



Financial Statements
March 31, 2015



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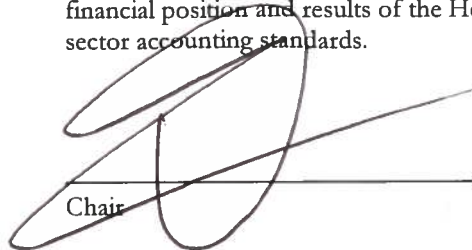
Statement of responsibility

The accompanying financial statements are the responsibility of the management of The Izaak Walton Killam Health Centre (the "Health Centre") 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 Health Centre's Finance, Audit and Risk Committee 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 Health Centre's appointed external auditors, have audited the financial statements. The independent auditor's 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 misstatement and present fairly the financial position and results of the Health Centre in accordance with Canadian public sector accounting standards.


Chair


Director

Independent auditor's report

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To the Board of **The Izaak Walton Killam Health Centre**

We have audited the accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 Health Centre'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 Health Centre'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 Health Centre as at March 31, 2015, and the results of its operations and changes in accumulated surplus, changes in net debt, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Other matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information disclosed in Note 3 is presented for purposes of additional information and is not required as part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

The Izaak Walton Killam Health Centre

Statement of financial position

March 31 (expressed in \$,000's)

	2015	2014
Financial assets		
Cash and cash equivalents	\$ 11,747	\$ 2,088
Receivables (Note 4)	23,648	34,674
Employee receivables	1,445	1,561
Receivable from IWK Health Centre Charitable Foundation	18,389	17,059
Accumulated sick leave receivable (Note 11)	16,470	14,542
Retirement allowances and health benefits (Note 9)	<u>34,908</u>	<u>32,758</u>
	<u>106,607</u>	<u>102,682</u>
Liabilities		
Payables and accruals (Note 5)	34,368	33,578
Capital lease payable (Note 8)	100	146
Retirement allowances and health benefits (Note 9)	34,908	32,758
Accumulated sick leave payable (Note 11)	16,470	14,542
Facilities loan payable (Note 7)	9,245	10,036
Deferred capital and research revenue (Note 8)	<u>23,279</u>	<u>23,567</u>
	<u>118,370</u>	<u>114,627</u>
Net debt	<u>(11,763)</u>	<u>(11,945)</u>
Non-financial assets		
Prepays	1,642	1,026
Inventories	1,350	1,352
Tangible capital assets (Page 18)	<u>189,828</u>	<u>183,011</u>
	<u>192,820</u>	<u>185,389</u>
Accumulated surplus	<u>\$ 181,057</u>	<u>\$ 173,444</u>

Contingency (Note 13)

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre Statement of operations and changes in accumulated surplus

Years ended March 31 (expressed in \$,000's)	Revised Budget 2015 (Note 14)	Actual 2015	Actual 2014
Revenue			
Inpatient, outpatient and clinics	\$ 219,162	\$ 229,943	\$ 225,592
Mental health and addictions	28,421	27,176	26,871
Rentals, recoveries and sales	9,113	8,894	8,657
Specified donations for equipment and Renovations	-	532	520
Capital grants	11,764	17,303	17,657
	<u>268,460</u>	<u>283,848</u>	<u>279,297</u>
Expenses			
Children's health	67,387	67,180	65,319
Clinic lab services	18,417	17,479	16,694
Diagnostic imaging	7,779	7,901	6,628
Executive offices and public relations	1,712	2,165	1,898
HITS-NS	18,745	20,000	20,069
Human resources	3,292	3,280	3,343
Medical services	6,514	7,022	6,529
Mental health and addictions	30,640	31,595	30,129
NS Breast Screening program	1,308	1,249	501
Operations and support	36,275	42,909	42,660
Pharmacy	5,723	5,492	5,490
Primary health	1,521	1,662	1,606
Professional practice	2,919	2,658	2,703
Reproductive care program	1,611	1,611	1,587
Strategy and organizational performance	15,435	15,198	16,677
Women's and newborn health	49,182	48,834	48,101
Total expenses	<u>268,460</u>	<u>276,235</u>	<u>269,934</u>
Annual surplus (Note 3)	\$ <u>-</u>	7,613	9,363
Accumulated surplus, beginning of year		<u>173,444</u>	<u>164,081</u>
Accumulated surplus, end of year		\$ <u>181,057</u>	\$ <u>173,444</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Statement of changes in net debt

Years ended March 31 (expressed in \$,000's)	Actual 2015	Actual 2014
Annual surplus	\$ 7,613	\$ 9,363
Acquisition of tangible capital assets	(18,611)	(18,824)
Adjustment on disposal of tangible capital assets	-	29
Amortization of tangible capital assets	11,794	10,615
Change in prepaids	(616)	6
Change in inventories	<u>2</u>	<u>117</u>
Change in net debt	182	1,306
Net debt, beginning of year	<u>(11,945)</u>	<u>(13,251)</u>
Net debt, end of year	<u>\$ (11,763)</u>	<u>\$ (11,945)</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Statement of cash flows

Years ended March 31 (expressed in \$,000's)

2015

2014

Increase (decrease) in cash and cash equivalents

Operating

Annual surplus	\$ 7,613	\$ 9,363
Amortization	11,794	10,615
Adjustment on disposal of tangible capital assets	-	29
	<u>19,407</u>	<u>20,007</u>

Change in non-cash working capital (Note 12)	<u>9,538</u>	<u>(1,285)</u>
Cash provided by operating transactions	<u>28,945</u>	<u>18,722</u>

Capital

Cash used to acquire tangible capital assets	<u>(18,611)</u>	<u>(18,824)</u>
Cash applied to capital transactions	<u>(18,611)</u>	<u>(18,824)</u>

Investing

Decrease in employee receivables	<u>116</u>	<u>204</u>
Cash provided by investing transactions	<u>116</u>	<u>204</u>

Financing

Principal repayments on facilities loan payable	<u>(791)</u>	<u>(748)</u>
Cash applied to financing transactions	<u>(791)</u>	<u>(748)</u>

Increase (decrease) in cash and cash equivalents **9,659** (646)

Cash and cash equivalents

Beginning of year	<u>2,088</u>	<u>2,734</u>
End of year	\$ <u>11,747</u>	\$ <u>2,088</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

1. Purpose of organization

The Izaak Walton Killam Health Centre (the "Health Centre") provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research, health promotion and advocacy for best results. The Health Centre is also committed to being global leaders in research and knowledge transfer.

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

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 accounting 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 is deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer 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 been met is reported as a liability within deferred capital and research revenue until the resources are used for the purpose or purposes specified.

In-patient, out-patient, food services, and rentals are recognized as revenue when the related service is rendered or goods are provided.

Cash and cash equivalents

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

The categories of cash include:

	<u>2015</u>	<u>2014</u>
Research	\$ 11,631	\$ 11,213
Operating	<u>116</u>	<u>(9,125)</u>
	<u>\$ 11,747</u>	<u>\$ 2,088</u>

Inventories

Inventories are valued at the lower of cost and replacement cost. The Health Centre uses the weighted average cost method to determine cost of stores inventory and the first-in, first-out method to determine cost of pharmacy inventory.

Tangible capital assets

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

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

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

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

When conditions indicate that a tangible capital asset no longer contributes to the Health Centre'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.

Capital leases

Capital leases are leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity.

A capital lease is accounted for as an asset as well as an obligation. Accordingly, capital leases are recognized by recording an asset and a liability at the present value of the minimum lease payments, excluding the portion thereof relating to executor costs. However, the maximum value recorded for the asset and obligation will not exceed the leased asset's fair value.

An obligation under a capital lease is similar to a loan. Lease payments are allocated to a reduction of the obligation, interest expense and any related executor costs. The interest expense is calculated using the discount rate used in computing the present value of the minimum lease payments applied to the remaining balance of the obligation.

Compensation accruals

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

Retirement allowances, health benefits, and compensated absences

The Health Centre provides defined benefit plans to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Health Centre has adopted the following policies with respect to these employee benefits:

- (i) Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is provided by the Department of Finance for the Health Centre. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 11 years. The costs are actuarially 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 health benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 10 years. 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.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Retirement allowances, health benefits, and compensated absences (continued)

- (iii) 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. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 11 years. 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.
- (iv) Pension benefits are provided to certain employees under multi-employer defined benefit plans. The costs of these pensions are the employer's contributions due to the plan in the period and are accounted for as defined contribution plans.

Funds held in trust

Funds held in trust are maintained separately from the Health Centre's assets and are excluded from the statement of financial position.

At March 31, 2015, the Health Centre held \$10,227 (2014 - \$10,527) in trust on behalf of various stakeholders.

Financial instruments

Financial instruments must be classified within either cost/amortized cost or fair value categories. The Health Centre 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, employee receivables, receivable from IWK Health Centre Charitable Foundation, payables, and facilities loan payable. 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 assess each financial instrument to determine whether there are any impairment losses and if any, are reported in the statement of operations and changes in accumulated surplus. Valuation allowances are recorded to write-down amounts and loans receivable to the lower of cost 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.

Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts, amortization of tangible capital assets and actuarial estimation of post-employment benefits, retiring allowances and non-vested sick time liabilities.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

3. Reconciliation of annual operating funding	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 7,613	\$ 9,363
Amortization	11,794	10,615
Specified donations for equipment and renovations	(532)	(520)
Capital grants	<u>(17,303)</u>	<u>(17,657)</u>
Surplus from operations	1,572	1,801
Amounts attributed to capital asset purchases	<u>(1,572)</u>	<u>(1,801)</u>
Annual operating deficit	\$ <u>-</u>	\$ <u>-</u>

4. Receivables	<u>2015</u>	<u>2014</u>
Patients and other receivables, net of allowance for doubtful accounts of \$1,000 (2014 - \$565)	\$ 10,031	\$ 11,709
NS Department of Health & Wellness year end adjustments	<u>13,617</u>	<u>22,965</u>
	\$ <u>23,648</u>	\$ <u>34,674</u>

NS Department of Health & Wellness year end adjustments are comprised of:

Capital grants	\$ 4,026	\$ 8,622
IT projects	2,642	2,834
Mental health funding	1,613	2,829
Provincial programs	1,320	773
HITS – NS	1,255	1,699
Accumulated deficit 1998/99	908	908
Benefit bank funding	484	781
Contract increases and wage funding	468	1,763
Other	393	164
Physician on call funding (Family Medicine)	194	193
Orthopaedic Working Group Initiative	173	-
NS Nursing strategy	141	283
One time funding	-	1,247
One time deficit funding	<u>-</u>	<u>869</u>
	\$ <u>13,617</u>	\$ <u>22,965</u>

Of the total receivable from the NS Department of Health & Wellness, as of May 31, 2015, \$3,393 (2014 - \$4,400) has been received.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

5. Payables and accruals	<u>2015</u>	<u>2014</u>
Trade payables	\$ 18,508	\$ 17,644
Other	192	192
Accrued salaries and benefits	15,647	15,686
NS Department of Health & Wellness payables	<u>21</u>	<u>56</u>
	<u>\$ 34,368</u>	<u>\$ 33,578</u>

6. Credit facility

The Health Centre has been approved for a line of credit of \$2,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2014 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus ¾%.

7. Facilities loan payable

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

	<u>2015</u>	<u>2014</u>
Balance	\$ <u>9,245</u>	\$ <u>10,036</u>

Principal amounts repayable within the next five years and thereafter are as follows:

2016	\$ 838
2017	887
2018	939
2019	995
2020 and thereafter	5,586

Interest on facilities loan payable in the amount of \$557 (2014 - \$605) is included in operating fund expenses.

8. Deferred capital and research revenue

The following is a summary of the amounts in deferred capital and research revenue:

	<u>2015</u>	<u>2014</u>
Capital		
Equipment	\$ 44	\$ 294
Capital campaigns	<u>11,605</u>	<u>12,060</u>
	<u>11,649</u>	12,354
Research funds	<u>11,630</u>	<u>11,213</u>
Balance at year end	<u>\$ 23,279</u>	<u>\$ 23,567</u>

Included in equipment is obligations under capital lease of \$100 (2014 - \$146) payable to the Capital District Health Authority. The lease bears interest at 6.29%, is secured by specific equipment and is repayable in seven blended annual instalments of \$55 ending December 2016.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

8. Deferred capital and research revenue (continued)

The following is a summary of the continuity of deferred capital and research revenue:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ <u>23,567</u>	\$ 21,522
Grants	1,016	2,942
NS Department of Health & Wellness funding	7,957	7,949
Research funding	12,979	13,458
Capital campaign fund	7,618	7,276
Other funding	<u>6</u>	<u>550</u>
	\$ <u>29,576</u>	<u>32,175</u>
Capital funding expended	(17,303)	(17,706)
Disbursements		
Research	<u>(12,561)</u>	<u>(12,424)</u>
	<u>(29,864)</u>	<u>(30,130)</u>
Balance, end of year	\$ <u>23,279</u>	\$ <u>23,567</u>

9. Retirement allowances and health benefits

Retirement allowance 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, 2013, with actuarial liabilities as at March 31, 2015 extrapolated based on the latest actuarial valuations. The last actuarial valuation for the health benefits was as at March 31, 2012, with actuarial liabilities as at March 31, 2015 extrapolated based on the latest actuarial valuations.

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 has been recorded.

Information about the retirement allowance and health benefits are as follows:

Accrued benefit obligation	<u>Retirement</u>	<u>Health</u>	2015 total retirement and health benefits	2014 total retirement and health benefits
Opening benefit obligation, beginning of year	\$ 24,139	\$ 11,821	\$ 35,960	\$ 32,892
Current service cost	1,780	713	2,493	2,266
Interest on obligation	982	495	1,477	1,376
Less: premiums paid	(2,137)	(209)	(2,346)	(2,120)
Actuarial (losses) gains	<u>-</u>	<u>(109)</u>	<u>(109)</u>	<u>1,546</u>
Closing benefit obligation, end of year	\$ <u>24,764</u>	\$ <u>12,711</u>	<u>37,475</u>	\$ <u>35,960</u>
Funded status - surplus	\$ 24,764	\$ 12,711	37,475	\$ 35,960
Unamortized net actuarial loss	<u>(2,367)</u>	<u>(200)</u>	<u>(2,567)</u>	<u>(3,202)</u>
Accrued benefit liability, end of year	\$ <u>22,397</u>	\$ <u>12,511</u>	\$ <u>34,908</u>	\$ <u>32,758</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

9. Retirement allowances and health benefits (continued)

The Health Centre's expense for the retirement allowance and health benefits is as follows:

	<u>2015</u>	<u>2014</u>
Retirement allowances and health benefits	\$ <u>4,495</u>	\$ <u>4,095</u>

The following actuarial assumptions have been used in the determination of the accrued benefit liabilities as at March 31, 2015:

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	4.10%	4.10%
Rate of compensation increase	0.15 - 2.65%	2.40 - 4.90%
Termination rates	1.2 - 20%	0-20%

- (i) 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.
- (ii) 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.

10. Pension plans

The Health Centre 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 April 1, 2012 which indicated a funding surplus.
- (ii) the second plan is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was December 31, 2012 and extrapolated to March 31, 2015. At this time, there was an unfunded liability. The Health Centre bears no direct financial responsibility for the unfunded liability of the plan.

The Health Centre's pension expense for the year amounted to \$18,339 (2014 - \$15,397).

11. Accumulated sick leave

Qualifying employees are entitled to a prescribed number of sick leave days over their employment term. The Health Centre has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. Compensated absences for qualifying employees are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all Health Authorities and the Health Centre. The actuarial valuation for non-vesting sick leave banks usage was as at March 31, 2011. These actuarial liabilities were extrapolated to March 31, 2014 and March 31, 2015.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

11. Accumulated sick leave (continued)

Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

Information about the sick leave liability is as follows:

	<u>2015</u>	<u>2014</u>
Accrued benefit liability		
Opening benefit obligation, beginning of year	\$ 14,878	\$ 12,942
Current service cost	2,328	2,223
Interest on obligation	635	559
Less: premiums paid	(1,066)	(1,111)
Actuarial gains	<u>(3,056)</u>	<u>265</u>
Closing benefit obligation, end of year	13,719	14,878
Unamortized net actuarial gain (loss)	<u>2,751</u>	<u>(336)</u>
Accrued benefit liability, end of year	\$ <u>16,470</u>	\$ <u>14,542</u>

The Health Centre's sick time expense is as follows:

Sick time expense paid to employees	\$ <u>9,709</u>	\$ <u>8,578</u>
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The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2015:

	<u>2015</u>	<u>2014</u>
Discount rate	4.10%	4.10%
Rate of compensation increase	0.15-2.65%	0.15 - 2.65%
Current sick leave utilization	8.2 days	7.4 days
Sick leave bank utilization	6.2-14.6 days	5.4 - 15.6 days
Termination rates	0 - 20%	0 - 20%

The actuary for the 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.

12. Supplemental cash flow information

	<u>2015</u>	<u>2014</u>
Change in non-cash operating working capital:		
Receivables	\$ 11,026	\$ (7,383)
Receivable from IWK Health Centre Charitable Foundation	(1,330)	(12)
Inventories	2	117
Prepays	(616)	6
Payables and accruals	790	3,985
Capital lease payable	(46)	(43)
Deferred capital and research revenue	<u>(288)</u>	<u>2,045</u>
	\$ <u>9,538</u>	\$ <u>(1,285)</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

13. Contingency

The Health Centre has been named as a defendant in legal actions arising in the ordinary course of business. Counsel is unable to form an opinion regarding the merit of certain claims and those in which counsel has provided an opinion, it is expected that payments, if any, which may arise from these claims would be funded by the liability insurance carrier.

14. Approved budget

The 2015 budget figures presented on the statement of operations and changes in accumulated surplus reflect any funding changes received during the fiscal year. A breakdown of the adjustments is presented below.

	<u>Approved</u>	<u>Changes</u>	<u>Revised</u>
Revenue	\$ <u>256,451</u>	\$ <u>12,009</u>	\$ <u>268,460</u>
Expense budgets	<u>Approved</u>	<u>Adjustments</u>	<u>Revised</u>
Breast screening program	\$ 1,308	\$ -	\$ 1,308
Children's health	64,878	2,509	67,387
Clinic lab services	18,918	(501)	18,417
Diagnostic imaging	6,814	965	7,779
Executive offices and public relations	1,704	8	1,712
HITS-NS	19,354	(609)	18,745
Human resources	3,205	87	3,292
Medical services	6,508	6	6,514
Mental health and addictions	29,932	708	30,640
Operations and support	31,039	5,236	36,275
Pharmacy	5,350	373	5,723
Primary health	1,517	4	1,521
Professional practice	2,886	33	2,919
Reproductive care program	1,608	3	1,611
Strategy and organizational performance	14,749	686	15,435
Women's and newborn health	<u>46,681</u>	<u>2,501</u>	<u>49,182</u>
	\$ <u>256,451</u>	\$ <u>12,009</u>	\$ <u>268,460</u>
Annual surplus	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Actuarial estimates of gains and losses and provincial sick bank, retiree benefit and pension are not budgeted within the Health Centre expenses and revenue as they are not the responsibility of the organization.

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

15. Expenses by object

The following is a summary of the expenses reported on the statement of operations and changes in accumulated surplus by object:

	<u>Budget</u>	<u>2015</u>	<u>2014</u>
Salaries, wages and benefits	\$ 202,156	\$ 205,657	\$ 199,845
Service and other contracts	11,862	11,395	11,088
Maintenance and building	13,920	14,898	15,553
Medical supplies	12,692	12,614	11,970
Amortization	11,764	11,794	10,613
Other supplies and expense recoveries	1,810	1,528	1,904
Equipment expenses	6,812	9,880	10,000
Drugs	3,496	3,608	3,203
Patient food	2,385	2,405	2,236
Professional fees	1,563	2,456	3,522
	<u>\$ 268,460</u>	<u>\$ 276,235</u>	<u>\$ 269,934</u>

16. Financial instrument risk management

The Health Centre has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, liquidity risk and market risk. Market risk arises from changes in interest rates, foreign currency exchange rates and other price risks. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to market risks arising from financial instruments.

Credit risk

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

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

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

	<u>Total</u>	<u>0-150 Days</u>	<u>151-360 Days</u>	<u>361+ Days</u>
Patients	\$ 4,739	\$ 420	\$ 4,319	\$ -
Clients/other agencies	1,789	1,270	519	-
Harmonized sales tax	1,588	1,588	-	-
NS District Health Authorities	297	140	157	-
NS Department of Health & Wellness	7,006	5,260	-	1,746
NS Government Departments	8,134	7,905	229	-
Other	1,095	1,095	-	-
Less: impairment allowances	<u>(1,000)</u>	<u>-</u>	<u>(1000)</u>	<u>-</u>
	<u>\$ 23,648</u>	<u>\$ 17,678</u>	<u>\$ 4,224</u>	<u>\$ 1,746</u>

The Izaak Walton Killam Health Centre

Notes to the financial statements

March 31, 2015 (expressed in \$,000's)

16. Financial instrument risk management (continued)

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

Government receivables are due from the Province of Nova Scotia. The Health Centre mitigates credit risk by ensuring that grants are entered into by way of a contract and by continuous monitoring of outstanding balances to ensure collection is timely.

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 Centre will not be able to meet all cash outflow obligations as they come due. The Health Centre 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.

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.

17. Comparative figures

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

The Izaak Walton Killam Health Centre

Schedule of tangible capital assets

Year ended March 31 (expressed in \$,000's)

	Land and land improvements	Building and service equipment	Major equipment	Group home	<u>2015</u>
Cost					
Beginning of year	\$ 4,285	\$ 222,333	\$ 33,406	\$ -	\$ 260,024
Additions during the year	-	13,942	4,669	-	18,611
Disposals during the year	-	(345)	(4,799)	-	(5,144)
End of year	<u>\$ 4,285</u>	<u>\$ 235,930</u>	<u>\$ 33,276</u>	<u>\$ -</u>	<u>\$ 273,491</u>
Accumulated amortization					
Beginning of year	\$ -	\$ 64,591	\$ 12,422	\$ -	\$ 77,013
Amortization	-	5,113	6,681	-	11,794
Reversal of accumulated amortization relating to disposals	-	(345)	(4,799)	-	(5,144)
End of year	<u>\$ -</u>	<u>\$ 69,359</u>	<u>\$ 14,304</u>	<u>\$ -</u>	<u>\$ 83,663</u>
Net book value of tangible capital costs	<u>\$ 4,285</u>	<u>\$ 166,571</u>	<u>\$ 18,972</u>	<u>\$ -</u>	<u>\$ 189,828</u>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$100 (2014 - \$133).

	Land and land improvements	Building and service equipment	Major equipment	Group home	<u>2014</u>
Cost					
Beginning of year	\$ 4,285	\$ 211,576	\$ 29,982	\$ 206	\$ 246,049
Additions during the year	-	10,757	8,067	-	18,824
Disposals during the year	-	-	(4,643)	(206)	(4,849)
End of year	<u>\$ 4,285</u>	<u>\$ 222,333</u>	<u>\$ 33,406</u>	<u>\$ -</u>	<u>\$ 260,024</u>
Accumulated amortization					
Beginning of year	\$ -	\$ 59,971	\$ 11,083	\$ 164	\$ 71,218
Amortization	-	4,620	5,985	10	10,615
Reversal of accumulated amortization relating to disposals	-	-	(4,646)	(174)	(4,820)
End of year	<u>\$ -</u>	<u>\$ 64,591</u>	<u>\$ 12,422</u>	<u>\$ -</u>	<u>\$ 77,013</u>
Net book value of tangible capital costs	<u>\$ 4,285</u>	<u>\$ 157,742</u>	<u>\$ 20,984</u>	<u>\$ -</u>	<u>\$ 183,011</u>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$133 (2013 - \$199).