

Financial Statements of

**WRINCH MEMORIAL
HOSPITAL**

Year ended March 31, 2007



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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, 2007 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, 2007 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style.

Chartered Accountants

Prince George, Canada
May 4, 2007

WRINCH MEMORIAL HOSPITAL

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 5,612	\$ 5,612
Accounts receivable (note 2)	40,835	212,207
Inventories	-	42,709
<u>Due from Northern Health Authority</u>	<u>537,810</u>	<u>320,607</u>
	584,257	581,135
Capital assets (note 3)	1,931,309	1,988,861
	<u>\$ 2,515,566</u>	<u>\$ 2,569,996</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
<u>Current portion of sick and severance liabilities (note 5)</u>	<u>\$ 65,825</u>	<u>\$ 32,937</u>
	65,825	32,937
Deferred capital contributions (note 4)	1,877,383	1,903,775
Long-term sick and severance liabilities (note 5)	334,900	336,268
Net assets:		
Investment in capital assets	6,101	6,101
<u>Unrestricted</u>	<u>231,357</u>	<u>290,915</u>
	237,458	297,016
	<u>\$ 2,515,566</u>	<u>\$ 2,569,996</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

WRINCH MEMORIAL HOSPITAL

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Other contributions	\$ 3,792,125	\$ 3,531,669
MSP fee for services	325,763	309,314
Patient/Client revenues	136,228	120,953
Other revenues	141,434	342,019
Investment income	19,194	11,017
Amortization of deferred capital contributions	244,804	203,975
	4,659,548	4,518,947
Expenses:		
Compensation and benefits	3,371,184	3,344,441
Supplies	666,376	587,648
Sundry	69,152	62,156
Equipment and building services	122,306	100,633
Referred-out/contracted services	245,284	248,357
Amortization of capital assets	244,804	203,975
	4,719,106	4,547,210
Excess (deficiency) of revenues over expenses	\$ (59,558)	\$ (28,263)

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Investment in capital assets	Unrestricted	2007 Net assets	2006 Net assets
Balance, beginning of year	\$ 6,101	\$ 290,915	\$ 297,016	\$ 325,279
Excess (deficiency) of revenue over expenses	-	(59,558)	(59,558)	(28,263)
Balance, end of year	\$ 6,101	\$ 231,357	\$ 237,458	\$ 297,016

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ (59,558)	\$ (28,263)
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(244,804)	(203,975)
Amortization of capital assets	244,804	203,975
	(59,558)	(28,263)
Change in non-cash operating working capital:		
Accounts receivable and due from Northern Health		
Authority	(45,831)	61,939
Inventory	42,709	-
Sick and severance liabilities	31,520	36,556
	(31,160)	70,232
Financing:		
Amounts received for capital asset purchases	218,412	399,255
Investments:		
Purchases of capital assets	(187,252)	(469,487)
Cash and cash equivalents, beginning of year	5,612	5,612
Cash and cash equivalents, end of year	\$ 5,612	\$ 5,612

See accompanying notes to financial statements.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

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, 2007

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%
IT 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 5, 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, 2007

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 (2006 - 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:

	2007	2006
Provincial government	\$ 27,825	\$ 23,379
Other	850	7,395
Capital grants	12,160	181,433
	<hr/>	<hr/>
	\$ 40,835	\$ 212,207

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2007

3. Capital assets:

			2007	2006
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$ 5,180,530	\$ 4,355,403	\$ 825,127	\$ 893,412
Building service equipment	328,566	73,463	255,103	272,704
Construction in progress	100,751	-	100,751	-
Equipment	2,199,596	1,463,305	736,291	807,810
Land and improvements	18,057	10,936	7,121	8,019
IT Equipment	10,712	3,796	6,916	6,916
	\$ 7,838,212	\$ 5,906,903	\$ 1,931,309	\$ 1,988,861

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.

	2007	2006
Balance, beginning of year	\$ 1,903,775	\$ 1,708,494
Add capital funding receipts:		
Ministry of Health	98,492	233,846
RHD	64,000	154,724
Other	55,920	10,686
	2,122,187	2,107,750
Less amortization for the year	(244,804)	(203,975)
Balance, end of year	\$ 1,877,383	\$ 1,903,775

Deferred capital contributions are comprised of:

	2007	2006
Unamortized deferred capital contributions	\$ 1,925,208	\$ 1,982,760
Unspent (excess) portion of deferred capital contributions	(47,825)	(78,985)
	\$ 1,877,383	\$ 1,903,775

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2007

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 in the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service estimated by actuarial valuation as at March 31, 2007 using an early measurement date of December 31, 2006. The Hospital liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be at of December 31, 2009.

The accumulated obligation for sick leave and severance benefits as at March 31, 2007 is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ 156,679	\$ 136,205
Severance benefits	245,607	191,181
Total unfunded obligation	402,286	327,386
Balance of amortized amounts	(1,561)	41,819
Accrued sick and severance liabilities	\$ 400,725	\$ 369,205

The amounts recorded in the financial statements are as follows:

	2007	2006
Accrued sick and severance liabilities:		
Current portion	\$ 65,825	\$ 32,937
Long-term portion	334,900	336,268
	\$ 400,725	\$ 369,205

	2007	2006
Sick and severance plan expense	\$ 37,369	\$ 36,556
Benefits paid	\$ -	\$ -

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2007

5. Employee benefits (continued):

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

The amount recorded as a liability by the Hospital in the amount of \$400,725 differs from the actuarially determined accrued benefit obligation of \$402,286 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:

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.00 %	5.00 %
Rate of compensation increase	3.25 %	3.25 %
Benefit costs of years ended March 31:		
Discount rate	5.00 %	5.50 %
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 and 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 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 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 with the results available in 2007.

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2007

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 with the results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 140,000 active employees of which approximately 51 are employees of the Hospital. The Hospital paid \$154,498 (2006 - \$140,174) for employer contributions to the plan in the year.

6. Investment in capital assets:

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

	2007	2006
Capital assets	\$ 1,931,309	\$ 1,988,861
Amounts financed by:		
Deferred contributions	(1,925,208)	(1,982,760)
	\$ 6,101	\$ 6,101

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

	2007	2006
Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 244,804	\$ 203,975
Amortization of capital assets	(244,804)	(203,975)
	\$ -	\$ -
Net change in investment in capital assets:		
Purchase of capital assets, net	\$ 187,252	\$ 248,884
Amounts funded by deferred capital contributions	(187,252)	(248,884)
	\$ -	\$ -

WRINCH MEMORIAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2007

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 \$226,000 (2006 - \$216,000).

8. Related party transactions:

During the year the Hospital received an amount of approximately \$28,000 in rental income and \$37,000 of recoveries from United Church Health Services, the parent organization.

9. 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.

10. Comparative figures:

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