

Financial Statements of

WRINCH MEMORIAL HOSPITAL

Year ended March 31, 2011

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Financial Statements of Wrinch Memorial Hospital for the year ended March 31, 2011 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 a regular basis.

On behalf of Wrinch Memorial Hospital



Edward David
Health Services Administrator
May 30, 2011



David Ross
Manager Business Support, Northwest Health Service Delivery Area
May 30, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Wrinch Memorial Hospital

We have audited the accompanying financial statements of the Wrinch Memorial Hospital (the "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 notes, comprising 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 the 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.

Auditor's 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 our 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, we consider 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 the Hospital as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Prince George, Canada

June 28, 2011

WRINCH MEMORIAL HOSPITAL


Statement of Financial Position

March 31, 2011, with comparative figures for 2010


	2011	2010
Assets		
Current assets:		
Accounts receivable (note 2)	\$ 86,065	\$ 34,202
Due from Northern Health Authority	40,472	231,927
	<u>126,537</u>	<u>266,129</u>
Capital assets (note 3)	1,923,348	2,188,086
	<u>\$ 2,049,885</u>	<u>\$ 2,454,215</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Current portion of retirement allowance (note 5)	\$ 76,657	\$ 66,536
Deferred operating contributions (note 4)	12,423	-
	<u>\$ 89,080</u>	<u>\$ 66,536</u>
Long-term liabilities:		
Deferred capital contributions (note 6)	1,947,216	2,294,618
Retirement allowance (note 5)	361,368	396,875
	<u>2,308,584</u>	<u>2,691,493</u>
Net assets (deficiency):		
Invested in capital assets (note 7)	6,101	6,101
Unrestricted	(353,880)	(309,915)
	<u>(347,779)</u>	<u>(303,814)</u>
	<u>\$ 2,049,885</u>	<u>\$ 2,454,215</u>

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, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Contributions from Northern Health	\$ 4,712,857	\$ 4,444,351
Medical Services Plan	406,596	358,827
Amortization of deferred capital contributions	347,402	340,809
Patients, clients and residents	206,774	163,057
Other revenue	199,724	277,597
Contributions from federal government	116,790	114,793
Investment income	4,347	2,593
	<u>5,994,490</u>	<u>5,702,027</u>
Expenses:		
Compensation and benefits	4,344,979	4,048,556
Supplies	637,377	652,798
Depreciation of capital assets	347,402	340,809
Distribution to affiliated organization (note 8)	315,002	216,002
Equipment and building services	176,041	145,967
Referred-out and contracted services	168,850	155,103
Sundry	48,804	55,955
	<u>6,038,455</u>	<u>5,615,190</u>
Excess (deficiency) of revenues over expenses	\$ (43,965)	\$ 86,837

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	2011	2010
Balance, beginning of year	\$ 6,101	\$ (309,915)	\$ (303,814)	\$ (390,651)
Excess (deficiency) of revenue over expenses	-	(43,965)	(43,965)	86,837
Balance, end of year	\$ 6,101	\$ (353,880)	\$ (347,779)	\$ (303,814)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Cash Flows

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

	2011	2010
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (43,965)	\$ 86,837
Items not involving cash:		
Amortization of deferred capital contributions	(347,402)	(340,809)
Depreciation of capital assets	347,402	340,809
	(43,965)	86,837
Change in non-cash operating working capital:		
Accounts receivable and Due from Northern Health Authority	139,592	(173,633)
Deferred operating contributions (note 4)	12,423	-
Retirement allowance	(25,386)	(25,837)
	82,664	(112,633)
Cash flows used in investing activities:		
Purchase of capital assets (note 7)	(82,664)	(46,360)
Cash flows from financing activities:		
Increase in deferred capital contributions (note 6)	-	158,993
Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

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

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

With approval from the Ministry of Health and the Northern Health Authority, 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:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations ("NPO").

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries that support the activities of the Hospital and other organizations that provide services under contracts with the Hospital.

(b) 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.

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 incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenues 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.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

1. Significant accounting policies (continued):

(c) Asset and service contributions:

Volunteers contribute their time each year 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.

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.

(d) 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.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market 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

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined long-term disability benefits 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 retirement allowance benefits is 10 years (2010 – 10 years). The average remaining service period of the active employees covered by the multiple employer defined benefit plan 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.

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

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

1. Significant accounting policies (continued):

(g) 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.

(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 and assets and accrued retirement allowance 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.

Derivative instruments to be recorded as either assets or liabilities are 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.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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.

The Hospital has elected to defer applying 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.

(j) 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.

2. Accounts receivable:

		2011		2010
Patients, clients, residents and agencies	\$	73,647	\$	16,787
Foundations, auxiliaries and regional hospital districts		10,000		10,000
Other		2,418		7,415
	\$	86,065	\$	34,202

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

3. Capital assets:

2011	Cost	Accumulated amortization	Net book value
Land and improvements	\$ 16,139	\$ 10,038	\$ 6,101
Buildings	5,604,650	4,854,472	750,178
Building service equipment	431,875	192,857	239,018
Equipment	2,983,549	2,055,498	928,051
	\$ 9,036,213	\$ 7,112,865	\$ 1,923,348

2010	Cost	Accumulated amortization	Net book value
Land and improvements	\$ 16,139	\$ 10,038	\$ 6,101
Buildings	5,598,642	4,681,734	916,908
Building service equipment	405,658	165,061	240,597
Equipment	2,933,109	1,908,629	1,024,480
	\$ 8,953,548	\$ 6,765,462	\$ 2,188,086

4. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2011	2010
Deferred operating contributions, beginning of the year	\$ -	\$ -
Add amounts received for specific purposes	129,213	114,793
Less amounts recognized as revenue in the year	(116,790)	(114,793)
	\$ 12,423	\$ -

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

5. 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 independent actuarial valuation as at March 31, 2010 using an early measurement date of December 31, 2009. The next valuation will be as of December 31, 2012.

Information about employee retirement allowance benefits is as follows:

	2011	2010
Accrued benefit obligation:		
Sick leave benefits	\$ 137,839	\$ 142,116
Severance benefits	198,916	204,183
Total unfunded retirement allowance obligation	336,755	346,299
Balance of unamortized amounts	101,270	117,112
Accrued retirement allowance benefits	\$ 438,025	\$ 463,411

The amounts recorded in the financial statements are as follows:

	2011	2010
Accrued retirement allowance benefits:		
Current portion	\$ 76,657	\$ 66,536
Long-term portion	361,368	396,875
	\$ 438,025	\$ 463,411
Retirement allowance expense	\$ 32,000	\$ 40,941
Benefits paid	\$ (57,386)	\$ (66,778)

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

5. Employee future benefits (continued):

(a) Retirement allowance (continued):

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

	2011	2010
Accrued benefit obligation as at March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs of years ended March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%

(b) Healthcare benefit trust 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 Hospital and all other participating employers are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the trust.

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, 2010 indicated a surplus of \$17.3 million. The plan covers approximately 85,000 active employees of which approximately 50 are employees of the Hospital. The next required valuation will be as of December 31, 2011.

(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 \$189,302 (2010 - \$197,776) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan using an early measurement date of December 31, 2009 indicated an unfunded liability of \$1,024 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 163,000 active employees of which approximately 79 are employees of the Hospital. The next required valuation will be as of December 31, 2012 with results available in 2013.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

6. 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.

	2011	2010
Deferred capital contributions, beginning of year	\$ 2,294,618	\$ 2,476,434
Contributions during the year:		
Ministry of Health	-	17,820
Regional Hospital Districts	-	121,173
Other	-	20,000
Total contributions during the year	-	158,993
	2,294,618	2,635,427
Amortization for the year	(347,402)	(340,809)
Deferred capital contributions, end of year	\$ 1,947,216	\$ 2,294,618
Deferred capital contributions are comprised of the following:		
	2011	2010
Contributions used to purchase capital assets	\$ 1,917,247	\$ 2,181,985
Unspent contributions	29,969	112,633
	\$ 1,947,216	\$ 2,294,618

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

7. Invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 1,923,348	\$ 2,188,086
Amounts financed by:		
Deferred capital contributions (note 6)	(1,917,247)	(2,181,985)
	\$ 6,101	\$ 6,101

(b) Deficiency of revenue over expenses:

	2011	2010
Amortization of deferred capital contributions	\$ 347,402	\$ 340,809
Depreciation of capital assets	(347,402)	(340,809)
	\$ -	\$ -

(c) Transfer to invested in capital assets:

	2011	2010
Purchase of capital assets, net	\$ 82,664	\$ 46,360
Amounts funded by deferred capital contributions, net	(82,664)	(46,360)
	\$ -	\$ -

8. Economic dependence:

A substantial portion of the Hospital's revenue is received from the Ministry of Health 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 \$315,002 (2010 - \$216,002).

9. Related party transactions:

During the year the Hospital received an amount of \$73,632 (2010 - \$70,753) in rental income and \$2,854 (2010 - \$37,689) of recoveries from United Church Health Services, the parent organization.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

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

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. Capital management:

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

The Hospital's objective when managing capital is to fund operations and capital asset investments. The Hospital manages its capital structure in conjunction with the Ministry of Health services and makes adjustments based on available government funding and economic conditions. Currently, the Hospital's strategy is to monitor expenditures to preserve capital in accordance with budgeted 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.