

Financial Statements of

**MENNONITE BENEVOLENT SOCIETY
MENNO HOSPITAL**

Year ended March 31, 2009



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AUDITORS' REPORT

To the Members of the
Mennonite Benevolent Society

We have audited the statement of financial position of Menno Hospital as at March 31, 2009 and the statements of operations, changes in net assets (deficiency) 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 Menno Hospital as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we also report that, in our opinion, these principles have been applied on a basis consistent with those of the preceding year.

KPMG LLP

Chartered Accountants

Abbotsford, British Columbia
May 21, 2009

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Statement of Financial Position


March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash (Note 2)	\$ 909,445	\$ 940,848
Short-term investments (Note 3)	891,901	502,779
Accounts receivable (Note 9)	130,125	73,814
Inventory	71,814	66,658
Prepaid expenses	15,891	7,848
	<u>2,019,176</u>	<u>1,591,947</u>
Building and equipment (Note 4)	3,171,412	3,833,704
	<u>\$ 5,190,588</u>	<u>\$ 5,425,651</u>

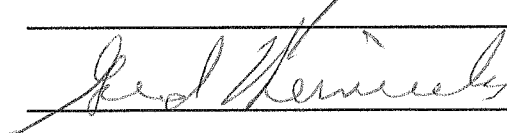
Liabilities, Deferred Contributions and Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 452,000	\$ 208,979
Accrued wages and benefits payable	277,790	337,045
Vacation pay payable	412,412	391,763
Unearned income - patients	12,706	12,706
Current portion of retirement allowance (Note 5)	82,608	79,466
	<u>1,237,516</u>	<u>1,029,959</u>
Retirement allowance (Note 5)	1,118,430	1,058,216
Deferred contributions (Note 6)	3,124,317	3,753,413
Deficiency:		
Invested in building and equipment (Note 7(a))	164,513	125,469
Internally restricted (Note 8)	44,281	-
Deficiency - operating	(498,469)	(541,406)
	<u>(289,675)</u>	<u>(415,937)</u>
	<u>\$ 5,190,588</u>	<u>\$ 5,425,651</u>

On behalf of the Board:



Director



Director

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Fraser Health Authority operating grant	\$ 9,309,041	\$ 9,073,553
Patient charges	1,664,094	1,632,236
Room differential charges	411,829	407,910
Interest and other income	87,683	235,935
	<u>11,472,647</u>	<u>11,349,634</u>
Expenses:		
Salaries and wages	7,290,376	7,379,775
Employee benefits	2,131,237	2,092,995
Medical supplies and services	417,003	408,997
Dietary supplies and services	401,033	446,079
Utilities	207,389	208,907
Rent (Note 9)	150,000	35,000
Contract services	141,225	183,353
Office and administration	141,186	118,306
Linen, laundry supplies and services	136,588	151,741
Repairs and maintenance	95,550	127,892
Housekeeping supplies and services	54,792	46,119
Professional fees	11,050	16,254
Recreation	12,654	15,293
Security and miscellaneous	13,013	11,973
Association membership fees and accreditation	6,658	11,594
Occupational therapy supplies	20	1,812
	<u>11,209,774</u>	<u>11,256,090</u>
Excess of revenue over expenses before the undernoted	262,873	93,544
Other revenue (expenses):		
Amortization of deferred contributions related to building and equipment (Note 6)	744,522	741,695
Amortization of building and equipment	(774,145)	(756,193)
Retirement allowance	(106,988)	(104,315)
	<u>(136,611)</u>	<u>(118,813)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 126,262</u>	<u>\$ (25,269)</u>

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2009, with comparative figures for 2008

	Invested in building and equipment (Note 7)	Internally restricted (Note 8)	Deficiency operating	2009 Total	2008 Total
Balance, beginning of year	\$ 125,469	\$ -	\$ (541,406)	\$ (415,937)	\$ (363,528)
Cumulative effect of adopting new accounting policies	-	-	-	-	(27,140)
Balance, beginning of year, as restated	125,469	-	(541,406)	(415,937)	(390,668)
Excess (deficiency) of revenue over expenses	(29,623)	-	155,885	126,262	(25,269)
Net change in investment in building and equipment	68,667	-	(68,667)	-	-
Internally restricted funds	-	44,281	(44,281)	-	-
Balance, end of year	\$ 164,513	\$ 44,281	\$ (498,469)	\$ (289,675)	\$ (415,937)

Determination of unrestricted deficiency - operating after excluding retirement allowance - long-term portion:

	2009	2008
Deficiency - operating, end of year	\$ (498,469)	\$ (541,406)
Less: Retirement allowance - long-term portion	1,118,430	1,058,236
Unrestricted net assets - operating	\$ 619,961	\$ 516,830

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 126,262	\$ (25,269)
Items not involving cash:		
Amortization of building and equipment	774,145	756,193
Amortization of deferred contributions related to building and equipment	(744,522)	(741,695)
Retirement allowance	106,988	104,315
Retirement payouts	(43,632)	(57,757)
Interest and other income	-	(27,140)
Changes in non-cash operating working capital:		
Accounts receivable	(56,311)	36,294
Inventory	(5,156)	25,593
Prepaid expenses	(8,043)	2,474
Accounts payable and accrued liabilities	243,021	12,743
Accrued wages and benefits payable	(59,255)	56,850
Vacation pay payable	20,649	4,535
Unearned income - patients	-	4,819
	354,146	151,955
Financing:		
Deferred capital contributions received	115,427	129,532
Investments:		
Purchase of equipment	(111,854)	(409,677)
Increase (decrease) in cash and short-term investments	357,719	(128,190)
Cash and short-term investments, beginning of year	1,443,627	1,571,817
Cash and short-term investments, end of year	\$ 1,801,346	\$ 1,443,627

See accompanying notes to financial statements.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

General:

Menno Hospital (the "Hospital") operates as a separate entity within The Mennonite Benevolent Society and provides residential complex care under contract with the Fraser Health Authority.

The Hospital is dependent on the Fraser Health Authority (funded by the Ministry of Health Services) to provide sufficient funding for operations, for replacement of essential medical and basic hospital services equipment and for building and renovation projects.

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and Ministry of Health accounting guidelines.

(b) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which includes government grants and donations. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. 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.

(c) Inventory:

Inventory is recorded at the lower of cost and replacement cost.

(d) Building and equipment:

Purchased building and equipment are recorded at cost. Contributed building and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. 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.

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

1. Significant accounting policies (continued):

(d) Building and equipment (continued):

Building and equipment are amortized on a straight-line basis at the following annual rates:

Buildings	5%
Major equipment	10%
Minor equipment	25% to 30%

(e) Retirement allowance:

Under the terms of the Hospital'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 have been estimated by actuarial valuation as at March 31, 2007, extrapolated to March 31, 2008 using an early measurement date of December 31, 2007.

(f) Income taxes:

The Hospital is exempt from federal and provincial income taxes.

(g) Use of estimates:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(h) Financial instruments:

Financial assets and liabilities have been designated to be classified as follows:

- (i) Cash and short-term investments as held-for-trading, being measured at fair value.
- (ii) Accounts receivable as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities, accrued wages and benefits payable, vacation pay payable, retirement allowance and long-term debt as other financial liabilities, which are measured at amortized cost.

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

2. Cash:

The Hospital's cash is held in a cash management account which earns interest at prime minus 1.875%.

3. Short-term investments:

	2009	2008
BMO 3.75% bond, \$200,000 face value, matures June 17, 2009 with interest paid annually semi-annually on June 17 and December 17	\$ 197,661	\$ -
CIBC 4.0% bond, \$150,000 face value, matures November 1, 2011 with interest paid semi-annually on May 1 and November 1	158,702	-
Bank of Nova Scotia 6% bond, \$142,000 face value, matures October 3, 2013 with interest paid semi-annually on April 3 and October 3	153,555	-
Household Financial 4.2% bond, \$148,000 face value, matures April 13, 2009 with interest paid semi-annually on April 13 and October 13	150,752	-
BMO 4.6% bond, \$150,000 face value, matures June 25, 2009 with interest paid semi-annually on June 25 and December 25	149,850	-
Dundee investment savings account	76,159	-
Dundee security cash balance	5,222	-
HSBC 3.25% bond, \$150,000 face value, matures June 23, 2010 with interest paid semi-annually on June 23 and December 23	-	148,635
HSBC 6.0% bond, \$150,000 face value, matures July 28, 2015 with interest paid quarterly on January 28, April 28, July 28 and October 28	-	147,300
Manulife 3.2% bond, \$101,000 face value, matures June 24, 2008 with interest paid annually on June 24	-	100,899
Farm Credit Corporation 6.25% bond, \$62,000 face value, matures July 5, 2012 with interest paid quarterly on January 5, April 5, July 5 and October 5	-	57,102
HSBC 3.25% bond, \$49,000 face value, matures June 13, 2008 with interest paid semi-annually on June 13 and December 13	-	48,843
	\$ 891,901	\$ 502,779

THE MENNONITE BENEVOLENT SOCIETY

MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

3. Short-term investments (continued):

The above investments are recorded at their market value at March 31, 2009 and at March 31, 2008.

\$850,000 of the investment portfolio is temporarily pledged as security in conjunction with the Phase 5 construction financing in MBS Corporate/Menno Housing. This restriction will be removed when long-term financing is secured on Phase 5 which is anticipated to occur in March 2011.

4. Building and equipment:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 9,187,932	\$ 6,611,954	\$ 2,575,978	\$ 3,025,744
Major equipment	2,214,147	1,894,322	319,825	411,306
Minor equipment	1,672,945	1,397,336	275,609	396,654
	\$ 13,075,024	\$ 9,903,612	\$ 3,171,412	\$ 3,833,704

Certain of the above assets are pledged as security for a mortgage held by the Mennonite Benevolent Society.

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

5. Retirement allowance:

The accumulated benefit obligation for sick and severance benefits is as follows:

	2009	2008
Sick leave benefits	\$ 475,924	\$ 450,819
Severance benefits	725,114	686,863
	1,201,038	1,137,682
Less current portion	82,608	79,466
Long-term portion	\$ 1,118,430	\$ 1,058,216

The retirement allowance liability of \$1,201,038 (2008 - \$1,137,682) is unfunded at March 31, 2009.

The portion of the retirement allowance liability that relates to employees who have qualified for the retirement allowance as at March 31, 2009 is approximately \$380,000 (2008 - \$277,000).

6. Deferred contributions:

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

	2009	2008
Balance, beginning of year	\$ 3,753,413	\$ 4,365,576
Less amounts amortized to revenue	(744,522)	(741,695)
	3,008,891	3,623,881
Capital expenditure grants and donations received	115,426	129,532
	\$ 3,124,317	\$ 3,753,413

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

6. Deferred contributions (continued):

The balance of unamortized capital contributions related to building and equipment consists of the following:

	2009	2008
Unamortized capital contributions used to purchase building and equipment	\$ 3,006,899	\$ 3,708,235
Unspent capital grants	100,863	30,954
Unspent private donations	16,555	14,224
	\$ 3,124,317	\$ 3,753,413

7. Invested in building and equipment:

(a) Investment in building and equipment is calculated as follows:

	2009	2008
Building and equipment - net book value	\$ 3,171,412	\$ 3,833,704
Amounts financed by unamortized deferred contributions	(3,006,899)	(3,708,235)
	\$ 164,513	\$ 125,469

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

7. Invested in building and equipment (continued):

(b) Change in net assets invested in building and equipment is calculated as follows:

	2009	2008
Excess (deficiency) of revenue over expenses:		
Amortization of deferred contributions related to building and equipment	\$ 744,522	\$ 741,695
Amortization of building and equipment	(774,145)	(756,193)
	<u>\$ (29,623)</u>	<u>\$ (14,498)</u>
Net change in investment in building and equipment:		
Equipment acquired	\$ 111,854	\$ 409,677
Amount funded by deferred contributions	(43,187)	(402,784)
	<u>\$ 68,667</u>	<u>\$ 6,893</u>

8. Internally restricted:

The Board of Directors has internally restricted \$44,281 of the Hospital's net assets for the future building repairs. These internally restricted net assets are not available for other purposes without the approval of the Board of Directors.

	2009	2008
Building reserve internally restricted funds	\$ 44,281	\$ -

THE MENNONITE BENEVOLENT SOCIETY MENNO HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2009

9. Related party transactions:

During the year, the Hospital paid rent of \$150,000 (2008 - \$35,000) to the Mennonite Benevolent Society. This transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Included in accounts receivable is \$40,052 (2008 - \$1,188) receivable from Menno Home.

	2009	2008
Balance, beginning of year	\$ -	\$ -
Transfer from deficiency - operating	44,281	-
Balance, end of year	\$ 44,281	\$ -