ST. MICHAEL'S CENTRE

COMBINED FINANCIAL STATEMENTS

31 MARCH 2011

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Financial Statements
For the Year Ended 31 March 2011

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ROLFE, BENSON LLP
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INDEPENDENT AUDITORS' REPORT

To the Members,
St. Michael's Centre

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of St. Michael's Centre, which comprise the combined statement of financial position as at 31 March 2011, and the combined statement 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of St. Michael's Centre as at 31 March 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

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.

Rolfe, Benson LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
26 May 2011

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ST. MICHAEL'S CENTRE
Combined Statement of Financial Position
31 March 2011

	2011	2010
Assets		
Current		
Cash and short-term investments	$ 1,619,411	$ 1,583,705
Accounts receivable	150,522	208,183
Inventory	40,485	40,022
Prepaid expenses	39,349	53,228
	1,849,767	1,885,138
Restricted cash and short-term investments		
Resident trust funds	14,254	12,095
Replacement reserve	141,397	159,603
Unspent capital	-	17,200
Seniors' Initiative	-	5,782
	155,651	194,680
Property and equipment (Note 5)	7,787,846	8,207,755
	$ 9,793,264	$ 10,287,573
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 502,621	$ 448,118
Salaries payable	447,275	427,401
Accrued vacation payable	466,874	467,910
Mortgage payable - current portion (Note 7)	90,095	86,633
Deferred revenue	10,000	157,655
	1,516,865	1,587,717
Accrued employee future benefits (Note 6)	1,220,880	1,104,172
Resident trust funds	14,254	12,095
Mortgage payable (Note 7)	448,250	538,345
Deferred capital contributions (Note 9)	6,520,807	6,900,436
	9,721,056	10,142,765
Commitments (Note 8)		
Net assets (deficiency)		
Invested in property and equipment (Note 10)	736,478	712,821
Replacement reserve	146,526	164,764
Unrestricted operating deficit	(810,796)	(732,777)
	72,208	144,808
	$ 9,793,264	$ 10,287,573

APPROVED BY THE DIRECTORS:

Susan Foley - Connors Director

Gary Begin Director

The accompanying notes are an integral part of these combined financial statements.

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ST. MICHAEL'S CENTRE
Combined Statement of Earnings
For the Year Ended 31 March 2011

	2011	2010
Revenue - Schedule 1		
Resident care	$ 11,806,657	$ 11,791,348
Amortization of deferred capital contributions	510,297	502,323
Other income	267,890	321,382
	12,584,844	12,615,053
Expenses - Schedule 2		
Salaries, wages and employee benefits	10,663,984	10,810,590
Food and dietary	322,252	317,205
Administrative	310,586	256,492
Physical plant services and supplies	290,788	279,195
Patient services and supplies	252,598	272,072
General services	189,743	196,985
Mortgage interest	24,430	28,018
Amortization	561,997	556,830
	12,616,378	12,717,387
Excess (deficiency) of revenue over expenses for the year	$ (31,534)	$ (102,334)

The accompanying notes are an integral part of these combined financial statements.

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ST. MICHAEL'S CENTRE
Combined Statement of Changes in Net Assets
For the Year Ended 31 March 2011

	Invested in Property and Equipment	Replacement Reserve	Unrestricted Operating Deficit	2011	2010
Balance - beginning of year	$ 712,821	$ 164,764	$ (732,777)	**$ 144,808**	$ 247,142
Excess (deficiency) of revenue over expenses for the year	-	-	(31,534)	**(31,534)**	(102,334)
Amortization of property and equipment	(561,997)	-	561,997	**-**	-
Amortization of deferred capital contributions	510,297	-	(510,297)	**-**	-
Mortgage principal payments	86,633	-	(86,633)	**-**	-
Interest earned on replacement reserve	-	5,128	(5,128)	**-**	-
Transfer annual replacement reserve	-	17,700	(17,700)	**-**	-
Drawings from replacement reserve	-	(41,066)	-	**(41,066)**	-
Investment in equipment funded by operations	(11,276)	-	11,276	**-**	-
	23,657	(18,238)	(78,019)	**(72,600)**	(102,334)
Balance - end of year	**$ 736,478**	**$ 146,526**	**$ (810,796)**	**$ 72,208**	**$ 144,808**

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The accompanying notes are an integral part of these combined financial statements.

ST. MICHAEL'S CENTRE
Combined Statement of Cash Flows
For the Year Ended 31 March 2011

		2011		2010
Cash provided by (used in):				
Operating activities				
Excess (deficiency) of revenue over expenses for the year	$	(31,534)	$	(102,334)
Items not involving cash				
Amortization of property and equipment		561,997		556,830
Amortization of deferred capital contributions		(510,297)		(502,323)
		20,166		(47,827)
Changes in non-cash working capital balances				
Accounts receivable		57,661		21,992
Inventory		(463)		(144)
Prepaid expenses		13,879		(285)
Accounts payable and accrued liabilities		54,503		(108,518)
Salaries payable		19,874		(35,002)
Accrued vacation payable		(1,036)		(10,469)
Accrued employee future benefits		116,708		(41,120)
Deferred revenue		(147,655)		157,655
		133,637		(63,718)
Financing activities				
Repayment of mortgage		(86,633)		(83,057)
Contributions received for property and equipment purchases		130,668		99,673
Resident funds		2,159		125
Drawings from replacement reserve		(41,066)		-
		5,128		16,741
Investing activities				
Purchase of property and equipment		(142,088)		(144,714)
Net increase (decrease) in cash		(3,323)		(191,691)
Cash - beginning of year		1,778,385		1,970,076
Cash - end of year	$	1,775,062	$	1,778,385
Represented by:				
Cash and short-term investments	$	1,619,411	$	1,583,705
Resident trust funds		14,254		12,095
Restricted cash		141,397		182,585
	$	1,775,062	$	1,778,385
Supplemental cash flow information:				
Interest received	$	22,419	$	32,436
Interest paid	$	24,740	$	28,316

The accompanying notes are an integral part of these combined financial statements.

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1. Operations

(a) Current

The St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society operate a hospice and an extended care facility located in Burnaby under the name St. Michael's Centre ("the Centre"). Both societies are incorporated under the Society Act of British Columbia as non-profit organizations. St. Michael's Centre Hospital Society is a registered charity under the Income Tax Act.

The facility operates in affiliation with the Fraser Health Authority, the principal funding agency.

(b) Future

The Centre has an unrestricted operating deficit of $810,796 (2010 - $732,777) and long-term accrued employee future benefits obligations of $1,220,880 (2010 - $1,104,172).

Continued operations as a going concern depend upon receiving sufficient support from the principal funding agency to reduce the unrestricted operating deficit.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

(b) Combination

These financial statements combine the results of St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society. This combination is appropriate as the two societies share the same premises and employees.

(c) Revenue Recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which 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.

(d) Inventory

Inventory consists of consumables and is valued at the lower of cost and net realizable value.

2. Summary of Significant Accounting Policies - continued

(e) Property and Equipment

Property and equipment are recorded at cost. Amortization is provided using the straight-line method at the following rates:

Buildings	2% - 4%
Leasehold improvements	7%
Furniture and equipment	10%
Computers	20%

(f) Replacement Reserve

The replacement reserve is established for future replacement of items of a capital nature. Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC) the replacement reserve is to be funded with an annual provision in the amount of $6,318 from the operating budget plus an allocation for interest. During the year, the Centre funded an additional $11,382 to the replacement reserve at the request of CMHC. The funds in the account may only be used for expenditures approved by CMHC.

(g) Income Taxes

The Centre is exempt from federal and provincial income taxes.

(h) Future Accounting Changes

Changes in accounting framework

The Centre is classified as a not-for-profit organization. The Centre will be required to adopt a new accounting framework and the options are Canadian Accounting Standards for Not-for-Profit Organizations or International Financial Reporting Standards (IFRS), effective for fiscal years beginning on or after 1 January 2012. The Centre is in the process of reviewing the potential impact of these two accounting standards on its reporting framework and financial statements.

3. Management of Capital

The Centre considers its capital to be its net assets invested in property and equipment, its replacement reserve and its unrestricted operating deficit. The Centre's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate of being an interdenominational organization providing holistic and compassionate complex and hospice care. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating and capital budgets. When necessary, the Centre takes appropriate action to reduce expenditures or curtail programs when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

3. Management of Capital - continued

The Centre is required by Canada Mortgage Housing Corporation to maintain a replacement reserve. The use of these funds is restricted as described in Note 2(f). Additionally, from time to time the Centre receives funding specifically designated for capital projects from its principal funding agency. The Centre's agreement with this funder requires that amounts received for capital projects in excess of $100,000 will be repayable on a pro-rata basis should the Centre cease operations in the 5 years subsequent to the funding.

4. Financial Instruments

The Centre has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" which would otherwise have applied to the financial statements for the year ended 31 March 2011. The Centre applies the requirements of Section 3861 of the CICA Handbook.

(a) Fair Value

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

i. Cash and restricted cash is classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities, salaries and accrued vacation payable, accrued employee future benefits and resident trust funds are classified as other liabilities and are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

ii. Short-term investments are classified as held for trading and are measured at fair value, determined on the basis of market value.

iii. Mortgage payable is classified as other liabilities and carried at cost. The fair value of the mortgage payable has not been determined as the rate to renew the mortgage is not known.

(b) Financial Risk

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

5. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2011	Net Book Value 2010
Land and improvements	$ 442,959	$ -	$ 442,959	$ 442,959
Buildings	12,442,935	6,228,117	6,214,818	6,586,916
Furniture and equipment	3,710,478	3,034,429	676,049	735,551
Computers	28,362	22,627	5,735	11,407
Leasehold improvement	543,744	95,459	448,285	430,922
	$ 17,168,478	$ 9,380,632	$ 7,787,846	$ 8,207,755

The Centre tests long-lived assets for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value and the loss is recorded in the period when it is determined. The Centre assesses fair value based on discounted future cash flows. No impairment losses were determined by management to be necessary for the year.

6. Accrued Employee Future Benefits

Under the terms of the Centre'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 an actuarial valuation as at 31 March 2011 using an early measurement date of 31 December 2010.

The key assumptions made in the valuation were as follows:

- an interest (discount) rate of 5.25% per annum, based on market interest rates as at 31 December 2010; this is an increase from the discount rate of 6.25% as at 31 December 2009;
- demographic assumptions (mortality rates, retirement rates, etc.), that are in accordance with the assumptions used for the valuation of liabilities for the British Columbia Municipal Pension Plan as at 31 December 2006;
- utilization of sick leave time based on an extensive study of experience covering the first nine months of the calendar year 2009; and
- a long-term base wage inflation assumption of 2.50% per annum, reflecting a Consumer Price Index (CPI) growth of 1.50% per annum and wage productivity of 1% per annum.

6. Accrued Employee Future Benefits - continued

	2011	2010
Accrued benefit obligation:		
Sick leave benefits	$ 318,633	$ 326,002
Severance benefits	716,943	733,760
	$ 1,035,576	$ 1,059,762
Accrued sick and severance benefits	$ 1,363,067	$ 1,296,944
Less: current portion	(142,187)	(192,772)
	$ 1,220,880	$ 1,104,172
Sick and severance benefits expense	$ 96,037	$ 100,479
Sick and severance benefits paid	$ 30,748	$ 39,567

7. Mortgage Payable

The mortgage payable to Canada Mortgage and Housing Corporation is repayable at $9,281 per month including interest at 4.26% for a term of five years, with a renewal date of 1 October 2011. Property at 7451 Sussex Avenue, Burnaby, B.C. is pledged as security for the mortgage. A portion of the mortgage is covered under agreements with Canada Mortgage and Housing Corporation and funding is provided to reduce interest on that portion to 2% (see Note 11). The mortgage is administered by the British Columbia Housing Management Corporation.

Estimated principal repayments before renewal are as follows:

2012	$ 90,095
Thereafter	448,250
	$ 538,345

8. Commitments

The Centre has entered into lease obligations for computer and office equipment. The future minimum lease payments over the next 4 years are as follows:

2012	$ 19,469
2013	19,469
2014	5,604
2015	1,868
	$ 46,410

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9. Deferred Capital Contributions

Deferred capital contributions includes the unamortized amount of grants and donations received for the purchase of property and equipment as well as unspent grants and donations. The amortization of capital contributions is recorded as revenue in the statement of earnings.

	2011	2010
Balance - beginning of year	$ 6,900,436	$ 7,303,086
Contributions received for property and equipment acquisitions		
Fraser Health Authority	18,294	12,950
Other	112,374	86,723
	7,031,104	7,402,759
Less: amounts amortized to revenue	(510,297)	(502,323)
Balance - end of year	$ 6,520,807	$ 6,900,436

The balance of unamortized capital contributions consists of the following:

	2011	2010
Unamortized capital contributions used to purchase property and equipment	$ 6,520,807	$ 6,878,009
Unspent contributions	-	22,427
	$ 6,520,807	$ 6,900,436

10. Investment in Property and Equipment

The balance consists of grants received for the purchase of land and the unamortized balance of self-funded purchase of property and equipment.

11. Canada Mortgage and Housing Corporation Subsidy

The Centre receives federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the Centre to provide resident care to low-income patients.

12. St. Michael's Centre Foundation

St. Michael's Centre Foundation raises funds from the community. The Foundation is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act. All resources of the Foundation are provided to the Centre or used for the Centre's benefit.

The Foundation has not been consolidated in the Centre's financial statements. Condensed financial information is as follows:

	2011 (unaudited)	2010 (unaudited)
Financial position		
Net assets	$ 107,193	$ 144,421
Results of operations		
Total revenues	$ 82,073	131,557
Contribution to the Centre and expenses	(119,301)	(178,709)
Increase (decrease) in net assets	$ (37,228)	$ (47,152)

13. Related Party Transactions

During the year, the Foundation donated $80,976 (2010 - $151,320) to the Centre and reimbursed the Centre $23,767 (2010 - $27,389) for salary and administrative costs that the Centre had incurred on behalf of the Foundation. At year end, the Centre had a receivable from the Foundation in the amount of $20,693 (2010 - $28,243).

14. Pension Plan

The Centre is a member of the Municipal Pension Plan which is open to eligible employees of health care facilities, local governments, schools districts, colleges and a number of small public bodies. The Municipal Pension Plan is a contributory defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service. The Centre contributes 9.04% (2010 - 9.09%) and the employees contribute 6.99% (2010 - 6.99%) on the first $48,300 (2010 - $47,200) of their salaries to the plan and 8.49% (2010 - 8.49%) of salary in excess of $48,300 (2010 - $47,200).

An actuarial valuation of the Municipal Pension Plan's assets and pension liabilities is performed at least every three years. The most recent full actuarial valuation for funding purposes available was prepared as at 31 December 2009. The valuation disclosed an unfunded actuarial liability for basic pension benefits of $1,204 million in the plan.

Contributions to the plan are expensed in the year made and in the current year amounted to $603,930 (2010 - $633,172).

ST. MICHAEL'S CENTRE
Schedule 1 - Combined Schedule of Revenue
For the Year Ended 31 March 2011

	2011	2010
Resident care		
Grants	$ 10,220,796	$ 10,035,131
Self pay	1,585,861	1,756,217
	11,806,657	11,791,348
Amortization of deferred capital contributions	510,297	502,323
Other income		
Interest subsidy, CMHC	28,771	26,558
Interest	22,189	27,948
Other	216,930	266,876
	267,890	321,382
	$ 12,584,844	$ 12,615,053

ST. MICHAEL'S CENTRE
Schedule 2 - Combined Schedule of Expenses - Operations
For the Year Ended 31 March 2011

	2011	2010
Salaries, wages and employee benefits		
Salaries and wages	$ 8,238,123	$ 8,311,455
Employee benefits	2,425,861	2,499,135
	10,663,984	10,810,590
Patient services and supplies	252,598	272,072
General services		
Housekeeping and laundry	189,743	196,985
Physical plant services and supplies		
Utilities	198,345	172,324
Maintenance, security and supplies	89,437	101,877
Furniture and equipment replacements	3,006	4,994
	290,788	279,195
Food and dietary	322,252	317,205
Administrative		
Other fees	89,947	57,814
Data processing	79,184	76,684
Audit and legal	54,034	26,675
Miscellaneous	33,989	35,770
Office, including printing, stationery and postage	19,153	21,447
Telephone	18,134	17,727
Association membership fees	9,501	8,612
Education	4,225	8,751
Travel	2,419	3,012
	310,586	256,492
Mortgage interest	24,430	28,018
Amortization	561,997	556,830
	$ 12,616,378	$ 12,717,387