

**Financial Statements of**  
**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*  
**Year Ended March 31, 2008**



**MANTELL | DICKSON | BLADES | WISEMAN**

*Chartered Accountants*

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## **AUDITORS' REPORT**

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

We have audited the statement of financial position of Mount St. Mary Hospital as at March 31, 2008 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, 2008 and the results of its operations and changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Mantell Dickson Blades Wiseman*

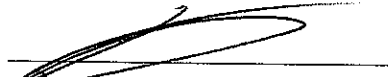

Victoria, B.C.  
May 7, 2008

Chartered Accountants

**MOUNT ST. MARY HOSPITAL**  
*(Owned and Operated by the Marie Esther Society)*  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2008**

	2008	2007
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short-term investments <i>(Note 10)</i>	3,137,416	2,407,407
Accounts receivable	503,538	1,006,775
Supplies	55,170	58,980
Prepaid expenses	<u>57,968</u>	<u>72,725</u>
	3,754,092	3,545,887
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 3)</i>	182,026	198,280
CAPITAL ASSETS <i>(Note 4)</i>	<u>33,152,066</u>	<u>34,283,200</u>
	<u>37,088,184</u>	<u>38,027,367</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	806,824	761,863
Accrued vacation pay	463,529	482,734
Current portion of accrued sick and severance <i>(Note 5)</i>	<u>120,280</u>	<u>26,128</u>
	1,390,633	1,270,725
ACCRUED SICK AND SEVERANCE PAY <i>(Note 5)</i>	927,895	917,274
DEFERRED CONTRIBUTIONS <i>(Note 6)</i>	137,837	127,188
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 7)</i>	<u>30,872,575</u>	<u>31,898,550</u>
	<u>33,328,940</u>	<u>34,213,737</u>
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS <i>(Note 8)</i>	4,020,307	3,998,237
INTERNALLY RESTRICTED <i>(Note 11)</i>	195,235	200,000
UNRESTRICTED	<u>(456,298)</u>	<u>(384,607)</u>
	<u>3,759,244</u>	<u>3,813,630</u>
	<u>37,088,184</u>	<u>38,027,367</u>

APPROVED BY THE BOARD OF MANAGEMENT

  
 \_\_\_\_\_ Chair  
  
 \_\_\_\_\_ Board Member  
*See accompanying notes*



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

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED MARCH 31, 2008**

	Invested in Capital Assets \$	Unrestricted \$	Internally Restricted (Note 12) \$	2008 \$	2007 \$
NET ASSETS, beginning of year	3,998,237	(384,607)	200,000	3,813,630	3,777,345
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	22,070	(71,691)	(4,765)	(54,386)	36,285
NET ASSETS, end of year	<u>4,020,307</u>	<u>(456,298)</u>	<u>195,235</u>	<u>3,759,244</u>	<u>3,813,630</u>

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
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**STATEMENT OF OPERATIONS**

**YEAR ENDED MARCH 31, 2008**

	2008	2007
	\$	\$
<b>REVENUES</b>		
Vancouver Island Health Authority Grant	11,108,545	11,597,387
Resident contributions	3,038,632	2,894,165
Amortization of deferred capital contributions	1,315,524	1,303,674
Special programs	86,285	66,209
Other revenue <i>(Note 12)</i>	391,778	266,803
	<u>15,940,764</u>	<u>16,128,238</u>
<b>EXPENSES</b>		
Salaries, wages and benefits	12,618,638	12,720,656
Pharmacy costs	466,125	471,144
Laundry and other purchased services	465,672	477,109
Supplies	781,775	780,902
Utilities	199,466	193,984
Premises	47,762	58,250
Sundry	31,208	31,592
Amortization of capital assets	1,293,454	1,292,107
Mission related	4,765	-
Special programs	86,285	66,209
	<u>15,995,150</u>	<u>16,091,953</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u>(54,386)</u>	<u>36,285</u>

*See accompanying notes*

**MOUNT ST. MARY HOSPITAL**  
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**STATEMENT OF CASH FLOW**

**YEAR ENDED MARCH 31, 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	(54,386)	36,285
Items not involving cash:		
Amortization of capital assets	1,293,454	1,292,107
Amortization of deferred capital contributions	(1,315,524)	(1,303,674)
	(76,456)	24,718
Cash provided by changes in non-cash operating accounts:		
Decrease in accounts receivable	457,856	153,005
(Increase) decrease in supplies	3,810	(4,271)
(Increase) decrease in prepaid expenses	14,757	(34,764)
(Decrease) increase in accounts payable	44,961	(1,050,545)
(Decrease) increase in accrued vacation pay	(19,205)	1,545
Increase in accrued sick and severance pay	104,773	88,523
Cash from operations	<u>530,496</u>	<u>(821,789)</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in advances to Mount St. Mary Foundation	16,254	(65,962)
Purchase of capital assets	(162,320)	(204,272)
	<u>(146,066)</u>	<u>(270,234)</u>
<b>FINANCING ACTIVITIES</b>		
Capital grants and contributions (net)	<u>300,198</u>	<u>247,940</u>
<b>INCREASE (DECREASE) DURING THE YEAR</b>	<b>684,628</b>	<b>(844,083)</b>
<b>CASH AND SHORT-TERM INVESTMENTS, beginning of year</b>	<u><b>2,452,788</b></u>	<u><b>3,296,871</b></u>
<b>CASH AND SHORT-TERM INVESTMENTS, end of year</b>	<u><u><b>3,137,416</b></u></u>	<u><u><b>2,452,788</b></u></u>

*See accompanying notes*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

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**1. PURPOSE**

Mount St. Mary Hospital is a residential facility providing complex care. The Hospital is owned and operated by the Marie Esther Society of the Sisters of St. Ann, and is directed by a Board of Management on appointment by the Marie Esther Society. The Provincial Government and the Medical Advisory Committee may each appoint one member to the Board of Management. The Society was incorporated under the Society Act of British Columbia October 19, 1990 as a not-for-profit organization and is a registered charity under the Income Tax Act. The financial statements include only those assets, liabilities and activities directly related to the operation of the Hospital.

**2. ACCOUNTING POLICIES**

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives for amortization and the estimation of amounts which may become payable to retiring employees. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

**Revenue Recognition**

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

**Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**Basis of Presentation**

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

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

**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

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**2. ACCOUNTING POLICIES (continued)**

**Capital Assets**

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets using annual rates varying from 2% to 20%.

**Supplies**

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

**Contributed Services**

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

**Accrued Sick and Severance Pay**

The sick and severance pay liability is accrued at rates prescribed by the Ministry of Health.

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

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

**4. CAPITAL ASSETS**

	<b>2008</b>		<b>2007</b>	
	<b>\$</b>		<b>\$</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Net</b>
Land	3,740,000	-	3,740,000	3,740,000
Building	32,505,828	4,704,179	27,801,649	28,718,840
Furniture and equipment	3,778,724	2,168,307	1,610,417	1,824,360
	<u>40,024,552</u>	<u>6,872,486</u>	<u>33,152,066</u>	<u>34,283,200</u>



**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

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**5. ACCRUED SICK AND SEVERANCE PAY**

Under the terms of the employer's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees has been estimated by actuarial valuation as at March 31, 2007, extrapolated to March 31, 2008, using an early measurement date of December 31, 2007.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2008 are as follows:

Sick leave	\$346,619
Severance	<u>551,942</u>
	<u>\$898,561</u>

This is a decrease of \$149,614 from the amounts recorded in the accounts at March 31, 2008.

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represent unspent resources externally restricted for special programs. These programs include music therapy, pet therapy, gardens, pastoral care and resident activities. Changes in deferred contributions balance are as follows:

	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
Beginning balance	127,188	115,955
Less: Amount recognized as revenue in the year	(86,285)	(66,209)
Add: Donations received	<u>96,934</u>	<u>77,442</u>
Ending balance	<u>137,837</u>	<u>127,188</u>

**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

**7. DEFERRED CAPITAL CONTRIBUTIONS**

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

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of year	31,898,550	32,965,517
Capital funding	289,549	236,707
Less: amortization for the year	<u>1,315,524</u>	<u>1,303,674</u>
Balance, end of year	<u>30,872,575</u>	<u>31,898,550</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	<u>2008</u>	<u>2007</u>
	\$	\$
Unamortized capital contribution used to purchase capital assets	30,212,591	31,196,963
Unspent contributions	<u>659,984</u>	<u>701,587</u>
Balance, end of year	<u>30,872,575</u>	<u>31,898,550</u>

**8. INVESTMENT IN CAPITAL ASSETS**

Investment in capital assets is calculated as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Capital assets	33,152,066	34,283,200
Amounts financed by deferred capital contributions	<u>(29,131,759)</u>	<u>(30,284,963)</u>
	<u>4,020,307</u>	<u>3,998,237</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

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**9. RESIDENTS' TRUST FUNDS**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Residents' funds held in trust	<u>29,172</u>	<u>35,673</u>

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

**10. FINANCIAL INSTRUMENTS**

For the 2008 fiscal year the Hospital prospectively adopted the provisions of new CICA Handbook section 3855 – FINANCIAL INSTRUMENTS. This section describes the standards for recognizing and measuring financial assets and liabilities. Generally, these assets and liabilities will be measured at their fair value.

The Hospital's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities. At March 31, 2008, the estimated fair value of cash, accounts receivable and accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature. Short-term investments are recorded at market value based on quoted market prices at the balance sheet date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

It is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from its financial instruments.

**11. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted net assets are comprised of the following:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Mission related projects	<u>195,235</u>	<u>200,000</u>

During the year the Board of Management approved one-time access of up to \$50,000 from funds dedicated for mission activities for use in operations.

**MOUNT ST. MARY HOSPITAL**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2008**

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**12. OTHER REVENUE**

Other revenue is comprised of the following:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
External recoveries	122,269	-
Cafeteria	87,768	93,147
Resident services	54,180	52,816
Fees	51,122	51,592
Investments	40,507	36,597
Community bathing	4,550	4,355
Other	31,382	28,296
	<u>391,778</u>	<u>266,803</u>

**13. COMPARATIVE FIGURES**

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