ST. MICHAEL'S CENTRE

COMBINED
FINANCIAL STATEMENTS

31 MARCH 2009

ROLFE, BENSON
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Financial Statements
For the Year Ended 31 March 2009

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ROLFE, BENSON
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Members,
St. Michael's Centre

We have audited the combined balance sheet of St. Michael's Centre as at 31 March 2009 and the combined statements of earnings, changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the combined 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 combined financial statements present fairly, in all material respects, the financial position of the Centre as at 31 March 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 of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Rolfe, Benson
CHARTERED ACCOUNTANTS

Vancouver, Canada
15 May 2009

ST. MICHAEL'S CENTRE
Combined Balance Sheet
For the Year Ended 31 March 2009

	2009	2008
Assets		
Current		
Cash and short-term investments	$ 1,750,822	$ 1,592,738
Accounts receivable	230,175	123,887
Inventory	39,878	39,761
Prepaid expenses	52,943	26,061
	2,073,818	1,782,447
Restricted cash and short-term investments		
Resident trust funds	11,970	10,232
Replacement reserve	143,715	137,397
Unspent capital	45,650	36,470
Seniors' Initiative	17,919	165,620
	219,254	349,719
Property and equipment (Note 4)	8,619,871	8,753,869
	$ 10,912,943	$ 10,886,035
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 556,636	$ 474,876
Salaries payable	462,403	470,698
Accrued vacation payable	478,379	448,959
Mortgage payable - current portion (Note 6)	83,057	86,442
	1,580,475	1,480,975
Accrued employee future benefits (Note 5)	1,145,292	1,039,274
Resident trust funds	11,970	10,232
Mortgage payable (Note 6)	624,978	701,293
Deferred capital contributions (Note 8)	7,303,086	7,541,526
	10,665,801	10,773,300
Commitments (Note 7)		
Net assets (deficiency)		
Invested in property and equipment (Note 9)	673,981	626,701
Replacement reserve	148,500	137,397
Unrestricted operating deficit	(575,339)	(651,363)
	247,142	112,735
	$ 10,912,943	$ 10,886,035

APPROVED BY THE DIRECTORS:

Barbara Spitz Director

Lloyd S. Stadler Director

The accompanying notes are an integral part of these combined financial statements.

ROLFE, BENSON
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Statement of Earnings
For the Year Ended 31 March 2009

	2009	2008
Revenue - Schedule 1		
Resident care	$ 11,356,741	$ 11,166,617
Amortization of deferred capital contributions	492,032	603,811
Other income	396,883	384,312
	12,245,656	12,154,740
Expenses - Schedule 2		
Salaries, wages and employee benefits	10,254,469	10,067,983
Patient services and supplies	246,385	260,880
General services	199,592	201,256
Physical plant services and supplies	306,087	288,525
Food and dietary	322,629	332,255
Administrative	207,875	316,639
Mortgage interest	31,394	34,827
Amortization	542,818	518,355
	12,111,249	12,020,720
Excess of revenue over expenses for the year	$ 134,407	$ 134,020

The accompanying notes are an integral part of these combined financial statements.

ROLFE, BENSON
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Statement of Net Assets
For the Year Ended 31 March 2009

	Invested in Property and Equipment	Replacement Reserve	Unrestricted Operating Deficit	2009	2008
Balance - beginning of year	$ 626,701	$ 137,397	$ (651,363)	$ 112,735	$ (21,285)
Excess of revenue over expenses for the year	-	-	134,407	134,407	134,020
Amortization of property and equipment	(542,818)	-	542,818	-	-
Amortization of deferred capital contributions	492,032	-	(492,032)	-	-
Mortgage principal payments	79,700	-	(79,700)	-	-
Interest earned on replacement reserve	-	4,785	(4,785)	-	-
Transfer annual replacement reserve	-	6,318	(6,318)	-	-
Investment in equipment funded by operations	18,366	-	(18,366)	-	-
	47,280	11,103	76,024	134,407	134,020
Balance - end of year	$ 673,981	$ 148,500	$ (575,339)	$ 247,142	$ 112,735

ROLFE, BENSON
CHARTERED ACCOUNTANTS

The accompanying notes are an integral part of these combined financial statements.

ST. MICHAEL'S CENTRE
Statement of Cash Flows
For the Year Ended 31 March 2009

	2009	2008
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses for the year	$ 134,407	$ 134,020
Items not involving cash		
Amortization of property and equipment	542,818	518,355
Amortization of deferred capital contributions	(492,032)	(603,811)
	185,193	48,564
Changes in non-cash working capital balances		
Accounts receivable	(106,288)	4,479
Inventory	(117)	2,704
Prepaid expenses	(26,882)	7,423
Accounts payable and accrued liabilities	81,760	30,448
Salaries payable	(8,295)	152,350
Accrued vacation payable	29,420	7,581
Accrued employee future benefits	106,018	77,370
	260,809	330,919
Financing activities		
Repayment of mortgage	(79,700)	(76,265)
Contributions received for property and equipment purchases	253,592	319,808
Resident funds	1,738	(1,170)
	175,630	242,373
Investing activities		
Purchase of property and equipment	(408,820)	(360,815)
Net increase in cash	27,619	212,477
Cash - beginning of year	1,942,457	1,729,980
Cash - end of year	$ 1,970,076	$ 1,942,457
Represented by:		
Cash and short-term investments	$ 1,750,822	$ 1,592,738
Resident trust funds	11,970	10,232
Restricted cash	207,284	339,487
	$ 1,970,076	$ 1,942,457

The accompanying notes are an integral part of these combined financial statements.

ROLFE, BENSON
CHARTERED ACCOUNTANTS

1. Operations

(a) Current

The St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society operate a hospice and an extended care facility located in Burnaby under the name St. Michael's Centre ("the Centre"). Both societies are incorporated under the Society Act of British Columbia as non-profit organizations. St. Michael's Centre Hospital Society is a registered charity under the Income Tax Act.

The facility operates in affiliation with the Fraser Health Authority, the principal funding agency.

(b) Future

The Centre has an unrestricted operating deficit of $575,339 (2008 - $651,363) and long-term accrued employee future benefits obligations of $1,145,292 (2008 - $1,039,274).

Continued operations as a going concern depend upon receiving sufficient support from the principal funding agency to reduce the unrestricted operating deficit.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

(b) Combination

These financial statements combine the results of St. Michael's Centre Hospital Society and St. Michael's Centre Intermediate Care Society. This combination is appropriate as the two societies share the same premises and employees.

(c) Revenue Recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

2. Summary of Significant Accounting Policies - continued

(d) Inventory

Inventory consists of consumables and is valued at the lower of cost and replacement cost.

(e) Property and Equipment

Property and equipment are recorded at cost. Amortization is provided using the straight-line method at the following rates:

Buildings	2% - 4%
Leasehold improvements	7%
Furniture and equipment	10%
Computers	20%

(f) Replacement Reserve

The replacement reserve is established for future replacement of items of a capital nature. Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC) the replacement reserve is to be funded with an annual provision in the amount of $6,318 from the operating budget plus an allocation for interest. The funds in the account may only be used for expenditures approved by CMHC.

(g) Income Taxes

The Centre is exempt from federal and provincial income taxes.

(h) Future Changes in Accounting Policies

(i) Capital Disclosures

In October 2006, the CICA issued Section 1535 of the CICA Handbook "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for annual financial statements relating to fiscal years beginning on or after 1 August 2008. The Centre does not expect that the adoption of this standard will have a significant impact on its financial statement disclosures.

2. **Summary of Significant Accounting Policies - continued**

(h) Future Changes in Accounting Policies - continued

(ii) Financial Instruments - Disclosure and Financial Instruments - Presentation

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments -Presentation" replace Section 3861 "Financial Instruments - Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments between liabilities and equity. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 October 2008. The Centre is currently evaluating the impact of these new standards.

(iii) Not-for-Profit Organizations

In September 2008, the CICA amended a number of standards in Section 4400 and issued new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments include clarifying the recognizing of revenues and expenses on a gross basis when the not-for-profit organization acts as a principal in the transactions and the treatment and disclosure of internally and externally restricted net assets. The new section requires not-for-profit organizations that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. These standards are effective for annual financial statements relating to fiscal years beginning on or after 1 January 2009. The Centre is currently evaluating the impact of these new standards.

3. **Financial Instruments**

(a) Fair Value

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

(i) Cash and restricted cash is classified as held for trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities, salaries and accrued vacation payable, accrued employee future benefits and resident trust funds are classified as other liabilities and are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

(ii) Short-term investments are classified as held for trading and are measured at fair value, determined on the basis of market value.

3. **Financial Instruments - continued**

(a) Fair Value - continued

(iii) Mortgage payable is classified as other liabilities and carried at cost. The fair value of the mortgage payable has not been determined as the rate to renew the mortgage is not known.

(b) Financial Risk

Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments.

4. **Property and Equipment**

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Land and improvements	$ 442,959	$ -	$ 442,959	$ 442,959
Buildings	12,442,935	5,483,922	6,959,013	7,331,111
Furniture and equipment	3,570,142	2,736,971	833,171	751,967
Computers	28,362	11,282	17,080	14,780
Leasehold improvement	397,277	29,629	367,648	213,052
	$16,881,675	$ 8,261,804	$ 8,619,871	$ 8,753,869

The Centre tests long-lived assets for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value and the loss is recorded in the period when it is determined. The Centre assesses fair value based on discounted future cash flows. No impairment losses were determined by management to be necessary for the year.

5. **Accrued Employee Future Benefits**

Under the terms of the Centre'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 an actuarial valuation as at 31 March 2007, extrapolated to 31 March 2009, using an early measurement date of 31 December 2008.

5. Accrued Employee Future Benefits - continued

The key assumptions made in the valuation were as follows:

- an interest (discount) rate of 7.25% per annum, based on market interest rates as at 31 December 2008; this is an increase from the discount rate of 5.50% as at 31 December 2007;
- demographic assumptions (mortality rates, retirement rates, etc.), that are in accordance with the assumptions used for the valuation of liabilities for the British Columbia Municipal Pension Plan as at 31 December 2003;
- utilization of sick leave time based on an extensive study of experience covering the first nine months of the calendar year 2006; and
- a long-term base wage inflation assumption of 2.50% per annum, reflecting a Consumer Price Index (CPI) growth of 1.50% per annum and wage productivity of 1% per annum.

	2009	2008
Accrued sick and severance benefits	$ 1,236,031	$ 1,124,252
Less: current portion	(90,739)	(84,978)
	$ 1,145,292	$ 1,039,274

6. Mortgage Payable

The mortgage payable to Canada Mortgage and Housing Corporation is repayable at $9,281 per month including interest at 4.26% for a term of five years, with a renewal date of 1 October 2011. Property at 7451 Sussex Avenue, Burnaby, B.C. is pledged as security for the mortgage. A portion of the mortgage is covered under agreements with Canada Mortgage and Housing Corporation and funding is provided to reduce interest on that portion to 2% (see Note 10). The mortgage is administered by the British Columbia Housing Management Corporation.

Estimated principal repayments in each of the next three years before renewal are as follows:

2010	$ 83,057
2011	86,633
2012	52,190
Thereafter	486,155
	$ 708,035

7. Commitments

The Centre entered into two lease obligations for computer equipment during the 2005 fiscal year. Future minimum lease payments are $2,710 until November 2009 and $1,444 thereafter. The Centre entered into a new lease for additional computer equipment in 2009. Future minimum lease payments are $389 until January 2011. Total future minimum lease payments are expected to be $81,706.

8. Deferred Capital Contributions

Deferred capital contributions includes the unamortized amount of grants and donations received for the purchase of property and equipment as well as unspent grants and donations. The amortization of capital contributions is recorded as revenue in the statement of earnings.

	2009	2008
Balance, beginning of year	$ 7,541,525	$ 7,816,109
Contributions received for property and equipment acquisitions		
Fraser Health Authority	151,144	133,149
Other	102,449	196,078
	7,795,118	8,145,336
Less: amounts amortized to revenue	(492,032)	(603,811)
Balance, end of year	$ 7,303,086	$ 7,541,525

The balance of unamortized capital contributions consists of the following:

	2009	2008
Unamortized capital contributions used to purchase property and equipment	$ 7,245,638	$ 7,339,434
Unspent contributions	57,448	202,091
	$ 7,303,086	$ 7,541,525

9. Investment in Property and Equipment

The balance consists of grants received for the purchase of land and the unamortized balance of self-funded purchase of property and equipment.

10. Canada Mortgage and Housing Corporation Subsidy

The Centre receives federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 2% to enable the Centre to provide resident care to low-income patients.

11. St. Michael's Centre Foundation

St. Michael's Centre Foundation raises funds from the community. The Foundation is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act. All resources of the Foundation are provided to the Centre or used for the Centre's benefit.

The Foundation has not been consolidated in the Centre's financial statements. Condensed financial information is as follows:

	2009 (unaudited)	2008
Financial position		
Net assets	$ 178,573	$ 81,137
Results of operations		
Total revenues	286,832	98,356
Contribution to the Centre and expenses	(189,396)	(213,942)
Increase in net assets	$ 97,436	$ (115,586)

12. Related Party Transactions

During the year, the Foundation donated $140,456 (2008 - $170,161) to the Centre and reimbursed the Centre $48,939 (2008 - $43,781) for salary and administrative costs that the Centre had incurred on behalf of the Foundation. At year end, the Centre had a receivable from the Foundation in the amount of $52,242 (2008 - $9,963).

13. Pension Plan

The Centre is a member of the Municipal Pension Plan which is open to eligible employees of health care facilities, local governments, schools districts, colleges and a number of small public bodies. The Municipal Pension Plan is a contributory defined benefit pension plan and provides pension benefits based on various factors including age, earnings and length of service. The Centre contributes 8.69% (2008 - 8.69%) and the employees contribute 6.99% (2008 - 6.99%) on the first $44,900 (2008 - $41,400) of their salaries to the plan and 8.49% (2008 - 8.49%) of salary in excess of $44,900 (2008 - $41,400).

An actuarial valuation of the Municipal Pension Plan's assets and pension liabilities is performed at least every three years. The most recent full actuarial valuation for funding purposes available was prepared as at 31 December 2006. The valuation disclosed a surplus for basic pension benefits of $438 million in the plan.

Contributions to the plan are expensed in the year made and in the current year amounted to $587,222 (2008 - $556,119).

ST. MICHAEL'S CENTRE
Schedule 1 - Combined Schedule of Revenue
For the Year Ended 31 March 2009

	2009	2008
Resident care		
Grants	$ 9,678,721	$ 9,449,037
Self pay	1,678,020	1,717,580
	11,356,741	11,166,617
Amortization of deferred capital contributions	492,032	603,811
Other income		
Interest subsidy, CMHC	26,558	26,558
Interest	43,130	63,816
Other	327,195	293,938
	396,883	384,312
	$ 12,245,656	$ 12,154,740

ST. MICHAEL'S CENTRE
Schedule 2 - Combined Schedule of Expenses - Operations
For the Year Ended 31 March 2009

	2009	2008
Salaries, wages and employee benefits		
Salaries and wages	$ 8,020,822	$ 7,933,368
Employee benefits	2,233,647	2,134,615
	10,254,469	10,067,983
Patient services and supplies	246,385	260,881
General services		
Housekeeping and laundry	199,592	201,256
Physical plant services and supplies		
Utilities	187,916	193,328
Maintenance, security and supplies	115,747	90,812
Furniture and equipment replacements	2,424	4,385
	306,087	288,525
Food and dietary	322,629	332,255
Administrative		
Data processing	86,024	97,365
Miscellaneous	34,880	37,521
Office, including printing, stationery and postage	23,851	23,927
Audit and legal	18,144	17,446
Telephone	16,814	16,617
Other fees	12,581	66,613
Association membership fees	7,355	6,717
Education	5,541	36,037
Travel	2,685	2,339
Bad debt expense	-	10,000
Advertising	-	2,056
	207,875	316,638
Mortgage interest	31,394	34,827
Amortization	542,818	518,355
	$ 12,111,249	$ 12,020,720