

Financial Statements of

**WRINCH MEMORIAL
HOSPITAL**

Year ended March 31, 2006



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

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

AUDITORS' REPORT TO THE DIRECTORS OF THE WRINCH MEMORIAL HOSPITAL

We have audited the statement of financial position of Wrinch Memorial Hospital as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2006 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. We report that, in our opinion, these principles have been applied on a basis consistent with those of the prior year.

Chartered Accountants

Prince George, Canada
April 25, 2006

WRINCH MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

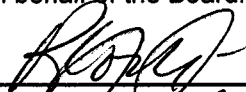
	2006	2005
Assets		
Current assets:		
Cash	\$ 5,612	\$ 5,612
Accounts receivable (note 2)	212,207	19,476
Inventories	42,709	42,709
Due from Northern Health Authority	320,607	575,277
	<u>581,135</u>	<u>643,074</u>
Capital assets (note 3)	1,988,861	1,723,347
	<u>\$ 2,569,996</u>	<u>\$ 2,366,421</u>

Liabilities, Deferred Contributions and Net Assets


Current liabilities:		
Current portion of sick and severance liabilities (note 5)	\$ 32,937	\$ 21,046
	<u>32,937</u>	<u>21,046</u>
Deferred capital contributions (note 4)	1,903,775	1,708,494
Long-term sick and severance liabilities (note 5)	336,268	311,602
Net assets:		
Investment in capital assets	6,101	6,101
Unrestricted	290,915	319,178
	<u>297,016</u>	<u>325,279</u>
	<u>\$ 2,569,996</u>	<u>\$ 2,366,421</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

WRINCH MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Revenues:		
Ministry of Health	\$ 3,840,983	\$ 3,723,839
Patient/Client revenues	120,953	53,688
Investment income	11,017	11,984
Other revenues	105,321	175,540
Amortization of deferred capital contributions	203,975	197,987
Wage settlement bonus	236,698	-
	<u>4,518,947</u>	<u>4,163,038</u>
Expenses:		
Compensation and benefits	3,344,441	3,001,299
Supplies	587,648	551,979
Sundry	62,156	71,967
Equipment and building services	100,633	118,116
Referred-out/contracted services	248,357	238,887
Amortization of capital assets	203,975	197,987
	<u>4,547,210</u>	<u>4,180,235</u>
Excess (deficiency) of revenues over expenses	\$ (28,263)	\$ (17,197)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

	Investment in capital assets	Unrestricted	2006 Net assets	2005 Net assets
Balance, beginning of year	\$ 6,101	\$ 319,178	\$ 325,279	\$ 342,476
Excess (deficiency) of revenue over expenses	-	(28,263)	(28,263)	(17,197)
Balance, end of year	\$ 6,101	\$ 290,915	\$ 297,016	\$ 325,279

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ (28,263)	\$ (17,197)
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(203,975)	(197,987)
Amortization of capital assets	203,975	197,987
	<u>(28,263)</u>	<u>(17,197)</u>
Change in non-cash operating working capital:		
Accounts receivable and due from Northern Health Authority	61,939	(461,713)
Inventories	-	7,457
Sick and severance liabilities	36,556	(285,639)
	<u>70,232</u>	<u>(757,092)</u>
Financing:		
Amounts received for capital asset purchases	399,255	254,669
Investments:		
Purchases of capital assets	(469,487)	(248,884)
Increase (decrease) in cash during the year	-	(751,307)
Cash and cash equivalents, beginning of year	5,612	756,919
Cash and cash equivalents, end of year	<u>\$ 5,612</u>	<u>\$ 5,612</u>

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2006

The Wrinch Memorial Hospital is owned and operated by the United Church of Canada, to manage the delivery of health care within the Hazelton region of the Province of British Columbia.

The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of British Columbia, through the Northern Health Authority, in accordance with budget management plans and performance agreements established and approved by the Ministry and the Hospital. Operating grants are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(c) Inventories:

Inventories include goods held for resale and goods held for use in day-to-day operations. Inventories are valued at the lower of average cost and net realizable value.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life or enhance the service potential of an asset are capitalized. In the year of acquisition, a full year's amortization is provided. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. In the year of disposition, no amortization is provided. Amortization is provided on the straight-line basis at the following annual rates and is charged against operations.

Asset	Basis	Rate
Buildings	Straight-line	5%
Building service equipment	Straight-line	10%
Equipment	Straight-line	10% - 20%

(e) Donated services:

Volunteers contribute their time to assist the Hospital in carrying out its service delivery activities. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

(f) Compensation expense:

Subject to comments in note 6, compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, sick leave and retirement allowances.

(g) 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Significant accounting policies (continued):

(h) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee sick and severance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to sick and severance benefits is 10 years (2005 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

(i) Asset retirement obligations:

Effective April 1, 2004, the Hospital adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations". This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Hospital has determined that there are no significant asset retirement obligations with its assets.

2. Accounts receivable:

	2006	2005
Provincial government	\$ 23,379	\$ 14,681
Other	7,395	4,795
Capital grants	181,433	-
	<hr/> \$ 212,207	<hr/> \$ 19,476

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

3. Capital assets:

			2006	2005
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$ 5,174,894	\$ 4,281,482	\$ 893,412	\$ 772,611
Building service equipment	328,566	55,862	272,704	148,966
Equipment	2,118,731	1,310,921	807,810	787,099
Land and improvements	18,057	10,038	8,019	6,101
IT Equipment	10,712	3,796	6,916	8,570
	\$ 7,650,960	\$ 5,662,099	\$ 1,988,861	\$ 1,723,347

4. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amounts of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the related assets are amortized.

	2006	2005
Balance, beginning of year	\$ 1,708,494	\$ 1,651,811
Add capital funding receipts:		
Ministry of Health	233,846	149,917
RHD	154,724	104,753
Other	10,686	-
	2,107,750	1,906,481
Less amortization for the year	(203,975)	(197,987)
Balance, end of year	\$ 1,903,775	\$ 1,708,494

Deferred capital contributions are comprised of:

	2006	2005
Unamortized deferred capital contributions	\$ 1,982,760	\$ 1,717,247
Unspent (excess) portion of deferred capital contributions	(78,985)	(8,753)
	\$ 1,903,775	\$ 1,708,494

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

5. Employee benefits:

(a) Employee sick and severance benefits:

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 December 31, 2003 updated to March 31, 2006. The next required valuation will be as of December 31, 2006.

	2006	2005
Accrued benefit obligation:		
Sick leave benefits	\$ 136,205	\$ 123,009
Severance benefits	191,181	179,576
Total unfunded obligation	327,386	302,585
Balance of amortized amounts	41,819	30,064
Accrued sick and severance liabilities	\$ 369,205	\$ 332,649

The amounts recorded in the financial statements are as follows:

	2006	2005
Accrued sick and severance liabilities:		
Current portion	\$ 32,937	\$ 21,047
Long-term portion	336,268	311,602
	\$ 369,205	\$ 332,649

	2006	2005
Sick and severance plan expense	\$ 36,556	\$ 35,210
Benefits paid	\$ -	\$ -

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

5. Employee benefits (continued):

(a) Employee sick and severance benefits (continued):

The amount recorded as a liability by the Hospital in the amount of \$369,205 differs from the actuarially determined accrued benefit obligation of \$327,386 due to the amortization of prior years experience gains and losses taken into account in the determination of the accrued benefit obligation.

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

	2006	2005
Accrued benefit obligation as at March 31:		
Discount rate	5.00 %	5.50 %
Rate of compensation increase	3.25 %	3.25 %
Benefit costs of years ended March 31:		
Discount rate	5.50 %	5.75 %
Rate of compensation increase	3.25 %	3.25 %

(b) Employee healthcare 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. All contributions are paid by the Hospital.

The actuary does not attribute the unfunded liability to individual employers. Consequently, the Hospital's share of this unfunded liability cannot be determined. Each employer expenses contributions to the Trust in the year in which payments are made.

The group life insurance, accidental death and dismemberment, extended health, dental and long-term disability claims administered by the Trust are structured as a multi-employer plan, in respect of the Hospital. The most recent actuarial valuation at December 31, 2005 indicated a surplus of \$4,751,000. The plan covers approximately 73,200 active employees of which approximately 42 are employees of the Hospital. The next required valuation will be as of December 31, 2006.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

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 plan governed by the BC Public Sector Pension Plans Act.

Employer contributions to the Municipal Pension Plan were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 130,000 active employees of which approximately 48 are employees of the Hospital.

6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2006	2005
Capital assets	\$ 1,988,861	\$ 1,723,348
Amounts financed by:		
Deferred contributions	(1,982,760)	(1,717,247)
	\$ 6,101	\$ 6,101

(b) Change in net assets invested in capital assets is calculated as follows:

	2006	2005
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 203,975	\$ 197,987
Amortization of capital assets	(203,975)	(197,987)
	\$ -	\$ -
Net change in investment in capital assets:		
Purchase of capital assets, net	\$ 469,515	\$ 248,884
Amounts funded by deferred capital contributions	(469,515)	(248,884)
	\$ -	\$ -

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2006

7. Economic dependence:

A substantial portion of the Hospital's revenue is received from the Northern Health Authority. Accordingly, any disruption in that funding could have a significant effect upon operations of the Hospital. The NHA also provided the Hospital with administrative support during the year for a charge of approximately \$216,000 (2005 - \$209,000).

8. Financial instruments:

The Hospital's financial instruments consist of cash, accounts receivable and accrued sick and severance liabilities. Unless otherwise noted, it is management's opinion there are no significant currency, credit or interest rate risks arising from these financial instruments. The fair value of the Hospital's financial instruments other than the accrued sick and severance liabilities, approximates their carrying values. The fair value of the accrued sick and severance liabilities is disclosed in note 5.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.