

Financial Statements of
MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)
Year Ended March 31, 2010



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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 (the "Hospital") as at March 31, 2010 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, 2010 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.

Victoria, B.C.
May 18, 2010

Chartered Accountants

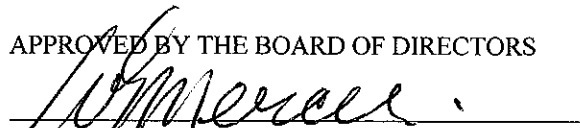
MOUNT ST. MARY HOSPITAL
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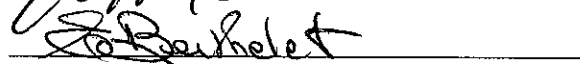
STATEMENT OF FINANCIAL POSITION

MARCH 31,	2010	2009
	\$	\$
ASSETS		
CURRENT		
Cash and short-term investments <i>(Note 3)</i>	3,281,014	3,365,270
Accounts receivable	81,907	60,254
Supplies	59,165	49,723
Prepaid expenses	48,342	69,189
	<u>3,470,428</u>	<u>3,544,436</u>
DUE FROM MOUNT ST. MARY FOUNDATION <i>(Note 4)</i>	168,490	168,087
PROPERTY AND EQUIPMENT <i>(Note 5)</i>	<u>30,991,899</u>	<u>32,110,624</u>
	<u>34,630,817</u>	<u>35,823,147</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,034,703	872,271
Accrued vacation pay	481,658	489,132
Current portion of accrued sick and severance pay <i>(Note 6)</i>	240,000	120,000
	<u>1,756,361</u>	<u>1,481,403</u>
ACCRUED SICK AND SEVERANCE PAY <i>(Note 6)</i>	946,356	956,936
DEFERRED CONTRIBUTIONS <i>(Note 7)</i>	392,547	538,516
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 8)</i>	<u>27,940,560</u>	<u>29,156,140</u>
	<u>31,035,824</u>	<u>32,132,995</u>
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT <i>(Note 9)</i>	4,011,952	4,009,361
INTERNALLY RESTRICTED <i>(Note 10)</i>	195,235	195,235
UNRESTRICTED	<u>(612,194)</u>	<u>(514,444)</u>
	<u>3,594,993</u>	<u>3,690,152</u>
	<u>34,630,817</u>	<u>35,823,147</u>

CONTINGENT LIABILITY *(Note 14)*

APPROVED BY THE BOARD OF DIRECTORS


 _____ 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,

	Invested in Property and Equipment \$	Unrestricted \$	Internally Restricted \$	2010 \$	2009 \$
NET ASSETS, beginning of year	4,009,361	(514,444)	195,235	3,690,152	3,759,244
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	2,591	(97,750)	-	(95,159)	(69,092)
NET ASSETS, end of year	<u>4,011,952</u>	<u>(612,194)</u>	<u>195,235</u>	<u>3,594,993</u>	<u>3,690,152</u>

See accompanying notes

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

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31,

2010
\$

2009
\$

REVENUES

Vancouver Island Health Authority Grant	11,195,952	10,922,135
Resident contributions	3,340,662	3,066,983
Amortization of deferred capital contributions <i>(Note 8)</i>	1,339,415	1,309,468
Special programs <i>(Note 7)</i>	231,601	325,348
Other revenue <i>(Note 11)</i>	235,660	271,248
	<u>16,343,290</u>	<u>15,895,182</u>

EXPENSES

Salaries, wages and benefits	12,659,733	12,121,577
Pharmacy costs	448,385	463,962
Laundry and other purchased services	563,296	581,072
Supplies	865,276	813,052
Utilities	220,544	239,501
Premises	44,100	49,627
Sundry	68,690	49,721
Amortization of property and equipment	1,336,824	1,320,414
Special programs <i>(Note 7)</i>	231,601	325,348
	<u>16,438,449</u>	<u>15,964,274</u>

(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR

(95,159) (69,092)

See accompanying notes

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

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31,	2010	2009
	\$	\$
OPERATING ACTIVITIES		
(Deficiency) of revenues over expenses	(95,159)	(69,092)
Items not involving cash:		
Amortization of property and equipment	1,336,824	1,320,414
Amortization of deferred capital contributions	<u>(1,339,415)</u>	<u>(1,309,468)</u>
	(97,750)	(58,146)
Cash provided by changes in non-cash operating accounts:		
(Increase) decrease in accounts receivable	(21,652)	443,281
(Increase) decrease in supplies	(9,442)	5,447
(Increase) decrease in prepaid expenses	20,847	(11,221)
Increase in accounts payable	162,432	65,449
(Decrease) increase in accrued vacation pay	(7,475)	25,603
Increase in accrued sick and severance pay	<u>109,420</u>	<u>28,761</u>
Cash from operations	<u>156,380</u>	<u>499,174</u>
INVESTING ACTIVITIES		
(Increase) decrease in advances to Mount St. Mary Foundation	(403)	13,939
Purchase of property and equipment	<u>(218,099)</u>	<u>(278,972)</u>
	<u>(218,502)</u>	<u>(265,033)</u>
FINANCING ACTIVITIES		
Capital grants and contributions (net)	<u>(22,134)</u>	<u>(6,287)</u>
INCREASE (DECREASE) DURING THE YEAR	(84,256)	227,854
CASH AND SHORT-TERM INVESTMENTS, beginning of year	<u>3,365,270</u>	<u>3,137,416</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u>3,281,014</u>	<u>3,365,270</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, 2010

1. PURPOSE

Mount St. Mary Hospital is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. 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 exempt from tax under the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

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.

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 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. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. 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.

Property and Equipment

Property and equipment 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 5 to 35 years.

Supplies

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

2. ACCOUNTING POLICIES (continued)

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.

Employee Future Benefits

The Hospital and its employees contribute to sick and severance benefit plans and multi-employer defined benefit plans as the employees render services to earn the benefits. Sick and severance liabilities, net of plan assets, are recorded in the financial statements.

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

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 assumptions. 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 (2009 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2009 - 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.

Financial Instruments

The Hospital's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay and accrued sick and severance pay. The Hospital classifies its cash, short-term investments, accounts receivable and accounts payable and accrued liabilities as held-for-trading. Accrued vacation pay and accrued sick and severance pay are classified as other financial liabilities.

3. CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments is comprised of the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash	3,281,014	1,797,850
Short-term investments	-	1,567,420
	<u>3,281,014</u>	<u>3,365,270</u>

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

4. DUE FROM MOUNT ST. MARY FOUNDATION

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

5. PROPERTY AND EQUIPMENT

	2010		2009	
	\$		\$	
	Cost	Accumulated Amortization	Net	Net
Land	3,740,000	-	3,740,000	3,740,000
Building	32,542,896	6,592,037	25,950,859	26,880,997
Furniture and equipment	4,238,727	2,937,687	1,301,040	1,489,627
	<u>40,521,623</u>	<u>9,529,724</u>	<u>30,991,899</u>	<u>32,110,624</u>

6. EMPLOYEE FUTURE BENEFITS

(a) 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 independent actuarial valuation as at March 31, 2010, using an early measurement date of December 31, 2009.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2010 are as follows:

	2010	2009
	\$	\$
Sick leave	314,961	317,785
Severance	469,375	500,053
Total unfunded obligation	784,336	817,838
Balance of unamortized amounts	402,020	259,098
Accrued sick and severance liabilities	1,186,356	1,076,936
Less: current portion	(240,000)	(120,000)
	<u>946,356</u>	<u>956,936</u>
Sick and severance plan expense	114,176	129,537
Benefits paid	4,756	100,776

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

6. EMPLOYEE FUTURE BENEFITS (continued)

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

	2010	2009
	<u>\$</u>	<u>\$</u>
Accrued benefit obligation as at March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	3.20%
Benefit costs for years ended March 31:		
Discount rate	7.25%	7.25%
Rate of compensation increase	2.00%	3.20%

(b) 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 of \$661,353 (2009 - \$616,555) were expensed during the year.

(c) Employee Healthcare Benefits

The Hospital contributes to the Healthcare Benefit Trust and BC Health Services multi-employer plans for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for employees. Employer contributions to the Healthcare Benefit Trust of \$1,250,208 (2009 - \$1,088,909) and to BC Health Services of \$55,245 (2009 - \$51,853) were expensed during the year.

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for special programs. These programs include implementation of the resident assessment instrument, InterRAI MDS v2.0, additional staff training to enhance resident care, music therapy, pet therapy, gardens, pastoral care and resident activities. Changes in deferred contributions balance are as follows:

	2010	2009
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	538,516	665,600
Add: Donations received	85,632	198,264
Less: Amount recognized as revenue in the year	<u>(231,601)</u>	<u>(325,348)</u>
Balance, end of year	<u>392,547</u>	<u>538,516</u>

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

8. DEFERRED CAPITAL CONTRIBUTIONS

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance, beginning of year	29,156,140	30,344,812
Add: Capital funding	123,835	120,796
Less: Amortization for the year	<u>(1,339,415)</u>	<u>(1,309,468)</u>
Balance, end of year	<u>27,940,560</u>	<u>29,156,140</u>

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Unamortized capital contribution used to purchase property and equipment	27,252,220	28,373,537
Unspent contributions	<u>688,340</u>	<u>782,603</u>
Balance, end of year	<u>27,940,560</u>	<u>29,156,140</u>

9. INVESTMENT IN PROPERTY AND EQUIPMENT

Investment in property and equipment is calculated as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Property and equipment	30,991,899	32,110,624
Amounts financed by deferred capital contributions	<u>(26,979,947)</u>	<u>(28,101,263)</u>
	<u>4,011,952</u>	<u>4,009,361</u>

10. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are comprised of the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Mission related projects	<u>195,235</u>	<u>195,235</u>

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

11. OTHER REVENUE

Other revenue is comprised of the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Cafeteria	85,475	87,768
Resident services	47,520	47,440
Fees	48,472	46,875
Investments	7,162	41,722
Community bathing	5,185	5,245
Other	41,846	42,198
	<u>235,660</u>	<u>271,248</u>

12. RESIDENTS' TRUST FUNDS

	<u>2010</u>	<u>2009</u>
	\$	\$
Residents' funds held in trust	<u>17,409</u>	<u>23,545</u>

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

13. FINANCIAL INSTRUMENTS

At March 31, 2010, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated 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 statement of financial position date. Any unrealized gains and losses arising from the adjustment to market value are recognized in the statement of operations for the current period.

The estimated fair market value of accrued vacation pay approximates its carrying value.

The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

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

MOUNT ST. MARY HOSPITAL
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2010

14. CONTINGENT LIABILITY

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. Any outstanding claims at March 31, 2010 are not expected to have a material effect on the Hospital's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for in the financial statements based on management's best estimate of the ultimate settlement.