Consolidated Financial Statements

Capital District Health Authority

[Operating as Capital Health]

March 31, 2015

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:

Allan Horsburgh Nova Scotia Health Authority Vice-President, Stewardship and Accountability	Janet Knox Nova Scotia Health Authority President and CEO

June 24, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Nova Scotia Health Authority

We have audited the accompanying consolidated financial statements of the **Capital District Health Authority [the "Authority"]**, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, remeasurement gains, changes in net financial debt and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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 financial position of the Authority as at March 31, 2015 and the results of its operations, remeasurement gains and losses, changes in net financial debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 24, 2015.

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	2015 $	2014 [Restated - note 3] $
Financial assets			
Accounts receivable		**39,832**	40,914
Due from Department of Health and Wellness		**30,739**	36,230
Due from Department of Finance	*8*	**206,974**	192,240
Due from Foundations		**7,148**	8,400
Due from PDDP		**2,198**	1,798
Restricted cash and portfolio investments	*5*	**43,256**	40,833
Portfolio investments		**16,293**	31,178
Investment in Partners for Care	*13*	**331**	102
Deposit in Reciprocal Insurance		**1,146**	—
		347,917	351,695
Liabilities			
Accounts payable and accrued liabilities		**114,501**	127,979
Restricted liabilities		**43,256**	40,833
Employee future benefits	*8*	**199,883**	187,117
Vested sick-leave benefits	*8*	**2,900**	2,476
Deferred operating revenue	*7*	**574**	591
Deferred capital revenue	*7*	**467**	363
Long-term debt	*12*	**6,986**	7,879
Obligations under capital leases	*12*	**417**	661
		368,984	367,899
Net financial debt		**(21,067)**	(16,204)
Non-financial assets			
Capital assets	*6*	**286,903**	274,991
Construction in progress	*6*	**14,207**	26,692
Inventories of supplies	*4*	**13,858**	13,652
Prepaid expenses		**4,332**	3,569
		319,300	318,904
Accumulated surplus	*16*	**298,233**	302,700
Accumulated surplus is comprised of			
Accumulated surplus		**297,444**	302,107
Accumulated remeasurement gains		**789**	593

See accompanying notes

On behalf of the Board:

Director

Director

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Note	Budget $	2015 $	2014 [Restated - note 3] $
REVENUE		[Note 19]		
Province of Nova Scotia				
Operating grants		**815,238**	**844,415**	814,942
Capital grants		—	**15,940**	12,388
Federal Government				
Operating grants		**26,816**	**29,016**	27,859
Revenue from other sources				
Capital grants		—	**12,072**	11,538
Operating grants		**48,331**	**48,495**	46,487
Research and designated contributions		—	**50,681**	44,337
Recoveries		**31,011**	**62,089**	62,575
Investment revenue		**1,500**	**5,244**	1,458
Income from Partners for Care	*13*	—	**229**	95
Total revenue		**922,896**	**1,068,181**	1,021,679
EXPENSES				
Acute person centred health		**387,798**	**404,261**	389,682
Community and emergency health		**279,238**	**294,303**	285,551
Sustainability and CFO		**144,471**	**170,270**	150,263
Medicine		**58,081**	**60,017**	61,640
Clinical research and designated programs	*5*	—	**50,681**	44,337
Utilities		**20,018**	**27,607**	24,775
Performance excellence		**17,645**	**18,028**	4,278
Provincial programs		**11,518**	**11,701**	12,261
People support		**2,308**	**1,945**	24,143
Innovation and learning		**668**	**631**	363
Interest	*12*	**1,151**	**496**	460
Amortization	*6*	—	**32,904**	32,498
Total expenses		**922,896**	**1,072,844**	1,030,251
Net deficit from operating and capital activities		—	**(4,663)**	(8,572)
Accumulated surplus, beginning of year	*16*		**302,107**	310,679
Accumulated surplus, end of year	*16*		**297,444**	302,107

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]

	2015 $	2014 $
Accumulated remeasurement gains, beginning of year	**593**	1,236
Remeasurement losses arising during the year		
Unrealized gain (loss) on portfolio investments	**196**	(643)
Net remeasurement gain (losses) for the year	**196**	(643)
Accumulated remeasurement gains, end of year	**789**	593

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	2015 $	2014 [Restated - note 3] $
Net deficit		**(4,663)**	(8,572)
Change in tangible capital assets			
Acquisition of tangible capital assets	*6*	**(32,331)**	(27,206)
Amortization of tangible capital assets	*6*	**32,904**	32,498
Disposals of tangible capital assets	*6*	**—**	523
Decrease in tangible capital assets		**573**	5,815
Change in other non-financial assets			
Net change in inventories	*4*	**(206)**	(1,413)
Net change in prepaid expenses		**(763)**	(784)
Decrease in other non-financial assets		**(969)**	(2,197)
Remeasurement gain (losses)		**196**	(643)
Increase in net financial debt		**(4,863)**	(5,597)
Net financial debt at beginning of year		**(16,204)**	(10,607)
Net financial debt at end of year		**(21,067)**	(16,204)

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	2015 $	2014 [Restated - note 3] $
OPERATING ACTIVITIES			
Net deficit		**(4,663)**	(8,572)
Items not affecting cash			
Amortization of tangible capital assets		**32,904**	32,498
Employee future benefits expense	*8*	**24,322**	21,370
Prepaid expenses		**(763)**	(784)
Inventories of supplies	*4*	**(206)**	1,413
Change in deferred revenue	*7*	**87**	204
Change in other non-cash working capital items		**(3,339)**	(2,026)
Employee future benefits paid		**(11,132)**	(8,790)
Cash provided by operating activities		**37,210**	35,313
CAPITAL ACTIVITIES			
Acquisition of tangible capital assets (Schedule C)		**(35,123)**	(25,224)
Cash applied to capital activities		**(35,123)**	(25,224)
FINANCING ACTIVITIES			
Debt retirement	*12*	**(1,137)**	(1,094)
Cash applied to financing activities		**(1,137)**	(1,094)
INVESTING ACTIVITIES			
Acquisitions of portfolio investments		**(14,689)**	(4,176)
Deposit in Reciprocal Insurance		**(1,146)**	—
Restricted funding	*5*	**2,423**	6,583
Cash provided by investing activities		**(13,412)**	2,407
(Decrease) increase in cash and cash equivalents		**(12,462)**	11,402
Cash and cash equivalents, beginning of year		**72,011**	60,609
Cash and cash equivalents, end of year		**59,549**	72,011
Cash and cash equivalents are composed of:			
Portfolio investments		**16,293**	31,178
Restricted cash and cash equivalents		**43,256**	40,833
		59,549	72,011

See accompanying notes

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*.

On April 1, 2015, the Province of Nova Scotia launched a new health system structure to create a foundation for better health and health care. The new *Health Authorities Act* enabled the consolidation of the nine current districts into one provincial authority as well as continued recognition and a clarified role for Nova Scotia's 37 Community Health Boards [CHBs]. The objectives of the provincial health authority are to govern, manage and provide health services in the Province and to implement the strategic direction set out in the provincial health plan.

The nine previous district health authorities, including Capital Health, have come together as the Nova Scotia Health Authority, partnering with the IWK Health Centre to plan and deliver care for Nova Scotians.

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.

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

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 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.

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

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.

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 and as a result 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.

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

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

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.

k. Prepaid expenses

Prepaid expenses include maintenance, support costs, memberships and subscriptions, and are charged to expense over the periods the good or service is expected to be consumed.

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. Prior period adjustment

Capital Health has determined that in 2004 capital improvements made to a building were erroneously assigned a 10 year service life instead of 50 years. As a consequence, accumulated depreciation and depreciation expense for the years ended March 31, 2004 through 2014 were overstated. In the year ended March 31, 2015, the service life of the asset together with effects of accumulated depreciation has been corrected by way of a prior period adjustment. This has had the effect of increasing accumulated surplus in 2014 by $19,929 [see Note 16] and a corresponding increase in the net book value of tangible fixed assets for the year then ended [Note 6]. 2014 depreciation expense was also decreased by $2,040 as a result of the adjustment.

4. Inventories of supplies

	2015	**2014**
	$	$
Drugs	**6,187**	5,940
Medical and surgical	**4,009**	3,906
Linen	**2,203**	2,160
General supplies	**1,459**	1,646
	13,858	13,652

5. 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, 2015, research and designated contributions totaled $53,104 [2014 - $50,920] and expenses for clinical research and designated programs totaled $50,681 [2014 - $44,337], resulting in a net increase of $2,423 [2014 - $6,583].

Restricted liabilities

	2015	**2014**
	$	**$**
Centre for Clinical Research	**33,499**	31,287
Other	**9,757**	9,546
	43,256	40,833

[in thousands of Canadian dollars]

6. Capital assets

	2015		2014	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation [Restated – note 3]
	$	$	$	$
Land and land improvements	**1,170**	**156**	1,170	156
Buildings and leaseholds	**397,482**	**212,446**	388,090	198,157
Equipment	**376,482**	**286,942**	343,494	270,248
Assets under capital lease	**4,415**	**3,725**	4,415	3,194
Information technology	**54,828**	**52,042**	52,392	50,927
Parking equipment and paving	**332**	**332**	332	332
Parking garage	**11,000**	**3,163**	11,000	2,888
Construction in progress	**14,207**	**—**	26,692	—
	859,916	**558,806**	827,585	525,902
Less: accumulated depreciation	**558,806**		525,902	
Net book value	**301,110**		301,683	

Additions and disposals

	2015		2014	
	Additions	Disposals	Additions	Disposals
	$	$	$	$
Land and land improvements	—	—	—	—
Buildings and leaseholds	**6,890**	—	4,780	—
Equipment	**23,440**		21,679	523
Assets under capital lease	—	—	—	—
Information technology	**2,001**	—	747	—
Parking equipment and paving	—	—	—	—
Parking garage	—	—	—	—
Non-operating tangible capital assets	—	—	—	—
	32,331	—	27,206	523

[in thousands of Canadian dollars]

6. Capital assets (cont'd)

Depreciation expense

	2015 Depreciation $	2014 Depreciation [Restated – note 3] $
Land and land improvements	**—**	—
Buildings and leaseholds	**14,289**	14,182
Equipment	**16,694**	16,372
Assets under capital lease	**531**	531
Information technology	**1,115**	1,138
Parking equipment and paving	**—**	—
Parking garage	**275**	275
Non-operating tangible capital assets	**—**	—
	32,904	32,498

Construction in Progress

Construction in progress is included above in capital assets with the majority of the costs associated with the following large projects: Linear Accelerators [$5,020], Innovative Care Flexible Facility design [$1,486], Millennium Upgrade [$1,042], Cancer Care Registry [$920], Victoria General fuel tank replacement [$576], thirteen Pyxis dispensing units [$945], Cystoscopy Table and Fluoroscopy [$514], Rehab elevator repairs [$352], Multiwavelength Ophthalmic Laser [$301], External Pulse Generators [$246], OR lights [$199], Vivid I Probe, AVOXiMeter & XIM [$188].

7. Deferred revenue

Deferred operating revenue of $574 [2014 – $591] represents advance funding received in the current year from the Department of Health for the year ending March 31, 2016, and other program deferred funding. Deferred capital revenue of $467 [2014 – $363] represents the advance funding received for capital equipment that will be purchased subsequent to March 31, 2015.

[in thousands of Canadian dollars]

7. Deferred revenue (cont'd)

	2015		**2014**	
	Operating $	**Capital $**	**Operating $**	**Capital $**
Balance, beginning of year	**591**	**363**	540	210
Receipts during year	**2**	**289**	60	445
Transfers to revenue	**(19)**	**(185)**	(9)	(292)
Balance, end of year	**574**	**467**	591	363

8. 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]

8. Employee future benefits (cont'd)

Capital Health has provided for retiring allowances as follows:

	2015 $	**2014** $
Accrued benefit liability		
Beginning balance, retiring allowances	**67,124**	63,490
Current service cost for the year	**5,875**	5,005
Interest cost during the year	**3,648**	3,134
Actuarial losses (gains)	**2,930**	1,957
Estimated fiscal payments for employees	**(8,816)**	(6,462)
Ending balance, retiring allowances	**70,761**	67,124

	2015 $	**2014** $
Employee future benefits retiring expense		
Current service costs	**5,875**	5,005
Interest on accrued benefits	**3,648**	3,134
Actuarial losses (gains)	**2,930**	1,957
	12,453	10,096

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

	2015	**2014**
Discount rate	**4.10%**	4.10%
Retirement % at age 65	**25%**	25%
Average age of employees	**44.4**	44.4
Average age of service	**10.3**	10.3
Future mortality rate	**[none assumed]**	[none assumed]
Rate of compensation increase [based on average]	**2.40%**	2.40%

[in thousands of Canadian dollars]

8. Employee future benefits (cont'd)

Total retiring allowances paid to employees are as follows:

	2015 $	2014 $
Employer contributions	**8,789**	6,462

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, 2013.

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:

	2015 $	2014 $
Accrued benefit liability		
Beginning balance, health and life	**119,993**	111,412
Current service cost for the year	**5,462**	5,287
Interest cost during the year	**5,061**	4,826
Actuarial losses	**742**	599
Estimated fiscal payments for employees	**(2,136)**	(2,131)
Ending balance, health and life	**129,122**	119,993

[in thousands of Canadian dollars]

8. Employee future benefits (cont'd)

	2015 $	2014 $
Employee future benefits health and life expense		
Current service costs	**5,462**	5,287
Interest on accrued benefits	**5,061**	4,826
Actuarial losses	**742**	599
	11,265	10,712

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

	2015	2014
Discount rate	**4.10%**	4.10%
Retirement rate at age 65	**25%**	25%
Participation rate – Health	**80%**	80%
Participation rate – Life	**80%**	80%
Future mortality rate **[120% of CPM 2014 Public Sector table with mortality scale CPM-B]**		
Rate of compensation increase	**2.25% Plus Prom. Increase**	

Non-vested sick-leave benefits
Capital Health provides non-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]

8. Employee future benefits (cont'd)

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

	2015 $	**2014** $
Accrued benefit liability		
Beginning balance, non-vested sick-leave benefits	**2,476**	2,111
Current service cost for the year	**490**	468
Interest cost during the year	**110**	93
Actuarial losses	**4**	1
Estimated fiscal payments for employees	**(180)**	(197)
Ending balance, non-vested sick-leave benefits	**2,900**	2,476

	2015 $	**2014** $
Employee future benefits, non-vested sick-leave benefits		
Current service costs	**490**	468
Interest on accrued benefits	**110**	93
Actuarial losses	**4**	1
	604	562

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:

	2015	**2014**
Discount rate	**4.10%**	4.10%
Retirement rate at age 65	**5%**	5%
Future mortality rate **[120% of CPM 2014 Public Sector table with mortality scale CPM-B]**		
Rate of compensation increase	**3.00% Plus Prom. Increase**	

[in thousands of Canadian dollars]

8. Employee future benefits (cont'd)

	2015 $	2014 $
Employee future benefit summary		
Ending balance, retiring allowance	**70,761**	67,124
Ending balance, health and life	**129,122**	119,993
Ending balance, non-vested sick-leave benefits	**2,900**	2,476
Ending balance, employee future benefits	**202,783**	189,593

9. 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 July 1, 2014 and showed a funding surplus for the entire plan of $935,280. 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:

	2015 $	2014 $
Employer contributions	**43,641**	42,982

[in thousands of Canadian dollars]

10. 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. Health Association Nova Scotia administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2013. This valuation indicates a funding excess of $11,084. 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:

	2015 $	2014 $
Employer contributions	**5,591**	5,391

[in thousands of Canadian dollars]

11. 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:

	$
2016	5,779
2017	5,626
2018	5,122
2019	3,544
2020	2,248
Thereafter in aggregate	7,233

12. Long-term debt

	2015 **$**	**2014** **$**
Term loan – parking garage	**6,036**	6,612
Department of Health loan [Cobequid Foundation]	**950**	1,267
Capital lease	**417**	661
	7,403	8,540

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]

12. Long-term debt (cont'd)

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

	$
2016	1,153
2017	1,157
2018	1,002
2019	726
2020	770
Thereafter in aggregate	2,599

Interest expense relating to long term debt for the year ended March 31, 2015 is made up of interest on the term loan on the Parking Garage of $375 [2014 - $408] and Capital Lease interest of $25 [2014 - $52].

13. 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

	2015 $	**2014** $
Financial assets		
Investment in Partners for Care	**331**	102
Accumulated surplus		
Accumulated surplus of Partners for Care	**331**	102

Consolidated Statement of Operations

	2015 $	**2014** $
Revenue		
Income from Partners for Care	**229**	95

[in thousands of Canadian dollars]

14. 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:

	2015 $	2014 $
Related Parties		
QEII Health Sciences Centre Foundation	**8,400**	2,876
Partners for Care	**4,560**	4,800
Cobequid Multi-purpose Centre Foundation	**493**	228
Dartmouth General Hospital Foundation	**178**	844
Hants Hospital Foundation	**87**	115

15. Financial instruments

Investments consist of the following:

Investments at fair value	**FV hierarchy level**	2015 $	2014 $
Short term investments	Level 2	**657**	869
Canadian government bonds	Level 2	**2,188**	24,864
Canadian corporate bonds	Level 2	**3,704**	6,314
Common equities & related securities	Level 1	**10,401**	—
		16,950	32,047

15. 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, liquidity risk, and foreign exchange risk from its financial instruments.

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 $59 [2014 - $61] 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 12.

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.

15. Financial instruments (cont'd)

Capital Health authorizes BMO Nesbitt Burns Inc. to manage its short-term and long-term investment portfolio based on its established investment objectives: in determining the degree of risk, greater relevant importance is to be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity, diversification of investment portfolio or a competitive return on investment.

Cash investments [including T-bills] shall have a minimum rating of R-1 by the Dominion Bond Rating Service [DBRS] or equivalent. Fixed income securities [Provincial/Federal, Municipal and Corporate Bonds] must have a minimum credit rating of "A" by DBRS or an equivalent rating by another recognized rating agency.

Equity investments may be made primarily in mid/large cap companies that are listed on a major North American or International stock exchange. Equities must be diversified in at least five of the 10 multiple sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunications Services and Utilities. A typical portfolio may be invested 60% in mid/large cap common shares, 35% in fixed income and no more than 5% in cash and equivalents.

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 $1,629 [2014 – $3,118] 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, 2015 amounts to $968 [2014 – $1,827].

[in thousands of Canadian dollars]

15. Financial instruments (cont'd)

The aging of trade accounts receivable was as follows:

	2015 $	**2014** $
Current	**14,251**	17,402
61-90 days	**1,447**	1,784
90-120 days	**1,091**	715
Greater than 120 days	**8,729**	11,107

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.

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

Foreign exchange risk
Capital Health's operating results and financial position are reported in Canadian dollars. Some of the Capital Health's financial instruments and transactions are denominated in currencies other than Canadian dollar, and therefore its operations are subject to currency transaction and translation risks.

Capital Health makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is US dollar. Comparative foreign exchange rates as at March 31 are as follows:

	2015 $	**2014** $
US dollar per Canadian dollar	0.7895	0.9046

Capital Health has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

[in thousands of Canadian dollars]

15. Financial instruments (cont'd)

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, 2015, 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.

16. Accumulated surplus

The accumulated surplus is made up as follows:

	2015 $	**2014 [Restated - Note 3]** $
Opening balance, accumulated surplus	**302,107**	310,679
Current year operating (deficit) surplus	**—**	(95)
Current year capital deficit	**(4,892)**	(8,572)
Income from Partners for Care	**229**	95
	297,444	302,107

17. Comparative figures

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

18. 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.

19. 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 2015 budget and the 2015 actuals relates to the following unbudgeted items: Future benefits & Non Vested Sick Leave Benefits [$23,718], Research and Deferred Contributions [$50,681], and Amortization of Capital Assets [$32,904]. Capital Health does not prepare an annual budget for the statement of net debt.

20. Subsequent event

On April 7, 2015 the Minister of Finance and Treasury Board announced the decision to permanently freeze the value of existing public service awards effective April 1, 2015. The impact of this decision is not reflected in these statements, but will have a future impact on employee future benefits as it relates to long term services awards [Note 8]. A full valuation of this plan, considering this curtailment of benefits, will be performed for year ended March 31, 2016.

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

SCHEDULE OF REVENUES

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

	2015	**2014**
	$	$
Department of Health and Wellness	**836,214**	806,158
Recoveries	**62,089**	62,575
Research and deferred contributions	**50,681**	44,337
Federal government	**29,016**	27,859
Provincial grants	**24,142**	21,172
Non-resident billings	**18,342**	18,608
Other capital grants	**12,072**	11,538
Preferred accommodation	**6,804**	6,815
Other operating grants	**6,334**	4,550
Lab and support services	**6,066**	5,019
Dietary	**6,064**	5,847
Investment income	**5,244**	1,458
Workers' Compensation Board	**4,884**	5,648
Income from Partners for Care	**229**	95
Total revenues	**1,068,181**	1,021,679

See accompanying notes

SCHEDULE OF EXPENSES

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

	2015	**2014 [Restated - note 3]**
	$	**$**
Compensation	**674,003**	648,152
Medical/surgical supplies	**78,520**	76,020
Drugs	**62,531**	63,441
Plant maintenance/utilities	**62,552**	61,117
Clinical research and designated programs	**50,681**	44,337
Amortization	**32,904**	32,498
Purchased services	**31,591**	27,724
Retiring allowance and benefits	**23,718**	20,807
Lab/diagnostic supplies	**19,306**	19,196
Other	**17,672**	17,472
Food and dietary supplies	**7,816**	7,703
Laundry and linen supplies	**6,849**	7,337
Freight and delivery	**4,205**	3,987
Interest	**496**	460
Total expenses	**1,072,844**	1,030,251

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]

	2015 $	2014 $
Capital funding		
Department of Health	**18,633**	12,033
Foundations	**7,489**	4,063
Operating transfers for capital	**7,192**	8,316
Other	**1,809**	812
Total capital funding	**35,123**	25,224
Capital expenses		
Equipment	**23,449**	16,168
Leasehold improvements	**9,914**	7,743
Information technology	**1,760**	1,313
Total capital expenses	**35,123**	25,224

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]

	2015 $	2014 $
ASSETS		
Current		
Cash	**2,156**	2,116
Accounts receivable	**383**	613
Inventory	**328**	307
Prepaid expenses	**3**	3
Total current assets	**2,870**	3,039
Capital assets, net	**1,352**	1,449
Total assets	**4,222**	4,488
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	**741**	131
Payable to Capital Health	**2,974**	3,994
Total current liabilities	**3,715**	4,125
Deferred revenue	**176**	261
Total liabilities	**3,891**	4,386
Accumulated surplus	**331**	102
	4,222	4,488

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]

	2015 $	2014 $
Revenue	**9,048**	**9,044**
Cost of sales	**721**	**704**
Expenses	**2,990**	**3,218**
Excess of revenue over expenses before the following:	**5,337**	**5,122**
Transfers to Capital Health	**(4,833)**	**(4,800)**
Transfers to Foundations	**(275)**	**(227)**
Increase in surplus	**229**	**95**
Accumulated surplus, beginning of year	**102**	**7**
Accumulated surplus, end of year	**331**	**102**