

Financial Statements of

BELLA COOLA GENERAL HOSPITAL

Years Ended March 31, 2013, and March 31, 2012

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF GOVERNORS OF THE UNITED CHURCH HEALTH SERVICES SOCIETY

We have audited the accompanying financial statements of Bella Coola General Hospital, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and accumulated deficit, changes in net financial assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management of the Hospital based on the financial reporting requirements BC Regulation 198/2011 of the *Budget Transparency and Accountability Act* of British Columbia (the "Requirements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bella Coola General Hospital as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards and the Requirements.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Hospital to comply with the financial reporting requirements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Hospital and the Office of the Comptroller General of British Columbia and should not be distributed to or used by parties other than the Hospital and the Office of the Comptroller General of British Columbia.

Smythe Ratchiffe LLP

Chartered Accountants

Vancouver, British Columbia
June 20, 2013

Bella Coola General Hospital

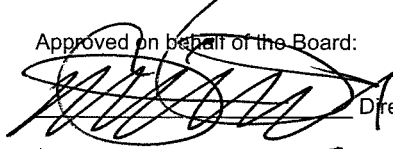
Statement of Financial Position

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

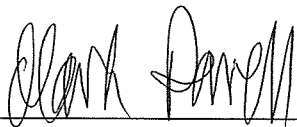
	March 31, 2013	March 31, 2012	April 1, 2011
		(Restated - note 2)	(Restated - note 2)
Financial assets			
Cash and cash equivalents (note 3)	\$ 602,421	\$ 619,758	\$ 572,087
Accounts receivable (note 4)	233,932	180,111	203,899
Inventories held for sale (note 5)	244,414	245,593	244,275
Investment - Isabel Kellet Trust Fund (note 6)	27,349	26,702	25,986
	1,108,116	1,072,164	1,046,247
Liabilities			
Accounts payable and accrued liabilities (note 7)	443,849	449,469	431,278
Deferred operating contributions (note 8)	21,000	-	-
Due to Vancouver Coastal Health Authority (note 16)	789,475	480,477	494,764
Obligation under capital lease (note 9)	9,318	16,041	22,176
Retirement allowance (note 10(a))	209,025	211,000	199,000
Deferred capital contributions (note 11)	2,273,623	1,910,672	1,987,159
	3,746,290	3,067,659	3,134,377
Net financial debt	\$ (2,638,174)	\$ (1,995,495)	\$ (2,088,130)
Non-financial assets			
Tangible capital assets (note 12)	2,175,716	1,824,796	1,894,073
Inventories held for use (note 13)	146,182	128,082	111,064
Prepaid expenses	106,953	95,586	114,878
	\$ 2,428,851	\$ 2,048,464	\$ 2,120,015
Accumulated operating surplus (deficit) (notes 2(e), 18)	\$ (209,323)	\$ 52,969	\$ 31,885

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

Bella Coola General Hospital

Statement of Operations and Accumulated Operating Surplus (Deficit)

Year Ended March 31, 2013 with comparative figures for 2012

	2013 Budget (note 1(k))	2013	2012 (Restated - note 2)
Revenues:			
Ministry of Health contributions	\$ 4,230,643	\$ 4,254,663	\$ 4,280,165
Medical compensation recovery	1,290,000	1,370,545	1,457,005
Pharmacy	1,318,000	1,237,265	1,353,555
Amortization of deferred capital contributions (note 11)	215,000	211,160	216,265
MSP and MSC Sessional programs	115,000	112,365	109,842
Recoveries and other income	115,800	89,892	114,446
Patient fees	123,000	85,868	118,885
	<u>7,407,443</u>	<u>7,361,758</u>	<u>7,650,163</u>
Expenses (note 14):			
Acute	4,886,581	4,894,691	4,910,797
Corporate	1,816,713	1,991,142	2,008,867
Community care	427,045	484,435	431,011
Population health & wellness	185,359	162,037	182,761
Mental health & substance use	91,745	91,745	91,781
	<u>7,407,443</u>	<u>7,624,050</u>	<u>7,625,217</u>
Annual operating surplus (deficit)	\$ -	\$ (262,292)	\$ 24,946
Accumulated operating surplus, beginning of year	52,969	52,969	31,885
Adjustment to opening equity on conversion to PSAS (note 2)	-	-	(3,862)
	<u>52,969</u>	<u>52,969</u>	<u>28,023</u>
Accumulated operating surplus (deficit), end of year	\$ 52,969	\$ (209,323)	\$ 52,969

See accompanying notes to financial statements.

Bella Coola General Hospital

Statement of Change in Net Financial Debt

Year Ended March 31, 2013 with comparative figures for 2012

	2013	2012
Annual operating surplus (deficit)	\$ (262,292)	\$ 24,946
Acquisition of tangible capital assets	(574,173)	(160,248)
Amortization of tangible capital assets	223,253	229,525
	(613,212)	94,223
Acquisition of inventories held for use	(349,159)	(360,265)
Acquisition of prepaid expense	(439,066)	(358,710)
Consumption of inventories held for use	331,059	343,247
Use of prepaid expense	427,699	378,002
	(29,467)	2,274
Adjustment to retirement allowance on conversion to PSAS	-	(3,862)
(Increase) decrease in net financial debt	(642,679)	92,635
Net financial debt, beginning of year	(1,995,495)	(2,088,130)
Net financial debt, end of year	\$ (2,638,174)	\$ (1,995,495)

See accompanying notes to financial statements.

Bella Coola General Hospital

Statement of Cash Flows

Year Ended March 31, 2013, with comparative figures for 2012

	2013	2012
Cash flows from operating activities:		
Annual operating surplus (deficit)	\$ (262,292)	\$ 24,946
Items not involving cash:		
Amortization of deferred capital contributions	(211,160)	(216,265)
Amortization of tangible capital assets	223,253	229,525
Retirement allowance expense	35,000	29,000
	(215,199)	67,206
Net change in non-cash operating items (note 15)	242,269	28,648
Net change in cash from operating activities	27,070	95,854
Capital activity:		
Acquisition of tangible capital assets	(574,173)	(160,248)
Net change in cash from capital activity	(574,173)	(160,248)
Investing activity:		
Net change in investments	(647)	(716)
Net change in cash from investing activity	(647)	(716)
Financing activities:		
Retirement allowance contributions	(36,975)	(20,862)
Repayment of capital lease obligations	(6,723)	(6,135)
Capital contributions	574,111	139,778
Net change in cash from financing activities	530,413	112,781
Increase (decrease) in cash and cash equivalents	(17,337)	47,671
Cash and cash equivalents, beginning of year	619,758	572,087
Cash and cash equivalents, end of year	\$ 602,421	\$ 619,758

See accompanying notes to financial statements.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

Bella Coola General Hospital (the "Hospital") was established under the *Hospital Act* to manage the delivery of health care services within the Bella Coola and District Region of the Province of British Columbia.

With approval from the Ministry of Health Services (the "Ministry") and the Vancouver Coastal Health Authority (the "VCHA"), the Hospital operates under the Constitution and Bylaws of the United Church Health Services Society (the "UCHSS"), a non-profit society wholly-owned by the United Church of Canada.

1. Significant accounting policies:

(a) Affiliated organization:

The Hospital is affiliated with the VCHA via an affiliation agreement between the UCHSS and the VCHA. The affiliation agreement establishes accountabilities, funding guidelines, operating and other principles between the parties.

(b) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework ("the framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all taxpayer-supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Institute of Chartered Accountants ("CICA") Public Sector Accounting Board ("PSAB") without any CICA Handbook – PSAS ("PS") 4200 series from their first fiscal year commencing after January 1, 2012.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia taxpayer-supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian PSAS, which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS3100.

As a result, revenue recognized in the Statement of Operations and certain related deferred capital contributions would be recorded differently under PSAS.

(c) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase or that are redeemable, are classified as cash and cash equivalents.

(d) Inventories held for sale:

Pharmacy inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Net realizable value is the estimated selling price less any costs to sell.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(e) Employee benefits:

(i) Defined benefit obligations:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

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 factors). Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2012 - 10 years).

The discount rate used to measure the obligation is based on the cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Hospital to pay benefits occurs.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Buildings	20 years
Equipment	5 - 20 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Leased tangible capital assets:

Tangible capital assets acquired under a lease, which transfers substantially all of the benefits and risks incidental to ownership of property, are recorded as leased tangible capital assets with an offsetting obligation under capital lease.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs. Note 9 provides a schedule of repayments and amount of interest on the leases.

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(g) Revenue recognition:

Under the *Hospital Act and Regulation* thereto, the Hospital is funded primarily by the Ministry through the VCHA in accordance with budget arrangements established and approved by the VCHA.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the service being performed are deferred and recognized when the fees are earned or service performed.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(b).

Volunteers contribute a significant amount of their time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable and inventories, the determination of obsolescence and useful lives of tangible capital assets and the related deferred capital contributions, accrued liabilities and contingent liabilities, and the assumptions with respect to long-term disability benefits and retirement allowance.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(i) Financial instruments:

The Hospital has implemented PS section 3450 *Financial Instruments* as of April 1, 2012 and the section has been applied on prospective basis. For the year ended March 31, 2012, the Hospital applied financial instrument disclosure and presentation standards in accordance with CICA Handbook Section 3861. Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument.

A financial liability or its part is derecognized when it is extinguished.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2012/2013 Budget approved by management. The budget is reflected in the Statement of Operations and Accumulated Operating Deficit.

(k) Prepaid expenses:

Prepaid expenses include cash disbursements for future events, and operational costs, which will be charged to expense over the periods expected to benefit from it.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

1. Significant accounting policies (continued):

(l) Future accounting standards:

In June 2010, PSAB issued PS 3260 *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

Management is assessing the impact of PS 3260, which will be adopted for the fiscal year ending March 31, 2015.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

2. Adoption of new accounting framework:

Effective April 1, 2012, the Hospital has adopted the framework described in note 1(b). These financial statements are the first financial statements for which the Hospital has applied the framework. Previously, the Hospital's financial statements were prepared in accordance with Part V of Canadian Generally Accepted Accounting Principles ("Part V Canadian GAAP").

Subject to certain transitional elections disclosed below and the adoption of PS 3450 *Financial Instruments*, the Hospital has consistently applied the same accounting policies in its Statement of Financial Position as at April 1, 2011, the date of transition to the framework, and throughout as if these policies had always been in effect.

The impact of the conversion to the framework on the accumulated operating surplus (deficit) at the date of transition and the comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the exemptions from retroactive application described below.

(a) The Hospital has elected to use the following exemptions allowed upon first-time adoption:

(i) Retirement benefits – change in discount rate applied:

The Hospital has elected to defer application of PS 3250 *Retirement Benefits* with respect to the discount rate used to calculate the accrued obligations. PS 2125 allows for this deferral until the Hospital's next actuarial valuation after the date of adoption, or within three years of the transition date, whichever is sooner. The Hospital's actuarial valuation was December 31, 2012, therefore, the Hospital used the discount rate as of that date.

(ii) Retirement benefits – cumulative unamortized gains and losses on transition:

The Hospital has elected to recognize all cumulative actuarial gains and losses from inception to the date of transition directly to accumulated operating surplus (deficit). This election has been applied to all plans.

(iii) Tangible capital asset impairment:

The Hospital has elected to apply the exemption and consider the conditions for write-down on tangible capital assets on a prospective basis from the date of transition. As a result, no write-downs of tangible capital assets were recognized.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

2. Adoption of new accounting framework (continued):

The impact of the conversion to the framework is presented below.

(b) Statement of Financial Position:

March 31, 2012				
	Part V Canadian GAAP	Prior year adjustments (Note 2(f))	Current year adjustments (Note 2(f))	New accounting framework
Financial liabilities				
Retirement allowance	\$ 219,000	\$ (11,862)	\$ 3,862	\$ 211,000
April 1, 2011				
	Part V Canadian GAAP	Adjustments	New accounting framework	
Financial liabilities				
Retirement allowance	\$ 210,862	\$ (11,862)	\$ 199,000	

(c) Statement of Operations:

March 31, 2012				
	Part V Canadian GAAP	Adjustments	Reclassified	New accounting framework
Compensation and benefits	\$ 3,340,707	\$ -	\$ (3,340,707)	\$ -
Medical compensation	1,457,005	-	(1,457,005)	-
Drugs	820,651	-	(820,651)	-
Administration and support	723,680	-	(723,680)	-
Facility and equipment costs	393,044	-	(393,044)	-
Medical and diagnostic supplies	287,613	-	(287,613)	-
Depreciation of capital assets	229,525	-	(229,525)	-
Purchased services	146,543	-	(146,543)	-
Patient support	116,780	-	(116,780)	-
Contracted community health	109,669	-	(109,669)	-
Acute	-	-	4,910,797	4,910,797
Corporate	-	-	2,008,867	2,008,867
Home & Community Care	-	-	431,011	431,011
Population Health & Wellness	-	-	182,761	182,761
Mental Health & Substance Use	-	-	91,781	91,781
	\$ 7,625,217	\$ -	\$ -	\$ 7,625,217

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

2. Adoption of new accounting framework (continued):

(d) Statement of Cash Flows:

The adoption of new financial reporting framework has had no impact on the net cash flows of the Hospital. Interest income and interest expense are now separately presented as part of cash flows from operations. The framework requires separate presentation of cash flows from tangible capital assets, which were previously presented as part of investing activities.

(e) Accumulated operating surplus:

	March 31, 2012		April 1, 2011	
Accumulated operating surplus, as previously reported	\$	44,969	\$	20,023
New accounting framework adjustments:				
PSAS adjustment for retirement allowance as at April 1, 2011		11,862		11,862
PSAS adjustment for retirement allowance as at March 31, 2012		(3,862)		-
Accumulated operating surplus, as restated	\$	52,969	\$	31,885

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

2. Adoption of new accounting framework (continued):

(f) Transitional adjustments to new accounting framework:

Key adjustments on the Hospital's financial statements were due to the following:

(i) Change in discount rate applied:

The Hospital has applied PS section 3250 *Retirement Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011. Accordingly, the accrued obligation for retirement allowance benefits was recalculated using the rate of government's cost of borrowing.

(ii) Amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Hospital used the corridor method of amortization for actuarial gains and losses, under which such gains or losses in excess of 10% of greater of net plan assets or liabilities, at the beginning of the period, were deferred and amortized over the expected average remaining service lifetime of active employees.

Under PS section 3250, the Hospital defers and amortizes any amount of actuarial gains and losses on retirement benefit plans, as such benefits are not event driven.

(iii) Retirement benefits – accrual of non-vesting sick leave benefits:

Previously, the Hospital was not required to record an accrued benefit obligation related to sick leave benefits when such benefits do not vest. The new financial reporting framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Hospital in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement.

3. Cash and cash equivalents:

	2013	2012
Cash and cash equivalents	\$ 602,421	\$ 619,758
Externally restricted amounts	(155,787)	(154,065)
Unrestricted cash and cash equivalents	\$ 446,634	\$ 465,693

The interest rate for these term deposits ranges from 1.19% to 2.96%.

4. Accounts receivable:

	2013	2012
Patients, agencies and others	\$ 135,529	\$ 90,818
HST rebates	94,808	78,294
Medical Services Plan	3,595	10,999
	\$ 233,932	\$ 180,111

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

5. Inventories held for sale:

Inventories held for sale are comprised of pharmaceuticals.

6. Investment - Isabel Kellet Trust Fund:

The Hospital is required to hold the principal balance of the Isabel Kellet Trust Fund in perpetuity. Interest earned on the balance is to be used for the continuing education of staff and is recognized in the year it is earned. Where no expenditure on continuing education of staff is incurred, the interest earned is transferred to the trust. The investment consists of a term deposit with a maturity date of April 26, 2013 and interest rate of 2.50%. The investment is recorded at fair value.

7. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable and accrued liabilities	\$ 229,995	\$ 172,416
Accrued vacation payable	150,187	143,282
Salaries and benefits payable	63,667	133,771
	\$ 443,849	\$ 449,469

8. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for purchase of medical and nursing equipment.

	2013	2012
Deferred operating contributions, beginning of year	\$ -	\$ -
Contributions received during the year	25,000	-
Amounts recognized as revenue in the year	(4,000)	-
Deferred operating contributions, end of year	\$ 21,000	\$ -

9. Obligation under capital lease:

Future minimum payments under capital lease for the year ended March 31 are as follows:

2014	\$ 7,920
2015	1,980
	9,900
Amounts representing interest	(582)
	\$ 9,318

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

10. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Hospital's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	March 31, 2013	March 31, 2012 (Restated - note 2)	April 1, 2011 (Restated - note 2)
Accrued benefit obligation:			
Sick leave benefits	\$ 112,000	\$ 103,000	\$ 92,000
Severance benefits	124,000	117,000	107,000
	<u>236,000</u>	<u>220,000</u>	<u>199,000</u>
Balance of unamortized amounts	(26,975)	(9,000)	-
Accrued retirement allowance benefits	<u>\$ 209,025</u>	<u>\$ 211,000</u>	<u>\$ 199,000</u>

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:

	2013	2012 (Restated - note 2)
Accrued benefit obligation:		
Balance, beginning of year	\$ 211,000	\$ 199,000
Current service cost	23,000	22,000
Amortization of actuarial loss	1,000	-
Plan amendment	1,000	-
Interest expense	10,000	11,000
Net benefit expense	<u>35,000</u>	<u>33,000</u>
Benefits paid	<u>(36,975)</u>	<u>(21,000)</u>
Accrued benefit obligation, end of year	<u>\$ 209,025</u>	<u>\$ 211,000</u>

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

10. Employee benefits (continued):

(a) Retirement allowance(continued):

The significant actuarial assumptions adopted in measuring the Hospital's accrued retirement allowance liabilities are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Accrued benefit obligation as at March 31:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	3.00%	2.50%	2.50%
Benefit costs for years ended March 31:			
Discount rate	4.44%	5.01%	0.00%
Rate of compensation increase	3.00%	2.50%	2.50%
Expected future inflationary increases	2.50%	0.00%	0.00%

(b) Long-term disability:

The Hospital belongs to the Health Employers' Association of B.C. Healthcare Benefit Trust (the "Trust"), under a multi-employer defined benefit plan that covers group long-term disability, life, accidental death and dismemberment, extended health and dental claims for union and certain non-unionized employees. The Trust is subject to actuarial valuation every year. The most recent actuarial valuation at December 31, 2012 indicated a surplus of \$62.5 million.

Contributions to the Trust of \$97,874 (2012 - \$101,359) were expensed during the year.

(c) Employee pension benefits:

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *B.C. Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$376,177 (2012 - \$342,603) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately \$1,024 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 175,000 active members, of which approximately 61 are employees of the Hospital. The Hospital's next required actuarial valuation will be as of December 31, 2012; the results of which are not yet available.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

11. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2013	2012
Deferred capital contributions, beginning of year	\$ 1,910,672	\$ 1,987,159
Capital contributions received or receivable	574,111	139,778
	2,484,783	2,126,937
Amortization for the year	(211,160)	(216,265)
Deferred capital contributions, end of year	\$ 2,273,623	\$ 1,910,672

Deferred capital contributions are comprised of the following:

	2013	2012
Contributions used to purchase tangible capital assets	\$ 2,117,836	\$ 1,756,607
Unspent contributions	155,787	154,065
	\$ 2,273,623	\$ 1,910,672

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

12. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Buildings	\$ 7,106,715	\$ -	\$ -	\$ 7,106,715
Construction in progress	-	574,111	-	574,111
Equipment	2,196,065	62	-	2,196,127
	\$ 9,302,780	\$ 574,173	\$ -	\$ 9,876,953

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Buildings	\$ 5,825,443	\$ -	\$ 135,038	\$ 5,960,481
Equipment	1,652,541	-	88,215	1,740,756
	\$ 7,477,984	\$ -	\$ 223,253	\$ 7,701,237

	Net book value March 31, 2012	Net book value March 31, 2013
Buildings	\$ 1,281,272	\$ 1,146,234
Construction in progress	-	574,111
Equipment	543,524	455,371
	\$ 1,824,796	\$ 2,175,716

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

12. Tangible capital assets (continued):

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Buildings	\$ 7,106,715	\$ -	\$ -	\$ 7,106,715
Equipment	2,036,040	160,025	-	2,196,065
	\$ 9,142,755	\$ 160,025	\$ -	\$ 9,302,780

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Buildings	\$ 5,689,550	\$ 855	\$ 135,038	\$ 5,825,443
Equipment	1,559,132	(1,078)	94,487	1,652,541
	\$ 7,248,682	\$ (223)	\$ 229,525	\$ 7,477,984

	Net book value March 31, 2011	Net book value March 31, 2012
Buildings	\$ 1,417,165	\$ 1,281,272
Equipment	476,908	543,524
	\$ 1,894,073	\$ 1,824,796

13. Inventories held for use:

Inventories held for use are comprised of medical supplies.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

14. Expenses by object:

	2013	2012
Compensation and benefits	\$ 3,268,843	\$ 3,340,707
Medical compensation recovery	1,370,545	1,457,005
Administration and support	981,771	723,680
Drugs	655,604	820,651
Facility and equipment costs	359,346	393,044
Medical and diagnostic supplies	281,456	287,613
Purchased services	263,220	146,543
Amortization of tangible capital assets	223,253	229,525
Patient support	116,223	116,780
Contracted community health services	103,789	109,669
	<u>\$ 7,624,050</u>	<u>\$ 7,625,217</u>

15. Supplementary cash flow information:

Net change in non-cash operating items:

	2013	2012
Accounts receivable	\$ (53,821)	\$ 23,788
Inventories held for sale	1,179	(1,318)
Accounts payable and accrued liabilities	(5,620)	18,191
Deferred operating contributions	21,000	-
Due to Vancouver Coastal Health Authority	308,998	(14,287)
Inventories held for use	(18,100)	(17,018)
Prepaid expenses	(11,367)	19,292
	<u>\$ 242,269</u>	<u>\$ 28,648</u>

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

16. Related party and other agency operations:

(a) Related parties:

The Hospital is related to all Province of B.C. ministries, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity through its association with VCHA. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Balances are unsecured, non-interest-bearing and due on demand.

The financial statements include transactions and balances with these parties in the following amounts:

	2013	2012
Revenue		
Ministry of Health contributions	\$ 4,254,663	\$ 4,280,165
Amortization of deferred capital contributions	211,160	216,265
Medical Services Plan	112,365	109,842
	<u>\$ 4,578,188</u>	<u>\$ 4,606,272</u>
Expenses		
Compensation and benefits	\$ (113,782)	\$ (95,349)
Administration and support	61,051	58,126
Facility and equipment costs	74,944	61,789
Medical and diagnostic supplies	20,133	21,779
Contracted community health services	13,516	18,180
	<u>\$ 55,862</u>	<u>\$ 64,525</u>
Accounts receivable		
RW Large Memorial Hospital	\$ 43,277	\$ 38,235
Medical Services Plan	3,595	10,999
	<u>\$ 46,872</u>	<u>\$ 49,234</u>
Due to Vancouver Coastal Health Authority	\$ 789,475	\$ 480,477

Included in Ministry of Health contributions is \$0 (2012 - \$200,000), which was reallocated from Bella Coola General Hospital to pay for administration and support costs to the UCHSS. In fiscal year 2012, the UCHSS waived this expense fee and these funds were directed to the Hospital.

Included in administration and support expense is \$50,000 (2012 - \$50,000) for financial support services and included in medical and diagnostic supplies is \$20,000 (2012 - \$20,000) for lab services, paid to the VCHA.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

16. Related party and other agency operations (continued):

(b) UCHSS:

Included in recoveries and other revenue is rental income of \$40,000 (2012 - \$39,046). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Hospital operates on land owned by the UCHSS. There is no rental agreement between the Hospital and the UCHSS, and as a result the use of the land is rent-free to the Hospital.

17. Risk management:

The Hospital is exposed to credit risk and liquidity risk from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from the Hospital's financial instruments is provided below by type of risk below.

(a) Credit risk:

Credit risk primarily arises from the Hospital's accounts receivable. The risk exposure is limited to their varying amounts at the date of the Statement of Financial Position.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will not be able to meet its financial obligations as they become due.

The Hospital receives its principal source of capital through funding received from the Ministry through VCHA. The Hospital defines capital to be net assets, debt and deferred capital contributions.

The Hospital is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Hospital has complied with the external restrictions on the funding provided.

BELLA COOLA GENERAL HOSPITAL

Notes to Financial Statements

Year Ended March 31, 2013, with comparative figures for 2012

18. Impact of accounting for restricted contributions in accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As disclosed in the significant accounting policies note 1(b), Restricted Contributions Regulation 198/2011 requires the Hospital to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Hospital is as follows:

As at April 1, 2011		
Decrease in accumulated operating deficit	\$	1,987,159
Decrease in deferred capital contributions		1,987,159
For the year ended March 31, 2012		
Decrease in operating surplus		(76,487)
As at March 31, 2012		
Decrease in accumulated operating deficit	\$	1,910,672
Decrease in deferred capital contributions		1,910,672
For the year ended March 31, 2013		
Increase in operating deficit		362,951
As at March 31, 2013		
Decrease in accumulated operating deficit	\$	2,273,623
Decrease in deferred capital contributions		2,273,623
