

**Financial Statements of**  
**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*  
**Year Ended March 31, 2012**



# MANTELL | DICKSON | BLADES | DUSANJ

Chartered Accountants

202-4430 Chatterton Way Victoria, BC V8X 5J2  
Tel: 250.220.7311 | Fax: 250.479.2124  
Web: www.mdbd.ca

## INDEPENDENT AUDITORS' REPORT

**To: The Members of the Marie Esther Society**

### ***Report on Financial Statements***

We have audited the statement of financial position of Mount St. Mary Hospital (the "Hospital") as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended.

### ***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 controls as management determines is necessary to enable the preparation of financial statement 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 the auditor's judgement, 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, these financial statements present fairly, in all material respects, the financial position of the Mount St. Mary Hospital as at March 31, 2012 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 28, 2012  
Victoria, B.C.

Chartered Accountants

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**STATEMENT OF FINANCIAL POSITION**

<b>MARCH 31,</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short-term investments <i>(Note 3)</i>	2,449,478	2,760,649
Accounts receivable	47,913	113,624
Supplies	54,770	53,075
Prepaid expenses	<u>93,792</u>	<u>40,015</u>
	2,645,953	2,967,363
INVESTMENTS <i>(Note 4)</i>	976,007	331,869
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 5)</i>	169,308	173,941
PROPERTY AND EQUIPMENT <i>(Note 6)</i>	<u>28,640,644</u>	<u>29,828,159</u>
	<u>32,431,912</u>	<u>33,301,332</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	1,228,185	1,046,074
Accrued vacation pay	483,299	470,463
Current portion of accrued sick and severance pay <i>(Note 7)</i>	<u>280,000</u>	<u>280,000</u>
	1,991,484	1,796,537
ACCRUED SICK AND SEVERANCE PAY <i>(Note 7)</i>	876,761	928,197
DEFERRED CONTRIBUTIONS <i>(Note 8)</i>	268,156	265,628
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 9)</i>	<u>25,718,107</u>	<u>26,758,688</u>
	<u>28,854,508</u>	<u>29,749,050</u>
<b>NET ASSETS</b>		
INVESTED IN PROPERTY AND EQUIPMENT <i>(Note 10)</i>	4,004,869	4,002,886
INTERNALLY RESTRICTED <i>(Note 11)</i>	194,410	195,235
UNRESTRICTED	<u>(621,875)</u>	<u>(645,839)</u>
	<u>3,577,404</u>	<u>3,552,282</u>
	<u>32,431,912</u>	<u>33,301,332</u>
CONTINGENT LIABILITY <i>(Note 15)</i>		

APPROVED BY THE BOARD OF DIRECTORS

 Chair

 Board Member

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED MARCH 31,**

---

	<b>Invested in Property and Equipment</b>	<b>Unrestricted</b>	<b>Internally Restricted</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
NET ASSETS, beginning of year	4,002,886	(645,839)	195,235	3,552,282	3,594,993
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,983	23,964	(825)	25,122	(42,711)
NET ASSETS, end of year	<u>4,004,869</u>	<u>(621,875)</u>	<u>194,410</u>	<u>3,577,404</u>	<u>3,552,282</u>

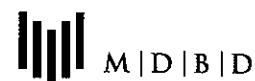
*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**STATEMENT OF OPERATIONS**

YEAR ENDED MARCH 31,	2012 \$	2011 \$
<b>REVENUES</b>		
Vancouver Island Health Authority Grant	10,906,482	10,997,473
Resident contributions	3,907,755	3,710,772
Amortization of deferred capital contributions <i>(Note 9)</i>	1,358,005	1,354,859
Special programs <i>(Note 8)</i>	87,453	221,634
Other <i>(Note 12)</i>	213,862	244,077
	<u>16,473,557</u>	<u>16,528,815</u>
<b>EXPENSES</b>		
Salaries, wages and benefits	12,693,193	12,785,020
Amortization of property and equipment	1,356,022	1,363,926
Supplies	932,100	831,801
Laundry and other purchased services	609,824	593,589
Pharmacy costs	388,176	412,710
Utilities	273,189	260,648
Special programs <i>(Note 8)</i>	87,459	221,634
Premises	49,928	63,100
Sundry	58,544	39,098
	<u>16,448,435</u>	<u>16,571,526</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>25,122</u>	<u>(42,711)</u>

See accompanying notes



**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**STATEMENT OF CASH FLOW**

YEAR ENDED MARCH 31,	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>		
Excess (Deficiency) of revenues over expenses	25,122	(42,711)
Items not involving cash:		
Amortization of property and equipment	1,356,022	1,363,926
Amortization of deferred capital contributions	<u>(1,358,005)</u>	<u>(1,354,859)</u>
	23,139	(33,644)
Cash provided by changes in non-cash operating accounts:		
(Increase) in accounts receivable	65,711	(31,717)
(Increase) Decrease in supplies	(1,695)	6,090
(Increase) Decrease in prepaid expenses	(53,777)	8,327
Increase in accounts payable	182,111	11,371
Increase (Decrease) in accrued vacation pay	12,836	(11,195)
Increase (Decrease) in accrued sick and severance pay	<u>(51,436)</u>	<u>21,841</u>
Cash from operations	<u>176,889</u>	<u>(28,927)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (Increase) in advances to Mount St. Mary Foundation	4,634	(5,451)
Decrease (Increase) in investments	(644,139)	(331,869)
Purchase of property and equipment	<u>(168,507)</u>	<u>(200,187)</u>
	<u>(808,012)</u>	<u>(537,507)</u>
<b>FINANCING ACTIVITIES</b>		
Capital grants and contributions (net)	<u>319,952</u>	<u>46,069</u>
<b>(DECREASE) DURING THE YEAR</b>	<b>(311,171)</b>	<b>(520,365)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, beginning of year</b>	<u><b>2,760,649</b></u>	<u><b>3,281,014</b></u>
<b>CASH AND SHORT-TERM INVESTMENTS, end of year</b>	<u><u><b>2,449,478</b></u></u>	<u><u><b>2,760,649</b></u></u>

See accompanying notes



**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**1. PURPOSE**

Mount St. Mary Hospital (the "Hospital") is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. The Society was incorporated under the Society Act of British Columbia October 19, 1990 as a not-for-profit organization and is a registered charity exempt from tax under the Income Tax Act.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Basis of Presentation

The Hospital accounts are maintained on a fund basis with all activities recorded in either the capital or operating fund.

In accordance with a directive from the Provincial Ministry of Health, the annual financial statements are prepared on an integrated basis representing the combined accounts of all funds.

b) Revenue Recognition

The Hospital follows the deferral method of accounting for grants and contributions received, whereby revenues are matched with expenses. Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable.

c) Property and Equipment

Property and equipment are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets using annual rates varying from 5 to 35 years.

d) Supplies

Supplies are recorded at the lower of cost and replacement cost.

e) Contributed Services

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty in determining fair value, contributed services are not recognized on the financial statements.

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**2. ACCOUNTING POLICIES (continued)**

f) Employee Future Benefits

The Hospital and its employees contribute to sick and severance benefit plans and multi-employer defined benefit plans as the employees render services to earn the benefits. Sick and severance liabilities, net of plan assets, are recorded in the financial statements.

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

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 assumptions. 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 (2010 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans 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.

g) Financial Instruments

The Hospital has chosen to apply Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of Sections 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation*.

The Hospital's financial instruments consist of cash, short-term investments, accounts receivable, investments, accounts payable and accrued liabilities, accrued vacation pay and accrued sick and severance pay. The Hospital classifies its cash, short-term investments, accounts receivable and investments as held-for-trading. Accounts payable, accrued liabilities, accrued vacation pay and accrued sick and severance pay are classified as other financial liabilities.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from these estimates.



**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**2. ACCOUNTING POLICIES (continued)**

i) Future Accounting Policies

The Public Sector Accounting Board sets out the applicable source of Generally Accepted Accounting Principles to be applied by Canadian government organizations. The Hospital is classified as a Government Not-for-Profit Organization ("GNPO"). Under the direction of the Public Sector Accounting Standards Board ("PSAB"), the Hospital currently adheres to the standards in the CICA Handbook.

Recent revisions to the introduction of the PSAB Handbook require the Corporation to report under either the PSAB Handbook or International Financial Reporting Standards ("IFRS") in its fiscal period beginning April 1, 2012; however, the Province of British Columbia has directed the Hospital to adopt the PSAB Handbook. Conversion to the PSAB Handbook will result in significant changes to both the recognition and measurement of certain accounts and to the overall presentation of the financial statements including disclosures.

**3. CASH AND SHORT-TERM INVESTMENTS**

Cash and short-term investments are comprised of the following:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash	1,969,754	2,342,180
Short-term investments	479,724	418,469
	<u>2,449,478</u>	<u>2,760,649</u>

**4. INVESTMENTS**

Investments are comprised of the following:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Bonds	551,844	150,000
Canadian equities	424,163	181,869
	<u>976,007</u>	<u>331,869</u>

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

**5. DUE FROM MOUNT ST. MARY FOUNDATION**

In 2005, the Hospital Board of Directors approved a loan of up to \$200,000, to the Mount St. Mary Foundation. The loan is non-interest bearing and without specific repayment terms.

**6. PROPERTY AND EQUIPMENT**

	2012		2011	
	\$		\$	
	Cost	Accumulated Amortization	Net	Net
Land	3,740,000	-	3,740,000	3,740,000
Building	32,598,591	8,485,869	24,112,722	25,059,620
Furniture and equipment	4,551,725	3,763,803	787,922	1,028,539
	<u>40,890,316</u>	<u>12,249,672</u>	<u>28,640,644</u>	<u>29,828,159</u>

**7. EMPLOYEE FUTURE BENEFITS**

(a) Accrued Sick and Severance Pay

Under the terms of the employer'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 has been estimated by independent actuarial valuation as at March 31, 2012, using an early measurement date of December 31, 2011.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2012 are as follows:

	2012	2011
	\$	\$
Sick leave	347,599	330,077
Severance	542,208	501,620
	<u>889,807</u>	<u>831,697</u>
Total unfunded obligation	889,807	831,697
Balance of unamortized amount	266,954	376,500
	<u>1,156,761</u>	<u>1,208,197</u>
Accrued sick and severance liabilities	1,156,761	1,208,197
Less: current portion	(280,000)	(280,000)
	<u>876,761</u>	<u>928,197</u>

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**7. EMPLOYEE FUTURE BENEFITS (continued)**

Sick and severance plan expense	85,000	79,000
Benefits paid	136,436	57,159

The significant actuarial assumptions adopted in measuring the Hospital's accrued sick and severance liabilities are as follows:

	<b>2012</b>	<b>2011</b>
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.00%

(a) 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 \$731,842 (2011 - \$666,602) were expensed during the year.

(b) Employee Healthcare Benefits

The Hospital contributes to the Healthcare Benefit Trust and BC Health Services multi-employer plans for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for employees. Employer contributions to the Healthcare Benefit Trust of \$1,036,294 (2011 - \$1,239,337) and to BC Health Services of \$61,062 (2011 - \$62,317) were expensed during the year.

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

**8. DEFERRED CONTRIBUTIONS**

Deferred contributions represent unspent resources externally restricted for special programs. These programs include implementation of the resident assessment instrument, InterRAI MDS v2.0, additional staff training to enhance resident care, music therapy, pet therapy, gardens, pastoral care and resident activities. Changes in deferred contributions balance are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance, beginning of year	265,628	392,547
Add: Donations received	89,987	94,715
Less: Amount recognized as revenue in the year	<u>(87,459)</u>	<u>(221,634)</u>
Balance, end of year	<u>268,156</u>	<u>265,628</u>

**9. DEFERRED CAPITAL CONTRIBUTIONS**

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance, beginning of year	26,758,688	27,940,560
Add: Capital funding	317,424	172,987
Less: Amortization for the year	<u>(1,358,005)</u>	<u>(1,354,859)</u>
Balance, end of year	<u>25,718,107</u>	<u>26,758,688</u>

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Unamortized capital contribution used to purchase property and equipment	24,907,510	26,097,547
Unspent contributions	<u>810,597</u>	<u>661,141</u>
Balance, end of year	<u>25,718,107</u>	<u>26,758,688</u>

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**10. INVESTMENT IN PROPERTY AND EQUIPMENT**

Investment in property and equipment is calculated as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Property and equipment	28,640,644	29,828,159
Amounts financed by deferred capital contributions	<u>(24,635,775)</u>	<u>(25,825,273)</u>
	<u>4,004,869</u>	<u>4,002,886</u>

**11. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets are comprised of the following:

	<u>2012</u>	<u>2011</u>
	\$	\$
Mission related projects	<u>194,410</u>	<u>195,235</u>

**12. OTHER REVENUE**

Other revenue is comprised of the following:

	<u>2012</u>	<u>2011</u>
	\$	\$
Cafeteria	74,602	83,461
Resident services	50,690	47,330
Parking fees	51,694	52,653
Investments	1,247	20,338
Community bathing	4,315	4,770
Other	<u>31,314</u>	<u>35,525</u>
	<u>213,862</u>	<u>244,077</u>

**13. RESIDENTS' TRUST FUNDS**

	<u>2012</u>	<u>2011</u>
	\$	\$
Residents' funds held in trust	<u>30,407</u>	<u>17,923</u>

The residents' funds held in trust are not included in the accompanying financial statements.

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2012**

---

**14. FINANCIAL INSTRUMENTS**

At March 31, 2012, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

Short-term investments are recorded at market value based on quoted market prices at the statement of financial position date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The estimated fair market value of accrued vacation pay approximates its carrying value.

The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

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

**15. CONTINGENT LIABILITY**

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. Any outstanding claims at March 31, 2012 are not expected to have a material effect on the Hospital's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for in the financial statements based on management's best estimate of the ultimate settlement. No contingencies have been recorded in the year (2011: 0).

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation.