

Cumberland Health Authority

**Cumberland Health Authority
Financial Statements**

March 31, 2009

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AUDITORS' REPORT

To the Board of Directors of Cumberland Health Authority

We have audited the statement of financial position of Cumberland Health Authority as at March 31, 2009 as well as the statement of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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 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.

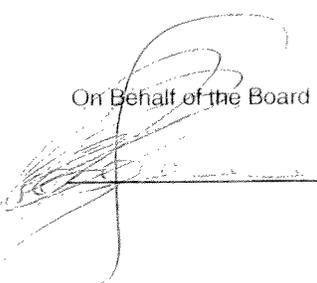
Amherst, Nova Scotia
June 5, 2009

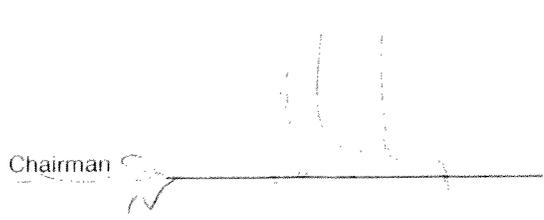
CHARTERED ACCOUNTANTS

Cumberland Health Authority
Statement of Financial Position
March 31, 2009

| | Operating Fund | Capital Fund | Externally Restricted Funds | 2009 Total | 2008 (As restated - Note 14) |
|---|----------------------|----------------------|-----------------------------|----------------------|------------------------------------|
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalents | \$ 2,395,974 | \$ - | \$ 36,707 | \$ 2,432,681 | \$ 1,895,502 |
| Receivables | 3,583,767 | 252,882 | 3,616 | 3,840,265 | 3,406,787 |
| Inventories | 306,528 | - | - | 306,528 | 333,904 |
| Prepays | 332,338 | - | - | 332,338 | 129,026 |
| | <u>6,618,607</u> | <u>252,882</u> | <u>40,323</u> | <u>6,911,812</u> | <u>5,765,219</u> |
| Other receivables | 5,526,287 | | | 5,526,287 | 5,338,248 |
| Land, buildings and equipment (Note 5) | - | 55,586,676 | - | 55,586,676 | 56,877,465 |
| | <u>\$ 12,144,894</u> | <u>\$ 55,839,558</u> | <u>\$ 40,323</u> | <u>\$ 68,024,775</u> | <u>\$ 67,980,932</u> |
| Liabilities | | | | | |
| Current | | | | | |
| Payables and accruals | \$ 6,367,597 | \$ 87,944 | \$ - | \$ 6,455,541 | \$ 5,867,790 |
| Deferred revenue (Note 8) | 1,390,864 | - | - | 1,390,864 | 1,132,298 |
| Due to (from) other funds | (1,017,985) | 1,070,792 | (52,807) | - | - |
| Advance from province (Note 9) | - | 374,247 | - | 374,247 | 374,247 |
| | <u>6,740,476</u> | <u>1,532,983</u> | <u>(52,807)</u> | <u>8,220,652</u> | <u>7,374,335</u> |
| Employee future benefits (Note 6) | 4,532,407 | - | - | 4,532,407 | 4,212,678 |
| | <u>11,272,883</u> | <u>1,532,983</u> | <u>(52,807)</u> | <u>12,753,059</u> | <u>11,587,013</u> |
| Net assets (Page 4) | | | | | |
| Invested in capital assets | - | 53,747,721 | - | 53,747,721 | 55,038,510 |
| Internally restricted (Note 11) | - | 186,181 | - | 186,181 | 122,585 |
| Externally restricted (Note 12) | - | 372,673 | 93,130 | 465,803 | 871,988 |
| Unrestricted | 872,011 | - | - | 872,011 | 360,836 |
| | <u>872,011</u> | <u>54,306,575</u> | <u>93,130</u> | <u>55,271,716</u> | <u>56,393,919</u> |
| | <u>\$ 12,144,894</u> | <u>\$ 55,839,558</u> | <u>\$ 40,323</u> | <u>\$ 68,024,775</u> | <u>\$ 67,980,932</u> |

Commitments (Note 16)
Contingencies (Note 19)

On Behalf of the Board


Chairman


Chief Executive Officer


See accompanying notes to the financial statements

Cumberland Health Authority
Statement of Operations
Year Ended March 31

| | Operating Fund | Capital Fund | Externally Restricted Funds | 2009 Total | 2008 <i>(As restated Note 14)</i> |
|---|-------------------|-----------------------|-----------------------------|-----------------------|--------------------------------------|
| Revenues | | | | | |
| Nova Scotia Department of Health | \$ 49,664,587 | \$ 149,606 | - | \$ 49,814,193 | \$ 47,998,166 |
| Charges to M.S.I. | 2,618,701 | - | - | 2,618,701 | 2,117,565 |
| In-patients | 545,004 | - | - | 545,004 | 462,327 |
| Out-patients | 2,472,799 | - | - | 2,472,799 | 2,040,225 |
| Long-term care | 1,512,830 | - | - | 1,512,830 | 1,573,739 |
| Cafeteria revenue | 157,057 | - | - | 157,057 | 149,335 |
| Investment revenue | 90,711 | - | 766 | 91,477 | 104,167 |
| Mental Health joint projects | 136,325 | - | - | 136,325 | 49,553 |
| Other income | 156,256 | 667,833 | 58,500 | 882,589 | 793,057 |
| Decrease in vacation pay accrual | - | - | - | - | 44,740 |
| | <u>57,354,270</u> | <u>817,439</u> | <u>59,266</u> | <u>58,230,975</u> | <u>55,332,874</u> |
| Expenses | | | | | |
| In-patient services | 17,796,655 | - | - | 17,796,655 | 16,615,888 |
| Ambulatory services | 9,898,564 | - | - | 9,898,564 | 9,454,785 |
| Diagnostic and therapeutic services | 8,209,439 | - | - | 8,209,439 | 7,536,096 |
| Support services | 15,153,157 | - | 65,000 | 15,218,157 | 14,075,421 |
| Community services | 4,921,041 | - | - | 4,921,041 | 4,427,304 |
| Amortization | - | 2,618,303 | - | 2,618,303 | 2,553,327 |
| Increase in vacation pay accrual | 49,890 | - | - | 49,890 | - |
| Employee future benefits (Note 6) | 641,129 | - | - | 641,129 | 1,443,859 |
| | <u>56,669,875</u> | <u>2,618,303</u> | <u>65,000</u> | <u>59,353,178</u> | <u>56,106,680</u> |
| Excess of revenues over expenses (expenses over revenues) | \$ <u>684,395</u> | \$ <u>(1,800,864)</u> | \$ <u>(5,734)</u> | \$ <u>(1,122,203)</u> | \$ <u>(773,806)</u> |

See accompanying notes to the financial statements

Cumberland Health Authority
Statement of Changes in Net Assets
Year Ended March 31

| | Operating Fund | Capital Fund | Externally Restricted Funds (Note 12) | 2009 Total | 2008 Total |
|--|-------------------|----------------------|--|-----------------------------|----------------------|
| Balance, beginning of period as previously stated | \$ 360,836 | \$ 55,161,095 | \$ 98,864 | \$ 55,620,795 | \$ 56,159,784 |
| Change in accounting policy (Note 14) | - | 773,124 | - | 773,124 | 1,007,941 |
| Balance, as restated | 360,836 | 55,934,219 | 98,864 | 56,393,919 | 57,167,725 |
| Excess of revenues over expenses (expenses over revenues) | 684,395 | (1,800,864) | (5,734) | (1,122,203) | (773,806) |
| Transfer to Capital Fund (Note 15) | (173,220) | 173,220 | - | - | - |
| Balance, end of period | <u>\$ 872,011</u> | <u>\$ 54,306,575</u> | <u>\$ 93,130</u> | <u>\$ 55,271,716</u> | <u>\$ 56,393,919</u> |

See accompanying notes to the financial statements

Cumberland Health Authority
Statement of Cash Flows
Year Ended March 31

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Increase (decrease) in cash and cash equivalents | | |
| Operations | | |
| Excess of revenues over expenses - Operating Fund | \$ 684,395 | \$ 141,091 |
| Excess of expenses over revenues - Capital Fund | (1,800,864) | (927,276) |
| Excess of expenses over revenues - Special Funds | (5,734) | 12,379 |
| | <u>(1,122,203)</u> | <u>(773,806)</u> |
| Non-cash item: amortization expense | 2,618,303 | 2,553,327 |
| Change in non-cash working capital | | |
| Receivables | (621,517) | (819,720) |
| Inventories | 27,376 | 27,423 |
| Prepays | (203,312) | 147,145 |
| Payables and accruals | 907,480 | 1,085,262 |
| Deferred revenue | 258,566 | 20,568 |
| Cash generated from operations | <u>1,864,693</u> | <u>2,240,199</u> |
| Financing and investing | | |
| Purchase of capital assets | <u>(1,327,514)</u> | <u>(1,738,283)</u> |
| Net increase in cash and cash equivalents | 537,179 | 501,916 |
| Cash and cash equivalents, beginning of period | <u>1,895,502</u> | <u>1,393,586</u> |
| Cash and cash equivalents, end of period | <u>\$ 2,432,681</u> | <u>\$ 1,895,502</u> |

See accompanying notes to the financial statements

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2009

1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services. The Cumberland Health Authority is a registered charity under the Income Tax Act of Canada and therefore is exempt from income tax.

2. Health Authorities Act

Cumberland Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Estimates include amortization of capital assets, allowance for doubtful accounts, accruals, as well as the actuarial and economic assumptions used in calculating the cost of defined benefit pension plans, the accrued benefit obligation and pension plan assets.

Fund accounting

The Cumberland Health Authority follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administration activities. This fund reports unrestricted resources and restricted operating contributions.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets.

Externally Restricted funds report the assets, liabilities, revenues and expenses related to special bursaries and funds as well as contributions to the Endowment Fund.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

Cumberland Health Authority
Notes to the Financial Statements
March 31, 2009

4. Summary of significant accounting policies (continued)

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund in the year received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Investment income earned on externally restricted funds that must be spent on the fund's activity is recognized as revenue of the restricted fund. Other investment income is recognized as revenue of the Operating Fund when earned.

Cafeteria revenue is recognized at the point of sale when the product is provided to customers.

Inventories

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific identification for pharmaceuticals.

Land, buildings and equipment

Assets purchased during the period are recorded in the Capital Fund at cost. Amortization is charged to the capital fund balance and is provided on a straight line basis at the following rates:

| | |
|-------------------------------|-------|
| Land improvements | 5% |
| Buildings | 2% |
| Equipment | 5-20% |
| Equipment under capital lease | 5-20% |

Amortization on construction in progress is not recorded until the projects are completed.

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2009

Retirement allowances and post retirement benefits

The Authority pays retirement allowances to employees upon retirement and certain employees are entitled to cost-sharing on health benefits following retirement. Annually, the values to record the liability for these expenses are provided by the Department of Finance based on third party actuarial valuations. The Department of Finance fully funds these liabilities; therefore an offsetting receivable balance is recorded.

The actuarial determination of the accrued benefit obligations for retirement benefits uses the projected benefit method prorated on service (which incorporates estimates of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period. Past service costs arising from plan amendments, experience gains and losses, and assumption changes are deferred and amortized on a straight-line basis over the average remaining service period of employees.

| 5. Land, buildings and equipment | <u>2009</u> | | | <u>2008</u> |
|----------------------------------|----------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Land | \$ 353,785 | \$ - | \$ 353,784 | \$ 353,784 |
| Land improvements | 1,350,434 | 488,865 | 861,569 | 929,090 |
| Buildings | 61,168,586 | 10,794,900 | 50,373,686 | 51,381,115 |
| Equipment | 10,113,157 | 6,201,865 | 3,911,292 | 4,131,324 |
| Equipment under capital lease | 12,718 | 7,632 | 5,086 | 5,722 |
| Construction in progress | 81,259 | - | 81,259 | 77,252 |
| | <u>\$ 73,079,939</u> | <u>\$ 17,493,262</u> | <u>\$ 55,586,676</u> | <u>\$ 56,877,465</u> |

Cumberland Health Authority
Notes to the Financial Statements
 March 31, 2009

6. Employee future benefits

The Cumberland Health Authority has provided for retirement obligations as follows:

| | <u>Allowance</u> | <u>Benefits</u> | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|----------------------------|---------------------|
| <u>Accrued benefit obligation</u> | | | | |
| Balance, beginning of year | \$ 2,909,378 | \$ 1,303,300 | \$ 4,212,678 | \$ 2,932,219 |
| Current service cost for the year | 265,200 | 72,400 | 337,600 | 279,000 |
| Plan amendment | - | - | - | 954,700 |
| Amortization of experience gain | 60,349 | 1,880 | 62,229 | 27,559 |
| Interest cost during the year | 174,300 | 67,000 | 241,300 | 182,600 |
| Estimated fiscal payments for employees | <u>(305,780)</u> | <u>(15,620)</u> | <u>(321,400)</u> | <u>(163,400)</u> |
| Balance, end of year | <u>\$ 3,103,447</u> | <u>\$ 1,428,960</u> | <u>\$ 4,532,407</u> | <u>\$ 4,212,678</u> |
| Retirement allowance expense | <u>\$ 499,849</u> | <u>\$ 141,280</u> | <u>\$ 641,129</u> | <u>\$ 1,443,859</u> |

During the period, retiring allowances actually paid totalled to \$305,783 (2008 - \$181,580).

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

| | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|
| Discount rate | 4.95% | 4.95% |
| Average age of employees | 46.1 | 44.5 |
| Expected average remaining service life | 10.3 | 10 |
| Average years of service | 12 | 12 |
| Rate of compensation increase | 2.65% | 2.65% |

7. Pension plans

The Cumberland Health Authority contributes to the following pension plans on behalf of its employees.

- (i) A multi-employer defined benefit plan, administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation conducted as at July 1, 2008 and extrapolated to December 31, 2008, indicated a funding deficiency for the entire plan. The Authority bears no direct financial responsibility for the unfunded liability of the plan.
- (ii) A defined benefit plan, administered by the Province of Nova Scotia. The most recent actuarial valuations conducted as at December 31, 2007 and extrapolated to March 31, 2008, indicated a funding deficiency for the entire plan. The Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Authority's pension expense for the year amounted to \$2,314,501 (2008 - \$2,130,015).

Cumberland Health Authority
Notes to the Financial Statements
 March 31, 2009

8. Deferred revenue

| | <u>2009</u> | 2008 |
|-------------------------------------|---------------------|---------------------|
| | <u>Total</u> | <u>Total</u> |
| Deferred revenue, beginning of year | \$ 1,132,298 | \$ 1,111,730 |
| Funding received in the year | 2,398,414 | 2,214,994 |
| Less amount spent in the year | (2,139,848) | (2,194,426) |
| Deferred revenue, end of year | <u>\$ 1,390,864</u> | <u>\$ 1,132,298</u> |

9. Advance from province

The advance from the Province of Nova Scotia is non-interest bearing, with no set terms of repayment

10. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling \$1,000,000, bearing interest at the prime rate, all of which is unused at March 31, 2009.

11. Internally restricted net assets

The Cumberland Health Authority's board of directors has internally restricted parking revenues to be used for equipment purchases for the Cumberland Regional Health Care Centre. The internally restricted fund balance represents the unspent portion of parking fee revenue and is not available for other purposes without the approval of the board of directors.

12. Externally restricted fund balance

The major categories of externally imposed restrictions on net assets are as follows:

| | <u>2009</u> | <u>2008</u> |
|--|-------------------------|------------------|
| Restricted for capital asset purchases (see below) | \$372,673 | \$773,124 |
| Bayview Endowment Fund | 3,000 | 3,000 |
| NCMH Fund | 33,707 | 32,941 |
| Bursary Fund | <u>56,423</u> | <u>62,923</u> |
| | <u>\$465,803</u> | <u>\$871,988</u> |

The Health Authority has received \$372,673 in contributions for construction projects not complete at year end and for equipment not yet purchased. The Bursary Fund received \$50,500 (2008 - \$ 50,500) in contributions and paid out \$60,615 (2008 - \$40,000). The NCMH Fund earned \$766 (2008 - \$1,879) of investment income.

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2009

13. Management of net assets

The Health Authority's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mission of the provision of a high standard of health care within Cumberland County. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its annual budget. When necessary, the Health Authority takes prompt action to reduce expenditures when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

14. Change in accounting policy

During the year, the Cumberland Health Authority adopted the restricted fund method of accounting for contributions. This change was made because information needed to reasonably estimate amortization of deferred contributions related to the purchase of capital assets, as required under the deferral method, was not readily available. Therefore, the restricted fund method provides more reliable and relevant information. This change in accounting policy was applied retroactively and the comparative figures for 2008 have been restated. The balance of the net assets as of April 1, 2007 has been increased by \$1,007,941 which represents the balance of contributions which had been previously deferred. Net income for 2008 was reduced by \$234,817 which represents the adjustment to revenue in the Capital Fund to report contributions received during the year. Deferred revenue in the capital fund as at March 31, 2008 was decreased by \$773,124 and externally restricted net assets increased by \$773,124.

15. Transfer to Capital Fund

Management has transferred \$173,220 (2008 - \$nil) from the Operating Fund to the Capital Fund for capital purchases not directly funded by another source.

16. Commitments

Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

| | | |
|------|----|---------|
| 2010 | \$ | 921,900 |
| 2011 | | 675,600 |
| 2012 | | 398,600 |
| 2013 | | 376,300 |
| 2014 | | 332,600 |

Cumberland Health Authority

Notes to the Financial Statements

March 31, 2009

17. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2009 are available from the individual financial statements of the related entities.

18. Financial instruments

The Health Authority's financial instruments consist of cash and cash equivalents, receivables, other receivables, payables and accruals, and advance from province. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short-term nature, all other financial instruments are carried at amounts which are considered to approximate their fair value. The fair value of other receivables and the advance from province cannot be determined as it is non interest bearing with no set terms of repayment.

The Authority does not enter into hedging activities and does not engage in derivative transactions.

The Authority has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which would otherwise have applied to the financial statements of the Authority for the year ended March 31, 2009. The Authority applies the requirements of Section 3861 of the CICA Handbook.

19. Contingencies

The Authority may be involved in legal proceedings, claims and litigations that arise in the ordinary course of business that it believes would not reasonably be expected to have a material adverse effect on the financial condition of the Authority.

20. Future change in accounting policy

The CICA has amended Section 4470, Financial Statement Presentation by Not-For-Profit Organizations that will revise and enhance the current disclosure requirements for various elements of financial reporting. For the Authority, the amendments will be effective for the fiscal year commencing April 1, 2009. Management is of the opinion these changes will not have a material impact on the statements, but they will require further disclosure.

21. Comparative figures

Certain of the comparative figures for 2008 have been restated to conform to current year's presentation.
