ST. MICHAEL'S CENTRE

COMBINED FINANCIAL STATEMENTS

31 MARCH 2010

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Financial Statements
For the Year Ended 31 March 2010

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ROLFE, BENSON LLP

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 2010 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 2010 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 LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
14 May 2010

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ST. MICHAEL'S CENTRE
Combined Balance Sheet
For the Year Ended 31 March 2010

	2010	2009
Assets		
Current		
Cash and short-term investments	$ 1,583,705	$ 1,750,822
Accounts receivable	208,183	230,175
Inventory	40,022	39,878
Prepaid expenses	53,228	52,943
	1,885,138	2,073,818
Restricted cash and short-term investments		
Resident trust funds	12,095	11,970
Replacement reserve	159,603	143,715
Unspent capital	17,200	45,650
Seniors' Initiative	5,782	17,919
	194,680	219,254
Property and equipment (Note 5)	8,207,755	8,619,871
	$ 10,287,573	$ 10,912,943
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 448,118	$ 556,636
Salaries payable	427,401	462,403
Accrued vacation payable	467,910	478,379
Mortgage payable - current portion (Note 7)	86,633	83,057
Deferred revenue	157,655	-
	1,587,717	1,580,475
Accrued employee future benefits (Note 6)	1,104,172	1,145,292
Resident trust funds	12,095	11,970
Mortgage payable (Note 7)	538,345	624,978
Deferred capital contributions (Note 9)	6,900,436	7,303,086
	10,142,765	10,665,801
Commitments (Note 8)		
Net assets (deficiency)		
Invested in property and equipment (Note 10)	712,821	673,981
Replacement reserve	164,764	148,500
Unrestricted operating deficit	(732,777)	(575,339)
	144,808	247,142
	$ 10,287,573	$ 10,912,943

APPROVED BY THE DIRECTORS:

_______________ Director _______________ Director

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

ROLFE, BENSON LLP
CHARTERED ACCOUNTANTS

ST. MICHAEL'S CENTRE
Combined Statement of Earnings
For the Year Ended 31 March 2010

	2010	2009
Revenue - Schedule 1		
Resident care	$ **11,791,348**	$ 11,356,741
Amortization of deferred capital contributions	**502,323**	492,032
Other income	**321,382**	396,883
	12,615,053	12,245,656
Expenses - Schedule 2		
Salaries, wages and employee benefits	**10,810,590**	10,254,469
Patient services and supplies	**272,072**	246,385
General services	**196,985**	199,592
Physical plant services and supplies	**279,195**	306,087
Food and dietary	**317,205**	322,629
Administrative	**256,492**	207,875
Mortgage interest	**28,018**	31,394
Amortization	**556,830**	542,818
	12,717,387	12,111,249
Excess (deficiency) of revenue over expenses for the year	**$ (102,334)**	$ 134,407

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

ST. MICHAEL'S CENTRE
Combined Statement of Net Assets
For the Year Ended 31 March 2010

	Invested in Property and Equipment	Replacement Reserve	Unrestricted Operating Deficit	**2010**	2009
Balance - beginning of year	$ 673,981	$ 148,500	$ (575,339)	**$ 247,142**	$ 112,735
Excess (deficiency) of revenue over expenses for the year	-	-	(102,334)	**(102,334)**	134,407
Amortization of property and equipment	(556,830)	-	556,830	-	-
Amortization of deferred capital contributions	502,323	-	(502,323)	-	-
Mortgage principal payments	83,057	-	(83,057)	-	-
Interest earned on replacement reserve	-	5,161	(5,161)	-	-
Transfer annual replacement reserve	-	11,103	(11,103)	-	-
Investment in equipment funded by operations	10,290	-	(10,290)	-	-
	38,840	16,264	(157,438)	**(102,334)**	134,407
Balance - end of year	$ 712,821	$ 164,764	$ (732,777)	**$ 144,808**	$ 247,142

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 2010

	2010	2009
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	$ (102,334)	$ 134,407
Items not involving cash		
Amortization of property and equipment	556,830	542,818
Amortization of deferred capital contributions	(502,323)	(492,032)
	(47,827)	185,193
Changes in non-cash working capital balances		
Accounts receivable	21,992	(106,288)
Inventory	(144)	(117)
Prepaid expenses	(285)	(26,882)
Accounts payable and accrued liabilities	(108,518)	81,760
Salaries payable	(35,002)	(8,295)
Accrued vacation payable	(10,469)	29,420
Accrued employee future benefits	(41,120)	106,018
Deferred revenue	157,655	-
	(63,718)	260,809
Financing activities		
Repayment of mortgage	(83,057)	(79,700)
Contributions received for property and equipment purchases	99,673	253,592
Resident funds	125	1,738
	16,741	175,630
Investing activities		
Purchase of property and equipment	(144,714)	(408,820)
Net increase (decrease) in cash	(191,691)	27,619
Cash - beginning of year	1,970,076	1,942,457
Cash - end of year	$ 1,778,385	$ 1,970,076
Represented by:		
Cash and short-term investments	$ 1,583,705	$ 1,750,822
Resident trust funds	12,095	11,970
Restricted cash	182,585	207,284
	$ 1,778,385	$ 1,970,076
Supplemental cash flow information:		
Interest received	$ 32,436	$ 52,525
Interest paid	$ 28,316	$ 31,672

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

ROLFE, BENSON LLP
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 $732,777 (2009 - $575,339) and long-term accrued employee future benefits obligations of $1,104,172 (2009 - $1,145,292).

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

2. Change in Accounting Policies

(a) Capital Disclosures

The Centre adopted the recommendations of the CICA Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed.

The Centre's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate of being an interdenominational organization providing holistic and compassionate complex and hospice care. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating and capital budgets. When necessary, the Centre takes appropriate action to reduce expenditures or curtail programs when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

The Centre is required by Canada Mortgage Housing Corporation to maintain a replacement reserve. The use of these funds is restricted as described in Note 3(f). Additionally, from time to time the Centre receives funding specifically designated for capital projects from its principal funding agency. The Centre's agreement with this funder requires that amounts received for capital projects in excess of $100,000 will be repayable on a pro-rata basis should the Centre cease operations in the 5 years subsequent to the funding.

This new standard only addresses the disclosure in the financial statements and has no impact on the financial results.

2. Change in Accounting Policies - continued

(b) Inventories

The Centre adopted the CICA Handbook Section 3031 "Inventories". The new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost including allocation of overheads and other costs to inventory. Reversals of previous write-downs to net realizable value are permitted when there is a subsequent increase in the value of inventories. The adoption of this new standard has no significant impact on the Centre's financial statements.

(c) Accounting Standards Not-for-Profit Organizations

Effective 1 April 2009, the Centre adopted the CICA Handbook amended Sections 4400 and the new Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". The amendments clarified 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. The adoption of these standards has no impact on the financial statements.

3. 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.

3. **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. During the year, the Centre funded an additional $4,785 to the replacement reserve at the request of CMHC. 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.

4. **Financial Instruments**

The Centre has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the CICA Handbook Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" which would otherwise have applied to the financial statements for the year ended 31 March 2010. The Centre applies the requirements of Section 3861 of the CICA Handbook.

(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.

4. Financial Instruments - continued

(a) Fair Value - continued

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

(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.

5. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
Land and improvements	$ 442,959	$ -	$ 442,959	$ 442,959
Buildings	12,442,935	5,856,019	6,586,916	6,959,013
Furniture and equipment	3,622,002	2,886,451	735,551	833,171
Computers	28,362	16,955	11,407	17,080
Leasehold improvement	490,131	59,209	430,922	367,648
	$17,026,389	$ 8,818,634	$ 8,207,755	$ 8,619,871

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.

6. 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 2010 using an early measurement date of 31 December 2009.

6. Accrued Employee Future Benefits - continued

The key assumptions made in the valuation were as follows:

- an interest (discount) rate of 6.25% per annum, based on market interest rates as at 31 December 2009; this is an increase from the discount rate of 7.25% as at 31 December 2008;
- 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 2006;
- utilization of sick leave time based on an extensive study of experience covering the first nine months of the calendar year 2009; 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.

	2010	2009
Accrued benefit obligation:		
Sick leave benefits	$ 326,002	$ 287,256
Severance benefits	733,760	531,069
	$ 1,059,762	$ 818,325
Accrued sick and severance benefits	$ 1,296,944	$ 1,236,031
Less: current portion	(192,772)	(90,739)
	$ 1,104,172	$ 1,145,292
Sick and severance benefits expense	$ 100,479	$ 111,779
Sick and severance benefits paid	$ 39,567	$ -

7. 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 11). The mortgage is administered by the British Columbia Housing Management Corporation.

Estimated principal repayments before renewal are as follows:

2011	$ 86,633
2012	538,345
	$ 624,978

8. Commitments

The Centre has entered into lease obligations for computer and office equipment. The future minimum lease payments over the next 5 years are as follows:

2011	$ 22,946
2012	18,748
2013	18,748
2014	5,397
2015	1,799
	$ 67,638

9. 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.

	2010	2009
Balance - beginning of year	$ 7,303,086	$ 7,541,525
Contributions received for property and equipment acquisitions		
Fraser Health Authority	12,950	151,144
Other	86,723	102,449
	7,402,759	7,795,118
Less: amounts amortized to revenue	(502,323)	(492,032)
Balance - end of year	$ 6,900,436	$ 7,303,086

The balance of unamortized capital contributions consists of the following:

	2010	2009
Unamortized capital contributions used to purchase property and equipment	$ 6,878,009	$ 7,245,638
Unspent contributions	22,427	57,448
	$ 6,900,436	$ 7,303,086

10. 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.

11. 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.

12. 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:

	2010 (unaudited)	2009 (unaudited)
Financial position		
Net assets	$ 144,421	$ 178,573
Results of operations		
Total revenues	131,557	286,832
Contribution to the Centre and expenses	(178,709)	(189,396)
Increase (decrease) in net assets	$ (47,152)	$ 97,436

13. Related Party Transactions

During the year, the Foundation donated $151,320 (2009 - $140,456) to the Centre and reimbursed the Centre $27,389 (2009 - $48,939) 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 $28,243 (2009 - $52,242).

14. 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 9.09% (2009 - 8.96%) and the employees contribute 6.99% (2009 - 6.99%) on the first $47,200 (2009 - $44,900) of their salaries to the plan and 8.49% (2009 - 8.49%) of salary in excess of $47,200 (2009 - $44,900).

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 $633,172 (2009 - $587,222).

ST. MICHAEL'S CENTRE
Schedule 1 - Combined Schedule of Revenue
For the Year Ended 31 March 2010

	2010	2009
Resident care		
Grants	$ 10,035,131	$ 9,678,721
Self pay	1,756,217	1,678,020
	11,791,348	11,356,741
Amortization of deferred capital contributions	502,323	492,032
Other income		
Interest subsidy, CMHC	26,558	26,558
Interest	27,948	43,130
Other	266,876	327,195
	321,382	396,883
	$ 12,615,053	$ 12,245,656

ST. MICHAEL'S CENTRE
Schedule 2 - Combined Schedule of Expenses - Operations
For the Year Ended 31 March 2010

	2010	2009
Salaries, wages and employee benefits		
Salaries and wages	$ 8,311,455	$ 8,020,822
Employee benefits	2,499,135	2,233,647
	10,810,590	10,254,469
Patient services and supplies	272,072	246,385
General services		
Housekeeping and laundry	196,985	199,592
Physical plant services and supplies		
Utilities	172,324	187,916
Maintenance, security and supplies	101,877	115,747
Furniture and equipment replacements	4,994	2,424
	279,195	306,087
Food and dietary	317,205	322,629
Administrative		
Data processing	76,684	86,024
Miscellaneous	35,770	34,880
Office, including printing, stationery and postage	21,447	23,851
Audit and legal	26,675	18,144
Telephone	17,727	16,814
Other fees	57,814	12,581
Association membership fees	8,612	7,355
Education	8,751	5,541
Travel	3,012	2,685
	256,492	207,875
Mortgage interest	28,018	31,394
Amortization	556,830	542,818
	$ 12,717,387	$ 12,111,249