



Financial Statements

Cape Breton District Health Authority

March 31, 2015

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## Management's responsibility for financial reporting

The accompanying financial statements are the responsibility of the management of Cape Breton District Health Authority (the "Authority") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

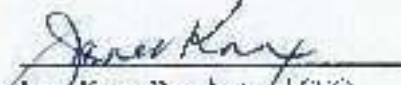
The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatements and present fairly the financial position and results of the Authority in accordance with Canadian public sector accounting standards.



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Allan Horsburgh, Vice President,  
Stewardship and Accountability



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Jane Knox, President and CEO

## Independent auditor's report

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To the Chairperson and members of

Cape Breton District Health Authority

We have audited the accompanying financial statements of the Cape Breton District Health Authority (the "Authority"), which comprise the statements of financial position as at March 31, 2014, and the statements of operations, statements of changes in net debt, and cash flows for the year ended March 31, 2014, 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 public sector accounting standards, 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.

### **Auditor's 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 auditor's 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 auditor considers internal control relevant to the Authority'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 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 the Authority as at March 31, 2014, and the results of its operations, changes in net debt, and its cash flows for the year ended March 31, 2014, in accordance with Canadian public sector accounting standards.

Sydney, Canada

June 19, 2015

*Grant Thornton LLP*  
Chartered Accountants

# Cape Breton District Health Authority

## Statement of financial position

March 31

2015

2014

### Financial assets

|  |                   |                   |
|--|-------------------|-------------------|
| Cash and cash equivalents              | \$ 11,293,397     | \$ 8,548,900      |
| Receivables (Note 3)                   | 26,592,382        | 26,319,274        |
| Post-employment benefits (Note 7)      | 37,303,134        | 36,296,529        |
| Compensated absences benefits (Note 9) | <u>13,231,778</u> | <u>11,360,000</u> |
|  | <u>88,425,691</u> | <u>82,524,703</u> |

### Liabilities

|  |                   |                   |
|--|-------------------|-------------------|
| Payables and accruals (Note 5)         | 37,943,118        | 34,428,725        |
| Deferred revenue (Note 11)             | 4,361,738         | 4,378,379         |
| Post-employment benefits (Note 7)      | 37,303,134        | 36,296,529        |
| Compensated absences benefits (Note 9) | <u>13,231,778</u> | <u>11,360,000</u> |
|  | <u>92,839,768</u> | <u>86,463,633</u> |

### Net debt

(4,413,077) (3,937,930)

### Non-financial assets

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Prepays                           | 205,570            | 144,901            |
| Inventories (Note 5)              | 4,220,794          | 3,537,874          |
| Tangible capital assets (Page 19) | <u>153,712,464</u> | <u>156,021,185</u> |
|                                   | <u>158,138,828</u> | <u>159,803,760</u> |

### Accumulated surplus

\$ 153,725,751 \$ 155,865,830

Commitments and contingencies (Notes 12 and 13)

On behalf of the Board

Director

Director

# Cape Breton District Health Authority

## Statement of operations

| Year ended March 31                    | Budget<br>2015        | Actual<br>2015        | Actual<br>2014        |
|--|-----------------------|-----------------------|-----------------------|
| <b>Revenue</b>                         |                       |                       |                       |
| Provincial plan – operating grant      | \$ 262,421,971        | \$ 271,372,289        | \$264,598,280         |
| Capital grant – provincial             | -                     | 6,680,820             | 2,595,614             |
| Capital grant – other                  | -                     | 2,681,884             | 3,379,078             |
| Other patient income                   | 18,301,500            | 18,403,852            | 18,615,444            |
| Post-employment benefits (Note 7)      | -                     | 4,746,648             | 4,563,587             |
| Compensated absences benefits (Note 9) | -                     | 1,571,778             | 1,325,000             |
| Net differential                       | 1,248,500             | 1,315,894             | 1,295,415             |
| Miscellaneous                          | 1,781,700             | 1,177,827             | 1,032,058             |
| Interest                               | 75,000                | 105,560               | 174,118               |
| Referred in work                       | 43,700                | 38,519                | 43,740                |
|  | <u>283,872,371</u>    | <u>308,095,071</u>    | <u>297,622,334</u>    |
| <b>Expenditures</b>                    |                       |                       |                       |
| Nursing inpatient services             | 71,129,314            | 78,580,143            | 77,601,575            |
| Support services                       | 63,961,349            | 74,207,015            | 73,189,581            |
| Diagnostic and therapeutic services    | 48,336,169            | 48,640,594            | 47,763,751            |
| Ambulatory care services               | 24,982,813            | 27,406,650            | 28,045,791            |
| Primary health care                    | 2,515,013             | 1,993,565             | 1,658,929             |
| Addiction services                     | 7,466,349             | 7,525,852             | 6,621,732             |
| Public health                          | 5,101,985             | 5,345,924             | 4,290,427             |
| Continuing care                        | 24,814,049            | 24,252,359            | 23,017,783            |
| Education                              | 416,647               | 313,269               | 462,543               |
| Post-employment benefits (Note 7)      | -                     | 4,746,648             | 4,563,587             |
| Compensated absences benefits (Note 9) | -                     | 1,571,778             | 1,325,000             |
| Renal and dialysis                     | 6,625,336             | 7,465,397             | 6,883,573             |
| Mental health                          | 16,928,410            | 15,897,351            | 15,556,133            |
| Palliative care and cancer clinic      | 11,594,938            | 12,288,605            | 11,941,566            |
| Total expenses                         | <u>\$ 283,872,371</u> | <u>310,235,150</u>    | <u>\$ 302,921,971</u> |
| Annual deficit                         |                       | <u>(2,140,079)</u>    | <u>(5,299,637)</u>    |
| Accumulated surplus, beginning of year |                       | <u>\$ 155,865,830</u> | <u>\$ 161,165,467</u> |
| Accumulated surplus, end of year       |                       | <u>\$ 153,725,751</u> | <u>\$ 155,865,830</u> |

See accompanying notes to the financial statements.

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## Cape Breton District Health Authority

### Statement of changes in net debt

| Year ended March 31                     | Actual<br>2015               | Actual<br>2014               |
|---|------------------------------|------------------------------|
| <b>Annual (deficit) surplus</b>         | <b>\$ (2,140,079)</b>        | <b>\$ (5,299,637)</b>        |
| Purchase of tangible capital assets     | <b>(9,690,606)</b>           | (5,806,049)                  |
| Amortization of tangible capital assets | <b>11,999,327</b>            | 11,274,849                   |
| Changes in other non-financial assets   |                              |                              |
| Acquisition of prepaids (net of usage)  | <b>(60,669)</b>              | 1,017,759                    |
| Acquisition of inventory (net of usage) | <u><b>(583,120)</b></u>      | <u>(210,745)</u>             |
| Decrease (increase) in net debt         | <b>(475,147)</b>             | 976,177                      |
| Net debt                                |                              |                              |
| Beginning of year                       | <u><b>(3,937,930)</b></u>    | <u>(4,914,107)</u>           |
| End of year                             | <u><b>\$ (4,413,077)</b></u> | <u><b>\$ (3,937,930)</b></u> |

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See accompanying notes to the financial statements.



# Cape Breton District Health Authority

## Statement of cash flows

Year ended March 31

2015

2014

Increase (decrease) in cash and cash equivalents

|   |                             |                            |
|---|-----------------------------|----------------------------|
| <b>Operating</b>                        |                             |                            |
| Annual (deficit) surplus                | \$ (2,140,079)              | \$ (5,299,637)             |
| Amortization of tangible capital assets | <u>11,999,327</u>           | <u>11,274,849</u>          |
|   | <b>9,859,248</b>            | <b>5,975,212</b>           |
| Change in non-cash items:               |                             |                            |
| Receivables                             | (273,108)                   | (3,522,483)                |
| Post-employment benefits receivable     | (1,006,605)                 | (1,083,895)                |
| Compensated absences receivable         | (1,571,778)                 | (1,334,000)                |
| Inventories                             | (583,120)                   | (210,745)                  |
| Prepays                                 | (60,669)                    | 1,017,759                  |
| Payables and accruals                   | 3,513,393                   | (1,925,715)                |
| Post-employment benefits payable        | 1,006,605                   | 1,083,895                  |
| Compensated absences benefits accrual   | 1,571,778                   | 1,334,000                  |
| Deferred revenue                        | <u>(14,641)</u>             | <u>(111,306)</u>           |
|   | <b><u>2,581,855</u></b>     | <b><u>(4,752,490)</u></b>  |
| <b>Capital</b>                          |                             |                            |
| Purchase of tangible capital assets     | <u>(9,690,606)</u>          | <u>(5,806,049)</u>         |
| Decrease in cash and cash equivalents   | <b>2,750,497</b>            | <b>(4,583,327)</b>         |
| Cash and cash equivalents               |                             |                            |
| Beginning of year                       | <u>8,548,900</u>            | <u>13,132,227</u>          |
| End of year                             | <b><u>\$ 11,299,397</u></b> | <b><u>\$ 8,548,900</u></b> |

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 1. Nature of operations

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

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### 2. Summary of significant accounting policies

#### **Basis of accounting**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant policies:

#### **Revenue recognition**

Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions are deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer from the Province of Nova Scotia is authorized.

All non-government contribution or grant/revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has not been met is reported as a liability until the resources are used for the purpose or purposes specified.

In patient, out-patient, food services, laboratory and parking revenue are recognized as revenue when the related service is rendered or goods are provided. Rental income is recognized on a straight-line basis over the term of the lease.

Investment income is recognized as revenue in the year in which it was earned.

#### **Use of estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain estimates, such as those related to allowance for doubtful accounts, amortization of capital assets, compensation accruals, and retirement allowance and benefits depend on subjective or complex judgements about matters that may be uncertain. Actual results may differ from these estimates.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks held in guaranteed investment certificates. Bank borrowings are considered to be financing activities.

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 2. Summary of significant accounting policies (continued)

#### **Inventories**

Inventories are recorded at the lower of average cost and replacement value. The Health Authority uses the weighted average cost method to determine stores inventory and the first-in first-out method to determine cost of pharmacy inventory. The cost of inventories is comprised of purchase price. Inventories are written down to replacement value when the cost of inventories is not estimated to be recoverable due to obsolescence or damage. When circumstances that previously caused inventories to be written down below cost no longer exist the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

#### **Compensation accruals**

The Authority follows the policy of recording in accrued salaries and benefits a liability for vacation pay, accumulated overtime, and statutory holidays.

#### **Tangible capital assets**

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

|                                 |          |
|---------------------------------|----------|
| Land improvements               | 5%       |
| Buildings and service equipment | 2% - 5%  |
| Equipment                       | 5% - 20% |

When conditions indicate that a tangible capital asset no longer contributes to an entity's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

#### **Retirement and post-employment benefits and compensated allowances**

The hospital provides defined retirement allowances and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- i) The costs of post-employment retirement allowances are actually determined using management's best estimate of employee retention, retirement ages of employees, salary escalation, other cost escalation, long term inflation and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- ii) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 2. Summary of significant accounting policies (continued)

- iii) The costs of multi-employer defined benefit pension are the employer's contributions due to the plan in the period and are accounted for as a defined contribution plan.
- iv) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

#### Financial instruments

Financial instruments must be classified into either the cost/amortized cost or fair value categories. The entity has no financial instruments that are required to be accounted for at fair value.

The cost/amortized cost category includes cash and cash equivalents, receivables, and payables and accruals. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assesses each financial instrument to determine whether there is any impairment losses and if any, are reported in the statement of operations. Valuation allowances are recorded to write-down amounts and loans receivable to the lower of cost and their net recoverable value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

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### 3. Receivables

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Patients, medical service insurance                              |                      |                      |
| Level II Care, veterans  | \$ 2,337,038         | \$ 2,060,475         |
| Harmonized sales tax   | 2,078,328            | 1,308,718            |
| Hospital Foundations (Note 10)                                   | 1,325,311            | 1,374,835            |
| Sundry   | 3,025,220            | 3,204,406            |
| Department of Health and Wellness - Vacation<br>accrual (Note 4) | 2,650,890            | 2,650,890            |
| Capital funding  | 2,889,885            | 2,088,956            |
| Other  | <u>12,285,710</u>    | <u>13,630,994</u>    |
|  | <u>\$ 26,592,382</u> | <u>\$ 26,319,274</u> |

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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#### 4. Accounts with the Department of Health and Wellness

The Health Authority has the following accounts with the Department of Health and Wellness:

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Post-employment benefits (Note 7)      | \$ 37,303,134        | \$ 36,296,529        |
| Vacation accrual                       | 2,650,890            | 2,650,890            |
| Compensated absences benefits (Note 9) | 13,231,778           | 11,660,000           |
| Capital funding                        | 2,889,885            | 2,088,956            |
| Other                                  | 12,285,710           | 13,630,994           |
| New hospital construction              | <u>(330,240)</u>     | <u>(365,240)</u>     |
|  | <u>\$ 68,031,157</u> | <u>\$ 65,962,128</u> |

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#### 5. Inventories

|                      | <u>2015</u>         | <u>2014</u>         |
|----------------------|---------------------|---------------------|
| Drugs                | \$ 1,727,308        | \$ 1,298,075        |
| Medical and surgical | 743,546             | 782,468             |
| Food                 | 123,622             | 107,440             |
| General              | <u>1,626,318</u>    | <u>1,449,691</u>    |
|                      | <u>\$ 4,220,794</u> | <u>\$ 3,637,674</u> |

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#### 6. Payables and accruals

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Accounts payable                         | \$ 17,160,399        | \$ 14,416,734        |
| Salaries                                 | 14,587,551           | 14,110,471           |
| Vacation pay accrual                     | 3,986,076            | 3,745,470            |
| Holiday pay accrual                      | 1,281,421            | 1,106,115            |
| Due to Department of Health and Wellness | 330,240              | 365,240              |
| Research                                 | 287,079              | 145,338              |
| Special Purpose                          | <u>310,352</u>       | <u>540,357</u>       |
|  | <u>\$ 37,943,118</u> | <u>\$ 34,429,725</u> |

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

### 7. Post employment benefits

Retirement allowances amounts for employees and cost sharing for certain employees on health benefits following retirement are actuarially determined. 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 for retiring allowances was conducted as at March 31, 2015. The last actuarial valuation for the health benefits was as at March 31, 2013. These actuarial liabilities as at March 31, 2015, were extrapolated based on the latest actuarial valuations.

The retirement allowance and post-retirement health benefit values are calculated by the Department of Finance for the Health Authority. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the CPA Canada 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 8 - 9 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 receivable balance is recorded.

Cape Breton District Health Authority has provided for retirement allowances as follows:

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Accrued benefit plan obligation        | \$ 24,949,486        | \$ 24,312,885        |
| Plan deficit                           | 30,206,281           | 30,343,799           |
| Unamortized actuarial loss             | <u>(5,256,796)</u>   | <u>(6,030,914)</u>   |
| Total liability                        | <u>\$ 24,949,485</u> | <u>\$ 24,312,885</u> |
| Current year benefit costs             | \$ 1,820,200         | \$ 1,675,200         |
| Interest on accrued benefit obligation | 1,216,342            | 1,132,156            |
| Amortized actuarial losses             | <u>774,118</u>       | <u>877,508</u>       |
| Retirement benefits expense            | <u>\$ 3,810,660</u>  | <u>\$ 3,684,864</u>  |

The following actuarial assumptions have been used in the determination of the accrued benefit obligation related to retiring allowances as at March 31, 2015:

|                               |          |
|-------------------------------|----------|
| Discount rate                 | 4.10%    |
| Rate of compensation increase | 3.00%    |
| Termination rates             | 0% - 20% |

The actuary for the pension manager assumed that 75% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday.

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 7. Post-employment benefits (continued)

Cape Breton District Health Authority has provided for retirement health benefits as follows:

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Accrued benefit plan obligation        | \$ 12,353,650        | \$ 11,983,644        |
| Plan deficit                           | 11,834,173           | 11,442,848           |
| Unamortized actuarial losses (gains)   | <u>(519,478)</u>     | <u>(540,796)</u>     |
| Total liability                        | <u>\$ 12,353,651</u> | <u>\$ 11,983,644</u> |
| Current year benefit costs             | \$ 534,300           | \$ 514,000           |
| Interest on accrued benefit obligation | 468,507              | 450,775              |
| Amortized actuarial losses (gains)     | <u>(66,818)</u>      | <u>(86,052)</u>      |
| Post employment health benefit expense | <u>\$ 935,989</u>    | <u>\$ 878,723</u>    |

The following actuarial assumptions have been used in the determination of the accrued benefit obligation related to health benefits as at March 31, 2015:

|                               |          |
|-------------------------------|----------|
| Discount rate                 | 4.10%    |
| Rate of compensation increase | 3.00%    |
| Termination rates             | 0% - 20% |

The actuary for the health benefits plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the post-retirement health benefits liability, it was further assumed that 60% of members will elect family coverage and that 95% of eligible employees will elect to participate.

The Authorities post-employment expense for the year was \$3,810,660 (2014 - \$3,684,864) for retirement benefits and \$935,989 (2014 - \$878,723) for post-employment health benefits.

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### 8. Pension plan

The Authority contributes to the following pension plans on behalf of its employees:

- (i) A multi-employer defined benefit plan, as administered by the Health Association of Nova Scotia, formerly the Nova Scotia Association of Health Organizations (NSAHO), providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at October 31, 2010, and indicates a funding surplus.
- (ii) The second plan is administered by the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was September 30, 2010, and indicates an unfunded liability. The Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Authority's pension expense for the year was \$16,407,371 (2014 - \$16,207,393).

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 9. Compensated absences benefits

Qualifying employees are entitled to a prescribed number of sick leave days for use over their employment term.

The Authority has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. The Authority has also recorded a corresponding receivable from the Province of Nova Scotia which has assumed responsibility for the liability up to March 31, 2014. These amounts have been determined by the Department of Finance in relation to an independent actuarial evaluation performed for them. This evaluation has calculated the benefit obligation for the Authority to be \$13,231,778 as of March 31, 2015 (2014 - \$11,660,000).

|  | <u>2015</u><br>Total                  | <u>2014</u><br>Total                  |
|--|---------------------------------------|---------------------------------------|
|  | <u>Compensated</u><br><u>absences</u> | <u>Compensated</u><br><u>absences</u> |
| Accrued benefit plan obligation              | \$ 13,231,778                         | \$ 11,660,000                         |
| Plan deficit                                 | (10,997,000)                          | (11,895,000)                          |
| Unamortized actuarial gains/losses           | <u>(2,234,778)</u>                    | <u>235,000</u>                        |
| Total liability                              | <u>13,231,778</u>                     | <u>11,660,000</u>                     |
| Current year benefit costs                   | 1,984,000                             | 1,894,000                             |
| Sick leave taken                             | (948,000)                             | (1,023,000)                           |
| Interest on accrued benefit obligation       | 509,000                               | 448,000                               |
| Amortization of net actuarial losses (gains) | <u>26,778</u>                         | <u>6,000</u>                          |
| Compensated absences benefit expense         | <u>\$ 1,571,778</u>                   | <u>\$ 1,325,000</u>                   |

These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the board's best estimate of expected rates of:

|                               | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------|-------------|
| Discount rate                 | 4.10%       | 4.10%       |
| Rate of compensation increase | 3.00%       | 2.50%–3.00% |

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

### 10. Due to/from Foundations and Auxiliaries

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Cape Breton Regional Hospital Foundation            | \$ 548,224          | \$ 685,803          |
| Northside Hospital Charitable Foundation            | 170,097             | 134,472             |
| Inverness Consolidated Memorial Hospital Foundation | 174,084             | 42,883              |
| New Waterford Hospital Foundation                   | 215                 | -                   |
| Victoria County Memorial Hospital Foundation        | -                   | 77,034              |
| Buchanan Memorial Hospital Foundation               | 352,841             | 389,741             |
| Inverness Ladies Auxiliary                          | 65,000              | 42,883              |
| Baddeck Hospital Auxiliary                          | -                   | 2,019               |
| New Waterford Hospital Auxiliary                    | 3,246               | -                   |
| Glace Bay Ladies Auxiliary                          | <u>11,604</u>       | <u>-</u>            |
|   | <u>\$ 1,325,311</u> | <u>\$ 1,374,835</u> |

### 11. Deferred revenue

This represents unspent externally restricted funds not available for regular operations. The amount includes donations and funds for specific projects.

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Balance, beginning of the year                     | \$ 4,376,379        | \$ 4,487,685        |
| Less: amounts recognized as revenue<br>in the year | (1,114,667)         | (1,430,513)         |
| Add: amounts received during the year              | <u>1,100,026</u>    | <u>1,319,207</u>    |
| Balance, end of year                               | <u>\$ 4,361,738</u> | <u>\$ 4,376,379</u> |
| Deferred revenue is comprised of:                  |                     |                     |
| Government grants                                  | \$ 2,326,082        | \$ 2,459,187        |
| Capital contributions                              | 1,729,915           | 1,729,915           |
| Other  | <u>305,741</u>      | <u>187,277</u>      |
|  | <u>\$ 4,361,738</u> | <u>\$ 4,376,379</u> |

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 12. Contingency

The Health Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business and which the Health Authority believes would not reasonably be expected to have a material adverse effect on its financial condition.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

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### 13. Commitments

The Authority leases premises under operating leases which expire from 2015 to 2027 with minimum annual lease payments and aggregate lease payments as follows:

|  | Minimum<br>Annual Lease<br><u>Payment</u> | Aggregate<br>Lease<br><u>Payment</u> |
|--|---|--------------------------------------|
| Northwest Properties Well Woman's Clinic             | \$ 38,839                                 | \$ 22,656                            |
| Wentworth Condos - Greg MacLeod                      | \$ 19,608                                 | \$ 49,020                            |
| Grand Lake Rd. Vol. Fire Dept.                       | \$ 117,832                                | \$ 217,932                           |
| Health Park (Northwest Properties) Wound Clinic      | \$ 12,278                                 | \$ 26,894                            |
| Highland Quality Productions Inc.                    | \$ 51,695                                 | \$ 77,543                            |
| Health park (Northwest Properties) Geriatric Clinic  | \$ 116,918                                | \$ 233,948                           |
| Parsons Investments                                  | \$ 38,070                                 | \$ 6,345                             |
| Kate Muir  | \$ 12,000                                 | \$ 3,000                             |
| North West Property Medical Arts                     | \$ 17,744                                 | \$ 10,351                            |
| Cape Breton Association Housing Development          | \$ 25,200                                 | \$ 105,000                           |
| Pembroke Properties Limited – GB Medical Clinic.     | \$ 73,440                                 | \$ 55,080                            |
| Pembroke Properties Limited – MH/AS 80/20            | \$ 94,500                                 | \$ 669,375                           |
| N.S. Power Corporation                               | \$ 356,180                                | \$ 652,997                           |
| North West Property Medical Arts – Autism Clinic     | \$ 131,119                                | \$ 699,300                           |
| Senator's Corner                                     | \$ 82,446                                 | \$ 364,137                           |
| Health Park (Northwest Properties) – Continuing Care | \$ 218,388                                | \$ 1,310,329                         |
| Parks Canada   | \$ 1,200                                  | \$ 13,000                            |
| Health Park (Northwest Properties) – Office          | \$ 27,596                                 | \$ 326,547                           |
| Health Park (Northwest Properties) – Chest Clinic    | \$ 109,468                                | \$ 1,368,353                         |
| Membertou Heart Lung Wellness Clinic                 | \$ 65,025                                 | \$ 520,200                           |
| Novacorp   | \$ 158,113                                | \$ 1,699,714                         |
| North West Property Medical Arts – ICBTT Clinic      | \$ 60,833                                 | \$ 770,555                           |

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately \$29,787. These lease agreements are renewed on a yearly or monthly basis.

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

| 14. Expenditures by object    | <u>2015</u>           | <u>2014</u>           |
|-------------------------------|-----------------------|-----------------------|
| Salaries, wages, and benefits | \$ 255,543,347        | \$ 247,377,972        |
| Supplies                      | 48,509,413            | 48,320,299            |
| Sundry                        | 6,680,075             | 7,172,513             |
| Equipment                     | 6,513,660             | 6,363,765             |
| Contracted Out Services       | 4,033,532             | 3,876,809             |
| Buildings and Grounds         | 3,904,520             | 4,022,878             |
| Depreciation Expense          | 11,999,327            | 11,274,849            |
| Offset Revenues               | <u>(26,948,724)</u>   | <u>(25,487,114)</u>   |
|                               | <u>\$ 310,235,150</u> | <u>\$ 302,921,971</u> |

### 15. Financial instrument risk management

#### Credit risk

Credit risk is the risk of financial loss to the Health Authority if a debtor fails to make payments when due. The Health Authority is exposed to this risk relating to its receivables.

Receivables are ultimately due from the government, third party insurers, patients, foundations and auxiliaries and other health authorities. Credit risk is mitigated by management review of aging and collection of receivables and billings. The Health Authority recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable.

The Authority measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the authority's historical experience regarding collections. The amounts outstanding at year end were as follows:

|   | Total         | 0-120 Days    | 121-240 Days | 241-360 Days | 361+ Days    |
|---|---------------|---------------|--------------|--------------|--------------|
| Patients, medical service insurance, veterans | 2,637,038     | 2,016,328     | 310,732      | 76,561       | 233,417      |
| Hospital Foundations                          | 1,325,311     | 973,370       |              |              | 351,941      |
| Harmonized sales tax                          | 2,078,328     | 2,078,328     |              |              |              |
| Sundry  | 3,025,220     | 2,579,576     | 147,572      | 54,358       | 243,714      |
| Nova Scotia Department of Health and Wellness | 17,826,485    | 15,130,353    |              |              | 2,696,132    |
| Less: impairment allowances                   | (300,000)     | (300,000)     |              |              |              |
| Net receivables                               | \$ 26,592,382 | \$ 22,477,955 | \$ 458,304   | \$ 130,919   | \$ 3,525,204 |

Patient receivables not impaired are collectible based on the Authority's assessment and past experience regarding collection rates.

Government receivables are due from the Nova Scotia Government. The Authority mitigates credit risk by ensuring that all grants are entered into by way of a contract.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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# Cape Breton District Health Authority

## Notes to the financial statements

March 31, 2015

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### 15. Financial instrument risk management (continued)

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Health Authority is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

#### *Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Health Authority is exposed to this risk through its variable interest bearing bank overdraft. However, management does not feel that this represents a material risk to the Health Authority as fluctuations in market interest rates would not materially impact future cash flows and operations relating to the bank overdraft.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

#### Liquidity risk

Liquidity risk is the risk that the Health Authority will not be able to meet all cash outflow obligations as they come due. The Health Authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining a bank overdraft credit facility if unexpected cash outflows arise. The following table sets out the contractual maturities of financial liabilities:

|                          | Within 6 months | 6 months-1 year | 1-5 years | >5 years      |
|--------------------------|-----------------|-----------------|-----------|---------------|
| Payables and accruals    | \$ 31,682,342   |                 |           | \$ 6,260,776  |
| Post-employment benefits |                 |                 |           | 50,534,912    |
| Total                    | \$ 31,682,342   |                 |           | \$ 56,795,688 |

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

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| <b>Cape Breton District Health Authority</b> |                   |                          |  |                      |                                     |                       |
|--|-------------------|--------------------------|--|----------------------|-------------------------------------|-----------------------|
| <b>Schedule of tangible capital assets</b>   |                   |                          |  |                      |                                     |                       |
| <b>March 31, 2015</b>                        |                   |                          |  |                      |                                     |                       |
|  | <b>Land</b>       | <b>Land Improvements</b> | <b>Buildings and<br/>service equipment</b> | <b>Equipment</b>     | <b>Construction<br/>in progress</b> | <b>2015</b>           |
| <b>Cost</b>                                  |                   |                          |  |                      |                                     |                       |
| Balance, beginning of year                   | \$ 532,958        | \$ 4,414,259             | \$ 240,333,451                             | \$ 120,830,332       | \$ 2,215,819                        | \$ 368,326,819        |
| Additions                                    | -                 | -                        | 1,722,938                                  | 6,549,290            | 1,418,377                           | \$ 9,690,606          |
| Disposals                                    | -                 | -                        |  |                      |                                     | \$ -                  |
| Balance, end of year                         | 532,958           | 4,414,259                | 242,056,389                                | 127,379,622          | 3,634,196                           | 378,017,425           |
| <b>Accumulated depreciation</b>              |                   |                          |  |                      |                                     |                       |
| Balance, beginning of year                   | -                 | 3,690,703                | 105,633,025                                | 102,981,905          | -                                   | 212,305,633           |
| Depreciation                                 | -                 | 201,725                  | 6,831,381                                  | 4,966,222            | -                                   | 11,999,328            |
| Accumulated depreciation on disposals        | -                 |                          |  |                      |                                     | -                     |
| Balance, end of year                         | -                 | 3,892,428                | 112,464,406                                | 107,948,127          | -                                   | 224,304,961           |
| <b>Net book value</b>                        | <b>\$ 532,958</b> | <b>\$ 521,831</b>        | <b>\$ 129,591,983</b>                      | <b>\$ 19,431,495</b> | <b>\$ 3,634,196</b>                 | <b>\$ 153,712,464</b> |
|  |                   |                          |  |                      |                                     |                       |
|  | <b>Land</b>       | <b>Land Improvements</b> | <b>Buildings and<br/>service equipment</b> | <b>Equipment</b>     | <b>Construction<br/>in progress</b> | <b>2014</b>           |
| <b>Cost</b>                                  |                   |                          |  |                      |                                     |                       |
| Balance, beginning of year                   | \$ 532,958        | \$ 4,206,595             | \$ 236,897,484                             | \$ 117,258,717       | \$ 3,625,015                        | \$ 362,520,769        |
| Additions                                    | -                 | 207,664                  | 3,435,967                                  | 3,571,613            | (1,409,196)                         | \$ 5,806,048          |
| Disposals                                    | -                 | -                        |  |                      |                                     | \$ -                  |
| Balance, end of year                         | 532,958           | 4,414,259                | 240,333,451                                | 120,830,331          | 2,215,819                           | 368,326,817           |
| <b>Accumulated depreciation</b>              |                   |                          |  |                      |                                     |                       |
| Balance, beginning of year                   | -                 | 3,444,571                | 99,232,119                                 | 98,354,095           | -                                   | 201,030,785           |
| Depreciation                                 | -                 | 246,132                  | 6,400,906                                  | 4,627,810            | -                                   | 11,274,849            |
| Accumulated depreciation on disposals        | -                 |                          |  |                      |                                     | -                     |
| Balance, end of year                         | -                 | 3,690,703                | 105,633,025                                | 102,981,905          | -                                   | 212,305,633           |
| <b>Net book value</b>                        | <b>\$ 532,958</b> | <b>\$ 723,556</b>        | <b>\$ 134,700,426</b>                      | <b>\$ 17,848,425</b> | <b>\$ 2,215,819</b>                 | <b>\$ 156,021,184</b> |