

Financial Statements

South West Nova District Health Authority
Operating as South West Health
March 31, 2011

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of **South West Nova District Health Authority** as at March 31, 2011 and the statements of operations, changes in fund balance, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **South West Nova District Health Authority** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2010 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 25, 2010.

Ernst & Young LLP

Halifax, Canada,
June 28, 2011.

Chartered Accountants

**South West Nova District Health Authority
Operating as South West Health**

STATEMENT OF FINANCIAL POSITION

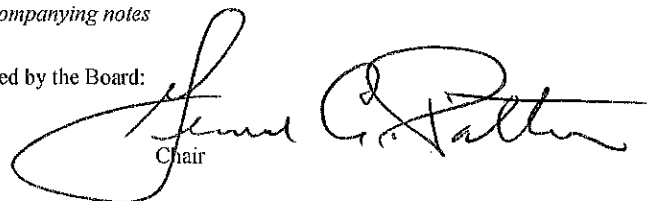
As at March 31, 2011

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
ASSETS				
Current				
Cash and cash equivalents	—	1,596,271	1,596,271	110,999
Short-term investment	33,459	—	33,459	—
Accounts receivable [note 3]	5,266,016	1,724,513	6,990,529	9,825,297
Due from Tri-District Health Authorities	—	—	—	66,626
Inter-fund balances	2,867,261	(2,867,261)	—	—
Inventories	1,338,710	—	1,338,710	1,462,016
Prepaid expenses	778,842	—	778,842	683,832
	<u>10,284,288</u>	<u>453,523</u>	<u>10,737,811</u>	<u>12,148,770</u>
Long-term assets [note 4]	10,693,692	—	10,693,692	10,446,642
Property, plant and equipment [note 5]	—	64,026,802	64,026,802	66,171,131
	<u>20,977,980</u>	<u>64,480,325</u>	<u>85,458,305</u>	<u>88,766,543</u>
LIABILITIES				
Current				
Bank indebtedness	932,910	—	932,910	488,660
Accounts payable and accrued liabilities [note 7]	9,554,755	1,223,275	10,778,030	12,295,022
Due to Tri-District Health Authorities	90,267	—	90,267	—
Revenue received in advance	227,511	—	227,511	669,752
	<u>10,805,443</u>	<u>1,223,275</u>	<u>12,028,718</u>	<u>13,453,434</u>
Deferred capital grants [note 8]	—	63,185,026	63,185,026	65,546,893
Employee future benefits [note 9]	10,345,177	—	10,345,177	9,737,454
	<u>21,150,620</u>	<u>64,408,301</u>	<u>85,558,921</u>	<u>88,737,781</u>
FUND BALANCES				
Restricted	18,116	10,645	28,761	28,761
Unrestricted	(190,756)	61,379	(129,377)	1
	<u>(172,640)</u>	<u>72,024</u>	<u>(100,616)</u>	<u>28,762</u>
	<u>20,977,980</u>	<u>64,480,325</u>	<u>85,458,305</u>	<u>88,766,543</u>

Commitments [note 12]

See accompanying notes

Approved by the Board:


Chair

**South West Nova District Health Authority
Operating as South West Health**

STATEMENT OF CHANGES IN FUND BALANCE

Year ended March 31, 2011

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
RESTRICTED				
Balance, beginning of and end of year	18,116	10,645	28,761	28,761
UNRESTRICTED				
Balance, beginning of year	65,897	(65,896)	1	(156,606)
(Deficiency) excess of revenues over expenses	(256,653)	127,275	(129,378)	156,607
Balance, end of year	(190,756)	61,379	(129,377)	1
Fund balances	(172,640)	72,024	(100,616)	28,762

See accompanying notes

**South West Nova District Health Authority
Operating as South West Health**

STATEMENT OF OPERATIONS

Year ended March 31, 2011

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
REVENUES				
Department of Health and Wellness	85,492,154	—	85,492,154	83,445,609
Veterans Affairs Canada	1,897,459	—	1,897,459	1,785,400
Patient services	1,808,420	—	1,808,420	1,769,127
Physician funding	3,542,726	—	3,542,726	3,936,026
Program recoveries	6,741,748	—	6,741,748	7,536,587
Amortization of deferred capital grants <i>[note 8]</i>	—	4,253,143	4,253,143	4,200,376
Other	640,413	292,767	933,180	785,591
	100,122,920	4,545,910	104,668,830	103,458,716
EXPENSES				
Addiction services	2,083,990	—	2,083,990	2,157,024
Administration services	3,196,477	—	3,196,477	3,185,378
Amortization of property, plant and equipment	—	4,297,390	4,297,390	4,281,303
Diagnostic Imaging	4,418,913	—	4,418,913	4,320,948
Employee future benefits <i>[note 9]</i>	1,525,511	—	1,525,511	1,206,919
Environmental	3,714,673	—	3,714,673	3,778,245
Finance	971,481	—	971,481	1,045,132
Food and Nutrition	6,286,066	—	6,286,066	6,100,954
Health Information	2,071,934	—	2,071,934	2,065,822
Human Resources	988,523	—	988,523	806,888
Information Technology	1,965,970	—	1,965,970	1,965,034
Laboratory	6,907,562	—	6,907,562	6,716,481
Materials Management	1,805,508	—	1,805,508	1,891,489
Mental Health	5,193,559	—	5,193,559	5,514,149
Nursing	34,667,838	—	34,667,838	32,992,350
Other programs	5,768,055	—	5,768,055	5,638,173
Pharmacy	1,213,407	—	1,213,407	1,164,275
Plant and support	6,139,630	—	6,139,630	5,828,423
Public Health	3,103,476	—	3,103,476	3,298,726
Rehabilitation	2,140,233	—	2,140,233	2,070,449
Sundry	6,216,767	121,245	6,338,012	7,273,947
	100,379,573	4,418,635	104,798,208	103,302,109
(Deficiency) excess of revenues over expenses	(256,653)	127,275	(129,378)	156,607

See accompanying notes

**South West Nova District Health Authority
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STATEMENT OF CASH FLOWS

Year ended March 31, 2011

	Operating Fund \$	Capital Fund \$	2011 Total \$	2010 Total \$
Net inflow (outflow) of cash related to the following activities:				
OPERATING ACTIVITIES				
(Deficiency) excess of revenues over expenses	(256,653)	127,275	(129,378)	156,607
Items not affecting cash				
Amortization of property, plant and equipment	—	4,348,537	4,348,537	4,281,303
Amortization of deferred capital grants <i>[note 8]</i>	—	(4,253,143)	(4,253,143)	(4,200,376)
Employee future benefits expense <i>[note 9]</i>	1,525,511	—	1,525,511	1,206,919
Changes in non-cash working capital items <i>[note 11]</i>	(548,270)	1,575,535	1,027,265	(19,676)
Employee future benefits paid <i>[note 9]</i>	(917,788)	—	(917,788)	(712,821)
Cash provided by (used in) operating activities	(197,200)	1,798,204	1,601,004	711,956
FINANCING ACTIVITY				
Proceeds received from grants for capital assets <i>[note 8]</i>	—	1,891,276	1,891,276	1,875,238
Cash provided by financing activity	—	1,891,276	1,891,276	1,875,238
INVESTING ACTIVITIES				
Increase in long-term assets	(247,050)	—	(247,050)	(917,715)
Acquisition of property, plant and equipment	—	(2,204,208)	(2,204,208)	(808,648)
Cash used in investing activities	(247,050)	(2,204,208)	(2,451,258)	(1,726,363)
Net change in cash and cash equivalents	(444,250)	1,485,272	1,041,022	860,831
Cash and cash equivalents (bank indebtedness), beginning of year	(488,660)	110,999	(377,661)	(1,238,492)
Cash and cash equivalents (bank indebtedness), end of year	(932,910)	1,596,271	663,361	(377,661)

See accompanying notes

**South West Nova District Health Authority
Operating as South West Health**

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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 [the "Act"] 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. South West Health's mission is to "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 South West Health are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, South West Health leases space in other locations to operate certain programs, throughout Digby, Shelburne and Yarmouth counties and supports four Community Health Boards.

South West Health is dependent on the Nova Scotia Department of Health and Wellness to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. South West Health is a registered charity under the *Income Tax Act (Canada)* and, therefore, is exempt from income tax.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries that were established to raise funds for the respective hospitals within South West Health.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements have been prepared by management of South West Health in accordance with Canadian generally accepted accounting principles ["GAAP"] for not-for-profit organizations and reflect the following significant accounting policies:

Fund accounting

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

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Financial instruments

As permitted for not-for-profit organizations, South West Health has adopted Canadian Institute of Chartered Accountants ["CICA"] *Handbook* Section 3861, *Financial Instruments – Disclosures and Presentation*, in place of Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and South West Health's designation of such instruments.

<u>Asset/Liability</u>	<u>Classification</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 financial instruments are measured at fair value, with changes in fair value recognized in the statement of operations. Loans and receivables are accounted for at amortized cost, using the effective interest rate method. Other liabilities are carried at amortized cost, using the effective interest rate method.

Transaction costs are expensed as incurred.

Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents consist of cash on hand, bank indebtedness, balances with banks and money market investments with maturities of three 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 equipment, drugs, and other general inventory. Cost is determined using the weighted average cost method.

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Property, plant and equipment

Purchased property, plant and equipment are recorded in the Capital Fund at cost. Contributed property, plant and equipment are recorded in the Capital Fund at fair value on 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 the amortization of the related assets.

Pension plan

Pension cost for multi-employer pension plans is equal to South West Health's share of the amounts contributed to the plans on behalf of the employees.

Employee future benefits

Employee future benefits are determined as outlined in note 9 and are recognized in the period during which benefits are earned by the employee.

Revenue recognition

South West Health follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year during 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 during which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues 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 and Wellness 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.

3. ACCOUNTS RECEIVABLE

	2011		2010	
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
Department of Health and Wellness				
Operating funding	2,116,432	—	2,116,432	3,291,753
Capital grants	—	1,171,385	1,171,385	1,228,601
Patient care	227,675	—	227,675	324,944
HST rebates	353,138	140,213	493,351	521,125
Extended care facilities	1,463,585	—	1,463,585	1,606,105
Homecare / VON	126,714	—	126,714	379,714
Charitable foundations	107,704	412,915	520,619	506,355
Psychiatric recoveries	—	—	—	159,676
Other	870,768	—	870,768	1,807,024
	<u>5,266,016</u>	<u>1,724,513</u>	<u>6,990,529</u>	<u>9,825,297</u>

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

4. LONG-TERM ASSETS

	2011		2010
	Operating Fund \$	Capital Fund \$	Total \$
Employee future benefits receivable	10,570,104	—	10,570,104
Payroll advances receivable	123,588	—	123,588
	<u>10,693,692</u>	<u>—</u>	<u>10,693,692</u>
			10,446,642

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

5. PROPERTY, PLANT AND EQUIPMENT

	2011		2010
	Cost \$	Accumulated amortization \$	Net book value \$
Land	34,603	—	34,603
Land improvements	1,262,969	489,674	773,295
Building and building service equipment	98,657,474	40,174,474	58,483,000
Equipment	32,968,093	28,232,189	4,735,904
	<u>132,923,139</u>	<u>68,896,337</u>	<u>64,026,802</u>
			66,171,131

6. CREDIT FACILITIES

South West Health has an operating line of credit available with a Canadian chartered bank totaling \$4.35 million. Interest is charged at prime less 0.75%. There was no amount drawn on the operating line as at March 31, 2011 and 2010.

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011		2010
	Operating Fund \$	Capital Fund \$	Total \$
Trade payables	1,745,276	—	2,391,539
Accrued liabilities	1,409,531	1,223,275	2,300,889
Vacation pay	333,561	—	712,741
Salary and benefits	6,066,387	—	6,889,853
	<u>9,554,755</u>	<u>1,223,275</u>	<u>10,778,030</u>
			<u>12,295,022</u>

8. DEFERRED CAPITAL GRANTS

	2011 \$	2010 \$
Balance, beginning of year	<u>65,546,893</u>	<u>67,872,031</u>
Grants received for:		
Capital assets purchased	1,820,355	1,823,674
Future capital asset purchases	<u>70,921</u>	<u>51,564</u>
Total grants received for capital assets	<u>1,891,276</u>	<u>1,875,238</u>
	<u>67,438,169</u>	<u>69,747,269</u>
Amortization of deferred capital grants	<u>(4,253,143)</u>	<u>(4,200,376)</u>
Balance, end of year	<u>63,185,026</u>	<u>65,546,893</u>

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits, other than pension, consist of post-retirement allowances and post-retirement health benefits. The cost of post-retirement allowances and post-retirement health benefits is actuarially determined using the projected benefits method prorated on service and use assumptions provided by the Provincial Department of Finance for District Health Authorities. Actuarial gains and losses arise from changes in assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains and losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees. Past service costs arising from plan amendments are expensed when incurred. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

9. EMPLOYEE FUTURE BENEFITS [Cont'd]

The last actuarial valuation for post-retirement allowances was completed as at September 30, 2010. The last actuarial valuation for post-retirement health benefits for CUPE, non-union employees and NSNU employees was completed as at March 31, 2009. The results of these valuations were extrapolated to March 31, 2011. The next actuarial valuation for post-retirement allowances will be completed as at September 30, 2013. The next actuarial valuation for post-retirement health benefits for CUPE, non-union employees and NSNU employees will be completed as at March 31, 2012.

At March 31, 2011, the total accrued benefit liability for employee future benefits, other than pension, amounted to \$10,345,177 [2010 – \$9,737,454]. Further information about South West Health's employee future benefits, other than pension, is as follows:

	2011		2010	
	Retirement allowance \$	Retirement health benefits \$	Total \$	Total \$
Accrued benefit liability				
Accrued benefit obligation	8,861,783	3,706,623	12,568,406	11,307,394
Unamortized actuarial experience (gains) losses	(2,310,412)	87,183	(2,223,229)	(1,569,940)
Accrued benefit liability on the statement of financial position	6,551,371	3,793,806	10,345,177	9,737,454
Plan expenses				
Current service costs	512,200	163,600	675,800	661,600
Interest cost	380,900	153,900	534,800	536,000
Current-year amortized actuarial loss (gain)	361,023	(46,112)	314,911	9,019
Net employee future benefits expense on the statement of operations	1,254,123	271,388	1,525,511	1,206,919
Change in accrued benefit liability				
Accrued benefit liability, beginning of year	6,126,812	3,610,642	9,737,454	9,243,356
Expense	1,254,123	271,388	1,525,511	1,206,919
Benefits paid	(829,564)	(88,224)	(917,788)	(712,821)
Accrued benefit liability, end of year	6,551,371	3,793,806	10,345,177	9,737,454

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

9. EMPLOYEE FUTURE BENEFITS [Cont'd]

The significant actuarial assumptions used in the measurement of South West Health's accrued benefit liability are as follows:

	2011	2010
Retirement allowance discount rate used to determine accrued benefit liability	4.75%	4.75%
Retirement allowance discount rate used to determine benefit expense	4.75%	4.95%
Retirement allowance salary increase rate	2.65 to 5.15%	2.65 to 5.15%
Health benefit discount rate used to determine accrued benefit liability	4.75%	4.75%
Health benefit discount rate used to determine benefit expense	4.75%	4.95%
Extended health care cost trend rates	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum	6.25% decreasing 0.25% per annum to an ultimate rate of 4.5% per annum
Prescription drug coverage trend rates	7.0% decreasing over 15 years to an ultimate rate of 4.5% per annum	10.0% decreasing 1% per annum to an ultimate rate of 4.5% per annum

10. PENSION PLANS

South West Health contributes to two pension plans on behalf of its employees. The first plan is a multi-employer plan administered by Health Association of Nova Scotia. The most recent actuarial valuation was as at October 31, 2010. At that time, there was a funding excess of \$100.4 million on a going concern basis. A projection to December 31, 2010 [the plan year-end] indicates a funding excess of \$109.5 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 December 31, 2009. At that time, there was an unfunded liability for the entire multi-employer plan of \$1,503 million. A projection to March 31, 2010 applying the same assumptions indicated an unfunded liability of \$1,516 million.

South West Health bears no direct financial responsibility for the unfunded liability of either plan as the responsibility lies with the plan administrators. The amount contributed to the plans for the period ended March 31, 2011 was \$5,132,797 [2010 – \$4,945,064] for current service costs which are spread over a number of expense line items in the statement of operations.

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

**11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT
OF CASH FLOWS**

Changes in non-cash working capital items

	2011		2010	
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
Short-term Investment	(33,459)	—	(33,459)	—
Accounts receivable	2,851,193	(16,425)	2,834,768	(2,953,564)
Due to/from Tri-District Health Authorities	156,893	—	156,893	(124,006)
Inter-fund balances	(1,504,908)	1,504,908	—	—
Inventories	123,306	—	123,306	117,865
Prepaid expenses	(95,010)	—	(95,010)	253,897
Accounts payable and accrued liabilities	(1,604,044)	87,052	(1,316,992)	2,865,562
Revenue received in advance	(442,241)	—	(442,241)	(179,430)
	<u>(548,270)</u>	<u>1,575,535</u>	<u>1,027,265</u>	<u>(19,676)</u>

Cash and cash equivalents (bank indebtedness)

	2011		2010	
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
(Bank indebtedness) cash	(932,910)	1,581,271	648,361	(392,661)
Cash equivalents	—	15,000	15,000	15,000
	<u>(932,910)</u>	<u>1,596,271</u>	<u>663,361</u>	<u>(377,661)</u>

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

**11. ADDITIONAL INFORMATION RELATING TO THE STATEMENT
OF CASH FLOWS [Cont'd]**

Other information

	2011 \$	2010 \$
Interest received	21,478	530

Non-cash transactions

During the year, property, plant and equipment totaling \$1,223,275 [2010 – \$1,136,223] was acquired and accrued in accounts payable and accrued liabilities. There was also an amount of \$63,593 [2010 – \$2,160,897] transferred from construction in progress into capital assets available for use. These non-cash transactions have been excluded from the statement of cash flows.

12. COMMITMENTS

Lease and purchase commitments

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

	\$
2012	2,687,657
2013	1,547,625
2014	1,008,862
2015	293,923
2016	51,859
	<u>5,589,926</u>

**South West Nova District Health Authority
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NOTES TO FINANCIAL STATEMENTS

March 31, 2011

13. 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

South West Health performs an evaluation of its customers' credit and records and allowance for doubtful accounts as required. Management considers that there is no significant exposure to credit risk as at March 31, 2011.

14. CAPITAL MANAGEMENT

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

Fund balance

As a not-for-profit organization, South West Health's operations rely on revenues generated annually. As at March 31, 2011, South West Health has an accumulated net fund balance of \$(100,616) [2010 – \$28,762] which is presented in the statement of financial position.

A portion of fund balances represents financial resources which are subject to external restrictions on future use. South West Health, through its policies, has placed internal restrictions on the use of certain other portions of its accumulated net deficit. 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 prior-year deficiency.

Debt

South West Health maintains an available line of credit for periodic short-term requirements [note 6]. At March 31, 2011, 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 in advance of the expenditures they are intended to fund. At March 31, 2011, South West Health was in compliance with all restrictions applicable to these funding sources.

**South West Nova District Health Authority
Operating as South West Health**

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.