

Financial Statements of

**RW LARGE  
MEMORIAL 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 R.W. Large Memorial 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 R.W. Large Memorial 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 Ratcliffe LLP*

Chartered Accountants

Vancouver, British Columbia  
June 20, 2013

# RW Large Memorial Hospital

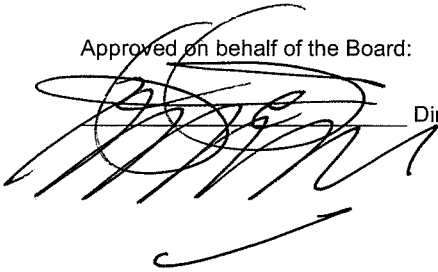
## Statement of Financial Position


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)
<b>Financial assets</b>			
Cash	\$ 168,286	\$ 449,670	\$ 277,288
Accounts receivable (note 3)	145,314	121,627	128,589
	313,600	571,297	405,877
<b>Liabilities</b>			
Accounts payable and accrued liabilities (note 4)	240,758	296,086	272,084
Deferred operating contributions (note 5)	150,981	150,981	120,112
Due to Vancouver Coastal Health Authority (note 12)	1,131,689	1,221,219	1,378,817
Retirement allowance (note 6(a))	107,000	92,000	85,000
Deferred capital contributions (note 7)	775,060	929,281	1,152,183
	2,405,488	2,689,567	3,008,196
<b>Net debt</b>	\$ (2,091,888)	\$ (2,118,270)	\$ (2,602,319)
<b>Non-financial assets</b>			
Tangible capital assets (note 8)	837,751	1,059,485	1,193,932
Inventories held for use (note 9)	341,251	422,717	302,198
Prepaid expenses	27,592	22,083	21,987
	\$ 1,206,594	\$ 1,504,285	\$ 1,518,117
<b>Accumulated operating deficit (notes 2(e), 14)</b>	\$ (885,294)	\$ (613,985)	\$ (1,084,202)

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# RW Large Memorial Hospital

## Statement of Operations and Accumulated Operating Deficit

Year Ended March 31, 2013 with comparative figures for 2012

	2013 Budget (note 1(h))	2013	2012 (Restated - note 2)
Revenues:			
Ministry of Health contributions	\$ 2,880,626	\$ 3,111,336	\$ 3,173,584
Medical compensation recovery	1,080,000	1,327,673	1,305,523
Pharmacy	780,400	721,362	767,059
Amortization of deferred capital contributions (note 7)	298,000	296,287	290,488
Patient fees	208,300	212,712	201,585
Recoveries and other income (note 12 (b))	240,900	56,775	48,634
Other contributions (note 12 (b))	-	-	500,000
	5,488,226	5,726,145	6,286,873
Expenses (note 10):			
Acute	3,693,513	4,100,102	3,919,458
Corporate	1,779,113	1,890,803	1,825,551
Community care	15,600	6,146	70,089
Population health & wellness	-	403	483
	5,488,226	5,997,454	5,815,581
Annual operating surplus (deficit)	\$ -	\$ (271,309)	\$ 471,292
Accumulated operating deficit, beginning of year	(613,985)	(613,985)	(1,084,202)
Adjustment to opening equity on conversion to PSAS (note 2)	-	-	(1,075)
	(613,985)	(613,985)	(1,085,277)
Accumulated operating deficit, end of year	\$ (613,985)	\$ (885,294)	\$ (613,985)

See accompanying notes to financial statements.

## RW Large Memorial Hospital

### Statement of Change in Net Financial Debt

Year Ended March 31, 2013 with comparative figures for 2012

	2013	2012
Annual operating surplus (deficit)	\$ (271,309)	\$ 471,292
Acquisition of tangible capital assets	(79,476)	(168,378)
Amortization of tangible capital assets	301,210	302,825
	(49,575)	605,739
Acquisition of inventories held for use	(823,000)	(879,000)
Acquisition of prepaid expenses	(104,160)	(78,415)
Consumption of inventories held for use	904,466	758,481
Use of prepaid expenses	98,651	78,319
	75,957	(120,615)
Adjustment to retirement allowance on conversion to PSAS	-	(1,075)
Decrease in net financial debt	26,382	484,049
Net financial debt, beginning of year	(2,118,270)	(2,602,319)
Net financial debt, end of year	\$ (2,091,888)	\$ (2,118,270)

See accompanying notes to financial statements.

**RW Large Memorial 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)	\$ (271,309)	\$ 471,292
Items not involving cash:		
Amortization of deferred capital contributions	(296,287)	(290,488)
Amortization of tangible capital assets	301,210	302,825
Retirement allowance expense	18,000	16,000
	<u>(248,386)</u>	<u>499,629</u>
Net change in non-cash operating items (note 11)	(92,588)	(216,380)
Net change in cash from operating activities	(340,974)	283,249
Capital activity:		
Acquisition of tangible capital assets	(79,476)	(168,378)
Net change in cash from capital activity	(79,476)	(168,378)
Financing activities:		
Capital contributions	142,066	67,586
Retirement allowance contributions	(3,000)	(10,075)
Net change in cash from financing activities	139,066	57,511
Increase (decrease) in cash	(281,384)	172,382
Cash, beginning of year	449,670	277,288
Cash, end of year	\$ 168,286	\$ 449,670

See accompanying notes to financial statements.

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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RW Large Memorial Hospital (the "Hospital") was established under the *Hospital Act* to manage the delivery of health care services within the Bella Bella 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.



# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 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.

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

# RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

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

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## 1. Significant accounting policies (continued):

### (c) 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.

# RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

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

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## 1. Significant accounting policies (continued):

(d) 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) Inventories held for use:

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

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 1. Significant accounting policies (continued):

#### (e) 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.

#### (f) 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 held for use, 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.

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 1. Significant accounting policies (continued):

#### (g) 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.

#### (h) 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.

#### (i) 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.

# RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

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

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## 1. Significant accounting policies (continued):

(j) 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.

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 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.

# RW LARGE MEMORIAL 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
<b>Financial liabilities</b>				
Retirement allowance	\$ 160,000	\$ (69,075)	\$ 1,075	\$ 92,000

	April 1, 2011		
	Part V Canadian GAAP	Adjustments	New accounting framework
<b>Financial liabilities</b>			
Retirement allowance	\$ 154,075	\$ (69,075)	\$ 85,000

#### (c) Statement of Operations:

	March 31, 2012			
	Part V Canadian GAAP	Adjustments	Reclassified	New accounting framework
Compensation and benefits	\$ 2,352,796	\$ -	\$ (2,352,796)	\$ -
Medical compensation	1,305,523	-	(1,305,523)	-
Drugs	601,102	-	(601,102)	-
Facility and equipment costs	354,520	-	(354,520)	-
Depreciation of capital assets	302,825	-	(302,825)	-
Administration and support	291,765	-	(291,765)	-
Purchased services	291,068	-	(291,068)	-
Medical and diagnostic supplies	212,252	-	(212,252)	-
Patient support	103,730	-	(103,730)	-
Acute	-	-	3,919,458	3,919,458
Corporate	-	-	1,825,551	1,825,551
Community care	-	-	70,089	70,089
Population health & wellness	-	-	483	483
	\$ 5,815,581	\$ -	\$ 5,815,581	\$ 5,815,581



# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 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 deficit:

	<b>March 31, 2012</b>	<b>April 1, 2011</b>
Accumulated operating deficit, as previously reported	\$ (681,985)	\$ (1,153,277)
New accounting framework adjustments:		
PSAS adjustment for retirement allowance as at April 1, 2011	69,075	69,075
PSAS adjustment for retirement allowance as at March 31, 2012	(1,075)	-
Accumulated operating deficit, as restated	\$ (613,985)	\$ (1,084,202)

# RW LARGE MEMORIAL 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. Accounts receivable:

	2013	2012
Patients, agencies and others	\$ 107,561	\$ 77,273
HST rebates	53,347	52,023
Medical Services Plan	5,118	13,043
	166,026	142,339
Allowance for doubtful accounts	(20,712)	(20,712)
	\$ 145,314	\$ 121,627

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 4. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable and accrued liabilities	\$ 117,773	\$ 131,153
Accrued vacation payable	73,511	91,022
Salaries and benefits payable	49,474	73,911
	\$ 240,758	\$ 296,086

### 5. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for a nurse practitioner position.

	2013	2012
Deferred operating contributions, beginning of year	\$ 150,981	\$ 120,112
Contribution received during the year	-	35,384
Amounts recognized as revenue in the year	-	(4,515)
Deferred operating contributions, end of year	\$ 150,981	\$ 150,981

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 6. 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	\$ 37,000	\$ 30,000	\$ 24,000
Severance benefits	81,000	73,000	61,000
	118,000	103,000	85,000
Balance of unamortized amounts	- 11,000	- 11,000	-
Accrued retirement allowance benefits	107,000	92,000	85,000

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	\$ 92,000	\$ 85,000
Current service cost	12,000	12,000
Amortization of actuarial loss	1,000	-
Interest expense	5,000	5,000
Net benefit expense	18,000	17,000
Benefits paid	(3,000)	(10,000)
Accrued benefit obligation, end of year	\$ 107,000	\$ 92,000

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 6. 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 \$66,711 (2012 - \$58,789) 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 \$221,647 (2012 - \$222,502) 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, 2009 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 39 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.

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 7. 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	\$ 929,281	\$ 1,152,183
Capital contributions received or receivable	142,066	67,586
	1,071,347	1,219,769
Amortization for the year	(296,287)	(290,488)
Deferred capital contributions, end of year	\$ 775,060	\$ 929,281

Deferred capital contributions are comprised of the following:

	2013	2012
Contributions used to purchase capital assets	\$ 775,060	\$ 895,130
Unspent contributions	-	34,151
	\$ 775,060	\$ 929,281

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 8. Tangible capital assets:

Cost	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Buildings	\$ 6,531,147	\$ -	\$ -	\$ 6,531,147
Equipment	2,540,951	79,476	-	2,620,427
	\$ 9,072,098	\$ 79,476	\$ -	\$ 9,151,574

Accumulated amortization	Balance at March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Buildings	\$ 5,901,028	\$ -	\$ 216,752	\$ 6,117,780
Equipment	2,111,585	-	84,458	2,196,043
	\$ 8,012,613	\$ -	\$ 301,210	\$ 8,313,823

	Net book value March 31, 2012	Net book value March 31, 2013
Buildings	\$ 630,119	\$ 413,367
Equipment	429,366	424,384
	\$ 1,059,485	\$ 837,751

# RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

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

## 8. Tangible capital assets (continued):

Cost	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Buildings	\$ 6,531,147	\$ -	\$ -	\$ 6,531,147
Equipment	2,372,573	168,378	-	2,540,951
	\$ 8,903,720	\$ 168,378	\$ -	\$ 9,072,098

Accumulated amortization	Balance at March 31, 2011	Disposals	Amortization expense	Balance at March 31, 2012
Buildings	\$ 5,672,032	\$ -	\$ 228,996	\$ 5,901,028
Equipment	2,037,756	-	73,829	2,111,585
	\$ 7,709,788	\$ -	\$ 302,825	\$ 8,012,613

	Net book value March 31, 2011	Net book value March 31, 2012
Buildings	\$ 859,115	\$ 630,119
Equipment	334,817	429,366
	\$ 1,193,932	\$ 1,059,485

## 9. Inventories held for use:

Inventories held for use are comprised of:

	2013	2012
Pharmaceuticals	\$ 170,460	\$ 214,664
Medical supplies	170,791	208,053
	\$ 341,251	\$ 422,717



# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 10. Expenses by object:

	2013	2012
Compensation and benefits	\$ 2,271,557	\$ 2,352,796
Medical compensation	1,327,673	1,305,523
Purchased services	578,582	291,068
Drugs	512,880	601,102
Administration and support	351,800	291,765
Facility and equipment costs	306,033	354,520
Amortization of tangible capital assets	301,210	302,825
Medical and diagnostic supplies	211,672	212,252
Patient support	136,047	103,730
	\$ 5,997,454	\$ 5,815,581

### 11. Supplementary cash flow information:

Net change in non-cash operating items:

	2013	2012
Accounts receivable	\$ (23,687)	\$ 6,962
Accounts payable and accrued liabilities	(55,328)	24,002
Deferred operating contributions	-	30,869
Due to Vancouver Coastal Health Authority	(89,530)	(157,598)
Inventories held for use	81,466	(120,519)
Prepaid expenses	(5,509)	(96)
	\$ (92,588)	\$ (216,380)

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

### 12. 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
<b>Revenue</b>		
Ministry of Health contributions	\$ 3,111,336	\$ 3,173,584
Amortization of deferred capital contributions	296,287	290,488
Medical Services Plan	92,619	83,029
	<u>\$ 3,500,242</u>	<u>\$ 3,547,101</u>
<b>Expenses</b>		
Compensation and benefits	\$ 113,782	\$ 95,349
Administration and support	62,698	56,055
Facility and equipment costs	38,970	36,084
	<u>\$ 215,450</u>	<u>\$ 187,488</u>
<b>Accounts receivable</b>		
Medical Services Plan	5,118	13,043
<b>Accounts payable and accrued liabilities</b>		
Bella Coola General Hospital	\$ 43,277	\$ 38,235
Due to Vancouver Coastal Health Authority	\$ 1,131,689	\$ 1,221,219
Deferred operating contributions	\$ 150,981	\$ 150,981

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) paid to the VCHA for financial support services. This transaction is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# RW LARGE MEMORIAL HOSPITAL

Notes to Financial Statements

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

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## 12. Related party and other agency operations (continued):

### (b) UCHSS:

Included in recoveries and other income is \$36,768 (2012 - \$22,560) charged to the UCHSS for rental costs. Included in other contributions is \$0 (2012 - \$500,000) from the UCHSS contributed for the purpose of reducing the amounts due to the VCHA.

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.

## 13. 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.

# RW LARGE MEMORIAL HOSPITAL

## Notes to Financial Statements

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

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### 14. 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:

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As at April 1, 2011		
Decrease in accumulated operating deficit	\$	1,152,183
Decrease in deferred capital contributions		1,152,183
For the year ended March 31, 2012		
Increase in operating deficit		(222,902)
As at March 31, 2012		
Decrease in accumulated operating deficit	\$	929,281
Decrease in deferred capital contributions		929,281
For the year ended March 31, 2013		
Increase in operating deficit		(154,221)
As at March 31, 2013		
Decrease in accumulated operating deficit	\$	775,060
Decrease in deferred capital contributions		775,060

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