

*Financial Statements of*

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

*March 31, 2009*

## Auditors' Report

To the Chair and Members of the Board of Directors of the  
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2009 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South West Nova District Health Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP.*

Chartered Accountants  
Halifax, Nova Scotia  
June 23, 2009

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

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**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**  
**OPERATING AS SOUTH WEST HEALTH**  
**Statement of Financial Position**  
as at March 31, 2009

	<u>Operating</u> <u>Fund</u>	<u>Capital</u> <u>Fund</u>	<u>2009</u> <u>Total</u>	<u>2008</u> <u>Total</u>
<b>ASSETS</b>				
Current				
Cash and cash equivalents	\$ 127,653	\$ -	\$ 127,653	\$ -
Accounts receivable (Note 4)	4,945,094	1,869,259	6,814,353	7,097,946
Inventories	1,579,881	-	1,579,881	1,077,578
Prepaid expenses	937,729	-	937,729	695,310
	<u>7,590,357</u>	<u>1,869,259</u>	<u>9,459,616</u>	<u>8,870,834</u>
Long-term assets (Note 5)	9,528,927	-	9,528,927	8,935,325
Property, plant and equipment (Note 6)	-	68,507,563	68,507,563	69,499,630
	<u>\$ 17,119,284</u>	<u>\$ 70,376,822</u>	<u>\$ 87,496,106</u>	<u>\$ 87,305,789</u>

**LIABILITIES**

Current				
Bank indebtedness	\$ -	\$ 1,366,145	\$ 1,366,145	\$ 792,962
Accounts payable and accrued liabilities (Note 8)	7,392,436	1,092,891	8,485,327	8,200,794
Revenue received in advance	657,092	-	657,092	771,936
	<u>8,049,528</u>	<u>2,459,036</u>	<u>10,508,564</u>	<u>9,765,692</u>
Employee future benefits (Note 9)	9,243,356	-	9,243,356	8,605,583
Deferred capital grants (Note 10)	-	67,872,031	67,872,031	68,905,753
	<u>17,292,884</u>	<u>70,331,067</u>	<u>87,623,951</u>	<u>87,277,028</u>

**FUND BALANCES**

Restricted	18,116	10,645	28,761	28,761
Unrestricted	(191,716)	35,110	(156,606)	-
	<u>(173,600)</u>	<u>45,755</u>	<u>(127,845)</u>	<u>28,761</u>
	<u>\$ 17,119,284</u>	<u>\$ 70,376,822</u>	<u>\$ 87,496,106</u>	<u>\$ 87,305,789</u>

Commitments (Note 13)

APPROVED BY THE BOARD

.....Chair

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

**Statement of Changes in Fund Balances**

Year ended March 31, 2009

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2009 Total</u>	<u>2008 Total</u>
<i>Restricted</i>				
Balance, beginning of year	\$ 8,116	\$ 20,645	\$ 28,761	\$ 21,261
Additional (purchases) capital funding	10,000	(10,000)	-	7,500
Balance, end of year	\$ 18,116	\$ 10,645	\$ 28,761	\$ 28,761
<i>Unrestricted</i>				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Deficiency of revenues over expenses	(191,716)	35,110	(156,606)	-
Balance, end of year	\$ (191,716)	\$ 35,110	\$ (156,606)	\$ -
Fund balances	\$ (173,600)	\$ 45,755	\$ (127,845)	\$ 28,761

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

**Statement of Operations**

**Year ended March 31, 2009**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>Revenues</b>				
Department of Health	\$ 77,260,978	\$ -	\$ 77,260,978	\$70,329,274
Veterans Affairs Canada	1,727,025	-	1,727,025	1,597,204
Patient services	1,607,791	-	1,607,791	1,545,018
Physician funding	2,591,215	-	2,591,215	2,188,937
Program recoveries	8,953,506	-	8,953,506	9,452,916
Amortization of deferred capital grants (Note 10)	-	4,117,262	4,117,262	4,415,747
Other	792,467	36,452	828,919	811,090
	<b>92,932,982</b>	<b>4,153,714</b>	<b>97,086,696</b>	<b>90,340,186</b>
<b>Expenses</b>				
Addiction	2,182,836	-	2,182,836	2,151,769
Administration and support	2,955,752	-	2,955,752	2,864,010
Amortization of property, plant and equipment	-	4,118,604	4,118,604	4,374,220
Diagnostic imaging	4,011,090	-	4,011,090	3,677,740
Employee future benefits (Note 9)	1,378,704	-	1,378,704	2,809,913
Environmental	3,584,746	-	3,584,746	3,398,669
Finance	882,859	-	882,859	855,580
Food and nutrition	5,792,527	-	5,792,527	5,493,933
Health information	2,143,507	-	2,143,507	1,890,772
Human resources	617,322	-	617,322	628,555
Information technology	1,290,202	-	1,290,202	1,783,141
Laboratory	6,154,880	-	6,154,880	5,642,124
Materials management	1,483,866	-	1,483,866	1,751,247
Mental health	5,013,512	-	5,013,512	4,492,687
Nursing	32,672,869	-	32,672,869	29,570,803
Other programs	7,917,349	-	7,917,349	6,580,769
Pharmacy	1,048,889	-	1,048,889	949,704
Plant and support	5,918,957	-	5,918,957	5,692,599
Public health	3,264,544	-	3,264,544	2,989,643
Rehabilitation	1,938,800	-	1,938,800	1,362,252
Sundry	2,871,487	-	2,871,487	1,380,056
	<b>93,124,698</b>	<b>4,118,604</b>	<b>97,243,302</b>	<b>90,340,186</b>
(Deficiency) excess of revenues over expenses	\$ (191,716)	\$ 35,110	\$ (156,606)	\$ -

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

**Statement of Cash Flows**

**Year ended March 31, 2009**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>				
Operating				
Deficiency of revenues over expenses	\$ (191,716)	\$ 35,110	\$ (156,606)	\$ -
Adjusted for items not affecting cash:				
Amortization of property, plant and equipment	-	4,118,604	4,118,604	4,374,220
Amortization of deferred capital grants (Note 10)	-	(4,117,262)	(4,117,262)	(4,415,747)
Employee future benefits expense (Note 9)	1,378,704	-	1,378,704	2,809,913
Changes in non-cash working capital items (Note 12)	876,839	(1,168,279)	(291,440)	(358,364)
Employee future benefits paid (Note 9)	(740,931)	-	(740,931)	(554,366)
	<b>1,322,896</b>	<b>(1,131,827)</b>	<b>191,069</b>	<b>1,855,656</b>
Financing				
Proceeds received from grants for capital assets (Note 10)	-	3,083,540	3,083,540	2,524,655
Additional capital funding (purchases)	10,000	(10,000)	-	7,500
	<b>10,000</b>	<b>3,073,540</b>	<b>3,083,540</b>	<b>2,532,155</b>
Investing				
Investment in long-term assets	(593,602)	-	(593,602)	(2,357,189)
Acquisition of property, plant and equipment	-	(3,126,537)	(3,126,537)	(4,394,643)
	<b>(593,602)</b>	<b>(3,126,537)</b>	<b>(3,720,139)</b>	<b>(6,751,832)</b>
<b>NET CASH INFLOW (OUTFLOW)</b>	<b>739,294</b>	<b>(1,184,824)</b>	<b>(445,530)</b>	<b>(2,364,021)</b>
<b>(BANK INDEBTEDNESS) CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>(611,641)</b>	<b>(181,321)</b>	<b>(792,962)</b>	<b>1,571,059</b>
<b>CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR</b>	<b>\$ 127,653</b>	<b>\$ (1,366,145)</b>	<b>\$ (1,238,492)</b>	<b>\$ (792,962)</b>
Supplemental cash flow information:				
Interest received	\$ 105,155	\$ -	\$ 105,155	\$ 158,718

# **SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH**

## **Notes to the Financial Statements**

**March 31, 2009**

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### **1. DESCRIPTION OF ORGANIZATION**

The South West Nova District Health Authority (“South West Health”) was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South West Health’s mission: “Work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services.”

The facilities owned and operated by the South West Health are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the South West Health leases space in other locations to operate certain programs, throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

The South West Nova District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

### **2. CHANGES IN ACCOUNTING POLICIES – ADOPTION OF NEW ACCOUNTING STANDARDS**

#### *Adoption of accounting policies*

On April 1, 2008, South West Health adopted Capital Disclosures, Section 1535 of the CICA Handbook. The adoption of this new standard has not resulted in any change in how South West Health accounts for its transactions, but does require additional disclosure, which is presented in Note 15.

On April 1, 2008, South West Health adopted the recommendations of Section 3031, Inventories of the CICA Handbook. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on South West Health’s financial statements.

On April 23, 2008, the CICA amended Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook. The amended section allows Not-for-Profit organizations to exempt themselves from having to account for certain non-financial contracts as derivatives under Section 3855 and also to exempt themselves from accounting for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives under Section 3855. These amendments to Section 3855 apply to fiscal years beginning on or after August 1, 2008, with earlier adoption permitted.

South West Health has elected early adoption of these amendments to Section 3855 effective for its fiscal year beginning on April, 1, 2008. This change in accounting policy is required to be applied retrospectively with restatement of prior years. As South West Health did not have any non-financial contracts that were required to be accounted for as derivatives under Section 3855, nor any derivative features embedded in non-financial contracts, leases and insurance contracts that were required to be accounted for as embedded derivatives under Section 3855. This change in accounting policy did not have an impact on the current or prior year’s financial statements.

# **SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH**

## **Notes to the Financial Statements**

**March 31, 2009**

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### **2. CHANGES IN ACCOUNTING POLICIES – ADOPTION OF NEW ACCOUNTING STANDARDS (continued)**

#### *Adoption of accounting policies (continued)*

The CICA deferred indefinitely the requirement of Not-for-Profit organizations to implement sections 3862 and 3863 of the CICA Handbook. Section 3862 requires the disclosure of information about: (a) the significance of financial instruments for South West Health's financial position and performance and (b) the nature and extent of risks arising from the financial instruments to which South West Health is exposed during the period and at the statement of financial position date, and how South West Health manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

South West Health has elected to defer application of these standards and as such continues to follow the disclosure requirements of section 3861.

#### *Future accounting policy changes*

In September 2008, the CICA issued amendments to several of the existing sections in Section 4400 of the CICA Handbook – Financial Statements by Not-for-Profit Organizations. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, South West Health will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include a) additional guidance in the applicability of Section 1100, Generally Accepted Accounting Principles; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, Reporting Revenue Gross as a Principal Versus Net as an Agent; d) requirement to include a statement of cash flows in accordance with Section 1540, Cash Flow Statements; e) requirement to apply Section 1751, Interim Financial Statements, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit organizations that recognize capital assets to amortize and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840; Related Party Transactions; and h) new disclosure requirements regarding the allocation of fundraising and general support costs. Management is assessing the impact of these changes on the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### *Financial statement presentation*

The financial statements have been prepared in accordance with accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants.

#### *Fund accounting*

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South West Health's capital assets, and special purpose and endowment funds.

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

**Notes to the Financial Statements**

March 31, 2009

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments*

South West Health has classified its financial instruments as follows:

	<u>Category</u>
Cash and cash equivalents (bank indebtedness)	Held-for-trading
Accounts receivable	Loans and receivables
Long-term assets	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

“Held-for-trading” items are carried at fair value, with changes in their fair value recognized in the Statement of Operations in the current year. “Loans and receivables” are carried at amortized cost, using the effective interest method. “Other liabilities” are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

*Cash and cash equivalents (bank indebtedness)*

Cash and cash equivalents include cash on hand, bank indebtedness, balances with banks and money market investments with maturities of 3 months or less, from the date of acquisition.

*Inventories*

Inventories are recorded at the lower of cost and net realizable value, and include medical/surgical, drugs, and other general inventory. Cost is determined using the weighted average method.

*Property, plant and equipment*

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 – 10%
Building and building service equipment	2.5 – 10%
Equipment	5 – 33%

*Deferred capital grants*

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

*Employee future benefits*

Employee future benefits are determined as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

## Notes to the Financial Statements

March 31, 2009

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Revenue recognition*

The South West Health follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, estimated useful life for certain items of property, plant and equipment and employee future benefits assumptions. Actual results could differ from these estimates.

### 4. ACCOUNTS RECEIVABLE

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	\$ 1,832,272	\$ -	\$ 1,832,272	\$ 2,048,468
- capital grants	-	1,322,365	1,322,365	767,443
Patient care	513,308	-	513,308	525,032
HST rebates	299,773	144,859	444,632	563,190
Extended care facilities	1,128,915	-	1,128,915	1,502,176
Homecare/VON	96,721	-	96,721	62,915
Charitable foundations	53,262	402,035	455,297	363,491
Psychiatric recoveries	79,667	-	79,667	58,357
Other	941,176	-	941,176	1,206,874
	\$ 4,945,094	\$ 1,869,259	\$ 6,814,353	\$ 7,097,946

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
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**Notes to the Financial Statements**

March 31, 2009

**5. LONG-TERM ASSETS**

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Employee future benefits receivable	\$ 9,391,490	\$ -	\$ 9,391,490	\$ 8,790,630
Payroll advances receivable	137,437	-	137,437	144,695
	<b>\$ 9,528,927</b>	<b>\$ -</b>	<b>\$ 9,528,927</b>	<b>\$ 8,935,325</b>

The employee future benefits receivable represents an amount due from the Province of Nova Scotia – Department of Health. This receivable corresponds to retiring the accrued benefit liability for allowances and retirement health benefits for current and retired employees respectively for South West Health.

**6. PROPERTY, PLANT AND EQUIPMENT**

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 34,603	\$ -	\$ 34,603	\$ 34,603
Land improvements	1,212,850	220,988	991,862	659,616
Building and building service equipment	97,257,263	35,262,360	61,994,903	62,913,112
Equipment	30,269,344	24,783,149	5,486,195	5,892,299
	<b>\$ 128,774,060</b>	<b>\$ 60,266,497</b>	<b>\$ 68,507,563</b>	<b>\$ 69,499,630</b>

**7. CREDIT FACILITIES**

The South West Health has available an operating line of credit with a Canadian chartered bank totalling \$4.35 million. Interest is charged at prime less 0.75% per year. As at March 31, 2009 there was no balance drawn on this line of credit.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Trade payables	\$ 1,719,025	\$ 45,299	\$ 1,764,324	\$ 930,158
Accrued liabilities	1,134,010	-	1,134,010	1,079,881
Vacation pay	725,801	-	725,801	682,336
Salary and benefits	3,736,354	-	3,736,354	3,830,484
Other	77,246	1,047,592	1,124,838	1,677,935
	<b>\$ 7,392,436</b>	<b>\$ 1,092,891</b>	<b>\$ 8,485,327</b>	<b>\$ 8,200,794</b>

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

## Notes to the Financial Statements

March 31, 2009

### 9. EMPLOYEE FUTURE BENEFITS

Retirement allowances and health benefits paid to employees upon retirement are actuarially determined. The retirement allowance and health benefits values are calculated based on assumptions provided by the Provincial Department of Finance for District Health Authorities. The accrued benefit obligation is calculated using the projected benefit method pro-rated on service. Experience gains and losses and assumption charges are amortized on a linear basis over the employee group's expected average remained service life. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

The accrued benefit obligation, as calculated in the last actuarial valuation for post retirement benefits was as at December 31, 2005. The last actuarial valuation for post retirement health benefits for CUPE and non-union employees was performed as at April 1, 2006, and as at April 1, 2007 for NSNU employees. The next actuarial valuation for post retirement benefits is scheduled for December 31, 2008. The next actuarial valuations for post retirement health benefits for CUPE and non-union employees and NSNU employees is scheduled for April of 2009. The valuations for each of the above noted plans have been extrapolated to March 31, 2009.

	<b>2009</b>	<b>2008</b>
Accrued benefit liability		
Accrued benefit obligation	\$ 11,037,415	\$ 8,677,446
Unamortized actuarial experience gains	(1,794,059)	(71,863)
Accrued benefit liability on the statement of financial position	\$ 9,243,356	\$ 8,605,583
Net benefit costs recognized		
Current service costs	\$ 570,300	\$ 460,600
Interest cost	443,400	346,400
Current year amortized actuarial loss (gain)	21,904	(21,987)
Plan amendments	343,100	2,024,900
Employee future benefits expense on the statement of operations	\$ 1,378,704	\$ 2,809,913
Employee future benefits liability, beginning of year	\$ 8,605,583	\$ 6,350,036
Expense	1,378,704	2,809,913
Benefits paid	(740,931)	(554,366)
Employee future benefits liability, end of year	\$ 9,243,356	\$ 8,605,583

# SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

## Notes to the Financial Statements

March 31, 2009

### 10. DEFERRED CAPITAL GRANTS

	2009	2008
Balance, beginning of year	\$ 68,905,753	\$ 70,796,845
Grants received for:		
Capital assets purchased	2,888,012	2,259,230
Future capital asset purchases	195,528	265,425
Total grants received for capital assets	3,083,540	2,524,655
Amortization of deferred capital grants	(4,117,262)	(4,415,747)
Balance, end of year	\$ 67,872,031	\$ 68,905,753

### 11. PENSION PLAN

The South West Health contributes to two pension plans on behalf of its employees. The first plan is a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2008, which showed an unfunded liability for the entire multi-employer plan of \$123.3 million. The next actuarial valuation is scheduled for December 31, 2011.

The second plan is also a multi-employer plan administered by the Province of Nova Scotia. The most recent actuarial valuation was completed as at March 31, 2008. At that time, there was an unfunded liability for the entire multi-employer plan of \$912.2 million. The next actuarial valuation is scheduled for March 31, 2009, and is currently in progress.

The South West Health bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2009 was \$4,074,709 (2008 - \$3,658,214).

### 12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2009			2008
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	\$ 927,464	\$ (643,871)	\$ 283,593	\$ (741,635)
Inventories	(502,303)	-	(502,303)	(43,106)
Prepaid expenses	(242,419)	-	(242,419)	(13,094)
Accounts payable and accrued liabilities	808,941	(524,408)	284,533	1,269,717
Revenue received in advance	(114,844)	-	(114,844)	(830,246)
	\$ 876,839	\$ (1,168,279)	\$ (291,440)	\$ (358,364)

# **SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH**

## **Notes to the Financial Statements**

**March 31, 2009**

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### **13. COMMITMENTS**

#### *Leases and purchase commitments*

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2010	\$	1,373,829
2011		710,455
2012		576,873
2013		378,288
2014		283,716
	\$	<u>3,323,161</u>

### **14. FINANCIAL INSTRUMENTS**

#### *Fair value*

The carrying values of financial instruments which consist of accounts receivable, accounts payable and accrued liabilities and long-term assets, approximate their fair values.

#### *Credit risk*

The South West Health performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at March 31, 2009.

### **15. CAPITAL MANAGEMENT**

South West Health considers its fund balance, short-term debt facilities and deferred contributions as its capital.

#### *Fund balances*

As a not-for-profit organization, South West Health's operations are reliant on revenues generated annually. South West Health has an accumulated net deficit balance to March 31, 2009 of \$127,845 (2008 - \$28,761 net asset) which is presented in the balance sheet as fund balances.

A portion of fund balances represents financial resources which are subject to external restrictions for future use. South West Health, through its policies, has placed internal restrictions on the use of certain other portions of its accumulated net assets. Unrestricted funds represent capital that may be utilized for general business operations, a portion of which is retained as working capital, except in the case of the current year deficiency.

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY  
OPERATING AS SOUTH WEST HEALTH**

**Notes to the Financial Statements**

**March 31, 2009**

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**15. CAPITAL MANAGEMENT (continued)**

*Debt*

South West Health maintains an available line of credit for periodic short-term requirements (Note 7). At March 31, 2009, South West Health was in compliance with all covenants applicable to its debt instruments.

*Deferred contributions*

Revenue received in advance is for operating and deferred capital grants are received for capital purposes. These contributions are received in advance of the expenditures they are intended to fund. At March 31, 2009, South West Health was in compliance with all restrictions applicable to these funding sources.