf of the Hospital.

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

6. Related party transactions (continued):

(a) Related parties (continued):

Included in administration and support expense is \$50,000 (2010 - \$50,000) paid to the VCHA for financial support services. This transaction is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is \$41,267 (2010 - \$77,536) due to Bella Coola General Hospital. The amount is unsecured, non-interest-bearing and due on demand.

(b) UCHSS:

Included in recoveries and other income is \$18,048 (2010 - \$18,048) charged to UCHSS for rental costs. This transaction is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Employee 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 by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Hospital's liability related to this benefit is based on an actuarial valuation as of March 31, 2011, using an early measurement date of December 31, 2010. The next required valuation will be as of December 31, 2012.

Information about employee retirement allowance benefits is as follows:

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

8. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2011	2010
Contributions used to purchase capital assets	\$ 1,118,032	\$ 1,450,583
Unspent contributions	34,151	34,151
	\$ 1,152,183	\$ 1,484,734

9. Invested in capital assets:

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

	2011	2010
Capital assets	\$ 1,193,932	\$ 1,516,087
Amount financed by deferred capital contributions	(1,118,032)	(1,450,583)
	\$ 75,900	\$ 65,504

(b) Deficiency of revenue over expenses:

	2011	2010
Amortization of deferred capital contributions	\$ 381,631	\$ 368,047
Depreciation of capital assets	(388,384)	(373,312)
	\$ (6,753)	\$ (5,265)

(c) Transfer to invested in capital assets:

	2011	2010
Purchase of capital assets	\$ 66,229	\$ 97,973
Amounts funded by deferred capital contribution	(49,080)	(87,738)
	\$ 17,149	\$ 10,235

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

10. Internally restricted for projects:

Prior to amalgamation with the Hospital during the year ended March 31, 2004, the RW Large Memorial Hospital Foundation (the "Foundation") provided funding to various user groups within the Foundation's catchment area. Funds were made available out of the Foundation's unrestricted net assets. Communities qualified for funding upon successful application to the Foundation's Board of Directors. The Foundation also provided funding to the Hospital for the purpose of purchasing capital equipment.

The balance of these funds at the time of amalgamation and as of March 31, 2011 was \$249,511 (2010 - \$249,511). Communities may qualify for funding upon successful application to the Hospital's Board of Directors.

11. Capital management:

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

The Hospital's objectives when managing financial assets are to ensure sufficient resources are available to service its patients and community.

The Hospital plans to achieve these objectives by focusing on cost control, investing excess funds, adjusting the asset mix of investments as necessary and by relying on contributions made by members to fund operations.

There are no external restrictions on capital, however internal restrictions have been imposed.

12. Statement of cash flows:

(a) During the year, the Hospital earned interest of \$0 (2010 - \$1,785).

(b) Net change in non-cash operating items:

	2011	2010
Accounts receivable	\$ (46,531)	\$ 16,374
Inventories of materials and supplies	(3,787)	(1,632)
Prepaid expenses	3,358	(1,228)
Accounts payable and accrued liabilities	(208,937)	132,403
Due to Vancouver Coastal Health Authority	183,803	(269,686)
Deferred operating contributions	78,727	26,548
	\$ 6,633	\$ (97,221)

RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2011, with comparative figures for 2010

13. Commitment:

Equipment lease

The Hospital is committed to minimum payments for equipment of \$1,856 for a lease expiring in 2012.

14. Comparative figures:

Certain of the prior year's figures have been reclassified to conform with current year's presentation.