



Grant Thornton

Financial Statements

The Izaak Walton Killam Health Centre

March 31, 2009

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Grant Thornton

Auditors' report

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To the board of
The Izaak Walton Killam Health Centre

We have audited the balance sheet of **The Izaak Walton Killam Health Centre** at March 31, 2009 and the statement of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Health Centre 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.

Grant Thornton LLP

Halifax, Nova Scotia
May 22, 2009

Chartered Accountants

The Izaak Walton Killam Health Centre

Statement of operations and operating fund balance

Year ended March 31

2009

2008

Revenue

Grants from IWK Health Centre Foundations	\$ 250,000	\$ 250,000
Inpatient, outpatient and clinics	185,641,000	176,916,000
Mental health and addictions	22,966,000	20,632,000
Rentals, recoveries and sales	8,490,000	7,496,000
	<u>217,347,000</u>	<u>205,294,000</u>

Expenses

Children's health	55,123,000	51,518,000
Women's, maternal and newborn health	46,437,000	40,861,000
Mental health and addictions	22,876,000	20,816,000
Medical services	23,045,000	21,534,000
Operations and support services	43,670,000	48,361,000
Executive offices and administration	20,780,000	19,177,000
Non portable	1,532,000	1,329,000
	<u>213,463,000</u>	<u>203,596,000</u>

Net income from operations	\$ <u>3,884,000</u>	\$ <u>1,698,000</u>
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Operating fund balance

Balance, beginning of year	\$ -	\$ -
Net income from operations	3,884,000	1,698,000
Transfer to capital fund (page 4)	<u>(3,884,000)</u>	<u>(1,698,000)</u>
Balance, end of year	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Balance sheet

March 31 2009 2008

Assets

Current

Cash and cash equivalents	\$ 29,433,000	\$ 28,087,000
Receivables (note 3)	15,784,000	10,373,000
Inventories	1,346,000	1,279,000
Prepays	<u>1,380,000</u>	<u>1,407,000</u>
	47,943,000	41,146,000

Retirement allowance and benefits (note 9)	20,909,000	19,545,000
Property and equipment (note 4)	<u>164,905,000</u>	<u>156,887,000</u>
	<u>\$ 233,757,000</u>	<u>\$ 217,578,000</u>

Liabilities

Current

Payables and accruals (note 5)	\$ 29,039,000	\$ 27,281,000
Payable to IWK Health Centre Foundations	50,000	25,000
Current portion of facilities loan payable (note 7)	<u>595,000</u>	<u>561,000</u>
	29,684,000	27,867,000

Retirement allowance and benefits (note 9)	20,909,000	19,545,000
Facilities loan payable (note 7)	12,786,000	13,380,000
Appropriations and reserves (note 8)	<u>19,067,000</u>	<u>16,700,000</u>
	<u>82,446,000</u>	<u>77,492,000</u>

Fund balance

Capital fund (page 4)	<u>151,311,000</u>	<u>140,086,000</u>
	<u>\$ 233,757,000</u>	<u>\$ 217,578,000</u>

Contingency (note 13)

On behalf of the Board

 Director
 J. Rogers, Vice Chair
 IWK Board of Directors

 Director
 A. McGuire, CEO & President

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Statement of capital fund balance

Year ended March 31

2009

2008

Capital fund balance

Balance, beginning of year	\$ <u>140,086,000</u>	\$ <u>130,076,000</u>
Funding for capital additions		
Specified donations for equipment and renovations	4,132,000	947,000
Transfers from operations	3,884,000	1,698,000
Transfers from appropriations and reserves (note 8)	<u>12,195,000</u>	<u>16,270,000</u>
	<u>20,211,000</u>	<u>18,915,000</u>
Depreciation	<u>(8,986,000)</u>	<u>(8,905,000)</u>
Balance, end of year	\$ <u>151,311,000</u>	\$ <u>140,086,000</u>

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Statement of cash flows

Year ended March 31

2009

2008

Increase (decrease) in cash and cash equivalents

Operating		
Net income from operations	\$ 3,884,000	\$ 1,698,000
Change in non-cash operating working capital (note 11)	<u>(1,308,000)</u>	<u>(11,766,000)</u>
	<u>2,576,000</u>	<u>(10,068,000)</u>
Financing		
Principal repayments on facilities loan payable	(560,000)	(531,000)
Specified donations for equipment and renovations	4,132,000	947,000
Transfers from appropriations and reserves	<u>12,195,000</u>	<u>16,270,000</u>
	<u>15,767,000</u>	<u>16,686,000</u>
Investing		
Purchase of property and equipment	(17,004,000)	(17,822,000)
Employee advances	<u>7,000</u>	<u>7,000</u>
	<u>(16,997,000)</u>	<u>(17,815,000)</u>
Net increase (decrease) in cash and cash equivalents	1,346,000	(11,197,000)
Cash and cash equivalents		
Beginning of year	<u>28,087,000</u>	<u>39,284,000</u>
End of year	<u>\$ 29,433,000</u>	<u>\$ 28,087,000</u>

See accompanying notes to the financial statements.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

1. Purpose of organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK is committed to making a difference in the well being of women, children, youth and families, by bringing together care, research, teaching and advocacy for best results. The IWK is also committed to being global leaders in research and knowledge transfer.

The IWK Health Centre is a charitable organization under the Income Tax Act.

2. Summary of significant accounting policies

Fund accounting

The Health Centre maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The Operating Fund reports the non-capital operating assets, liabilities, revenues and expenses of the Health Centre related to the provision of health care services.

The Capital Fund reports the assets, liabilities, capital funding and depreciation related to the Health Centre's capital assets.

Revenue recognition

The Health Centre follows the deferral method of accounting for non-capital 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 when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to the Capital Fund in the period in which the asset is acquired.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are valued at the lower of cost and replacement cost.

Property and equipment

Property and equipment assets are stated at cost. Amortization is provided on the straight-line basis over the expected useful life of the asset:

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%
Group home	5%

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

2. Summary of significant accounting policies (continued)

Appropriations and reserves

Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

Donations

Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits

The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

Financial instruments

The Health Centre classifies all financial assets and liabilities as either held for trading, receivables or liabilities. Financial instruments classified as held for trading are measured at fair value with changes in fair value recognized in net income in the period in which they arise.

The Health Centre's financial instruments consist of cash, receivables, payables and accruals, facilities loan payable, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

Adoption of current accounting standards

The Centre adopted the guidance presented in Section 3031 "Inventories" issued by the CICA, effective January 1, 2008. The new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The adoption of this standard did not have a significant impact on the financial statements.

Future accounting standards

On April 1, 2009, the Centre will be required to apply the amendments of CICA Handbook Sections 4400 – Financial Statement Presentation for Not-For-Profit Organizations and will be required to adopt Section 4470 – Disclosure of Allocated Expenses for Not-For-Profit Organizations. These standards require the reporting of certain gross revenues in the statement of operations and additional disclosures when a non-for-profit organization classifies its expenses by function and allocates a portion of their fundraising and general support costs to another function. The Centre is currently reviewing the result of implementing these standards and the financial reporting impact has not yet been finalized.

3. Receivables	<u>2009</u>	<u>2008</u>
Patients and other accounts receivable, net of allowance for doubtful accounts of \$149,000 (2008 - \$213,000)	\$ 11,353,000	\$ 6,220,000
Nova Scotia Department of Health year end adjustments	<u>4,431,000</u>	<u>4,153,000</u>
	<u>\$ 15,784,000</u>	<u>\$ 10,373,000</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

3. Receivables (continued)

2009

2008

Year end adjustments are comprised of:

Capital grants	\$ 2,138,000	\$ 116,000
Accumulated deficit 1998/99	908,000	908,000
Department of Health IT projects	483,000	1,106,000
Contract increases	251,000	1,348,000
Mental health funding	167,000	227,000
NS Nursing Strategy	161,000	38,000
SAP Project	114,000	93,000
Community Occupational Therapy	87,000	12,000
Family Medicine on Call	64,000	-
Obstetric & Gynecology on Call	58,000	-
Breast Health	-	179,000
Bone Density	-	55,000
Primary Maternity Care Program	-	54,000
Genetics	-	17,000
	<u>\$ 4,431,000</u>	<u>\$ 4,153,000</u>

Of the total receivable from the NS Department of Health, as of April 30, 2009, \$1,438,000 has been received.

4. Property and equipment

2009

2008

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land and land improvements	\$ 4,285,000	\$ -	\$ 4,285,000	\$ 4,285,000
Building and service equipment	187,277,000	43,416,000	143,861,000	134,921,000
Major equipment	28,966,000	12,290,000	16,676,000	17,588,000
Group home	206,000	123,000	83,000	93,000
	<u>\$ 220,734,000</u>	<u>\$ 55,829,000</u>	<u>\$ 164,905,000</u>	<u>\$ 156,887,000</u>

The Capital Fund has non-interest bearing loans outstanding in the amount of \$204,000 (2008 - \$2,865,000) to the Operating Fund for the purchase of property and equipment. Repayment of these funds will be made through future funding received for capital additions.

5. Payables and accruals

2009

2008

Trade payables	\$ 9,675,000	\$ 11,628,000
Deferred revenue	415,000	590,000
Accrued salaries and benefits	12,775,000	9,944,000
Department of Health payables	106,000	93,000
Funds held on behalf of others	<u>6,068,000</u>	<u>5,026,000</u>
	<u>\$ 29,039,000</u>	<u>\$ 27,281,000</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

6. Credit facility

The Health Centre has been approved for a line of credit of \$2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2008 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus ¾%.

7. Facilities loan payable 2009 2008

Nova Scotia Department of Finance loan repayable in equal quarterly instalments of \$338,133 at an interest rate of 5.76% per annum calculated semi-annually. First instalment paid on March 1, 2004, with the final instalment due December 1, 2023.

	\$ 13,381,000	\$ 13,941,000
Less principal amounts payable within one year	<u>(595,000)</u>	<u>(561,000)</u>
	<u>\$ 12,786,000</u>	<u>\$ 13,380,000</u>

Principal amounts repayable within the next 5 years are as follows:

2010	\$ 595,000
2011	630,000
2012	667,000
2013	706,000
2014	747,000

The fair value of the facilities loan payable is not determinable as there are no comparable financial instruments available on the open market.

8. Appropriations and reserves 2009 2008

The following is a summary of the amounts in appropriations and reserves:

Capital		
Equipment	\$ 515,000	\$ 1,005,000
Pediatric site redevelopment	8,355,000	9,060,000
Capital campaign construction	<u>2,862,000</u>	<u>2,826,000</u>
	11,732,000	12,891,000
Board fellowship	359,000	148,000
Neonatal fellowship	418,000	408,000
Research funds	<u>6,558,000</u>	<u>3,253,000</u>
	<u>\$ 19,067,000</u>	<u>\$ 16,700,000</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

8. Appropriations and reserves (continued) 2009 2008

The following is a summary of the continuity of appropriations and reserves:

Balance, beginning of year	\$ <u>16,700,000</u>	\$ <u>22,436,000</u>
Grants from IWK Health Centre Foundations	2,968,000	4,972,000
Department of Health funding	8,809,000	2,091,000
Research funding	14,013,000	11,419,000
Capital campaign fund	36,000	64,000
Other funding	<u>1,031,000</u>	<u>1,215,000</u>
	<u>26,857,000</u>	<u>19,761,000</u>
Transfers to capital fund	(12,195,000)	(16,270,000)
Disbursements		
Research	(10,708,000)	(8,464,000)
Other	<u>(1,587,000)</u>	<u>(763,000)</u>
	<u>(24,490,000)</u>	<u>(25,497,000)</u>
Balance, end of year	\$ <u>19,067,000</u>	\$ <u>16,700,000</u>

9. Retirement allowance and benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Department of Finance for the Health Centre. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years. 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 Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2007.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

9. Retirement allowance and benefits (continued)

Information about the retirement allowance is as follows:

	<u>2009</u>	<u>2008</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 19,545,000	\$ 13,109,000
Current service cost	1,371,000	1,127,000
Plan amendment	-	2,521,000
Interest cost	994,000	793,000
Amortization of experience gains/losses	39,000	(50,000)
Other adjustment (benefits paid differential)	-	2,905,000
Estimated benefits paid	<u>(1,040,000)</u>	<u>(860,000)</u>
Balance, end of year	\$ <u>20,909,000</u>	\$ <u>19,545,000</u>
Funded status – plan deficit	\$ (26,626,000)	\$ (19,960,000)
Unamortized net actuarial loss	<u>5,717,000</u>	<u>415,000</u>
Accrued benefit liability recognized	\$ <u>(20,909,000)</u>	\$ <u>(19,545,000)</u>

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance	\$ <u>2,404,000</u>	\$ <u>7,296,000</u>
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The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2009:

Discount rate	4.95%
Rate of compensation increase	2.65-5.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rate in accordance with the Group Annuity Mortality table for 1994 (projected to 2015) was utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at July 1, 2008 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to \$10,259,000 (2008 - \$9,279,000).

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2009

11. Supplemental cash flow information	<u>2009</u>	<u>2008</u>
Change in non-cash operating working capital:		
Receivables	\$ (5,418,000)	\$ (634,000)
Receivable from IWK Health Centre Foundations	-	71,000
Inventories	(67,000)	14,000
Prepays	27,000	(214,000)
Payables and accruals	1,758,000	(5,292,000)
Payable to IWK Health Centre Foundations	25,000	25,000
Appropriations and reserves, net	<u>2,367,000</u>	<u>(5,736,000)</u>
	<u>\$ (1,308,000)</u>	<u>\$ (11,766,000)</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ 29,433,000</u>	<u>\$ 28,087,000</u>

12. Related party transactions

The Health Centre relies upon the IWK Health Centre Foundations to raise monies to assist them with the funding of research, capital renovations, capital equipment and specific programs not funded by the Department of Health. Funding received was allocated as follows:

	<u>2009</u>	<u>2008</u>
Capital equipment	\$ 1,850,000	\$ 1,850,000
Research	1,400,000	1,400,000
Fellowships	500,000	500,000
Operating programs	<u>250,000</u>	<u>250,000</u>
Total grant from Foundations	<u>4,000,000</u>	<u>4,000,000</u>
Specified and restricted fund allocations	<u>5,457,000</u>	<u>8,326,000</u>
Total funds received	<u>\$ 9,457,000</u>	<u>\$ 12,326,000</u>

13. Contingency

The Health Centre has been named as a defendant in legal actions relating to malpractice. Counsel is unable to form an opinion regarding the merit of these claims, and therefore it is not possible to estimate a payment amount, if any. However, it is expected that any payment that may arise from these claims would be funded entirely by the liability insurance carrier.

14. Comparative figures

Certain of the 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.