

Financial Statements of

WRINCH MEMORIAL HOSPITAL

Years ended March 31, 2013 and 2012

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Wrinch Memorial Hospital (the "Hospital") for the years ended March 31, 2013 and 2012 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. 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 United Church Health Services Society Finance and Audit Committee. The United Church Services Society Finance and Audit Committee meet with management and the external auditor at least once a year.

The Hospital's internal audit function independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian 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 United Church Services Society Finance and Audit Committee and have the option to meet with it on a regular basis.

On behalf of Wrinch Memorial Hospital



Mary Jean Morrison
Chief Executive Officer
The United Church Health Services Society
June 24, 2013



Mark De Croos
VP, Finance and Corporate Services/Chief Financial Officer
Northern Health Authority
June 24, 2013



KPMG LLP
Chartered Accountants
400 - 177 Victoria Street
Prince George BC V2L 5R8

Telephone (250) 563-7151
Telefax (250) 563-5693
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wrinch Memorial Hospital and Minister of Health

We have audited the accompanying financial statements of Wrinch Memorial Hospital (the "Hospital") which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and accumulated deficit, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 of the Hospital as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provision of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.



Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants
Prince George, Canada
June 20, 2013

WRINCH MEMORIAL HOSPITAL

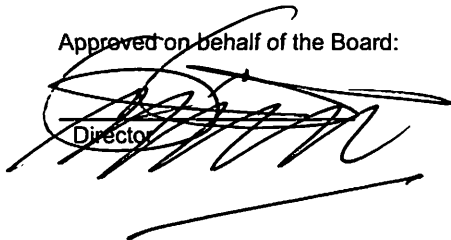
Statement of Financial Position

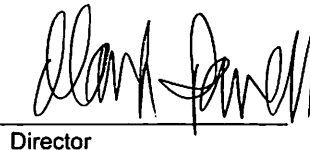
As at March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
		(note 2)	(note 2)
Financial assets			
Accounts receivable (note 3)	\$ 68,299	\$ 93,307	\$ 86,065
Due from Northern Health Authority	215,161	37,542	40,472
	<u>283,460</u>	<u>130,849</u>	<u>126,537</u>
Liabilities			
Deferred operating contributions (note 4)	-	-	12,423
Retirement allowance (note 5(a))	399,000	433,025	464,025
Deferred capital contributions (note 6)	2,099,585	1,910,496	1,947,216
	<u>2,498,585</u>	<u>2,343,521</u>	<u>2,423,664</u>
Net debt	\$ (2,215,125)	\$ (2,212,672)	\$ (2,297,127)
Non-financial assets			
Tangible capital assets (note 7)	2,060,471	1,826,311	1,923,348
	<u>2,060,471</u>	<u>1,826,311</u>	<u>1,923,348</u>
Accumulated deficit (note 2(b))	\$ (154,654)	\$ (386,361)	\$ (373,779)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Director


Director

WRINCH MEMORIAL HOSPITAL
Statement of Operations and Accumulated Deficit

Years ended March 31, 2013 and 2012

	Budget	2013	2012
	(note 1(j))		(note 2)
Revenues:			
Contributions from Northern Health Authority	\$ 5,085,435	\$ 5,096,057	\$ 4,855,016
Medical Services Plan	394,322	469,732	449,907
Amortization of deferred capital contributions	339,182	374,078	367,037
Patients, clients and residents (note 8 (a))	162,671	214,029	231,678
Contributions from Federal government	-	16,986	70,634
Investment income	2,000	5,455	5,715
Other (note 8 (b))	119,097	230,726	232,013
	6,102,707	6,407,063	6,212,000
Expenses (note 8(c)):			
Acute	5,592,875	5,648,472	5,692,271
Residential care	476,291	492,200	499,837
Community care	33,541	34,684	32,474
	6,102,707	6,175,356	6,224,582
Surplus (deficit)		\$ 231,707	\$ (12,582)
Accumulated deficit, beginning of year		\$ (386,361)	\$ (373,779)
Accumulated deficit, end of year		\$ (154,654)	\$ (386,361)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statements of Change in Net Debt

Years ended March 31, 2013 and 2012

	Budget	2013	2012
	(note 1(j))		
Surplus (deficit)	\$ -	\$ 231,707	\$ (12,582)
Acquisition of tangible capital assets	(659,677)	(608,238)	(270,629)
Amortization of tangible capital assets	374,078	374,078	367,666
	(285,599)	(2,453)	84,455
(Increase) decrease in net debt	(285,599)	(2,453)	84,455
Net debt, beginning of year	(2,212,672)	(2,212,672)	(2,297,127)
Net debt, end of year	\$ (2,498,271)	\$ (2,215,125)	\$ (2,212,672)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
		(note 2)
Cash flows from (used in) operating activities:		
Annual operating surplus (deficit)	\$ 231,707	\$ (12,582)
Items not involving cash:		
Amortization of deferred capital contributions	(374,078)	(367,037)
Amortization of tangible capital assets	374,078	367,666
	231,707	(11,953)
Net change in non-cash operating items (note 9)	(186,636)	(47,735)
Net change in cash from operating activities	45,071	(59,688)
Capital activities:		
Acquisition of tangible capital assets	(608,238)	(270,629)
Net change in cash from capital activities	(608,238)	(270,629)
Financing activities:		
Capital contributions	563,167	330,317
Net change in cash from financing activities	563,167	330,317
Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ -	\$ -

Supplementary cash flow information (note 9)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

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 accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework ("the framework").

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Institute of Chartered Accountants ("CICA") Public Sector Accounting Board ("PSAB") without any CICA Handbook – PSAS ("PS") 4200 series from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Asset retirement obligations:

The Hospital recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

Obligations which can be reasonably estimated are measured at the best estimate of the future cash flows required to settle the liabilities, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Hospital reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The discount rate used to measure obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented. Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Hospital to pay benefits occurs.

(e) Non-financial assets:

Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	5 - 25 years
Buildings	10 - 50 years
Buildings service equipment	5 - 25 years
Equipment and information systems	3 - 20 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(f) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* 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.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

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

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(g) 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 revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, fair value of designated financial instruments, including derivatives and the future costs to settle employee benefit obligations..

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(h) Foreign currency translation:

The Hospital's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

(i) Financial instruments:

The Hospital has implemented PS section 3450 *Financial Instruments* as at April 1, 2012 and the section has been applied on a prospective basis. For the year ended March 31, 2012, the Authority applied the financial instrument disclosure and presentation standards in accordance with CICA Handbook Section 3861.

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Upon inception and subsequent to initial recognition, equity instruments quoted in an active market and any designated financial instruments are measured at fair value.

All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Accounts receivable are recorded at amortized cost less any amount for a valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

Financial instruments measured at fair value are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category. The Hospital does not have any level 2 or 3 financial instruments. Level 1 financial instruments are those having quoted prices (unadjusted) in active markets for identical assets or liabilities.

Any unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of re-measurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed.

A financial liability or its part is derecognized when it is extinguished.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2012/2013 Budget approved by management on April 16, 2012.

(k) Future accounting standards:

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(k) Future accounting standards (continued):

Management is assessing the impact of PS 3260, which will be adopted for fiscal year ending March 31, 2015.

2. Adoption of new accounting framework:

Effective April 1, 2012, the Hospital has adopted the framework described in note 1(a). These financial statements are the first financial statements for which the Hospital has applied the framework. Previously, the Hospital's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

Subject to certain transitional elections disclosed below and the adoption of PS 3450 (note 1(i)), *Financial Instruments*, the Hospital has consistently applied the same accounting policies in its statement of financial position as at April 1, 2011, the date of transition to the framework, and throughout as if these policies had always been in effect.

The impact of the conversion to the framework on the accumulated operating deficit at the date on transition and the comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the exemptions from retroactive application described below.

(a) The Hospital has elected to use the following exemptions allowed upon first-time adoption:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Hospital has elected to defer application of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

(ii) Retirement and post-employment benefits – cumulative unamortized gains and losses on transition:

The Hospital has elected to recognize all cumulative actuarial gains and losses from inception to the date of transition directly to accumulated operating surplus (deficit). This election has been applied to all plans.

(iii) Tangible capital asset impairment:

The Hospital has elected to apply the exemption and consider the conditions for write-down on tangible capital assets on a prospective basis from the date of transition. As a result, no write-downs of tangible capital assets were recognized.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

2. Adoption of new accounting framework (continued):

The impact of the conversion to the framework is presented below.

(b) Statements of financial position:

	March 31, 2012			
	Part V Canadian GAAP	Prior year adjustments	Current year adjustments	New accounting framework
Financial liabilities				
Retirement allowance	\$ 393,025	\$ 26,000	\$ 14,000	\$ 433,025
Accumulated operating deficit	\$ (346,361)	\$ (26,000)	\$ (14,000)	\$ (386,361)

	April 1, 2011		
	Part V Canadian GAAP	Current year adjustments	New accounting framework
Financial liabilities			
Retirement allowance	\$ 438,025	\$ 26,000	\$ 464,025
Accumulated operating deficit	\$ (347,779)	\$ (26,000)	\$ (373,779)

(c) Statement of operations:

	March 31, 2012				
	Note 2(e)	Part V Canadian	Adjustments	Reclassified	New accounting framework
		GAAP			
Compensation and benefits	\$	4,550,216	\$ -	\$ (4,550,216)	\$ -
Supplies		535,005	-	(535,005)	-
Depreciation of capital assets		367,037	-	(367,037)	-
Distribution to affiliated organization (note 10)		331,180	-	(331,180)	-
Equipment and building services		259,793	-	(259,793)	-
Referred out and contracted services		120,497	-	(120,497)	-
Sundry		46,854	-	(46,854)	-
Acute		-	10,593	5,681,678	5,692,271
Community care		-	3,199	496,638	499,837
Residential care		-	208	32,266	32,474
Totals	\$	6,210,582	\$ 14,000	\$ -	\$ 6,224,582

(d) Statement of cash flow:

	March 31, 2012		
	Part V Canadian GAAP	Prior year adjustment	New accounting framework
Retirement allowance expense	\$ (45,000)	\$ 40,000	\$ (5,000)

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

2. Adoption of new accounting framework (continued):

(e) Transitional adjustments to new accounting framework:

Key adjustments on the Hospital's financial statements resulting from the adoption of the framework are as follows:

- (i) Previously, the Hospital was not required to record an accrued benefit obligation related to sick leave benefits that do not vest. The new financial reporting framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Authority in return for the benefits.
- (ii) As noted in note 2(a)(ii), the Hospital has recalculated all employee benefit provisions in accordance with PS 3250, Retirement benefits, and PS 3255, Post-Employment Benefits, Compensated Absences and Termination Benefits. Accordingly, cumulative actuarial losses of \$40,000 were recognized directly into accumulated operating deficit.

3. Accounts receivable:

	2013	2012	2011
Patients, clients, residents and agencies	\$ 66,350	\$ 81,820	\$ 73,647
Foundations, auxiliaries and regional hospital districts	10,000	10,000	10,000
Other	-	1,487	2,418
Allowance for doubtful accounts	(8,051)	-	-
	\$ 68,299	\$ 93,307	\$ 86,065

4. Deferred operating contributions:

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

	2013	2012	2011
Deferred operating contributions, beginning of the year	\$ -	\$ 12,423	\$ -
Add amounts received for specific purposes	-	-	129,213
Less amounts recognized as revenue in the year	-	(12,423)	(116,790)
	\$ -	\$ -	\$ 12,423

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

5. 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 liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2013.

Information about retirement allowance benefits is as follows:

	2013	2012	2011
		(note 2)	(note 2)
Accrued benefit obligation:			
Sick leave benefits	\$ 164,000	\$ 176,000	\$ 183,000
Severance benefits	248,000	269,000	281,000
	412,000	445,000	464,000
Balance of unamortized amounts	(13,000)	(11,975)	-
Accrued retirement allowance benefits	\$ 399,000	\$ 433,025	\$ 464,000

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:

	2013	2012
		(note 2)
Accrued benefit obligation:		
Balance, beginning of year	\$ 433,025	\$ 464,025
Net benefit expense:		
Current service cost	26,975	24,000
Amortization of actuarial gain	1,000	-
Interest expense	19,000	22,000
	46,975	46,000
Benefits paid	(81,000)	(77,000)
Accrued benefit obligation, end of year	\$ 399,000	\$ 433,025

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

5. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2013	2012	2011
Accrued benefit obligation as at March 31:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs for years ended March 31:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Expected future inflationary increases	3.00%	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, 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 valuations at December 31, 2012 indicated a surplus of \$62.5 million (2011 - \$30.8 million). The plan covers approximately 90,000 active employees of which approximately 55 are employees of the Hospital. The next required valuation will be as of December 31, 2013.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

5. Employee benefits (continued):

(c) Employee pension benefits:

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*. Employer contributions to the Municipal Pension Plan of \$220,331 (2012 - \$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 at December 31, 2009 indicated an unfunded liability of approximately \$1.024 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 173,000 active members, of which approximately 89 are employees of the Hospital. The next required actuarial valuation will be as of December 31, 2012; the results of which are not yet known.

6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2013	2012	2011
Deferred capital contributions, beginning of year	\$ 1,910,496	\$ 1,947,216	\$ 2,294,618
Capital contributions received:			
Ministry of Health	285,035	241,727	-
Regional Hospital District	268,892	80,321	-
Other	9,240	8,269	-
	563,167	330,317	-
Amortization for the year	(374,078)	(367,037)	(347,402)
Deferred capital contributions, end of year	\$ 2,099,585	\$ 1,910,496	\$ 1,947,216

Deferred capital contributions are comprised of the following:

	2013	2012	2011
Contributions used to purchase tangible capital as \$	2,054,371	\$ 1,820,210	\$ 1,917,247
Unspent contributions	45,214	90,286	29,969
	\$ 2,099,585	\$ 1,910,496	\$ 1,947,216

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

7. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions (transfers)	Disposals	Balance at March 31, 2013
Land and improvements	\$ 16,139	\$ -	\$ -	\$ 16,139
Buildings	5,598,641	577,614	-	6,176,255
Building service equipment	435,430	-	-	435,430
Equipment	2,984,178	187,658	-	3,171,836
Projects in Progress	272,454	(157,034)	-	115,420
	\$ 9,306,842	\$ 608,238	\$ -	\$ 9,915,080

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Land and improvements	\$ 10,038	\$ -	\$ -	\$ 10,038
Buildings	4,994,309	-	140,219	5,134,528
Building service equipment	236,400	-	44,945	281,345
Equipment	2,239,784	-	188,914	2,428,698
	\$ 7,480,531	\$ -	\$ 374,078	\$ 7,854,609

	Net book value March 31, 2012	Net book value March 31, 2013
Land and improvements	\$ 6,101	\$ 6,101
Buildings	604,332	1,041,727
Building service equipment	199,030	154,085
Equipment	744,394	743,138
Projects in Progress	272,454	115,420
	\$ 1,826,311	\$ 2,060,471

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

7. Tangible capital assets (continued):

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Land and improvements	\$ 16,139	\$ -	\$ -	\$ 16,139
Buildings	5,604,650	(6,009)	-	5,598,641
Building service equipment	431,875	3,555	-	435,430
Equipment	2,983,549	629	-	2,984,178
Projects in progress	-	272,454	-	272,454
	\$ 9,036,213	\$ 270,629	\$ -	\$ 9,306,842

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Land and improvements	\$ 10,038	\$ -	\$ -	\$ 10,038
Buildings	4,839,682	-	154,627	4,994,309
Building service equipment	207,647	-	28,753	236,400
Equipment	2,055,498	-	184,286	2,239,784
	\$ 7,112,865	\$ -	\$ 367,666	\$ 7,480,531

	Net book value March 31, 2011	Net book value March 31, 2012
Land and improvements	\$ 6,101	\$ 6,101
Buildings	764,968	604,332
Building service equipment	224,228	199,030
Equipment	928,051	744,394
Projects in progress	-	272,454
	\$ 1,923,348	\$ 1,826,311

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

7. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2013	2012	2011
Deferred capital contributions	\$ 2,054,371	\$ 1,820,210	\$ 1,917,247
Internally funded	6,101	6,101	6,101
Tangible capital assets	\$ 2,060,471	\$ 1,826,311	\$ 1,923,348

8. Statement of operations:

(a) Patients, clients and residents revenue:

	2013	2012
Residents of BC-self pay	\$ 169,161	\$ 167,912
Non-residents of BC	15,240	22,370
WorkSafe BC	19,083	14,597
Federal government	1,916	13,011
Non-residents of Canada	5,015	8,250
Uninsured residents	3,614	5,538
	\$ 214,029	\$ 231,678

(b) Other revenues:

	2013	2012
Sales to non-related entities	\$ 217,132	\$ 213,648
Donation	13,594	16,250
Other	-	2,115
	\$ 230,726	\$ 232,013

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

8. Statement of operations (continued):

(c) The following is a summary of expenses by object:

	2013	2012 (note 2)
Compensation and benefits	\$ 4,458,590	\$ 4,564,105
Referred-out and contracted services		
Community care	32,266	32,266
Acute care	14,718	18,012
Other	87,851	70,330
	<u>134,835</u>	<u>120,608</u>
Supplies		
Drugs and medical gases	165,162	131,771
Medical and surgical	109,667	115,930
Diagnostic	124,159	128,274
Food and dietary	70,374	69,385
Laundry and linen	26,682	25,627
Housekeeping	16,766	13,568
Printing, stationery and office	7,568	10,407
Other	36,568	40,043
	<u>556,946</u>	<u>535,005</u>
Equipment and building services		
Equipment expenses	112,339	111,091
Plant operation utilities	104,309	99,628
Service contracts	39,199	18,278
Other	3,982	30,796
	<u>259,829</u>	<u>259,793</u>
Sundry		
Travel and accommodation	33,554	24,846
Other	26,343	22,008
	<u>59,897</u>	<u>46,854</u>
Amortization of tangible capital assets	374,079	367,037
Distributions to affiliated organizations	331,180	331,180
	<u>\$ 6,175,356</u>	<u>\$ 6,224,582</u>

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

9. Supplementary cash flow information:

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

	2013	2012
Accounts receivable and due from Northern Health Authority	\$ (152,611)	\$ (4,312)
Deferred operating contributions	-	(12,423)
Retirement allowance	(34,025)	(31,000)
	\$ (186,636)	\$ (47,735)

10. Related party and other agency operations:

During the year the Hospital received an amount of \$68,115 (2012 - \$73,632) in rental income and \$21,714 (2012 - \$35,435) of recoveries from The United Church Health Services, the parent organization.

Included in the Hospital's accounts receivable is \$215,161 due from Northern Health Authority (2012 - \$37,542).

11. Risk management:

The Hospital is exposed to credit risk, liquidity risk and foreign exchange risk from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from the Hospital's financial instruments is provided below by type of risk below.

Risk management and insurance services for all Health Authorities in B.C. are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

(a) Credit risk

Credit risk primarily arises from the Hospital's accounts receivable and risk exposure is limited to the balance at the statement of financial position. Accounts receivable primarily consist of amounts receivable from the Ministry of Health, other Health Authorities and BC government reporting entities as detailed in note 3. To reduce the risk, the Hospital periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2013, the amount of allowance for doubtful debts was \$8,051 (2012 - \$0).

(b) Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet its financial obligations as they become due. It is the Hospital's intention to meet its financial obligations through the collection of current accounts receivable and future funding from the Ministry of Health.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

11. Risk management (continued):

(b) Liquidity risk (continued):

The table below shows when various financial assets mature:

Financial assets	Up to 1 year	1 to 5 years	Over 5 years
Accounts receivable	\$ 68,299	\$ -	\$ -
Due from Northern Health Authority	215,161	-	-
Total financial assets	\$ 283,460	\$ -	\$ -

(c) Foreign exchange risk

The Hospital has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

(d) Interest rate risk

The Hospital is not exposed to any significant interest rate risk.

12. Comparative figures:

Certain comparative information has been reclassified to conform to the current year's financial statement presentation.