



Consolidated Financial Statements

**Nova Scotia Health Authority**

March 31, 2016

## MANAGEMENT'S REPORT

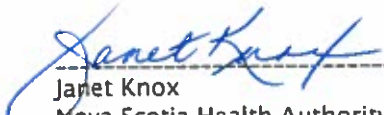
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial 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 Board. The Board reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements yearly.

The Auditor General of Nova Scotia provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian auditing standards and includes test 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  
Nova Scotia Health Authority  
Vice President Stewardship and  
Accountability and CFO

June 29, 2016



5161 George Street  
Royal Centre, Suite 400  
Halifax, Nova Scotia  
B3J 1M7

# Auditor General of Nova Scotia

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Nova Scotia Health Authority:

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Nova Scotia Health Authority, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated deficits, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Nova Scotia Health Authority as at March 31, 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information disclosed in Note 19 is presented for the purposes of additional information in accordance with the Health Authorities Act and is not a requirement of Canadian public sector accounting standards. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the consolidated financial statements taken as a whole.

Michael A. Pickup, CPA, CA  
Auditor General of Nova Scotia

June 29, 2016  
Halifax, Nova Scotia

902 424 4046 tel  
902 424 4350 fax  
www.oag-ns.ca

Michael.Pickup@novascotia.ca



Nova Scotia Health Authority

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

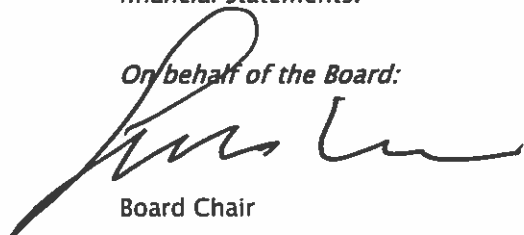
As at March 31, 2016  
*[in thousands of Canadian dollars]*

	<i>Note</i>	2016 \$
<b>Financial assets</b>		
Restricted cash, investments & other	7	45,338
Accounts receivable	4	76,865
Due from government	5	487,348
Due from foundations		9,351
Investment in Partners for Care	16	725
		<u>619,627</u>
<b>Liabilities</b>		
Amounts due to research fund	7	7,067
Accounts payable and accrued liabilities	9	203,084
Restricted liabilities	7	45,338
Employee future benefits	11	405,848
Deferred operating revenue	10	1,835
Deferred capital revenue	10	1,803
Long-term debt	15	6,672
		<u>671,647</u>
<b>Net debt</b>		<u>(52,020)</u>
<b>Non-financial assets</b>		
Tangible capital assets	8	841,210
Construction in progress	8	75,989
Inventories of supplies	6	35,685
Prepaid expenses		8,009
		<u>960,893</u>
<b>Accumulated surplus</b>	18	<u>908,873</u>

*Commitments & contingencies (Notes 14 and 20), Subsequent events (Note 22)*

*The accompanying notes and schedules 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**

Year ended March 31, 2016  
*[in thousands of Canadian dollars]*

	Budget 2016 \$	Actual 2016 \$
<i>Note</i>		
	[Note 21]	
<b>REVENUE</b>		
Operating grants – Provincial	1,727,223	1,795,843
Operating grants – Federal	44,886	46,847
Capital grants – Provincial	37,600	40,041
Capital grants – Other	29,700	18,150
Research & designated contributions	50,833	52,645
Other revenue	85,807	97,633
Recoveries	53,362	80,672
Investment revenue	1,695	922
Income from Partners for Care	16	394
<b>Total revenue</b>	<b>2,031,106</b>	<b>2,133,147</b>
<b>EXPENSES</b>		
Chief Executive Officer	4,305	3,893
NS Provincial Programs	4,889	5,263
Integrated Health Program Care 1	482,606	504,227
Integrated Health Program Care 2	523,413	549,279
Medicine and Integrated Health Services	102,724	112,257
Learning, Research & Innovation	50,930	52,983
People Services	78,370	109,009
Stewardship and Accountability	337,982	347,642
Quality and System Performance	14,425	13,035
Integrated Health Community Support	265,779	267,550
Primary Care and Population Health	168,383	179,558
<b>Total expenses</b>	<b>2,033,806</b>	<b>2,144,696</b>
<b>Operating deficit</b>	<b>(2,700)</b>	<b>(11,549)</b>
<b>Net effect of restructuring transaction</b>	<b>3</b>	<b>920,422</b>
<b>Accumulated surplus, end of year</b>	<b>18</b>	<b>908,873</b>

*The accompanying notes and schedules are an integral part of these consolidated financial statements. See Schedule A for expense schedule by object.*

Nova Scotia Health Authority

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

Year ended March 31, 2016  
*[in thousands of Canadian dollars]*

	<b>Budget</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
	<u>[Note 21]</u>	
<b>Net deficit</b>	<u>(2,700)</u>	<u>(11,549)</u>
<b>Change in tangible capital assets</b>		
Acquisition of tangible capital assets	(67,300)	(60,383)
Amortization of tangible capital assets	70,000	70,538
Disposals of tangible capital assets	—	—
<b>Decrease in tangible capital assets</b>	<u>2,700</u>	<u>10,155</u>
<b>Change in other non-financial assets</b>		
Net change in inventories	—	(10,344)
Net change in prepaid expenses	—	(1,145)
<b>Decrease in other non-financial assets</b>	<u>—</u>	<u>(11,489)</u>
<b>Increase in net debt</b>	<u>—</u>	<u>(12,883)</u>
<b>Net debt, transferred in due to restructuring</b>		<u>(39,137)</u>
<b>Net debt, end of year</b>		<u>(52,020)</u>

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

Nova Scotia Health Authority

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended March 31, 2016  
*[in thousands of Canadian dollars]*

	2016 \$
<b>OPERATING ACTIVITIES</b>	
Net deficit	(11,549)
Items not affecting cash	
Amortization of tangible capital assets	70,538
Capital revenue	(58,191)
Increase in value of investments	(973)
Employee future benefits expenses	78,841
Other	(291)
Inventories of supplies	(10,344)
Prepaid expenses	(1,145)
Change in deferred revenue	(5,369)
Change in other non-cash working capital items	7,108
Employee future benefits paid	(24,435)
<b>Cash provided by operating activities</b>	<b>44,190</b>
<b>CAPITAL ACTIVITIES</b>	
Acquisition of tangible capital assets	(69,346)
<b>Cash applied to capital activities</b>	<b>(69,346)</b>
<b>FINANCING ACTIVITIES</b>	
Debt retirement	(907)
<b>Cash applied to financing activities</b>	<b>(907)</b>
<b>INVESTING ACTIVITIES</b>	
Redemption of portfolio investments	16,976
Restricted funding	(21,485)
<b>Cash applied to investing activities</b>	<b>(4,509)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(30,572)</b>
<b>Cash and cash equivalents, transferred in due to restructuring</b>	<b>23,505</b>
<b>Cash and cash equivalents, end of year</b>	<b>(7,067)</b>

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

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 1. Nature of the Organization

The Nova Scotia Health Authority (NSHA) was established on April 1st, 2015 under the *Health Authorities Act* (Nova Scotia). Effective April 1st, 2015, nine of the ten existing health authorities in the province of Nova Scotia were amalgamated. All of the assets, liabilities, rights and obligations of the former health authorities were assumed by the NSHA – see Note 3 for details of the restructuring transaction.

The objectives of the provincial health authority 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.

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

These 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”]. No comparative information is included in these consolidated financial statements as the 2015/2016 fiscal year represents the NSHA’s first year of operations.

##### 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 NSHA consolidates its investment in a government business enterprise using the modified equity method. This business enterprise is Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care.



## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

Under the modified equity method of accounting, only NSHA's investment in the business enterprise and the business enterprise's net income and other changes in equity are recorded. The accounting principles of the business enterprise are not adjusted to conform with those of the NSHA who follows the standards applicable to Government not-for-profit organizations. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

##### c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and 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.

##### d. Financial instruments

Financial instruments must be 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.

Management assesses financial instruments for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported as a realized loss on the statement of operations.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

##### e. Portfolio investments

Portfolio investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, and any other investments that are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

All investment transactions are recorded on a trade date basis.

##### f. Restricted cash and portfolio investments and restricted liabilities

Restricted cash and portfolio investments are designated to be used only in support of initiatives specifically approved by external funding organizations or as permitted by provincial legislation. Related investments are stated at fair market value. Externally restricted funding is recognized as revenue in the period in which the funds are used for their intended purposes; 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.

##### g. Employee future benefits

Employee future benefits include retiring allowances/public service awards paid to employees upon retirement, health and life insurance, as well as three separate pension funds. A liability for employee future benefits has been included in the financial statements in the current year. The Province of Nova Scotia funds the employees' retiring allowances and as a result a receivable for the same amount has been recorded from the Department of Finance.

The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employee retirement age, mortality rates and discount rates.

The methods used in this valuation of costs and obligations were selected by the Provincial Department of Finance in accordance with the requirements of PSAB Section 3255.

# Nova Scotia Health Authority

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

The Provincial Department of Finance has selected the assumptions used in the valuation of plan costs and obligations. They are management's best estimate assumptions, selected for accounting purposes in accordance with Section 3255 of the PSAB Handbook. These assumptions are in accordance with accepted actuarial practice. The Province of Nova Scotia funds the employees' sick leave benefits so a receivable for the same amount has been recorded from the Department of Finance.

#### **h. Deferred revenue**

Certain amounts are 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.

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

#### **i. 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.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs [e.g. insurance, maintenance costs, etc.]. The discount rate used to determine the present value of the lease payments is the lower of NSHA's rate for incremental borrowing or the interest rate implicit in the lease. Note 14 provides a schedule of repayments and amount of interest on the leases.

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	50 years
Leasehold improvements	Lessor of term or 10 years
Equipment	10 years
Parking garage	50 years
Information technology	5 years

NSHA will continue 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 the projects are completed.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

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. When the useful life is expected to change, NSHA would provide adequate documentation supporting the decision to amend the useful life of the asset. The effect of this change will be recorded in the year of revision and in future years. The financial statements of previous years are not restated due to the change in an estimated useful life.

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. Write downs 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.

#### **j. Inventories of supplies**

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

#### **k. Prepaid expenses**

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

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

##### 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 exceed maximum acceptable amounts under an environmental standard. The NSHA is required to recognize a liability related to the cost of the remediation of contaminated sites when certain recognition criteria are met. For the fiscal year ended March 31, 2016, NSHA has not identified a liability for contaminated sites.

##### m. Revenues

Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions are deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer from the Province of Nova Scotia is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the NSHA.

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the NSHA if the amount can be reasonably estimated and collection is reasonably assured. All non-government contribution or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

In patient, out-patient, food & laundry services, laboratory and parking revenue are recognized as revenue when the related service is rendered or goods are provided. Rental income is recognized on a straight-line basis over the term of the lease.

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

##### n. Expenses

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

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

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

##### **o. Measurement uncertainty**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Some of these items include retirement allowances, health benefit liabilities, amortization rates on tangible capital assets and the allowance for doubtful accounts. Actual results could differ from these estimates.

##### **p. Application of new Canadian public sector accounting standards**

Effective April 1, 2015, the NSHA early adopted PS 3430 – Restructuring Transactions. This section establishes the standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018 but permits early adoption. See Note 3 – Restructuring Transaction.

#### 3. Restructuring Transaction

Effective April 1, 2015, the province of Nova Scotia's nine district health authorities (South Shore District Health Authority, South West Nova District Health Authority, Annapolis Valley District Health Authority, Colchester East Hants Health Authority, Cumberland Health Authority, Pictou County Health Authority, Guysborough Antigonish Strait Health Authority, Cape Breton District Health Authority and Capital District Health Authority) were amalgamated into a new entity, the Nova Scotia Health Authority (NSHA). The Government restructured the former district health authorities into the new NSHA in order to leverage enhanced and streamlined system planning.

Each of the former district health authorities transferred all of their assets and liabilities together with any related health programs and operating responsibilities to the newly established, NSHA. There was no consideration and/or compensation exchanged in the transaction and all assets and liabilities were transferred at their carrying values. Following the restructuring, it was determined that there was a significant amount of inventory sitting in departments across the NSHA which had been expensed to the various units. The value of this inventory was estimated to be

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 3. Restructuring Transaction (con't)

\$7.4M at March 31, 2016. NSHA is unable to make a reliable estimate of the value of the departmental inventory at the restructuring date of April 1, 2015. Therefore, this resulted in an adjustment in the current year of \$7.4M.

See Schedule B for the carrying values of the assets and liabilities immediately prior to the restructuring.

The nine former district health authorities ceased to exist following the amalgamation. Contractual obligations transferred to the NSHA include operating leases of the former district health authorities (Note 14). All of the former district health authorities were involved in various legal proceedings, claims & litigation that arose in the normal course of business. The outcome of these matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement. NSHA management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligations arising from any former or future lawsuits.

Restructuring related costs include executive severance payments to former employees of \$1,498 reported as a payroll expense in the applicable program on the statement of operations. The net effect of the restructuring transaction on the NSHA financial statements is \$920,422 and can be found as a separate line item on the statement of operations.

4. Accounts Receivable	2016
	\$
Patient care	39,361
Other	38,862
Payroll advances receivable	3,048
Due from Partners for Care	2,881
Homecare/VON	1,587
Less: provision for doubtful accounts	(8,874)
	<u>76,865</u>

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

<b>5. Due from Government</b>	<b>2016</b>
	\$
Province of Nova Scotia	
Employee future benefits	405,848
Department of Health & Wellness	70,764
Federal government – HST	10,551
Federal government – Grants	185
	<b>487,348</b>

<b>6. Inventories of supplies</b>	<b>2016</b>
	\$
Drugs	13,310
Departmental	11,368
Medical and surgical	8,442
Linen	2,565
	<b>35,685</b>

### 7. Cash & Cash Equivalents and Restricted Assets/Liabilities

The restricted assets and liabilities represent funding from external organizations, the use of which is restricted as described below:

<b>Restricted assets</b>	<b>2016</b>
	\$
Cash	13,714
Amounts owing from operating fund	7,067
Investments (at fair market value)	24,557
	<b>45,338</b>



**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**7. Cash & Cash Equivalents and Restricted Assets/Liabilities (cont'd)**

<b>Restricted liabilities</b>	<b>2016</b>
	<b>\$</b>
Centre for Clinical Research	<b>36,000</b>
Other	<b>9,338</b>
	<b>45,338</b>

Contributions to the Centre for Clinical Research ["CCR"] Fund 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. Restricted liabilities 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. Other restricted liabilities relate to miscellaneous sources of external funding which are to be used for purposes specified by the related funding organizations.

For the year ended March 31, 2016, amounts added to restricted liabilities, and the expenditures made there from, were as follows:

	<b>Centre for</b>	
	<b>Clinical research</b>	<b>Other</b>
Balance of restricted liabilities,		
transferred in due to restructuring	<b>33,499</b>	<b>12,542</b>
Funding received during the year	<b>27,007</b>	<b>32,089</b>
Expenditures made during the year	<b>(24,506)</b>	<b>(35,293)</b>
Balance of restricted liabilities, end of year	<b>36,000</b>	<b>9,338</b>

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

8. Tangible Capital Assets

<b>Historical Costs</b>	<b>Transferred in</b>	<b>Additions</b>	<b>2016</b>
Land and land improvements	\$ 11,620	\$ -	\$ 11,620
Buildings	1,232,838	19,084	1,251,922
Equipment	721,433	33,625	755,058
Information technology	55,515	2,613	58,128
Parking & paving	17,208	300	17,508
Assets under capital lease	4,428	-	4,428
Construction in progress	71,228	4,761	75,989
	<u>\$ 2,114,270</u>	<u>\$ 60,383</u>	<u>\$ 2,174,653</u>

<b>Accumulated Amortization</b>	<b>Transferred in</b>	<b>Amortization expense</b>	<b>2016</b>
Land and land improvements	\$ 6,086	\$ 244	\$ 6,330
Buildings	544,141	35,771	579,912
Equipment	573,600	32,097	605,697
Information technology	52,297	1,373	53,670
Parking & paving	7,056	626	7,682
Assets under capital lease	3,736	427	4,163
	<u>\$ 1,186,916</u>	<u>\$ 70,538</u>	<u>\$ 1,257,454</u>

		<b>Net Book Value</b>	
		<b>Transferred in</b>	<b>2016</b>
Land and land improvements	\$	5,534	\$ 5,290
Buildings		688,697	672,010
Equipment		147,833	149,361
Information technology		3,218	4,458
Parking & paving		10,152	9,826
Assets under capital lease		692	265
Construction in progress		71,228	75,989
	<u>\$</u>	<u>927,354</u>	<u>\$ 917,199</u>

**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**9. Accounts Payable & Accrued Liabilities**

	2016
	\$
Trade payables	75,409
Salary & benefits	73,836
Accrued liabilities	32,228
Vacation pay	21,611
	<u>203,084</u>

**10. Deferred Revenue**

Deferred operating revenue of \$1,835 represents advance funding received in the current year from the Department of Health & Wellness for the year ending March 31, 2017, as well as other program deferred funding. Deferred capital revenue of \$1,803 represents advance funding received for capital equipment that will be purchased or constructed in the coming year(s).

	2016	
	Operating	Capital
	\$	\$
Balance, transferred in due to restructuring	9,037	1,478
Net transfers during the year	(7,202)	325
Balance, end of year	<u>1,835</u>	<u>1,803</u>

**11a. Employee Future Benefits – Summary**

	2016
	\$
<b>Employee future benefit summary</b>	
Ending balance, retiring allowance (see Note 11b)	178,982
Ending balance, health and life (see Note 11c)	175,410
Ending balance, non-vested sick-leave benefits (see Note 11d)	51,456
Ending balance, employee future benefits	<u>405,848</u>

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 11b. Employee Future Benefits – Retiring Allowances

Retiring allowances paid to employees upon retirement are actuarially determined. The retiring allowance value is calculated by the Provincial Department of Finance for the NSHA. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of 11 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. Effective April 1, 2015, retiring allowances have been frozen resulting in no further increases in service time and rates of pay to be applied to the plan benefits.

The Department of Finance 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 contributed to 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, 2015.

NSHA has provided for retiring allowances as follows:

	2016
	\$
<b>Accrued benefit liability</b>	
Accrued benefit obligation transferred in due to restructuring	174,530
Interest cost during the year	6,691
Impact of curtailment	8,996
Other (past service, transfers, etc.)	4,880
Amortization of experience (gain) loss	(6,290)
Fiscal payments for employees	(16,115)
Accrued benefit obligation	172,692
Unamortized actuarial losses (gains)	6,290
Ending balance, accrued benefit liability	178,982

**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**11b. Employee Future Benefits – Retiring Allowances (con’t)**

	2016
	\$
<b>Employee future benefits retiring expense</b>	
Interest on accrued benefits	6,691
Curtailment	8,996
Amortization of experience loss	–
Unamortized actuarial losses (gains)	39,917
	<b>55,604</b>

The significant actuarial assumptions adopted in measuring NSHA’s retiring allowances are as follows [weighted average assumptions]:

	2016
Discount rate	3.71%
Retirement % at age 65	25%
Average age of employees	44.3
Average years of service	12.3
Future mortality rate	[none assumed]
Rate of compensation increase [based on average]	<b>2.25% plus promotion increase</b>

**11c. Employee Future Benefits – Health and Life Insurance**

NSHA provides health and life insurance benefits to employees upon retirement. Under Union Collective agreements, employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. NSHA contributes to the cost of these premiums. 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, 2015.

**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**11c. Employee Future Benefits – Health and Life Insurance (con’t)**

The health and life insurance value is calculated by the Provincial Department of Finance for NSHA. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the PSAB Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years for most employees and 11 years for those in the Nova Scotia Nurses’ Union [“NSNU”] plan. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance covers this liability; therefore a corresponding accounts receivable balance is recorded.

NSHA has provided for health and life insurance as follows:

	2016
	\$
<hr/>	
<b>Accrued benefit liability</b>	
Accrued benefit obligation transferred in due to restructuring	158,980
Current service cost for the year	7,325
Interest cost during the year	6,325
Other (past service, transfers, etc.)	440
Amortization of experience losses (gains)	3,853
Fiscal payments for employees	(3,828)
Accrued benefit obligation	173,095
Unamortized actuarial losses (gains)	2,315
Ending balance, accrued benefit liability	175,410

	2016
	\$
<hr/>	
<b>Employee future benefits health and life expense</b>	
Current service costs	7,325
Interest on accrued benefits	6,325
Amortization of experience loss	88
Unamortized actuarial losses (gains)	-
	13,738

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 11c. Employee Future Benefits – Health and Life Insurance (con't)

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

	<b>2016</b>
Discount rate	3.71%
Retirement rate at age 65	25%
Participation rate – Health	80%–95%
Future mortality rate [120% of CPM 2014 Public Sector table with mortality scale CPM-B]	
Rate of compensation increase	2% plus promotion increase
Rate of healthcare inflation	7% for '15/'16; average of 4.5% over next 15 years

#### 11d. Employee Future Benefits – Non-Vested Sick-Leave Benefits

NSHA provides non-vested sick-leave payouts to the NSNU employees. The NSNU 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. The most recent actuarial valuation was conducted as at March 31, 2014.

Nova Scotia Health Authority

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**11d. Employee Future Benefits – Non-Vested Sick-Leave Benefits (con't)**

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

	2016
	\$
<hr/>	
<b>Accrued benefit liability</b>	
Accrued benefit obligation transferred in due to restructuring	39,807
Current service cost for the year	8,648
Interest cost during the year	1,582
Amortization of experience gains	(2,362)
Fiscal payments for employees	(4,783)
Accrued benefit obligation	42,892
Unamortized actuarial losses (gains)	8,564
Accrued benefit obligation	51,456
	2016
	\$
<hr/>	
<b>Employee future benefits, non-vested sick-leave benefits</b>	
Current service costs	8,648
Interest on accrued benefits	1,582
Amortization of experience loss	(731)
Unamortized actuarial losses	-
	9,499

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

	2016
<hr/>	
Discount rate	3.71%
Retirement rate at age 65	5%
Future mortality rate [120% of CPM 2014 Public Sector table with mortality scale CPM-B]	
Rate of compensation increase	2.25% Plus Promotion Increase



# Nova Scotia Health Authority

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

### 12. Pension Funds

#### **Health Association Nova Scotia**

The majority of employees of the NSHA participate in the multi-employer Nova Scotia Health Employees' Pension Plan. The most recent actuarial valuation was conducted as at July 1, 2014 and showed a funding surplus for the entire plan of \$935,280. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus.

#### **Public Service Superannuation Fund**

Certain employees of the former district health authorities belong to the 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 Government Department of Finance administers the pension plan. The most recent actuarial valuation was conducted as at March 31, 2014 and showed a funding excess for the entire plan of \$123,655. The NSHA's responsibility with regard to this plan is limited to its contributions.

#### **Public Sector Superannuation Account**

A small group of employees of the former Camp Hill Medical Centre who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. Public Works & Government Services Canada 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:

	2016
	\$
Employer contributions	<u>94,287</u>

**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**13. Long-Term Disability Plan**

**Health Association Nova Scotia**

The majority of the employees of the NSHA 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 most recent actuarial valuation was completed as of August 31, 2013. This valuation indicates a funding excess of \$11,084. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the excess.

**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 Nova Scotia Government Employees Union. The most recent actuarial valuation was conducted as at December 31, 2014 and disclosed a funding excess of approximately \$67,600. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the excess.

**Canada Life Plan**

Employees of the former Nova Scotia Rehabilitation Centre 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. The plan is currently administered by Canada Life. The NSHA's responsibility with regard to this plan is limited to its contributions.

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

	2016 \$
<u>Employer contributions</u>	<u>12,413</u>

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 14. Operating Lease Commitments

NSHA has commitments for operating supplies and occupancy & equipment leases. Estimated annual minimum lease payments and purchases commitments in each of the next five years are expected as follows:

	\$
2017	14,157
2018	11,119
2019	7,910
2020	6,105
2021	5,701
Thereafter in aggregate	21,787

#### 15. Long-Term Debt

	2016 \$
Term loan – parking garage	5,426
Department of Health & Wellness loan [Cobequid Foundation]	634
Term loan – building improvements	418
Capital lease	194
	<b>6,672</b>

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 Infirmity 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%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling \$479.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 15. Long-Term Debt (cont'd)

A debenture between the former Annapolis Valley District Health Authority and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to provide funding for improvements to the Annapolis Community Health Centre.

The term loan bears interest ranging from 4.65% to 5.01% and matures on October 17, 2017.

Total principal repayments required in respect of long term debt as at March 31, 2016 for each of the next five years and thereafter are as follows:

	\$
2017	1,252
2018	1,100
2019	761
2020	805
2021	851
Thereafter in aggregate	1,903

The total gross interest paid on long term debt in 2015/2016 was \$384.

#### 16. Investment in Partners for Care

The Queen Elizabeth II Health Sciences Centre Auxiliary "Partners for Care" is a volunteer based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for NSHA through parking and retail services, rental activities and other special projects which generally take place within the hospital premises. The NSHA consolidates its investment in Partners for Care using the modified equity method. The disclosure of supplementary financial information is required for controlled government business enterprises of the NSHA.

Refer to Schedule C & Schedule D for the condensed supplementary financial information of Partners for Care that is a part of NSHA's reporting entity.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 16. Investment in Partners for Care (cont'd)

The amounts included in these consolidated financial statements are as follows:

<b>Consolidated Statement of Financial Position</b>	<b>2016</b>
	<b>\$</b>
<b>Financial assets</b>	
Investment in Partners for Care	725
<b>Accumulated surplus</b>	
Accumulated surplus of Partners for Care	725
<hr/>	
<b>Consolidated Statement of Operations</b>	<b>2016</b>
	<b>\$</b>
<b>Revenue</b>	
Income from Partners for Care	394

#### 17. 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.

Portfolio investments consist of the following:

		<b>2016</b>
		<b>\$</b>
<b>Investments at fair value</b>	<b>FV hierarchy level</b>	
Short term investments	Level 2	700
Canadian government & corporate bonds	Level 2	7,297
Common equities & related securities	Level 1	16,560
<hr/>		<b>24,557</b>

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 17. Financial Instruments (con't)

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]
- 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.

#### **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 15.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 17. Financial Instruments (con't)

##### 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 BMO Nesbitt Burns 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 \$2,386 impact on net assets.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 17. Financial Instruments (con't)

##### Credit risk

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, 2016 amounts to \$8,874.

The aging of trade accounts receivable was as follows:

	2016 \$
Current	47,576
61-90 days	3,519
90-120 days	2,404
Greater than 120 days	23,366
<b>Total</b>	<b>76,865</b>

##### Liquidity risk

NSHA has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. NSHA monitors its liquidity risk by updating and reviewing 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.

The following table sets out the contractual maturity of financial assets & liabilities:

	<1 year	1-5 years	>5 years	Total
Restricted investments	24,557			24,557
Accounts receivable	76,865			76,865
Payables & accruals	203,084			203,084
Post-employment benefits	40,464	202,319	163,065	405,848
Long-term debt	1,252	3,552	1,868	6,672



## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 17. Financial Instruments (con't)

##### 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.

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.

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

	2016 \$
US dollar per Canadian dollar	0.7710

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, 2016, NSHA has met its objective of having sufficient liquid resources to meet its current obligations.

## Nova Scotia Health Authority

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

#### 18. Accumulated Surplus

The accumulated surplus is made up as follows:

	2016
	\$
Accumulated surplus, balance transferred in due to restructuring	920,422
Current year operating (deficit) surplus	404
Current year capital (deficit) surplus	(12,347)
Income from Partners for Care	394
	<u>908,873</u>

#### 19. Operational & Capital Funding Reconciliation

As per the Nova Scotia Health Authorities Act, 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. The below schedule is the reconciliation of the operating & capital funding:

	2016
	\$
Annual surplus (deficit)	(11,549)
Amortization	70,538
Capital grants	(58,191)
Income from Partners for Care	(394)
Current year operating surplus	<u>404</u>
Amounts attributed to restructuring transaction	<u>(331)</u>
Unspent operational funding at year end	<u>73</u>

#### 20. Contingencies

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.

**Nova Scotia Health Authority**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended March 31, 2016  
*[in thousands of Canadian dollars]*

**21. Budgeted Figures**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Department of Health & Wellness.

## SCHEDULE OF EXPENSES

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

	2016
	\$
Compensation	1,514,488
Medical/surgical supplies	119,569
Drugs	90,606
Amortization	70,538
Equipment & maintenance	57,164
Other	56,873
Clinical research and designated programs	52,983
Utilities	50,631
Clinical supplies	35,682
Plant operations	35,206
Food and dietary supplies	16,833
Professional fees	16,264
Laundry and linen supplies	16,018
Travel & education	11,841
<b>Total expenses</b>	<b>2,144,696</b>

*See accompanying notes*

**CARRYING VALUES OF ASSETS & LIABILITIES RECEIVED IN  
RESTRUCTURING TRANSACTION**

*See Note 3*

As at April 1, 2015

*[in thousands of Canadian dollars]*

	<u>2015</u>
	<u>\$</u>
<b>Financial assets</b>	
Cash & cash equivalents	17,091
Accounts receivable	74,986
Due from Government	461,549
Due from Foundations	7,148
Restricted cash and portfolio investments	45,118
Portfolio investments	16,294
Investment in Partners for Care	331
	<u>622,517</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	246,996
Restricted liabilities	45,118
Employee future benefits	351,442
Deferred revenue and contributions	10,515
Long-term debt	7,583
	<u>661,654</u>
<b>Non-financial assets</b>	
Capital assets	856,126
Construction in progress	71,228
Inventory	25,341
Prepaid expenses	6,864
	<u>959,559</u>
<b>Net effect of restructuring</b>	<u><u>920,422</u></u>

**SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISE CONDENSED  
SUPPLEMENTARY FINANCIAL INFORMATION**

**Queen Elizabeth II Health Sciences Centre Auxiliary**  
[operating as Partners for Care]

**BALANCE SHEET**

As at March 31,  
*[in thousands of Canadian dollars]*

	<b>2016</b>
	<b>\$</b>
<b>ASSETS</b>	
<b>Current</b>	
Cash	2,695
Accounts receivable	438
Inventory	309
Prepaid expenses	3
<b>Total current assets</b>	<u>3,445</u>
Capital assets, net	<u>1,259</u>
<b>Total assets</b>	<u><u>4,704</u></u>
<b>LIABILITIES AND SURPLUS</b>	
<b>Current</b>	
Accounts payable and accrued liabilities	1,173
Payable to NSHA	2,683
<b>Total current liabilities</b>	<u>3,856</u>
Deferred revenue	123
<b>Total liabilities</b>	<u>3,979</u>
<b>Accumulated surplus</b>	<u>725</u>
	<u><u>4,704</u></u>

**SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISE CONDENSED  
SUPPLEMENTARY FINANCIAL INFORMATION (CONT'D)**

**Queen Elizabeth II Health Sciences Centre Auxiliary**  
[operating as Partners for Care]

**STATEMENT OF OPERATIONS**

Year ended March 31,  
*[in thousands of Canadian Dollars]*

	2016 \$
<b>Revenue</b>	9,065
<b>Cost of sales</b>	710
<b>Expenses</b>	<u>2,988</u>
<b>Excess of revenue over expenses before the following:</b>	<u>5,367</u>
Transfers to NSHA	(4,700)
Transfers to Foundations	<u>(273)</u>
<b>Increase in surplus</b>	<u>394</u>
<b>Accumulated surplus, beginning of year</b>	331
<b>Accumulated surplus, end of year</b>	<u>725</u>