



Consolidated Financial Statements

Nova Scotia Health Authority

March 31, 2019

MANAGEMENT'S REPORT

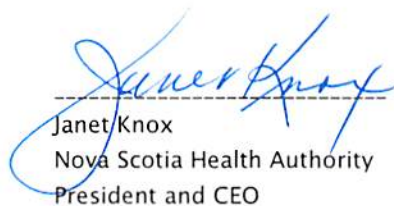
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Audit, Finance and Risk Committee. The Audit Finance and Risk Committee reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements annually and recommends approval to the Board.

The Auditor General of Nova Scotia provides an independent audit of the consolidated financial statements. Their examination is conducted in accordance with Canadian auditing standards and includes tests and procedures which allow him to report on the fairness of the consolidated financial statements prepared by management.

On behalf of Nova Scotia Health Authority:



Janet Knox
Nova Scotia Health Authority
President and CEO



Allan Horsburgh, CPA, CA
Nova Scotia Health Authority
Vice President Corporate
Services and CFO

June 26, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

[in thousands of Canadian dollars]

	<i>Note</i>	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	3	24,575	31,673
Portfolio investments	3	50,281	47,593
Accounts receivable	4	44,577	50,645
Due from governments	5	406,087	544,474
Due from foundations		7,669	6,823
Investment in Partners for Care		-	725
		<u>533,189</u>	<u>681,933</u>
Liabilities			
Accounts payable and accrued liabilities	8	230,011	247,458
Employee future benefits	10	281,003	414,372
Deferred revenue	9	65,327	58,905
Long-term debt	14	3,559	4,320
		<u>579,900</u>	<u>725,055</u>
Net debt		<u>(46,711)</u>	<u>(43,122)</u>
Non-financial assets			
Tangible capital assets	7	969,773	923,586
Inventories of supplies	6	41,383	38,930
Prepaid expenses		7,884	5,350
		<u>1,019,040</u>	<u>967,866</u>
Accumulated surplus		<u>972,329</u>	<u>924,744</u>

*Contractual obligations & contingent liabilities (Notes 13 and 21)**The accompanying notes and schedule are an integral part of these consolidated financial statements.**On behalf of the Board:*


Board Chair


Audit Committee Chair

Nova Scotia Health Authority

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED
SURPLUS**

Year ended March 31, 2019
[in thousands of Canadian dollars]

	Budget	2019	2018
<i>Note</i>	\$	\$	\$
	<i>Unaudited</i> [Note 22]		
Revenues			
Operating grants - Provincial	1,870,054	1,983,541	1,903,176
Operating grants - Federal	49,940	45,233	48,961
Capital grants - Provincial	30,181	25,074	25,297
Capital grants - Other	20,204	20,962	14,779
Capital transfers	88,929	67,559	34,380
Research & designated contributions	50,000	25,962	53,857
Other revenue	16 110,177	92,187	103,147
Recoveries	45,803	52,158	57,112
Investment revenue	-	1,375	652
Total revenues	2,265,288	2,314,051	2,241,361
Expenses (Schedule A)			
Integrated Health Program Care 2	630,039	703,992	680,648
Corporate Services	513,597	443,842	494,471
Integrated Community Support	262,159	264,148	253,779
Integrated Health Program Care 1	205,466	220,230	222,317
Quality and System Performance	191,867	208,905	188,762
Primary Care and Population Health	191,913	202,081	191,573
Medicine and Integrated Health Services	129,023	143,682	130,444
People Services	42,732	45,818	43,158
Research and Innovation	22,021	24,520	23,363
Chief Public Engagement & Communication	5,856	5,521	5,439
Clinical Infrastructure	1,378	2,794	1,389
Chief Executive Officer	1,923	933	803
Total expenses	2,197,974	2,266,466	2,236,146
Annual surplus	67,314	47,585	5,215
Accumulated surplus, beginning of year	924,744	924,744	919,529
Accumulated surplus, end of year	18 992,058	972,329	924,744

The accompanying notes and schedule are an integral part of these consolidated financial statements.

Nova Scotia Health Authority

CONSOLIDATED STATEMENT OF NET DEBT

For the year ended March 31, 2019

[in thousands of Canadian dollars]

	Budget	2019	2018
	\$	\$	\$
	<u>Unaudited</u>		
	[Note 22]		
Annual surplus	67,314	47,585	5,215
Change in tangible capital assets			
Acquisition of tangible capital assets	(139,314)	(112,198)	(74,456)
Amortization of tangible capital assets	72,000	66,011	69,241
Increase in tangible capital assets	(67,314)	(46,187)	(5,215)
Change in other non-financial assets			
Net change in inventories	—	(2,453)	105
Net change in prepaid expenses	—	(2,534)	(294)
Increase in other non-financial assets	—	(4,987)	(189)
Increase in net debt	-	(3,589)	(189)
Net debt, beginning of year as previously reported	(43,122)	(43,122)	(42,933)
Net debt, end of year	(43,122)	(46,711)	(43,122)

The accompanying notes and schedule are an integral part of these consolidated financial statements.

Nova Scotia Health Authority

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended March 31, 2019

[in thousands of Canadian dollars]

	<i>Note</i>	2019 \$	2018 \$
Operating Activities			
Annual surplus		47,585	5,215
Items not affecting cash			
Amortization of tangible capital assets		66,011	69,241
Unrealized loss (gain)		5,488	(566)
Realized gain		(7,165)	(1,421)
Other		725	
Inventories of supplies		(2,453)	105
Prepaid expenses		(2,534)	(294)
Change in deferred revenue		6,422	7,857
Net change in other items	17	126,162	(5,278)
Change in employee future benefits paid		(133,370)	6,643
Cash provided by operating activities		106,871	81,502
Capital Activities			
Acquisition of tangible capital assets		(112,197)	(74,456)
Cash applied to capital activities		(112,197)	(74,456)
Financing Activities			
Debt retirement		(761)	(1,100)
Cash applied to financing activities		(761)	(1,100)
Investing Activities			
Redemption of portfolio investments		51,729	20,766
Purchases of portfolio investments		(52,740)	(21,457)
Cash provided by (applied to) Investing activities		(1,011)	(691)
Increase (decrease) in cash and cash equivalents		(7,098)	5,255
Cash and cash equivalents, beginning of the year		31,673	26,418
Cash, end of year	3	24,575	31,673

The accompanying notes and schedule are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2019

[in thousands of Canadian dollars]

1. Nature of the Organization

The Nova Scotia Health Authority (NSHA) was established on April 1, 2015 under the *Health Authorities Act* (Nova Scotia) through the amalgamation of nine of the ten existing health authorities in Nova Scotia. All of the assets, liabilities, rights and obligations of the former health authorities were assumed by the NSHA.

The objectives of the NSHA are to govern, manage and provide health services in the Province and to implement the strategic direction set out in the provincial health plan. These services are grouped into key areas such as medical and surgical care, mental health care, community health programs, addiction prevention and treatment and environmental health services. These services are each grouped into a portfolio with Vice President oversight as shown in the consolidated statement of operations. Integrated Health Program Care 1 Central Zone operations and integrated health program of care. Integrated Health Program 2 includes diagnostic imaging, perioperative services, critical care, ambulatory care, acute medicine, pathology and laboratory medicine. Clinical Infrastructure includes the QEII and Cape Breton Redevelopments.

The NSHA is a non-profit entity and, as such, is exempt from income taxes under the *Income Tax Act*.

2. Summary of Significant Accounting Policies

a. Basis of accounting

The consolidated financial statements are prepared by management of the NSHA in accordance with Canadian public sector accounting standards ["PSAS"] established by the Canadian Public Sector Accounting Board ["PSAB"].

b. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations that are controlled by the NSHA.

The organization controlled by NSHA is the Provincial Drug Distribution Program (PDDP). As a result, this organization is fully consolidated with the NSHA.

c. Cash and cash equivalents

Cash include cash on hand and demand deposits that are readily available and are subject to an insignificant risk of change in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

2. Summary of Significant Accounting Policies (cont'd)

d. Inventories of supplies

Inventories of supplies held for consumption or use include drugs, linen, food, medical & surgical and departmental supplies, and are recorded using weighted average cost.

e. Prepaid expenses

Prepaid expenses include maintenance, support costs, memberships and subscriptions, and are charged as an expense over the periods the good or service is expected to be consumed.

f. Tangible capital assets including capital leases

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

NSHA standardized the tangible capital assets depreciation rates, on a straight-line basis, for all assets purchased subsequent to April 1, 2015. Tangible capital assets are recorded at cost and depreciated on a straight-line basis at the following annual rates:

Buildings	5-50 years
Leasehold improvements	Lesser of term or 10 years
Equipment	3-20 years
Parking garage	40 years
Information technology	3-10 years

NSHA continues to depreciate the tangible capital assets transferred into the NSHA on April 1, 2015 based on the former district health authorities' historical rates. Amortization on construction in progress is not recorded until asset is available for productive use.

The useful life of an asset may require revision during its life due to significant changes such as physical damage, upgrades/developments, a change in its use, etc. The effect of this change would be recorded in the year of revision and in future years. The consolidated financial statements of previous years are not restated due to the change in an estimated useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

2. Summary of Significant Accounting Policies (cont'd)

Tangible capital assets are written down when conditions indicate that they no longer contribute to NSHA's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations. Writedowns are not reversed.

When a tangible capital asset is removed from service, destroyed, becomes obsolete, scrapped, etc., the asset is disposed as of the specified effective date. Assets will be retired from the accounts of NSHA when the asset is disposed. The gain or loss on disposal will be calculated as the difference between the proceeds received and the net book value of the asset. The gain or loss on disposal will be recorded as revenue or an expense in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, and such contributed capital assets are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

g. Deferred revenue

Deferred revenue includes contributions received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. Deferred revenues include both operating and capital revenue.

These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred, services are performed, or when related stipulations are met.

h. Employee future benefits

Employee future benefits include retiring allowances/public service awards paid to employees upon retirements, health & life insurance, and accumulating non-vesting sick leave. A liability for employee future benefits has been included in the financial statements.

The cost and obligations of these employee future benefits are actuarially determined using management's best estimate of the assumptions disclosed in Note 10. The methods used in this valuation of costs and obligations were selected by the Nova Scotia Department of Finance and Treasury Board. These assumptions are in accordance with accepted actuarial practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

2. Summary of Significant Accounting Policies (cont'd)

The Province of Nova Scotia funds the employees' retiring allowances/public service awards, health & life insurance, and accumulating non-vesting sick leave benefits and as a result a receivable for the same amount has been recorded from the Nova Scotia Department of Finance and Treasury Board and is included in Due from Governments in the financial statements.

i. Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability of this nature is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from operations that are no longer in productive use and is recognized when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Authority is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

For the fiscal year ended March 31, 2019, NSHA has not identified a liability for contaminated sites.

j. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

Provincial and federal government transfers, defined as operating or capital, are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

2. Summary of Significant Accounting Policies (cont'd)

Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and would be presented as non-financial assets in the statement of financial position.

Recovery revenues include reimbursement or coverage by a third party entity for expenses covered by NSHA. Expenses for which NSHA would typically recover include compensation and supplies.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments and is reported in the period earned. Restricted investment income is recognized as revenue in the period the related expenses are incurred or the terms of use are met.

k. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

l. Financial Instruments

Financial instruments are classified into either the cost/amortized cost or fair value categories. The cost/amortized cost category includes cash and cash equivalents, receivables, payables, long-term debt and accruals. These items are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Portfolio investments are measured at fair value. Once realized, the cumulative change in fair value is recognized in the statement of operations. Transaction costs of financial instruments in the fair value category, such as investment management fees, are expensed in the period in which they are incurred. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Management assesses financial instruments for impairment on an annual basis. When financial assets are impaired, impairment losses are recorded in the statement of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

2. Summary of Significant Accounting Policies (cont'd)

m. Measurement uncertainty

Measurement uncertainty exists in determining certain amounts at which items are recorded in these consolidated financial statements. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in accruals for such items as pension, retirement and other obligations. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace. Other areas requiring the use of management estimates include allowances for doubtful accounts, amortization rates and inventory.

n. Contributed Services

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

3. Cash and Cash Equivalents and Portfolio Investments

	2019	2018
	\$	\$
Cash and cash equivalents	24,575	31,673
Portfolio investments	50,281	47,593
	<u>74,856</u>	<u>79,266</u>
Amounts restricted for research and designated purposes	(59,317)	(52,802)
Amounts restricted for capital purposes	(5,713)	(5,314)
Amounts restricted for designated operating purposes	(297)	(789)
Unrestricted cash and cash equivalents	<u>9,529</u>	<u>20,361</u>

Restricted cash and portfolio investments consists of short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

3. Cash and Cash Equivalents and Portfolio Investments (cont'd)

Restricted cash and portfolio investments are designated to be used only in support of initiatives specifically approved by external funding organizations and individuals. Related investments are stated at fair market value. The corresponding restricted liabilities represent unexpended funds as of the end of the fiscal year, and will be recognized as revenue when the funds are used for their intended purpose.

4. Accounts Receivable

	2019	2018
	\$	\$
Patient care	45,258	39,212
Other	5,407	8,654
Grant revenue receivable	4,685	5,914
Payroll advances receivable	749	1,153
Due from Partners for Care	939	1,337
Less: provision for doubtful accounts	(12,461)	(5,625)
	44,577	50,645

5. Due from Governments and Other Government Organizations

	2019	2018
	\$	\$
Province of Nova Scotia		
Department of Finance & Treasury Board (Employee Future Benefits - see Note 10)	281,003	414,372
Department of Health & Wellness	97,022	105,969
Federal Government - HST	9,923	5,694
Other Provincial Governments	8,588	8,376
Workers Compensation Board	7,069	6,059
Other government organizations	3,963	2,117
IWK Health Centre	2,340	5,963
Less: provision for doubtful accounts	(3,821)	(4,076)
	406,087	544,474

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

6. Inventories of Supplies

	2019	2018
	\$	\$
Drugs	19,459	18,335
Departmental	12,368	11,467
Medical and surgical	6,848	6,416
Linen	2,708	2,712
	<u>41,383</u>	<u>38,930</u>

7. Tangible Capital Assets

	Land	Buildings	Equipment	Information technology	Construction in progress	2019 Total	2018 Total
Historical Costs							
Opening costs	4,434	1,580,079	502,777	11,466	111,752	2,210,508	2,478,886
Transfers	-	1,939	7,224	-	(9,163)	-	-
Additions	-	168	1,490	-	111,331	112,989	74,456
Disposals	(150)	(1,207)	-	-	-	(1,357)	-
Write-downs*	-	-	(15,831)	(3,148)	-	(18,979)	(342,834)
Closing costs	<u>4,284</u>	<u>1,580,979</u>	<u>495,660</u>	<u>8,318</u>	<u>213,920</u>	<u>2,303,161</u>	<u>2,210,508</u>
Accumulated Amortization							
Opening	-	906,415	371,871	8,636	-	1,286,922	1,560,515
Disposals	-	(566)	-	-	-	(566)	-
Write-downs	-	-	(15,831)	(3,148)	-	(18,979)	(342,834)
Amortization Expense	-	38,772	26,099	1,140	-	66,011	69,241
Closing	<u>-</u>	<u>944,621</u>	<u>382,139</u>	<u>6,628</u>	<u>-</u>	<u>1,333,388</u>	<u>1,286,922</u>
Net Book Value	<u>4,284</u>	<u>636,358</u>	<u>113,521</u>	<u>1,690</u>	<u>213,920</u>	<u>969,773</u>	<u>923,586</u>

**Write-downs are for the removal of equipment and IT assets which are no longer in use.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

8. Accounts Payable & Accrued Liabilities

	2019	2018
	\$	\$
Trade payables	83,489	89,528
Salary & benefits	97,378	111,359
Accrued liabilities	31,260	30,451
Vacation pay	17,884	16,120
	230,011	247,458

9. Deferred Revenue

	2019	2018
	\$	\$
Deferred operating revenue		
Balance, beginning of year	789	2,535
Receipts during the year	645	-
Recognized during the year	(1,137)	(1,746)
Balance, end of year	297	789
Deferred capital revenue		
Balance, beginning of year	5,314	965
Receipts during the year	4,989	4,634
Recognized during the year	(4,590)	(285)
Balance, end of year	5,713	5,314
Deferred Centre for Clinical Research revenue		
Balance, beginning of year	42,353	37,705
Receipts during the year	28,868	27,201
Recognized during the year	(23,988)	(22,553)
Balance, end of year	47,233	42,353
Deferred designated revenue		
Balance, beginning of year	10,449	9,843
Receipts during the year	3,324	31,594
Recognized during the year	(1,689)	(30,988)
Balance, end of year	12,084	10,449
	65,327	58,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

9. Deferred Revenue (cont'd)

Deferred operating revenue of \$297 [2018 - \$789] represents advance funding. Deferred capital revenue of \$5,713 [2018 - \$5,314] represents advance funding, received from Foundations and Partners for Care, for capital equipment that will be purchased or constructed in the coming year(s).

Contributions to the Centre for Clinical Research ["CCR"] Fund of \$47,233 [2018 - \$42,353] represents money that is available for spending at any time to meet the needs of the CCR and individual research investigators, according to specific, pre-approved terms of reference, and must be invested accordingly. Deferred revenue related to the CCR Fund represent the amount that must be used in support of these approved initiatives and projects which are consistent with the CCR's goals and objectives.

Deferred designated revenue of \$12,084 [2018 - \$10,449] relate to miscellaneous sources of external funding which are to be used for purposes specified by the related funding organization or individual. Sources of designated contributions include employee and employer paid premiums for employee health benefits, endowments and funding specified for other restricted purposes.

10. Employee Future Benefits – Summary

	2019	2018
	\$	\$
Employee future benefits summary		
Ending balance, retiring allowances (Note 10a)	22,991	161,627
Ending balance, health and life insurance (Note 10b)	200,100	192,675
Ending balance, non-vested sick-leave benefits (Note 10c)	57,912	60,070
Ending balance, employee future benefits	281,003	414,372

10a. Employee Future Benefits – Retiring Allowances

Retiring allowances paid to employees upon retirement are actuarially determined. The retiring allowance value is calculated using the projected unit credit method, prorated on services. Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life of 10 years. Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance and Treasury Board. Effective April 1, 2015, retiring allowances have been frozen resulting in no further increases in service time

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

10a. Employee Future Benefits – Retiring Allowances (cont'd)

and rates of pay to be applied to the plan benefits. In January 2018, eligible management and non-unionized staff were offered a one-time service payout option in lieu of the retirement allowance available at the time of retirement. This resulted in a total service payout of \$23 million to 83% of those eligible employees, which was accrued for at March 31, 2018 and paid in April 2018. In October 2018, unionized employees were offered a one-time service payout option in lieu of the retirement allowance available at the time of retirement. This resulted in a total service payout of \$119 million to 89% of those eligible employees, which was paid during the year. This immediate payout triggered a partial plan settlement under PS 3250, and as such a net cost of \$6.6 million has been reflected in expenses.

The Nova Scotia Department of Finance and Treasury Board fully funds this liability; therefore, a corresponding accounts receivable amount is recorded. Under Union Collective agreements, employees are entitled to a payment of one week's salary for every year of full-time service [max. 26 weeks] that an employee has served with the organization. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards. The most recent actuarial valuation was conducted as at June 30, 2017, with actuarial liabilities extrapolated to March 31, 2019.

NSHA has provided for retiring allowances as follows:

	2019	2018
	\$	\$
Accrued benefit liability		
Beginning balance, accrued benefit obligation	162,949	163,493
Interest cost during the year	3,542	5,381
Impact of plan settlement	4,359	5,561
Settlement payouts	(134,154)	-
Experience loss	1,429	5,218
Benefits paid	(14,664)	(16,704)
Accrued benefit obligation	23,461	162,949
Unamortized actuarial loss	(470)	(1,322)
Ending balance, accrued benefit liability	22,991	161,627

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

10a. Employee Future Benefits – Retiring Allowances (cont'd)

	2019	2018
Employee future benefits retiring allowance expense:	\$	\$
Interest on accrued benefits	3,542	5,381
Curtailment	2,253	-
Impact of plan settlement	4,359	5,561
Amortization of actuarial loss (gain)	28	(159)
	10,182	10,783

The significant weighted average assumptions adopted in measuring NSHA's retiring allowances are as follows as at March 31:

	2019	2018
Discount rate	3.29%	3.42%
Average age of employees	47.4	45.6
Average years of services	11.8	11.7
Future mortality rate	[none assumed]	
Rate of compensation increase	0.5% - 2%	1.0% - 2%
Promotional increase	0.4% - 2.9%	0.4% - 2.9%

10b. Employee Future Benefits – Health and Life Insurance

NSHA provides health and optional life insurance benefits to employees under Union Collective agreements at the choice of the employee at retirement (life insurance is applicable to former Capital District Health Authority employees only). NSHA contributes to the cost of these premiums. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for government departments, government agencies and boards. The most recent actuarial valuation was conducted as at December 31, 2017, with actuarial liabilities extrapolated to March 31, 2019.

The health and life insurance value is calculated using the projected unit credit method, prorated on service. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years for active employees. Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance and Treasury Board. The Nova Scotia Department of Finance and Treasury Board fully funds this liability; therefore, a corresponding accounts receivable amount is recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

10b. Employee Future Benefits – Health and Life Insurance (cont'd)

NSHA has provided for health and life insurance as follows:

	2019	2018
Accrued benefit liability	\$	\$
Beginning balance, accrued benefit obligation	176,866	167,975
Current service cost for the year	7,719	7,414
Interest cost during the year	5,983	5,947
Experience loss	3,275	444
Benefits paid	(5,385)	(4,914)
Accrued benefit obligation	188,458	176,866
Unamortized actuarial gains	11,642	15,809
Ending balance, accrued benefit liability	200,100	192,675

	2019	2018
Employee future benefits health and life insurance expense:	\$	\$
Current service costs	7,719	7,414
Interest on accrued benefits	5,983	5,947
Amortization of actuarial gain	(892)	(846)
	12,810	12,515

The significant weighted-average actuarial assumptions adopted in measuring NSHA's health and life insurance are as follows as at March 31:

	2019	2018
Discount rate	3.29%	3.42%
Participation rate - Health	80%-95%	80% - 95%
Future mortality rate based on CPM 2014 Public sector table with mortality scale CPM-B	120%	120%
Rate of compensation increase	0.5% - 2%	0.5% - 2%
Promotion increase	0.4% - 2.9%	0.4% - 2.9%
Rate of healthcare inflation, (reduced to a rate of 4.5% over 15 years)	7%	7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

*[in thousands of Canadian dollars]***10c. Employee Future Benefits – Non-Vested Sick-Leave Benefits**

NSHA provides non-vested sick-leave benefits to certain employees. These employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the consolidated financial statements. Actuarial gains and losses are amortized over the expected average remaining service life of 10 years. The most recent actuarial valuation was conducted as at March 31, 2017, with actuarial liabilities extrapolated to March 31, 2019.

NSHA has provided for non-vested sick-leave benefits as follows:

	2019	2018
Accrued benefit liability	\$	\$
Beginning balance, accrued benefit obligation	38,320	48,046
Current service cost for the year	5,157	8,863
Interest cost during the year	1,254	1,730
Experience (gain) loss	256	(15,536)
Benefits paid	(6,168)	(4,783)
Accrued benefit obligation	38,819	38,320
Unamortized actuarial gains	19,093	21,750
Ending balance, accrued benefit liability	57,912	60,070

	2019	2018
Employee future benefits, non-vested sick-leave benefits expense:	\$	\$
Current service costs	5,157	8,863
Interest on accrued benefits	1,254	1,730
Amortization of actuarial gains	(2,402)	(849)
	4,009	9,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

10c. Employee Future Benefits – Non-Vested Sick-Leave Benefits (cont'd)

The significant weighted-average actuarial assumptions adopted in measuring NSHA's non-vested sick leave benefits are as follows as at March 31:

	2019	2018
Discount rate	3.29%	3.42%
Future mortality rate based on CPM 2014 Public Sector table with mortality scale CPM-B	120%	120%
Rate of compensation increase	1.5% – 2%	1.5% – 2%
Promotional increase	0.4% – 2.9%	0.4% – 2.9%

11. Pension Funds

Nova Scotia Health Employees' Pension Plan

The majority of NSHA employees participate in the multi-employer Nova Scotia Health Employees' Pension Plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. Health Association Nova Scotia administers the pension plan. The NSHA's responsibility with regard to this plan is limited to its contributions.

Nova Scotia Public Service Superannuation Plan

Certain employees of the former district health authorities belong to the Nova Scotia Public Service Superannuation Fund. This plan is funded equally by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. The Nova Scotia Pension Agency administers the pension plan. The NSHA's responsibility with regard to this plan is limited to its contributions.

Total employer contributions to the above mentioned plans are as follows:

	2019	2018
	\$	\$
Employer contributions	100,886	94,082

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

12. Long-Term Disability Plan

Health Association Nova Scotia

The majority of NSHA employees are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. Health Association Nova Scotia administers this long-term disability plan. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

Nova Scotia Public Service Long-Term Disability Plan Trust Fund

Certain employees of the former district health authorities are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in NSHAs' operating expenses. The Plan is currently administered by the Province of Nova Scotia and the Nova Scotia Government Employees Union. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

Long-Term Disability Plan for Clinical Research

Certain employees of the former district health authorities are members of this plan which is funded by employee and employer contributions. The employer's contributions are included in NSHAs' operating expenses. The Plan is currently administered by Great West Life. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

Total employer contributions to the long-term disability plans are as follows:

	2019	2018
	\$	\$
Employer contributions	15,405	14,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

13. Contractual Obligations

NSHA has entered into a number of multiple-year contracts for the delivery of supplies, services and operating leases. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Estimated annual minimum lease payments and purchase commitments in each of the next five years are expected as follows:

	\$
2020	16,003
2021	11,841
2022	9,775
2023	6,593
2024	3,977
Thereafter in aggregate	13,612

14. Long-Term Debt

	2019	2018
	\$	\$
Term loan - parking garage	3,369	4,095
Term loan - building improvements	190	225
	3,559	4,320

In 2003/2004, the former Capital District Health Authority received approval from its Board of Directors and the Department of Health & Wellness to construct a new multi-level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2004/2005 fiscal year. The final project cost was \$11,000.

A debenture between the former Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this capital project. The Department of Health & Wellness issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913% annually, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling \$479.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

14. Long-Term Debt (cont'd)

Total principal repayments required in respect of long term debt as at March 31, 2019 for each of the next five years and thereafter are as follows:

	\$
2020	805
2021	851
2022	900
2023	952
2024	35
Thereafter in aggregate	16

The total gross interest paid on long term debt for the year ended March 31, 2019 was \$328 [2018 - \$328].

NSHA has access to a \$65,000 line of credit with a Canadian chartered bank which may be used for general operating purposes. Draws on the facility bear interest at the bank's prime rate less 0.80% per annum. As at March 31, 2019, NSHA has \$nil [2018 - \$nil] draws against this facility.

NSHA also has access to a \$7,500 revolving lease line of credit with a Canadian chartered bank which may be used for the acquisition of capital assets. Draws on the facility bear interest at a rate to be negotiated at the time of the draw. As at March 31, 2019 NSHA has \$nil [2018 - \$nil] draws against this facility.

15. Financial Instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities of another entity. Financial assets represent a contractual right to receive cash in the future and financial liabilities represent a contractual obligation to deliver cash in the future. NSHA's financial assets include cash and cash equivalents, portfolio investments and receivables. NSHA's financial liabilities include accounts payable, long-term debt and accrued liabilities.

Restricted portfolio investments consist of the following:

	FV hierarchy level	2019 \$	2018 \$
Investments at fair value			
Short term investments	Level 2	2,040	3,216
Canadian government & corporate bonds	Level 2	-	14,381
Common equities & related securities	Level 1	48,241	29,996
		50,281	47,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

15. Financial Instruments (cont'd)

The fair value hierarchy level is provided to present the degree of objectivity of the fair values of the investment portfolio. The levels are defined as follows:

- Unadjusted quoted prices in an active market for an identical asset/liability [Level 1];
- Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices] [Level 2]; and
- Inputs for the asset or liability that are not based on observable market data [unobserved inputs] [Level 3].

Risk management

NSHA is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate risk, market risk, credit risk, liquidity risk, and foreign exchange risk.

Under NSHA's Investment Policy, money market securities are limited to a rating of R-1 or higher and no more than 10% may be invested in any one issuer. Investments in corporate bonds are limited to BBB or equivalent rated bonds and no more than 30% of the total fixed income securities.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NSHA is subject to interest rate risk relating to the fixed-term investment portion of the portfolio, short-term borrowings and long-term debt.

Interest rate risk is mitigated through diversification of the investment portfolio and the use of fixed-rate financing where applicable.

NSHA has entered into fixed rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt. NSHA does not have any variable interest rate debt.

The future principal repayments required in respect of long term debt are described in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

15. Financial Instruments (cont'd)

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

NSHA authorizes RBC Dominion Securities Inc. to manage its short-term and long-term investment portfolio based on its established investment objectives: in determining the degree of risk, greater relevant importance is to be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity, diversification of investment portfolio or a competitive return on investment.

Cash investments [including T-bills] shall have a minimum rating of R-1 by the Dominion Bond Rating Service [DBRS] or equivalent. Fixed income securities [Provincial/Federal, Municipal and Corporate Bonds] must have a minimum credit rating of "A" by DBRS or an equivalent rating by another recognized rating agency.

Equity investments may be made primarily in mid/large cap companies that are listed on a major North American or International stock exchange. Equities must be diversified in at least five of the 10 multiple sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunications Services and Utilities. A typical portfolio may be invested 60% in mid/large cap common shares, 35% in fixed income and no more than 5% in cash and equivalents.

Venture capital and speculative securities shall not be permitted. No more than 10% of the equity/debt portion of the portfolio may be invested in the equity of any one corporation, government or agency, with the exception of the Government of Canada or guarantees of the Government of Canada.

A 10% change in the market prices of these investments, with all other variables held constant, would have a \$4,824 [2018 - \$4,438] impact on net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

15. Financial Instruments (cont'd)

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligation. NSHA is exposed to credit risk with respect to accounts receivable. NSHA has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis. The allowance for doubtful accounts at March 31, 2019 amounts to \$16,354 [2018 - \$9,730].

The aging of trade accounts receivable was as follows:

	2019	2018
	\$	\$
Current	25,022	31,525
61-90 days	1,621	1,467
90-120 days	1,262	673
Greater than 120 days	16,672	16,980
Total	44,577	50,645

Liquidity risk

Liquidity risk is the risk of limitations on NSHA's ability to convert financial assets to cash in order to meet financial liabilities. NSHA has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. NSHA monitors its liquidity risk by updating and reviewing its multi-year cash flow projections on a regular and as needed basis, and by matching its long-term financing arrangements with its cash flow needs.

Foreign exchange risk

NSHA's operating results and financial positions are reported in Canadian dollars. Some of NSHA's financial instruments and transactions are denominated in currencies other than Canadian dollar, and therefore, its operations are subject to currency transaction and translation risks. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

NSHA occasionally makes payments denominated in foreign currencies. Most of these foreign transactions are in US dollars with vendors located in the USA. Foreign currency is acquired in Canadian dollars at the spot rate in the amounts necessary to cover the foreign currency amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

15. Financial Instruments (cont'd)

The currency most contributing to the foreign exchange risk is the US dollar. Comparative foreign exchange rates as at March 31 are as follows:

	2019	2018
	\$	\$
US dollar per Canadian dollar	0.7483	0.7756

NSHA has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

Capital management

In managing capital, NSHA focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2019, NSHA has met its objective of having sufficient liquid resources to meet its current obligations.

16. Other Revenue

	2019	2018
	\$	\$
Out of Province – Patient	25,522	24,177
Uninsured Services – Patient	18,854	19,301
Out of Country – Patient	12,673	13,427
Workers Compensation	11,744	10,585
PDDP External Drug Sales	9,294	9,188
Preferred Accommodation	8,506	5,830
Parking	5,279	7,712
Other	315	12,927
Total	92,187	103,147

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

17. Net Change in Other Items

	2019	2018
	\$	\$
Decrease (increase) in accounts receivable	6,068	25,849
Decrease (increase) in due from governments	138,387	(85,049)
(Increase) decrease in due from foundations	(846)	1,594
<u>(Decrease) increase in accounts payable</u>	<u>(17,447)</u>	<u>52,328</u>
<u>Total changes in non-cash working capital items</u>	<u>126,162</u>	<u>(5,278)</u>

18. Accumulated Surplus

The accumulated surplus is made up as follows:

	2019	2018
	\$	\$
Beginning balance, accumulated surplus	924,744	919,529
Current year operating surplus (deficit)	-	-
<u>Current year capital surplus (deficit)</u>	<u>47,585</u>	<u>5,215</u>
<u>Ending balance, accumulated surplus</u>	<u>972,329</u>	<u>924,744</u>

19. Operational & Capital Funding Reconciliation

As per the Health Authorities Act of Nova Scotia, the NSHA is to reconcile the annual operating and capital funding surplus/deficit to the current year operating and capital surplus or deficit reported on the statement of operations and accumulated surplus.

The below schedule is the reconciliation of the operating and capital funding:

	2019	2018
	\$	\$
Annual surplus	47,585	5,215
Amortization	66,011	69,241
Capital grants	(113,596)	(74,456)
<u>Current year operating surplus (deficit)</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

20. Related Parties and Inter-Entity Transactions

NSHA is related in terms of common ownership to all Province of Nova Scotia created departments, agencies, boards and commissions. Related parties also include key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Authority. This includes the senior leadership team, and members of the Board of Directors and their close family members. NSHA enters into transactions with these entities in the normal course of business measured at the exchange amount. This disclosure is in addition to the related party disclosure provided elsewhere in these consolidated financial statements.

The Province of Nova Scotia has centralized some of its administrative activities for efficiency and cost-effectiveness purposes. As a result, the Province of Nova Scotia uses a shared services model so that one department performs services for other departments, agencies, boards and commissions without charge. The costs of these services, such as Transportation and Infrastructure Renewal project management services and Internal Services information technology support provided by the Province of Nova Scotia to NSHA, are not recognized in the financial statements.

21. Contingent Liabilities

NSHA may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business. NSHA believes it is not exposed to a material adverse effect on its financial position as management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

[in thousands of Canadian dollars]

22. Budgeted Figures

Budgeted figures, detailed within NSHA's 2018-19 Business Plan, have been provided for comparison purposes and have been approved by the Department of Health and Wellness. Budgeted figures included in the consolidated financial statements are not audited.

The following presents a reconciliation between NSHA's original budget, the final budget approved by the Department of Health and Wellness and the budget as presented in the consolidated financial statement of operations and accumulated surplus to align with the presentation of the current year results

REVENUES	
Department approved operating revenue	2,080,171
Recoveries	45,803
Capital grants - Provincial	30,181
Capital grants - Other	20,204
Capital transfers	<u>88,929</u>
	<u>2,265,288</u>
EXPENSES	
Department approved operating expenses	2,080,171
Recoveries	45,803
Amortization	<u>72,000</u>
	<u>2,197,974</u>

23. Comparative Figures

The comparative consolidated financial statements have been reclassified from the statements previously presented to conform to the presentation adopted for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019
[in thousands of Canadian dollars]

SCHEDULE OF EXPENSES

	2019	2018
	\$	\$
Compensation	1,572,621	1,535,346
Medical/surgical supplies	129,941	134,497
Drugs	124,482	108,872
Equipment and maintenance	71,491	70,284
Other	68,663	64,905
Amortization	66,011	69,241
Utilities	56,169	50,831
Clinical supplies	41,822	40,811
Plant operations	40,703	42,202
Clinical research and designated programs	25,962	53,857
Professional fees	22,152	19,293
Laundry and linen supplies	16,528	17,292
Food and dietary supplies	16,304	16,879
Travel and education	13,617	11,836
Total expenses	2,266,466	2,236,146

See accompanying notes