

Financial Statements of

**WRINCH MEMORIAL HOSPITAL**

Year ended March 31, 2014

## STATEMENT OF MANAGEMENT RESPONSIBILITY

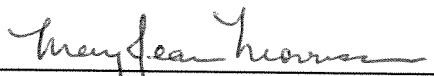
The financial statements of Wrinch Memorial Hospital (the "Hospital") for the year ended March 31, 2014 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget 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 Health Services Society Finance and Audit Committee meet with management and the external auditor once a year.

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 considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Hospital's internal control. The external auditors have full and free access to the United Church Health Services Society Finance and Audit Committee and 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 12, 2014



Mark De Croos,  
Vice President, Financial & Corporate Services/Chief Financial Officer  
Northern Health Authority  
June 12, 2014



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## **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, 2014 and the statement of operations and accumulated surplus, changes in net debt 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 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 Wrinch Memorial Hospital as at March 31, 2014 and for the year then ended 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 describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Accountants

Prince George, Canada

June 12, 2014

# WRINCH MEMORIAL HOSPITAL

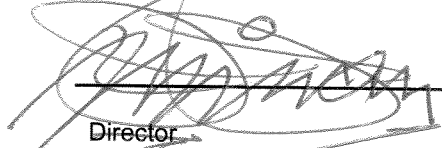
## Statement of Financial Position

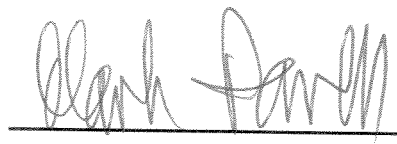
As at March 31, 2014

	2014	2013
		(Restated - note 2)
<b>Financial assets</b>		
Accounts receivable (note 3)	\$ 101,048	\$ 68,299
Due from Northern Health Authority	1,478,680	433,340
	<u>1,579,728</u>	<u>501,639</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	245,834	218,179
Retirement allowance (note 5(a))	363,000	399,000
Deferred capital contributions (note 6)	2,933,188	2,099,585
	<u>3,542,022</u>	<u>2,716,764</u>
<b>Net debt</b>	<u>(1,962,294)</u>	<u>(2,215,125)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 7)	2,003,907	2,060,471
	<u>2,003,907</u>	<u>2,060,471</u>
<b>Accumulated surplus (deficit)</b>	<b>\$ 41,613</b>	<b>\$ (154,654)</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director  
Governor

# WRINCH MEMORIAL HOSPITAL

## Statement of Operations and Accumulated Surplus (Deficit)

Year ended March 31, 2014

	2014 Budget (note 1(i))	2014	2013
<b>Revenues:</b>			
Northern Health Authority contributions	\$ 5,287,804	\$ 5,287,799	\$ 5,096,057
Amortization of deferred capital contributions	398,485	404,842	374,078
Medical Services Plan	379,585	389,395	469,732
Patients, clients and residents (note 8(a))	168,453	224,853	214,029
Contribution from Federal Government	-	72,828	16,986
Investment Income	2,000	5,507	5,455
Other revenue (note 8(b))	119,097	208,974	230,726
	<u>6,355,424</u>	<u>6,594,198</u>	<u>6,407,063</u>
<b>Expenses (note 8(c)):</b>			
Acute	5,639,725	5,717,884	5,648,472
Residential care	479,704	481,105	492,200
Community care	235,995	198,942	34,684
	<u>6,355,424</u>	<u>6,397,931</u>	<u>6,175,356</u>
Annual operating surplus	-	196,267	231,707
Accumulated deficit, beginning of year		(154,654)	(386,361)
Accumulated surplus (deficit), end of year	\$ -	\$ 41,613	\$ (154,654)

See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Changes in Net Debt

Year ended March 31, 2014

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	2014 Budget (note 1(i))	2014	2013
Annual operating surplus	\$ -	\$ 196,267	\$ 231,707
Acquisition of tangible capital assets	(246,000)	(348,757)	(608,238)
Amortization of tangible capital assets	405,321	405,321	374,078
Decrease (Increase) in net debt	159,321	252,831	(2,453)
Net debt, beginning of year	(2,215,125)	(2,215,125)	(2,212,672)
Net debt, end of year	\$ (2,055,804)	\$ (1,962,294)	\$ (2,215,125)

See accompanying notes to financial statements.

# WRINCH MEMORIAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities:		
Annual surplus	\$ 196,267	\$ 231,707
Items not involving cash:		
Amortization of deferred capital contributions	(404,842)	(374,078)
Amortization of tangible capital assets	405,321	374,078
	196,746	231,707
Net change in non-cash operating items (note 9)	(1,086,434)	(186,636)
Net change in cash from operating activities	(889,688)	45,071
Capital activities:		
Acquisition of tangible capital assets (note 7)	(348,757)	(608,238)
Net change in cash from capital activities	(348,757)	(608,238)
Financing activities:		
Capital contributions	1,238,445	563,167
Net change in cash from financing activities	1,238,445	563,167
Increase (decrease) 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, 2014

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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 BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC 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 Public Sector Accounting Board ("PSAB") without any PS 4200 series.

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, in each case for use in providing services, 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 periods during which the tangible capital asset is used to provide services.

If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Hospital.

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

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

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## 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 PSAS 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 PS 3410, Government Transfers; 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 PS 3100, Restricted Assets and Revenues;

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

Year ended March 31, 2014

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## 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 cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 – 10 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

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 cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan is implemented.

#### (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 they become 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.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (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 and 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.

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:

Asset	Basis
Land improvements	5 - 25 years
Buildings	10 - 25 years
Equipment	5 - 25 years
Information systems	3 - 10 years
Vehicles	4 - 7 years
Assets under capital lease and leasehold improvements	Lease term

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. Such fair value becomes the cost of the contributed asset. 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 BC 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.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (f) Revenue recognition (continued):

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.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

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 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.

### (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 valuation of accounts receivable, 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) Financial instruments:

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.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (h) Financial instruments (continued):

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance.

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 when incurred.

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

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Hospital's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

### (i) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2013/2014 Budget.

### (j) 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 of a site or part of a site not in productive use exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 1. Significant accounting policies (continued):

### (j) Future accounting standards (continued):

- 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.

PS 3260 is effective for the Hospital's fiscal year ending March 31, 2015. Management is continuously assessing the potential impact of adoption of PS 3260 on the financial statements of the Hospital. The magnitude of the impact of PS 3260 on the financial statements will depend on the existence of contaminated sites as at March 31, 2015, if any.

## 2. Restatement:

During the year, it was determined that accrued vacation pay was not recorded by the Hospital in prior years as well as the corresponding contribution from Northern Health Authority. The financial statements have been retrospectively restated to reflect the vacation pay accrual and the amount due from Northern health Authority. As a result of this correction, the following adjustments have been made to the comparative information of the Statement of Financial Position:

	March 31, 2013		
	Before restatement	Restatement	Restated
Due from Northern Health Authority	\$ 215,161	\$ 218,179	\$ 433,340
Accounts payable and accrued liabilities	\$ -	\$ 218,179	\$ 218,179

The net effect on the accumulated deficit for March 31, 2013 was nil.

## 3. Accounts receivable:

	2014	2013
Patients, clients and residents	\$ 74,470	\$ 66,350
Regional Hospital Districts	33,829	-
Other health authorities and BC government reporting entities	-	10,000
	108,299	76,350
Allowance for doubtful accounts	(7,251)	(8,051)
	\$ 101,048	\$ 68,299

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 4. Accounts payable and accrued liabilities:

	2014	2013
		(Restated - note 2)
Accrued vacation pay	236,834 \$	218,179
Trade accounts payable and accrued liabilities	9,000	-
	<u>\$ 245,834</u>	<u>\$ 218,179</u>

## 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 or employee 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, 2013 and extrapolated to March 31, 2014 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2014 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	2014	2013
Accrued benefit obligation:		
Severance benefits	\$ 227,000	\$ 248,000
Sick leave benefits	152,000	164,000
	<u>379,000</u>	<u>412,000</u>
Unamortized actuarial gain	(16,000)	(13,000)
Accrued benefit obligation	<u>\$ 363,000</u>	<u>\$ 399,000</u>

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



# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 5. Employee benefits (continued):

### (a) Retirement allowance (continued):

	2014	2013
Accrued benefit expense obligation, beginning of year	\$ 399,000	\$ 433,025
Net benefit expense:		
Current service cost	26,000	26,975
Interest expense	18,000	1,000
Amortization of actuarial loss	1,000	19,000
Net Benefit Expense	45,000	46,975
Benefits paid	(81,000)	(81,000)
Accrued benefit obligation, end of year	\$ 363,000	\$ 399,000

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

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase <sup>1</sup>	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

<sup>1</sup> In addition to the normal merit and promotional increases individuals may be eligible for.

### (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.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 5. Employee benefits (continued):

### (b) Healthcare Benefit Trust (continued):

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, 2013 indicated a surplus of \$62.5 million. The plan covers approximately 90,000 active members, of which approximately 55 are employees of the Hospital. The Hospital's next expected actuarial valuation will be as of December 31, 2014.

### (b) Employee pension benefits:

The Hospital and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$220,332 (2013 - \$220,331) 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, 2012 indicated an unfunded liability of approximately \$1.370 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 88 are employees of the Hospital. The next expected actuarial valuation date will be as of December 31, 2015 with results available 2016.

## 6. Deferred capital contributions:

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

	2014	2013
Deferred capital contributions, beginning of year	\$ 2,099,585	\$ 1,910,496
Capital contributions received:		
Northern Health Authority	1,085,600	285,035
Regional Hospital District	93,605	268,892
Foundations and auxiliaries	59,240	-
Other	-	9,240
	1,238,445	563,167
Amortization for the year	(404,842)	(374,078)
Deferred capital contributions, end of year	\$ 2,933,188	\$ 2,099,585

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 6. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2014	2013
Contributions used to purchase tangible capital assets	\$ 1,997,327	\$ 2,054,371
Unspent contributions	935,861	45,214
	<u>\$ 2,933,188</u>	<u>\$ 2,099,585</u>

## 7. Tangible capital assets:

Cost	2013	Additions	Disposals	Transfers	2014
Land	\$ 6,101	\$ -	\$ -	\$ -	6,101
Land improvements	10,038	-	-	-	10,038
Buildings	6,611,685	-	-	132,104	6,743,789
Equipment	3,171,836	-	(16,687)	223,142	3,378,291
Projects in progress	115,420	348,757	-	(355,246)	108,931
<b>Total</b>	<b>\$ 9,915,080</b>	<b>\$ 348,757</b>	<b>\$ (16,687)</b>	<b>\$ -</b>	<b>\$ 10,247,150</b>

Accumulated amortization	2013	Disposals	Amortization	2014
Land improvements	\$ 10,038	\$ -	\$ -	\$ 10,038
Buildings	5,415,873	-	226,486	5,642,359
Equipment	2,428,698	(16,687)	178,835	2,590,846
<b>Total</b>	<b>\$ 7,854,609</b>	<b>\$ (16,687)</b>	<b>\$ 405,321</b>	<b>\$ 8,243,243</b>

Cost	2012	Additions	Disposals	Transfers	2013
Land	\$ 6,101	\$ -	\$ -	\$ -	6,101
Land improvements	10,038	-	-	-	10,038
Buildings	6,034,071	189,727	-	387,887	6,611,685
Equipment	2,984,178	128,410	-	59,248	3,171,836
Projects in progress	272,454	290,101	-	(447,135)	115,420
<b>Total</b>	<b>\$ 9,306,842</b>	<b>\$ 608,238</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,915,080</b>

Accumulated amortization	2012	Disposals	Amortization	2013
Land improvements	\$ 10,038	\$ -	\$ -	\$ 10,038
Buildings	5,230,709	-	185,164	5,415,873
Equipment	2,239,784	-	188,914	2,428,698
<b>Total</b>	<b>\$ 7,480,531</b>	<b>\$ -</b>	<b>\$ 374,078</b>	<b>\$ 7,854,609</b>

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 7. Tangible capital assets (continued):

Net book value	2014	2013
Land	\$ 6,101	\$ 6,101
Land improvements	-	-
Buildings	1,101,430	1,195,812
Equipment	787,445	743,138
Projects in progress	108,931	115,420
<b>Total</b>	<b>\$ 2,003,907</b>	<b>\$ 2,060,471</b>

Tangible capital assets are funded as follows:

	2014	2013
Deferred capital contributions	\$ 1,997,327	\$ 2,054,370
Internally funded	6,580	6,101
<b>Tangible capital assets</b>	<b>\$ 2,003,907</b>	<b>\$ 2,060,471</b>

## 8. Statement of operations:

(a) Patients, clients and residents revenue:

	2014	2013
Residents of BC-self pay	\$ 148,005	\$ 169,161
WorkSafe BC	34,693	19,083
Non-residents of BC	26,134	15,240
Uninsured residents	10,736	3,614
Non-residents of Canada	3,699	5,015
Federal government	1,586	1,916
	<b>\$ 224,853</b>	<b>\$ 214,029</b>

(b) Other revenues:

	2014	2013
Sales to non-related entities	\$ 157,981	\$ 217,132
Donations	49,421	13,594
Recoveries from other health authorities and BC Government reporting entities	1,572	-
	<b>\$ 208,974</b>	<b>\$ 230,726</b>

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 8. Statement of operations (continued):

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

	2014	2013
Compensation:		
Compensation	\$ 3,715,034	\$ 3,521,445
Employee benefits	794,416	780,079
Purchased services - physicians	81,362	157,066
	<u>4,590,812</u>	<u>4,458,590</u>
Supplies		
Medical and surgical	147,616	109,667
Diagnostic	140,483	124,159
Drugs and medical gases	126,219	165,162
Food and dietary	68,818	70,374
Laundry and linen	30,193	26,682
Housekeeping	20,824	16,766
Printing, stationery and office	8,310	7,568
Other	30,621	36,568
	<u>573,084</u>	<u>556,946</u>
Amortization of tangible capital assets	405,321	374,078
Equipment and building services:		
Plant operation utilities	106,727	104,309
Equipment expenses	97,061	112,339
Service contracts	20,330	39,199
Other	3,475	3,982
	<u>227,593</u>	<u>259,829</u>
Referred-out and contracted services:		
Health and support service providers	124,647	113,438
Other health authorities and BC government reporting entities	7,684	6,683
	<u>132,331</u>	<u>120,121</u>
Sundry:		
Travel and accommodation	31,243	33,554
Patient transport	13,203	-
Professional fees	9,000	-
Communication and data processing	785	-
Other	65,976	26,343
	<u>120,207</u>	<u>59,897</u>
Distributions to affiliated organization	348,583	345,895
	<u>\$ 6,397,931</u>	<u>\$ 6,175,356</u>

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 9. Supplementary cash flow information:

Net change in non-cash operating items:

	2014	2013
		(Restated - note 2)
Accounts receivable	\$ (32,749)	\$ 25,008
Due from Northern Health Authority	(1,045,340)	(177,619)
Accounts payable and accrued liabilities	27,655	-
Retirement allowance	(36,000)	(34,025)
	\$ (1,086,434)	\$ (186,636)

## 10. Related party and other agency operations:

During the year the Hospital received an amount of \$68,115 (2013 - \$68,115) in rental income and \$19,514 (2013 - \$21,714) of recoveries from The United Church Health Services Society, the parent organization.

## 11. Risk management:

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

### (a) Credit risk

Credit risk primarily arises from the Hospital's accounts receivable and risk exposure is limited to the balance at the date of the statement of financial position. Accounts receivable primarily consist of amounts receivable from patients, clients and residents, Regional Hospital Districts and 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 uncollectable amounts. As at March 31, 2014, the amount of allowance for doubtful debts was \$7,251 (2013 - \$8,051).

### (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.

The Hospital's principal source of funding is from the Ministry. 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 or grant documentation. The Hospital has complied with the external restrictions on the funding provided.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

## 11. Risk management (continued):

The table below shows when various financial assets and liabilities mature:

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts Receivable	\$ 101,048	\$ -	\$ -	\$ 101,048
Due from Northern Health Authority	1,478,680	-	-	1,478,680
<b>Total financial assets</b>	<b>\$ 1,579,728</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,579,728</b>

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 245,834	\$ -	\$ -	\$ 245,834
	\$ 245,834	\$ -	\$ -	\$ 245,834

2013 (Restated - note 2) Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts Receivable	\$ 68,299	\$ -	\$ -	\$ 68,299
Due from Northern Health Authority	433,340	-	-	433,340
<b>Total financial assets</b>	<b>\$ 501,639</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 501,639</b>

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 218,179	\$ -	\$ -	\$ 218,179
	\$ 218,179	\$ -	\$ -	\$ 218,179

### (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.

# WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2014

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## **12. Comparative figures:**

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