Consolidated Financial Statements

Capital District Health Authority

[Operating as Capital Health]
March 31, 2014

MANAGEMENT'S REPORT

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements yearly.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Capital District Health Authority and meet when required.

On behalf of Capital District Health Authority:

Amanda Whitewood Vice-President, Sustainability & Chief Financial Officer	Chris Power President & Chief Executive Officer

June 5, 2014.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Capital District Health Authority

We have audited the accompanying consolidated financial statements of **Capital District Health Authority**, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, remeasurement gains and losses, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capital District Health Authority as at March 31, 2014 and the consolidated results of its operations, remeasurement gains and losses, change in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 5, 2014.

Chartered Accountants

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	2014 $	2013 $
Financial assets			
Accounts receivable		**40,914**	39,243
Due from Department of Health and Wellness		**36,230**	32,305
Due from Department of Finance	*7*	**192,240**	180,691
Due from Foundations		**8,400**	6,457
Due from (to) PDDP		**1,798**	(539)
Restricted cash	*4*	**40,833**	34,250
Portfolio investments		**31,178**	26,359
Investment in Partners for Care	*12*	**102**	7
		351,695	318,773
Liabilities			
Accounts payable and accrued liabilities		**127,979**	107,733
Restricted liabilities		**40,833**	34,250
Employee future benefits	*7*	**187,117**	174,902
Vested sick-leave benefits	*7*	**2,476**	2,111
Deferred operating revenue	*6*	**591**	540
Deferred capital revenue	*6*	**363**	210
Long-term debt	*11*	**7,879**	8,738
Obligations under capital leases	*11*	**661**	896
		367,899	329,380
Net financial debt		**(16,204)**	(10,607)
Non-financial assets			
Capital assets	*5*	**255,062**	284,230
Construction in progress	*5*	**26,692**	5,379
Inventories of supplies	*3*	**13,652**	12,239
Prepaid expenses		**3,569**	2,785
		298,975	304,633
Accumulated surplus	*15*	**282,771**	294,026
Accumulated surplus is comprised of			
Accumulated surplus		**282,178**	292,790
Accumulated remeasurement gains		**593**	1,236

See accompanying notes

On behalf of the Board:

Elaine Morash
Director

O'Brien
Director

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Note	Budget $	2014 $	2013 $
REVENUE		[Note 18]		
Province of Nova Scotia				
Operating grants		791,346	814,942	793,106
Capital grants		—	12,388	14,369
Federal Government				
Operating grants		26,416	27,859	28,535
Revenue from other sources				
Capital grants		—	11,538	13,856
Operating grants		48,060	46,487	46,087
Recoveries		33,975	62,575	49,040
Investment Revenue		1,500	1,458	1,814
Income from Partners for Care	*2*	—	95	955
Total revenue		901,297	977,342	947,762
EXPENSES				
Acute Person Centred Health		377,161	389,682	383,644
Community and Emergency Health		271,604	285,551	273,028
Sustainability and CFO		132,460	150,263	146,552
Medicine		60,624	61,640	53,719
People Support		22,687	24,143	23,198
Utilities		18,423	24,775	21,677
Provincial Programs		12,144	12,261	11,828
Performance Excellence		4,343	4,278	3,902
Innovation and Learning		660	363	518
Interest	*11*	1,191	460	489
Amortization	*5*	—	34,538	33,246
Total expenses		901,297	987,954	951,801
Net deficit from operating and capital activities		—	(10,612)	(4,039)
Accumulated surplus, beginning of year	*15*		292,790	296,829
Accumulated surplus, end of year	*15*		282,178	292,790

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

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

	2014 $	2013 $
Accumulated remeasurement gains, beginning of year	**1,236**	1,456
Remeasurement losses arising during the year		
Unrealized loss on portfolio investments	**(643)**	(220)
Net remeasurement losses for the year	**(643)**	(220)
Accumulated remeasurement gains, end of year	**593**	1,236

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT

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

	Note	2014 $	2013 $
Net deficit		**(10,612)**	(4,039)
Change in tangible capital assets			
Acquisition of tangible capital assets	*5*	**(27,206)**	(22,861)
Amortization of tangible capital assets	*5*	**34,538**	33,246
Amortization of non-operating tangible capital assets		**—**	14
Disposals of tangible capital assets	*5*	**523**	53
Decrease in tangible capital assets		**7,855**	10,452
Change in other non-financial assets			
Net change in inventories	*3*	**(1,413)**	2,019
Net change in prepaid expenses		**(784)**	327
Decrease (increase) in other non-financial assets		**(2,197)**	2,346
Remeasurement losses		**(643)**	(220)
(Increase) decrease in net financial debt		**(5,597)**	8,539
Net financial debt at beginning of year		**(10,607)**	(19,146)
Net financial debt at end of year		**(16,204)**	(10,607)

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands of Canadian dollars]

	Note	2014 $	2013 $
OPERATING ACTIVITIES			
Net deficit		**(10,612)**	(4,039)
Items not affecting cash including amortization		**34,443**	32,071
Employee future benefits	*7*	**12,580**	12,737
Prepaid expenses		**(784)**	327
Deferred revenue	*6*	**204**	(28,631)
Other		**(518)**	3,284
Cash provided by operating activities		**35,313**	15,749
CAPITAL ACTIVITIES			
Acquisition of tangible capital assets *(schedule C)*		**(25,224)**	(24,955)
Cash applied to capital activities		**(25,224)**	(24,955)
FINANCING ACTIVITIES			
Debt retirement	*11*	**(1,094)**	(1,038)
Cash applied to financing activities		**(1,094)**	(1,038)
INVESTING ACTIVITIES			
(Acquisitions of) proceeds from portfolio investments		**(4,176)**	2,692
Restricted funding	*4*	**6,583**	1,162
Cash provided by investing activities		**2,407**	3,854
Increase (decrease) in cash and cash equivalents		**11,402**	(6,390)
Cash and cash equivalents, beginning of year		**60,609**	66,999
Cash and cash equivalents, end of year		**72,011**	60,609
Cash and cash equivalents are composed of:			
Portfolio investments		**31,178**	26,359
Restricted cash and cash equivalents		**40,833**	34,250
		72,011	60,609

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014
[in thousands of Canadian dollars]

1. Nature of the Organization

Effective January 1, 2001, Bill 34 of the Province of Nova Scotia created the Capital District Health Authority ["Capital Health"]. Capital Health includes the QEII Health Sciences Centre ["QEII"], Nova Scotia Hospital ["NSH"] and the former Central Regional Health Board ["CRHB"]. Collectively, these organizations provide core health services to 43% of the population of Nova Scotia, and tertiary and quaternary acute services to residents of Atlantic Canada. These services are grouped into the key areas such as medical and surgical care, mental health care, community health programs, addiction prevention and treatment and environmental health services.

Capital Health is a non-profit entity and, as such, is exempt from income taxes under the *Income Tax Act*.

The Province of Nova Scotia has announced its intention to reorganize the province's 10 existing district health authorities, including Capital Health, into two health authorities. The reorganization is expected to be completed on April 1, 2015. Although Capital Health will be dissolved upon completion of the reorganization, its assets, liabilities and operations will continue as part of a successor health authority. As a result, the financial statements have been prepared on a going concern basis.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board ["PSAB"].

b. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations that are controlled by Capital Health.

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

Under the modified equity method of accounting, only Capital Health's investment in the business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Capital Health, except that any other comprehensive income of the business enterprise is

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

accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

d. Temporary investments

Temporary investments include short-term investments recorded at the lower of cost or market value.

e. Portfolio investments

Portfolio investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are reclassified to the statement of operations upon disposal or settlement.

All investment transactions are recorded on a trade date basis.

f. Restricted cash and investments and restricted liabilities

Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at fair value. The corresponding restricted liability represents the unexpended fund balance.

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

g. Employee future benefits/Due from Department of Finance

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

ii. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

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

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

h. Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions.

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

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

i. Tangible capital assets including capital leases

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of Capital Health's rate for incremental borrowing or the interest rate implicit in the lease. Note 11 provides a schedule of repayments and amount of interest on the leases.

Capital assets are recorded at cost and depreciated on the straight-line basis at the following annual rates:

Halifax Infirmary building	50 years
Dartmouth General Hospital and Hants Hospital building	40 years
Parking garage	40 years
Other buildings	20-50 years
Equipment	10 years
Leasehold improvements	10 years
Parking equipment	10 years
Information technology	5 years
Paving	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Capital Health's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, and such contributed capital assets are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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

j. Inventories of supplies

Inventories of supplies include drugs, linen, medical, surgical and general supplies, and are recorded at the lower of historical cost and replacement cost *[see Note 4]*.

k. Prepaid expenses

Prepaid expenses include maintenance, support costs, memberships and subscriptions, and are charged to expense over the periods expected to benefit from it.

l. Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers (revenues from non-exchange transactions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all stipulations have been met.

m. Expenses

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

n. Measurement uncertainty

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

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

[in thousands of Canadian dollars]

3. Inventories of supplies

	2014 $	2013 $
Drugs	**5,940**	5,122
Medical and surgical	**3,906**	3,670
Linen	**2,160**	2,017
General supplies	**1,646**	1,430
	13,652	12,239

4. Restricted cash and investments and restricted liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the year ended March 31, 2014, research and restricted revenue totaled $50,920 [2013 - $18,583] and research expenses totaled $44,337 [2013 - $17,420], resulting in a net increase of $6,583 [2013 - $1,162].

Long-term restricted liabilities

	2014 $	2013 $
Centre for Clinical Research	**31,287**	26,667
Other	**9,546**	7,583
	40,833	34,250

[in thousands of Canadian dollars]

5. Capital assets

	2014		2013	
	Cost $	Accumulated depreciation $	Cost $	Accumulated depreciation $
Land and land improvements	**1,170**	**156**	1,170	156
Buildings and leaseholds	**388,090**	**218,086**	385,302	201,864
Equipment	**343,494**	**270,248**	341,396	254,304
Assets under capital lease	**4,415**	**3,194**	4,415	2,663
Information technology	**52,392**	**50,927**	52,336	49,789
Parking equipment and paving	**332**	**332**	332	332
Parking garage	**11,000**	**2,888**	11,000	2,613
Construction in progress	**26,692**	—	5,379	—
	827,585	**545,831**	801,330	511,721
Less: accumulated depreciation	**545,831**		511,721	
Net book value	**281,754**		289,609	

Additions and disposals

	2014		2013	
	Additions $	Disposals $	Additions $	Disposals $
Land and land improvements	—	—	—	—
Buildings and leaseholds	**4,780**	—	745	—
Equipment	**21,679**	**523**	21,665	53
Assets under capital lease	—	—	—	—
Information technology	**747**	—	451	—
Parking equipment and paving	—	—	—	—
Parking garage	—	—	—	—
Non-operating tangible capital assets	—	—	—	—
	27,206	**523**	22,861	53

[in thousands of Canadian dollars]

5. Capital assets (cont'd)

Depreciation expense

	2014 Depreciation $	2013 Depreciation $
Land and land improvements	—	—
Buildings and leaseholds	**16,222**	15,004
Equipment	**16,372**	16,152
Assets under capital lease	**531**	530
Information technology	**1,138**	1,284
Parking equipment and paving	—	—
Parking garage	**275**	276
Non-operating tangible capital assets	—	14
	34,538	33,260

Construction in Progress
Construction in progress is included above in capital assets with the majority of the costs associated with the following large projects: Automated Track System [$1,825], Multi Detector CT Scanner [$1,565], Renovation to Neuro Angio Unit [$1,419], Physiologic Monitoring System [$1,270], Transfer Switch Musquodoboit Valley Memorial Hospital [$997], Cancer Care Registry [$897], Cardiac Monitor System Dartmouth General Hospital Emergency [$865], Expansion of Public Wi-Fi – HI [$697], Elevator Upgrade Cystoscopy, Table with Fluoroscopy [$529], Pyxis Dispensing Units [$481], Bar-Code Specimen Tracking Unit [$401], Photon Laser Scanning Micro [$307], Heart Lung Machine [$302], Sanitizer/Bedpan Washers [$246].

6. Deferred revenue

Deferred operating revenue of $591 [2013 – $540] represents advance funding received in the current year from the Department of Health for the year ending March 31, 2015, and other program deferred funding. Deferred capital revenue of $363 [2013 – $210] represents the advance funding received for capital equipment that will be purchased subsequent to March 31, 2014.

[in thousands of Canadian dollars]

6. Deferred revenue (cont'd)

	2014		2013	
	Operating $	**Capital** $	**Operating** $	**Capital** $
Balance, beginning of year	**540**	**210**	28,994	387
Receipts during year	**60**	**445**	8	1,238
Transfers to revenue	**(9)**	**(292)**	(28,462)	(1,415)
Balance, end of year	**591**	**363**	540	210

7. Employee future benefits

Retiring allowances
Retiring allowances paid to employees upon retirement are actuarially determined. The retiring allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of 10 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; therefore, a corresponding accounts receivable amount is recorded. Under Union Collective agreements, employees are entitled to a payment of one week's salary for every year of full-time service [max. 26 weeks] that an employee has contributed to the organization. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards. The most recent actuarial valuation was conducted as at March 31, 2013.

[in thousands of Canadian dollars]

7. Employee future benefits (cont'd)

Capital Health has provided for retiring allowances as follows:

	2014 $	2013 $
Accrued benefit liability		
Beginning balance, retiring allowances	**63,490**	59,735
Current service cost for the year	**5,005**	4,756
Interest cost during the year	**3,134**	3,244
Amortization of experience loss	**12,745**	717
Unamortized actuarial (losses) gains	**(10,788)**	1,503
Estimated fiscal payments for employees	**(6,462)**	(6,465)
Ending balance, retiring allowances	**67,124**	63,490

	2014 $	2013 $
Employee future benefits retiring expense		
Current service costs	**5,005**	4,756
Interest on accrued benefits	**3,134**	3,244
Amortization of experience loss	**12,745**	717
Unamortized actuarial (losses) gains	**(10,788)**	1,503
	10,096	10,220

The significant actuarial assumptions adopted in measuring Capital Health's retirement allowances are as follows [weighted average assumptions] as at March 31, 2014:

	2014 $	2013 $
Discount rate	**4.10%**	4.30%
Retirement % at age 65	**25%**	25%
Average age of employees	**44.4**	45.2
Average age of service	**10.3**	10
Future mortality rate	**[none assumed]**	[none assumed]
Rate of compensation increase [based on average]	**2.40%**	2.40%

[in thousands of Canadian dollars]

7. Employee future benefits (cont'd)

Total retiring allowances paid to employees are as follows:

	2014 $	2013 $
Employer contributions	**6,462**	6,465

Health and life insurance
Capital Health provides health and life insurance benefits to employees upon retirement. Under Union Collective agreements, employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. Capital Health contributes to the cost of these premiums. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards. The most recent actuarial valuation was conducted as at December 31, 2011.

The health and life insurance value is calculated by the Provincial Department of Finance for Capital Health. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the PSAB Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years for most employees and 9 years for those in the Nova Scotia Nurses' Union ["NSNU"] plan. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, therefore a corresponding accounts receivable balance is recorded.

Capital Health has provided for health and life insurance as follows:

	2014 $	2013 $
Accrued benefit liability		
Beginning balance, health and life	**111,412**	102,752
Current service cost for the year	**5,287**	5,247
Interest cost during the year	**4,826**	4,769
Amortization of experience loss	**1,697**	2,916
Unamortized actuarial losses	**(1,098)**	(2,556)
Estimated fiscal payments for employees	**(2,131)**	(1,716)
Ending balance, health and life	**119,993**	111,412

[in thousands of Canadian dollars]

7. Employee future benefits (cont'd)

	2014 $	2013 $
Employee future benefits health and life expense		
Current service costs	**5,287**	5,247
Interest on accrued benefits	**4,826**	4,769
Amortization of experience loss	**1,697**	2,916
Unamortized actuarial loss	**(1,098)**	(2,556)
	10,712	10,376

The significant actuarial assumptions adopted in measuring Capital Health's health and life insurance are as follows [weighted-average assumptions] as at March 31, 2013:

	2014	2013
Discount rate	**4.10%**	4.30%
Retirement rate at age 65	**25%**	25%
Participation rate – Health	**80%**	80%
Participation rate – Life	**80%**	80%
Future mortality rate	**[UP94, future improvements in accordance with 150% of scale AA]**	
Rate of compensation increase	**2.25% Plus Prom. Increase**	

Non-vested sick-leave benefits
Capital Health provides vested sick-leave payouts to the NSNU employees. The NSNU employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the consolidated financial statements.

[in thousands of Canadian dollars]

7. Employee future benefits (cont'd)

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

	2014 $	2013 $
Accrued benefit liability		
Beginning balance, non-vested sick-leave benefits	**2,111**	1,789
Current service cost for the year	**468**	453
Interest cost during the year	**93**	84
Amortization of experience loss	**1**	—
Estimated fiscal payments for employees	**(197)**	(215)
Ending balance, non-vested sick-leave benefits	**2,476**	2,111

	2014 $	2013 $
Employee future benefits, non-vested sick-leave benefits		
Current service costs	**468**	453
Interest on accrued benefits	**93**	84
Amortization of experience loss	**1**	—
	562	537

The significant actuarial assumptions adopted in measuring Capital Health's non-vested sick leave benefits are as follows [weighted-average assumptions] as at March 31, 2014:

	2014	2013
Discount rate	**4.10%**	4.30%
Retirement rate at age 65	**5%**	5%
Future mortality rate	**[UP94, future improvements in accordance with scale AA]**	
Rate of compensation increase	**2.25% Plus Prom. Increase**	

[in thousands of Canadian dollars]

7. Employee future benefits (cont'd)

	2014 $	2013 $
Employee future benefit summary		
Ending balance, retiring allowance	**67,124**	63,490
Ending balance, health and life	**119,993**	111,412
Ending balance, non-vested sick-leave benefits	**2,476**	2,111
Ending balance, employee future benefits	**189,593**	177,013

8. Pension funds

Public Service Superannuation Fund
Most former employees of the Victoria General Hospital ["VGH"], Cancer Treatment and Research Foundation ["CTRF"], NSH, Public Health/Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ["the Plan"]. The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Health Association Nova Scotia
Employees of the former NSRC, Camp Hill Medical Centre ["CHMC"] and the Central Regional Health Board ["CRHB"] participate in the multi-employer Nova Scotia Health Employees' Pension Plan. The most recent actuarial valuation was conducted as at April 1, 2012 and showed a funding surplus for the entire plan of $444,067. Capital Health is not responsible for any unfunded liability in this plan.

Federal Superannuation Fund
A small group of employees of the former CHMC who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. Public Works and Government Services Canada administers the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans are as follows:

	2014 $	2013 $
Employer contributions	**42,982**	41,372

[in thousands of Canadian dollars]

9. Long-term disability plan

Public Service Long-Term Disability Plan Trust Fund
Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and Nova Scotia Government Employees Union. The most recent actuarial valuation was conducted as at December 31, 2012 and disclosed a funding excess of approximately $58,600. Capital Health is not responsible for any unfunded liability in this plan.

Health Association Nova Scotia
Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2011. This valuation indicates a funding excess of $6,135. Capital Health is not responsible for any unfunded liability in this plan.

Canada Life Plan
Employees of the former NSRC are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life. Capital Health is not responsible for any unfunded liability in this plan.

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

	2014 $	2013 $
Employer contributions	**5,391**	5,461

[in thousands of Canadian dollars]

10. Operating lease commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ending March 31 and thereafter:

	$
2015	6,766
2016	5,148
2017	5,051
2018	4,671
2019	3,233
Thereafter in aggregate	9,196

11. Long-term debt

	2014 $	2013 $
Term loan – parking garage	**6,612**	7,154
Department of Health loan [Cobequid Foundation]	**1,267**	1,584
Capital lease	**661**	896
	8,540	9,634

In 2003/2004, Capital Health received approval from its Board of Directors and the Department of Health to construct a new multi-level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2004/2005 fiscal year, the final project cost amounting to $11,000.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this capital project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling $479.

[in thousands of Canadian dollars]

11. Long-term debt (cont'd)

Principal repayments for each of the next five years and thereafter are as follows:

	$
2015	1,135
2016	1,153
2017	1,157
2018	1,002
2019	726
Thereafter in aggregate	3,369

Interest expense relating to long term debt is made up of the following two amounts: Parking Garage [$408] and Capital Lease [$52] [2013 – Parking Garage [$438] and Capital Lease [$51]].

12. Investment in Partners for Care

The Queen Elizabeth II Health Sciences Centre Auxiliary "Partners for Care" is a volunteer based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Capital Health through parking and retail services, rental activities and other special projects which generally take place within the hospital premises.

Refer to Schedule D for condensed supplementary financial information of Partners for Care that is part of Capital Health's reporting entity.

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

Consolidated Statement of Financial Position

	2014 $	2013 $
Financial assets		
Investment in Partners for Care	**102**	7
Accumulated surplus		
Accumulated surplus of Partners for Care	**102**	7

Consolidated Statement of Operations

	2014 $	2013 $
Revenue		
Income from Partners for Care	**95**	955

[in thousands of Canadian dollars]

13. Related parties

Within Capital Health geography there are seven foundations and one auxiliary. These organizations provide funding contributions for specific resources of Capital Health through fundraising activities. The balances due to and due from related parties are non-interest-bearing.

The following funding was recognized as revenue from each foundation and auxiliary for the year ended March 31:

	2014 $	2013 $
Related Parties		
Partners for Care	**4,800**	—
QEII Health Sciences Centre Foundation	**2,876**	842
Dartmouth General Hospital Foundation	**844**	117
Cobequid Multi-purpose Centre Foundation	**228**	350
Hants Hospital Foundation	**115**	61

14. Financial instruments

Investments consist of the following:

Investments at fair value	**FV hierarchy level**	2014 $	2013 $
Short term investments	Level 2	**869**	2,911
Canadian government bonds	Level 2	**24,864**	21,131
Canadian corporate bonds	Level 2	**6,314**	5,228
		32,047	29,270

14. Financial instruments (cont'd)

The fair value hierarchy level is provided to present the degree of objectivity of the fair values of the investment portfolio. The levels are defined as follows:

- Unadjusted quoted prices in an active market for an identical asset or liability (Level 1)
- Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3)

Risk management
Capital Health is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate risk, market risk, credit risk, and liquidity risk. Capital Health's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Capital Health is subject to interest rate risk relating to the fixed-term investment portion of the portfolio, short-term borrowings and long-term debt.

Interest rate risk is mitigated through diversification of the investment portfolio and the use of fixed-rate financing where applicable.

A 1% change in the interest rates, all other variables held constant, would have a $61 [2013 - $74] impact on net assets and accumulated remeasurement gains (losses).

Capital Health has entered into fixed rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt. Capital Health does not have any variable interest rate debt.

The future annual payment requirements of Capital Health's obligations under its long-term debt are described in note 11.

Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

[in thousands of Canadian dollars]

14. Financial instruments (cont'd)

Capital Health authorizes BMO Nesbitt Burns Inc. to manage its short-term and long-term investment portfolio based on the established investment objectives to protect the purchasing power of the assets, while generating a stable stream of income. The debt must be a Canadian corporation or government and be rated 'A' or better by the Dominion Bond Rating Service or similar accredited bond rating services. Equities shall be of investment grade, a typical portfolio may be invested 70% in large capitalization stocks, 20% mid-cap and no more than 10% in small cap stocks. Venture capital and speculative securities shall not be permitted. No more than 10% of the equity/debt portion of the portfolio may be invested in the equity of any one corporation, government or agency, with the exception of the Government of Canada or guarantees of the Government of Canada.

A 10% change in the market prices of these investments, with all other variables held constant, would have a $3,118 [2013 – $2,636] impact on net assets and accumulated remeasurement gains.

Credit risk
Capital Health is exposed to credit risk with respect to accounts receivable. Capital Health has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis. The allowance for doubtful accounts at March 31, 2014 amounts to $1,827 [2013 – $1,092].

The aging of trade accounts receivable was as follows:

	2014 $	2013 $
Current	**17,402**	21,523
61-90 days	**1,784**	2,211
90-120 days	**715**	1,436
Greater than 120 days	**11,107**	8,922

Liquidity risk
Capital Health has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. Capital Health manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as needed basis, and by matching its long-term financing arrangements with its cash flow needs.

[in thousands of Canadian dollars]

14. Financial instruments (cont'd)

Accounts payable mature within 60 days. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Capital management
In managing capital, Capital Health focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2014, Capital Health has met its objective of having sufficient liquid resources to meet its current obligations.

The short-term investment policy of the Capital Health Board of Directors ensures that available cash flows are invested to earn the maximum interest income with minimum to low risk to the principal value of the assets invested.

Contributions to the Centre for Clinical Research ["CCR"] Fund represents money that is available for spending at any time to meet the needs of the CCR and individual research investigators, according to specific pre-approved terms of reference, and must be invested accordingly.

15. Accumulated surplus

The accumulated surplus is made up as follows:

	2014 $	2013 $
Opening balance, accumulated surplus	**292,790**	296,829
Current year operating (deficit) surplus	**(95)**	27
Current year capital deficit	**(10,612)**	(5,021)
Income from Partners for Care	**95**	955
	282,178	292,790

16. Comparative figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation adopted for the current year.

17. Contingencies

Capital Health may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business, which Capital Health believes would not reasonably be expected to have a material adverse effect on its financial position as management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Capital Health Board of Directors. The variance between the 2014 budget and the 2014 actuals relates to the following unbudgeted items: Future benefits & Non Vested Sick Leave Benefits $21,172 and Amortization of Capital Assets $34,538. Capital Health does not prepare an annual budget for the statement of net debt.

Capital District Health Authority
[Operating as Capital Health]

Schedule A

SCHEDULE OF REVENUES

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

	2014 $	2013 $
Department of Health and Wellness	**806,158**	786,557
Recoveries	**62,575**	49,040
Federal government	**27,859**	28,535
Department of Finance	**21,172**	20,918
Non-resident billings	**18,608**	17,672
Other capital grants	**11,538**	13,856
Lab and support services	**5,019**	9,670
Preferred accommodation	**6,815**	6,295
Dietary	**5,847**	5,727
Workers' Compensation Board	**5,648**	4,579
Other operating grants	**4,550**	2,144
Investment income	**1,458**	1,814
Income from Partners for Care	**95**	955
Total revenues	**977,342**	947,762

See accompanying notes

Capital District Health Authority **Schedule B**
[Operating as Capital Health]

SCHEDULE OF EXPENSES

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

	2014 $	2013 $
Compensation	**648,152**	619,328
Medical/surgical supplies	**76,020**	74,894
Drugs	**63,441**	61,857
Plant maintenance/utilities	**61,117**	57,467
Amortization	**34,538**	33,246
Purchased services	**27,724**	29,930
Retiring allowance and benefits	**20,807**	20,596
Lab/diagnostic supplies	**19,196**	18,775
Other	**17,472**	17,660
Food and dietary supplies	**7,703**	7,478
Laundry and linen supplies	**7,337**	6,528
Freight and delivery	**3,987**	3,553
Interest	**460**	489
Total expenses	**987,954**	951,801

See accompanying notes

Capital District Health Authority **Schedule C**
[Operating as Capital Health]

SCHEDULE OF CHANGES IN CAPITAL

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

	2014 $	2013 $
Capital funding		
Department of Health	**12,033**	14,746
Operating transfers for capital	**8,316**	7,724
Foundations	**4,063**	1,530
Other	**812**	955
Total capital funding	**25,224**	24,955
Capital expenses		
Equipment	**16,168**	11,496
Leasehold improvements	**7,743**	12,746
Information technology	**1,313**	713
Total capital expenses	**25,224**	24,955

See accompanying notes

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISE CONDENSED SUPPLEMENTARY FINANCIAL INFORMATION

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

BALANCE SHEET

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

	2014 $	2013 $
ASSETS		
Current		
Cash	**2,116**	1,254
Accounts receivable	**613**	278
Receivable from Capital Health	**—**	1,256
Inventory	**307**	313
Prepaid expenses	**3**	3
Total current assets	**3,039**	3,104
Capital assets, net	**1,449**	1,563
Total assets	**4,488**	4,667
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	**131**	743
Current portion of capital lease	**—**	23
Payable to Foundations	**—**	3,600
Payable to Capital Health	**3,994**	—
Total current liabilities	**4,125**	4,366
Deferred revenue	**261**	294
Total liabilities	**4,386**	4,660
Surplus	**102**	7
	4,488	4,667

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

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

STATEMENT OF OPERATIONS

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

	2014 $	2013 $
Revenue	**9,044**	8,518
Cost of sales	**704**	691
Expenses	**3,218**	3,060
Excess of revenue over expenses before the following:	**5,122**	4,767
Transfers to Capital Health	**(4,800)**	—
Transfers to Foundations	**(227)**	(3,812)
Increase in surplus	**95**	955
Surplus (deficit), beginning of year	**7**	(948)
Surplus, end of year	**102**	7