



Financial Statements

March 31, 2017



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## Management's Report

The accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre") are the responsibility of management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the financial statements necessarily involves management's judgement and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

The Health Centre maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance, Audit & Risk Committee (the "Committee"). The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.

Tracy Kitch  
President and Chief Executive Officer

Stephen D'Arcy  
Chief Financial Officer

June 12, 2017



## Independent auditor's report

To the Board of Directors 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, 2017, 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, 2017, 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.

Halifax, Canada  
June 12, 2017

Chartered Professional Accountants  
Licensed Public Accountants

# The Izaak Walton Killam Health Centre

## Statement of Financial Position

March 31 (expressed in \$,000's) 2017 2016

### Financial assets

Cash and cash equivalents	\$	<b>15,047</b>	\$	11,801
Receivables (Notes 4 and 14)		<b>21,317</b>		20,152
Employee receivables		<b>1,128</b>		1,269
Receivable from IWK Health Centre Charitable Foundation		<b>23,909</b>		18,654
Accumulated sick leave receivable (Note 11)		<b>18,680</b>		17,963
Retirement allowance and health benefits (Note 9)		<b>38,000</b>		39,432
		<b><u>118,081</u></b>		<u>109,271</u>

### Liabilities

Payables and accruals (Note 5)		<b>29,126</b>		23,713
Capital lease payable		-		52
Retirement allowances and health benefits (Note 9)		<b>38,000</b>		39,432
Accumulated sick leave payable (Note 11)		<b>18,680</b>		17,963
Facilities loan payable (Note 7)		<b>7,520</b>		8,407
Deferred capital, research and other restricted revenue (Note 8)		<b>35,673</b>		31,732
		<b><u>128,999</u></b>		<u>121,299</u>

### Net debt

**(10,918)** (12,028)

### Non-financial assets

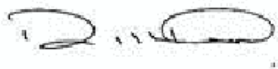
Prepays		<b>1,980</b>		2,627
Inventories held for use		<b>1,896</b>		1,470
Tangible capital assets (Page 19)		<b>196,700</b>		190,424
		<b><u>200,576</u></b>		<u>194,521</u>

### Accumulated surplus

**\$ 189,658** **\$ 182,493**

Contingency and contractual obligations (Note 12)

On behalf of the Board of Directors:



Bob Hanf  
Chair, Board of Directors



Larry Evans  
Chair, Finance, Audit & Risk Committee

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 2017	<b>Actual 2017</b>	Actual 2016
	(Note 15)		
<b>Revenue</b>			
NS Department of Health & Wellness			
IWK base operational funding	\$ 209,719	\$ <b>211,562</b>	\$ 206,434
Claims-based/direct funding	12,961	<b>12,210</b>	16,318
Provincial program funding	4,886	<b>3,866</b>	22,614
Capital grant funding	4,983	<b>8,661</b>	4,851
PNS - benefit liabilities	5,610	<b>1,368</b>	8,641
Inpatient, outpatient and clinics	7,122	<b>4,936</b>	6,337
Rentals, sales and other	8,702	<b>10,947</b>	9,085
Miscellaneous recoveries			
IWK operations	7,809	<b>8,492</b>	8,613
Provincial programs	45	<b>50</b>	3,680
Research revenue	12,340	<b>13,444</b>	13,513
Specified donations for equipment, renovations & research			
IWK operations equipment and renovations	12,850	<b>5,701</b>	6,946
Research operating	1,200	<b>975</b>	1,200
Research equipment and renovations	1,500	<b>1,427</b>	1,100
	<u>289,727</u>	<u><b>283,639</b></u>	<u>309,332</u>
<b>Expenses (Note 13)</b>			
Salaries and wages	159,581	<b>155,695</b>	158,224
Employee benefits	30,616	<b>28,549</b>	33,669
Services and other contracts	8,426	<b>10,567</b>	8,573
Maintenance and building	14,980	<b>14,785</b>	15,362
Medical supplies	13,961	<b>13,373</b>	12,879
Other supplies and expenses	9,651	<b>10,378</b>	10,097
Equipment expenses	4,471	<b>4,379</b>	4,490
Drugs	4,815	<b>3,674</b>	5,370
Patient food	2,484	<b>2,419</b>	2,559
Professional fees	2,335	<b>2,868</b>	2,175
Amortization of capital assets	11,219	<b>11,219</b>	12,354
Provincial programs	5,000	<b>3,929</b>	27,113
Research	13,760	<b>14,639</b>	15,031
	<u>281,299</u>	<u><b>276,474</b></u>	<u>307,896</u>
Annual surplus (Note 3)	\$ <u>8,428</u>	<b>7,165</b>	1,436
Accumulated surplus, beginning of year		<u><b>182,493</b></u>	<u>181,057</u>
Accumulated surplus, end of year		\$ <u><b>189,658</b></u>	\$ <u>182,493</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)	Revised Budget 2017	Actual 2017	Actual 2016
	(Note 15)		
Annual surplus	\$ 8,428	\$ 7,165	\$ 1,436
Acquisition of tangible capital assets	(19,647)	<b>(17,495)</b>	(12,950)
Amortization	11,219	<b>11,219</b>	12,354
Change in prepaids	-	<b>647</b>	(985)
Change in inventories	-	<b>(426)</b>	(120)
Change in net debt	-	<b>1,110</b>	(265)
Net debt, beginning of year	(12,028)	<b>(12,028)</b>	(11,763)
Net debt, end of year	\$ (12,028)	\$ <b>(10,918)</b>	\$ (12,028)

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)	2017	2016
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Annual surplus	\$ 7,165	\$ 1,436
Amortization	<u>11,219</u>	<u>12,354</u>
	<b>18,384</b>	13,790
Changes in non-cash operating items		
(Increase) decrease in receivables	(1,165)	3,495
Decrease in employee receivables	141	178
Increase in receivable from IWK Health Centre Charitable Foundation	(5,255)	(265)
Decrease (increase) in prepaid expenses	647	(985)
Increase in inventories	(426)	(120)
Decrease (increase) in payables and accruals	5,413	(10,656)
Decrease in capital lease payable	(52)	(48)
Increase in deferred capital, research and other restricted revenue	<u>3,941</u>	<u>974</u>
	<b>21,628</b>	<b>6,363</b>
<b>Capital</b>		
Cash used to acquire tangible capital assets - net	<u>(17,495)</u>	<u>(12,950)</u>
<b>Financing</b>		
Principal repayments on facilities loan payable	<u>(887)</u>	<u>(838)</u>
Increase (decrease) in cash and cash equivalents	<b>3,246</b>	(7,425)
Cash and cash equivalents		
Beginning of year	<u>11,801</u>	<u>19,226</u>
End of year	<b>\$ <u>15,047</u></b>	<b>\$ <u>11,801</u></b>

See accompanying notes and schedule to the financial statements.



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# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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### 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.

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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 Chartered Professional Accountants of Canada and reflect the significant accounting policies noted below.

These financial statements include the assets, liabilities and activities of the Health Centre. They do not include the activities of the IWK Health Centre Charitable Foundation (the "Foundation"), a non-controlled, not-for-profit entity (Note 16).

#### 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, research and other restricted revenue until the resources are used for the purpose or purposes specified.

Provincial government transfers representing the year over year change in accrued benefit obligations are recognized as revenue as the transfer has been authorized.

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>2017</u>	<u>2016</u>
Research	\$ 11,061	\$ 12,610
Restricted	8,208	6,910
Operating	<u>(4,222)</u>	<u>(7,719)</u>
	<u>\$ 15,047</u>	<u>\$ 11,801</u>

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# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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

#### 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%

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 Nova Scotia 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 14 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.

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# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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

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

- (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 13 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.
- (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, 2017, the Health Centre held \$3,015 (2016 - \$3,060) 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 accruals, 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.

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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

#### 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.

3. Reconciliation of annual operating funding	2017	2016
Annual surplus	\$ 7,165	\$ 1,436
Amortization	11,219	12,354
Specified donations for equipment and renovations - research	(1,427)	(1,100)
DHW capital grants and IWK Foundation donations	<u>(14,237)</u>	<u>(11,797)</u>
Surplus from operations	2,720	893
Amounts attributed to capital asset purchases	<u>(2,720)</u>	<u>(893)</u>
Annual operating surplus	\$ <u>-</u>	\$ <u>-</u>

4. Receivables	2017	2016
Patients	\$ 3,880	\$ 3,714
Client & other	5,955	4,486
NS Department of Health & Wellness	5,567	12,036
Other NS government agencies & entities	7,008	1,477
Allowance for doubtful accounts	<u>(1,093)</u>	<u>(1,561)</u>
	\$ <u>21,317</u>	\$ <u>20,152</u>

NS Department of Health & Wellness ("DHW") receivables are comprised of:

Mental health funding	\$ 2,264	\$ 2,311
Accumulated deficit 1998/99	908	908
Benefit bank funding	484	484
Provincial programs	461	276
Wage funding and other	432	135
Physician on call funding (Family Medicine)	392	196
Contract increases and wage funding	297	297
Orthopaedic Working Group Initiative	145	69
Retiree benefits & allowances	110	185
Newborn screening and other labs	74	465
Capital grants	-	3,826
IT projects	-	1,672
HITS – NS deficit	-	1,064
Nursing strategy	<u>-</u>	<u>148</u>
	\$ <u>5,567</u>	\$ <u>12,036</u>

Of the total receivable from the DHW, as of May 22, 2017, \$1,526 (2016 - \$6,880) has been received.

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

<b>5. Payables and accruals</b>	<u>2017</u>	<u>2016</u>
Trade payables	\$ 15,834	\$ 9,519
Accrued salaries and benefits	13,020	14,079
NS Department of Health & Wellness payables	<u>272</u>	<u>115</u>
	<u>\$ 29,126</u>	<u>\$ 23,713</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 (2016 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus  $\frac{3}{4}\%$ .

### 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>2017</u>	<u>2016</u>
Balance	\$ <u>7,520</u>	\$ <u>8,407</u>

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

2018	\$ 939
2019	995
2020	1,053
2021	1,115
2021 and thereafter	3,417

Interest on facilities loan payable in the amount of \$465 (2016 - \$511) is included in operating fund expenses.

### 8. Deferred capital, research and other restricted revenue

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

	<u>2017</u>	<u>2016</u>
Capital		
Equipment	\$ 2,476	\$ 98
Capital campaign funds	<u>13,927</u>	<u>13,270</u>
	<u>16,403</u>	13,368
Research funds	11,061	11,454
Other restricted funds	<u>8,209</u>	<u>6,910</u>
Balance at year end	<u>\$ 35,673</u>	<u>\$ 31,732</u>

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

### 8. Deferred capital, research and other restricted revenue (continued)

Included in equipment is obligations under capital lease of \$Nil (2016 - \$52) payable to the Nova Scotia Health Authority ("NSHA"). 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 following is a summary of the continuity of deferred capital and research revenue:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ <u>31,732</u>	\$ <u>30,758</u>
Grants from the IWK Health Centre Charitable Foundation	2,807	916
NS Department of Health & Wellness funding	10,536	4,851
Research funding	12,204	11,267
Capital campaign fund	3,851	7,538
Other funding	77	213
Other restricted	<u>3,891</u>	<u>1,577</u>
	<u>33,366</u>	<u>26,362</u>
Capital funding expended	(14,237)	(11,798)
Disbursements		
Research	(12,596)	(11,444)
Other restricted	<u>(2,592)</u>	<u>(2,146)</u>
	<u>(29,425)</u>	<u>(25,388)</u>
Balance, end of year	\$ <u>35,673</u>	\$ <u>31,732</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 June 30, 2015, with actuarial liabilities as at March 31, 2017 extrapolated based on the latest actuarial valuations.

The last actuarial valuation for the retiree health benefits was as at June 30, 2015, with actuarial liabilities as at March 31, 2017 extrapolated based on the latest actuarial valuations.

Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance. The Nova Scotia Department of Finance fully funds this liability, thus an offsetting receivable balance has been recorded. As at the end of March 31, 2017, an amount of \$24,227 for the retirement allowance liability and \$13,773 for the retirement health benefits payable to the Health Centre has been authorized by the Province of Nova Scotia. Annual approvals have been obtained through the *Appropriations Act*.

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

### 9. Retirement allowances and health benefits (continued)

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

<b>Accrued benefit obligation</b>	<u>Retirement</u>	<u>Health</u>	<b>2017 total retirement and health benefits</b>	<b>2016 total retirement and health benefits</b>
Opening benefit obligation, beginning of year	\$ 25,048	\$ 10,608	\$ 35,656	\$ 37,475
Current service cost	-	663	663	754
Interest on obligation	852	384	1,236	1,463
Impact of curtailment	-	-	-	1,755
Other	(729)	(246)	(975)	774
Less: premiums paid	(1,721)	(298)	(2,019)	(2,624)
Actuarial gains (losses)	<u>278</u>	<u>144</u>	<u>422</u>	<u>(3,941)</u>
Closing benefit obligation, end of year	\$ <u>23,728</u>	\$ <u>11,255</u>	\$ <u>34,983</u>	\$ <u>35,656</u>

<b>Accrued benefit obligation</b>	<u>Retirement</u>	<u>Health</u>	<b>2017 total retirement and health benefits</b>	<b>2016 total retirement and health benefits</b>
Funded status - surplus	\$ 23,728	\$ 11,255	\$ 34,983	\$ 35,656
Unamortized net actuarial loss	<u>499</u>	<u>2,518</u>	<u>3,017</u>	<u>3,776</u>
Accrued benefit liability, end of year	\$ <u>24,227</u>	\$ <u>13,773</u>	\$ <u>38,000</u>	\$ <u>39,432</u>

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

	<u>2017</u>	<u>2016</u>
Retirement allowances and health benefits	\$ <u>651</u>	\$ <u>7,150</u>

The following actuarial assumptions have been used in the determination of the accrued benefit liabilities as at March 31, 2017:

	<u>Allowances</u>	<u>Benefits</u>
Discount rate	3.59%	3.59%
Rate of compensation increase	0.40 - 2.90%	-
Termination rates	0 - 20%	0-36%

- (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 65<sup>th</sup> birthday.
- (ii) The plan was curtailed effective April 1, 2015 and accrued service for the purpose of benefit determination is frozen as at that date. The change in liability related to the curtailment of service is reflected in the current year benefit expense and totals \$(17).
- (iii) 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 Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

### 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, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at July 1, 2014, 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 conducted as at December 31, 2014, which indicated a funding surplus.

The Health Centre's pension expense for the year amounted to \$14,118 (2016 - \$15,066).

### 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, 2014. These actuarial liabilities were extrapolated to March 31, 2016 and March 31, 2017.

Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance. The Nova Scotia Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded. As at the end of March 31, 2017, an amount of \$18,680 payable to the Health Centre for accumulated sick leave benefits has been authorized by the Province of Nova Scotia. Annual approvals have been obtained through the *Appropriations Act*.

Information about the sick leave liability is as follows:

	<u>2017</u>	<u>2016</u>
Accrued benefit liability		
Opening benefit obligation, beginning of year	\$ 14,676	\$ 13,719
Current service cost	2,535	2,629
Interest on obligation	532	542
Other	(503)	-
Less: premiums paid	(1,431)	(1,431)
Actuarial gains	<u>90</u>	<u>(783)</u>
Closing benefit obligation, end of year	15,899	14,676
Unamortized net actuarial gain (loss)	<u>2,781</u>	<u>3,287</u>
Accrued benefit liability, end of year	\$ <u>18,680</u>	\$ <u>17,963</u>
The Health Centre's sick time expense is as follows:		
Sick time expense paid to employees	\$ <u>7,325</u>	\$ <u>8,843</u>



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# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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### 11. Accumulated sick leave (continued)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2017:

	<u>2017</u>	<u>2016</u>
Discount rate	<b>3.59%</b>	3.71%
Rate of compensation increase	<b>0.40- 2.90%</b>	0.15- 2.65%
Current sick leave utilization	<b>8.2 days</b>	8.2 days
Sick leave bank utilization	<b>6.2 - 14.6 days</b>	6.2-14.6 days
Termination rates	<b>0 - 20%</b>	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.

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### 12. Contingency and contractual obligations

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.

The Health centre has commitments for various operating, occupancy, equipment and capital renovations. The various commitments are as follows:

- (i) The Health Centre is committed to annual premise lease payments as follows:

2018	\$	3,583
2019		3,617
2020		3,667
2021		3,223

- (ii) The Health Centre is committed to various capital renovation projects as follows:

2018	\$	7,396
2019		4,873
2020		4,873
2021		2,027

- (iii) The Health Centre is in the final stages of securing a five year equipment service contract agreement. The cost of this contract will be determined after the negotiations have been finalized.
- (iv) During the year, the Health Centre received \$1,875 in funding from the DHW to fund mammography systems for the Nova Scotia Breast Screening Program and the Nova Scotia Breast Imaging Services. This funding was for mammography units that are owned by both the Health Centre and the NSHA, and is to be distributed to both organizations based on total spending. At the end of March 31, 2017, the mammography units had been ordered but no costs had been incurred. Therefore, the DHW funding had remained unspent. It is estimated that the DHW funding to be distributed to the NSHA by the IWK will be \$860.

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

### 13. Expenses by program

The following is a summary of the expenses reported on the statement of operations by program:

	Revised Budget <u>2017</u>	<b>Actual 2017</b>	Actual <u>2016</u>
Clinical and medical			
Children's health	\$ 76,720	\$ <b>73,793</b>	\$ 74,157
Women's and newborn health	49,340	<b>48,437</b>	50,539
Mental health and addictions	32,640	<b>31,729</b>	31,620
Clinic lab services	19,053	<b>18,506</b>	18,454
Medical services	10,691	<b>10,375</b>	10,449
Diagnostic imaging	8,303	<b>8,335</b>	8,506
Pharmacy	5,967	<b>5,676</b>	6,326
Primary health	1,556	<b>1,692</b>	1,581
Professional practice	1,896	<b>1,609</b>	1,733
Operations			
Facilities and environmental services	16,522	<b>17,573</b>	17,135
Quality and system performance	11,777	<b>11,392</b>	14,869
Finance	9,268	<b>10,425</b>	12,223
Corporate services	9,358	<b>8,804</b>	9,533
Human resources	5,250	<b>5,092</b>	5,286
Executive offices and public relations	2,489	<b>2,659</b>	2,151
Biomedical engineering	1,234	<b>1,380</b>	1,125
Innovation	475	<b>429</b>	65
Provincial programs			
Reproductive Care Program	1,726	<b>1,700</b>	1,664
Nova Scotia Breast Screening Program	1,303	<b>1,280</b>	1,332
Palivisumab and Emergency Care Fund	900	<b>535</b>	-
Nova Scotia Insulin Pump Program	1,071	<b>414</b>	411
HITS-NS	-	-	23,706
Research	<u>13,760</u>	<u><b>14,639</b></u>	<u>15,031</u>
	<b>\$ 281,299</b>	<b>\$ 276,474</b>	<b>\$ 307,896</b>

### 14. 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 Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

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

#### Credit risk (continued)

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>151-365 Days</u>	<u>365+ Days</u>
Patients	\$ 3,880	\$ 2,889	\$ 267	\$ 724
Clients/other agencies	4,474	3,397	1,077	-
Harmonized sales tax	1,481	1,481	-	-
NS Health Authority	5,979	5,100	268	611
NS Department of Health & Wellness	5,567	3,690	73	1,804
NS Government Departments	1,029	961	39	29
Less: impairment allowances	<u>(1,093)</u>	<u>(369)</u>	<u>-</u>	<u>(724)</u>
	<u>\$ 21,317</u>	<u>\$ 17,149</u>	<u>\$ 1,724</u>	<u>\$ 2,444</u>

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.

# The Izaak Walton Killam Health Centre

## Notes to the Financial Statements

March 31, 2017 (expressed in \$,000's)

### 15. Approved budget

The 2017 budget figures presented on the statement of operations and changes in accumulated surplus reflect certain budget adjustments made during the fiscal year. A breakdown of the adjustments is presented below.

	<u>Approved</u>	<u>Changes</u>	<u>Revised</u>
Revenue			
IWK operations	\$ 271,141	\$ (1,385)	\$ 269,756
Provincial programs	5,000	(69)	4,931
Research operations	<u>12,937</u>	<u>2,103</u>	<u>15,040</u>
	<u>289,078</u>	<u>649</u>	<u>289,727</u>
Expense			
Salaries and wages	\$ 159,291	\$ 290	\$ 159,581
Employee benefits	30,632	(16)	30,616
Services and other contracts	9,491	(1,065)	8,426
Maintenance and building	14,605	375	14,980
Medical supplies	13,933	28	13,961
Other supplies and expenses	9,058	593	9,651
Equipment expenses	5,127	(656)	4,471
Drugs	4,798	17	4,815
Patient food	2,480	4	2,484
Professional fees	2,153	182	2,335
Amortization of capital assets	11,076	143	11,219
Provincial programs	5,000	-	5,000
Research	<u>12,687</u>	<u>1,073</u>	<u>13,760</u>
	<u>\$ 280,331</u>	<u>\$ 968</u>	<u>\$ 281,299</u>
Annual surplus	<u>\$ 8,747</u>	<u>\$ (319)</u>	<u>\$ 8,428</u>

### 16. IWK Health Centre Charitable Foundation

The Foundation provides donations to the Health Centre for capital, clinical programs and research activities. During the current year, the Health Centre received \$12,125 (2016 - \$13,971) in donations from the Foundation. The total amount receivable from the Foundation as at March 31, 2017 is \$23,309 (2016 - \$18,654).

### 17. Comparative figures

Certain 2016 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, 2017 (expressed in \$,000's)

	<u>Land and land improvements</u>	<u>Building and service equipment</u>	<u>Major equipment</u>	<u>2017</u>
<b>Cost</b>				
Beginning of year	\$ 4,546	\$ 242,535	\$ 27,636	\$ 274,717
Additions during the year	-	10,954	6,541	17,495
Disposals during the year	<u>-</u>	<u>(316)</u>	<u>(1,853)</u>	<u>(2,169)</u>
End of year	<u>4,546</u>	<u>253,173</u>	<u>32,324</u>	<u>290,043</u>
<b>Accumulated amortization</b>				
Beginning of year	261	73,467	10,565	84,293
Amortization	-	5,693	5,526	11,219
Reversal of accumulated amortization relating to disposals	<u>-</u>	<u>(316)</u>	<u>(1,853)</u>	<u>(2,169)</u>
End of year	<u>261</u>	<u>78,844</u>	<u>14,238</u>	<u>93,343</u>
<b>Net book value of tangible capital costs</b>	<b>\$ <u>4,285</u></b>	<b>\$ <u>174,329</u></b>	<b>\$ <u>18,086</u></b>	<b>\$ <u>196,700</u></b>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$Nil (2016 - \$52).

	<u>Land and land improvements</u>	<u>Building and service equipment</u>	<u>Major equipment</u>	<u>2016</u>
<b>Cost</b>				
Beginning of year	\$ 4,546	\$ 235,669	\$ 33,276	\$ 273,491
Additions during the year	-	8,196	4,754	12,950
Disposals during the year	<u>-</u>	<u>(1,330)</u>	<u>(10,394)</u>	<u>(11,724)</u>
End of year	<u>4,546</u>	<u>242,535</u>	<u>27,636</u>	<u>274,717</u>
<b>Accumulated amortization</b>				
Beginning of year	261	69,097	14,304	83,662
Amortization	-	5,700	6,655	12,355
Reversal of accumulated amortization relating to disposals	<u>-</u>	<u>(1,330)</u>	<u>(10,394)</u>	<u>(11,724)</u>
End of year	<u>261</u>	<u>73,467</u>	<u>10,565</u>	<u>84,293</u>
<b>Net book value of tangible capital costs</b>	<b>\$ <u>4,285</u></b>	<b>\$ <u>169,068</u></b>	<b>\$ <u>17,071</u></b>	<b>\$ <u>190,424</u></b>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$52 (2015 - \$100).