



Consolidated Financial Statements

**Nova Scotia Health Authority**

March 31, 2020

## 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 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.

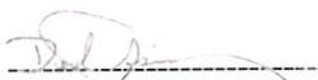
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors [the "Board"] is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Audit, Finance and Risk Committee. The Audit Finance and Risk Committee reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements annually and recommends approval to the Board.

The Auditor General of Nova Scotia provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian auditing standards and includes tests and procedures which allow him to report on the fairness of the consolidated financial statements prepared by management.

On behalf of Nova Scotia Health Authority:

  
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Brendan Carr, MD, MBA, CHE, CCPL  
Nova Scotia Health Authority  
President and CEO

  
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Derek Spinney, CPA, CMA  
Nova Scotia Health Authority  
Vice President Corporate  
Services, Infrastructure and  
CFO

June 23, 2020



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Nova Scotia Health Authority:

### *Opinion*

I have audited the consolidated financial statements of the Nova Scotia Health Authority (the "NSHA"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of NSHA as at March 31, 2020, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of NSHA in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing NSHA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate NSHA or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NSHA's financial reporting process.



### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 NSHA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NSHA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause NSHA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within NSHA to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in black ink, appearing to read "Michael A. Pickup". The signature is fluid and cursive, with a large initial "M" and "P".

Michael A. Pickup, FCPA, FCA  
Auditor General of Nova Scotia

Halifax, Canada

June 23, 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2020

*[in thousands of Canadian dollars]*

	<i>Note</i>	2020 \$	2019 \$
<b>Financial assets</b>			
Cash and cash equivalents	3	36,606	24,575
Portfolio investments	3	47,312	50,281
Accounts receivable	4	40,275	47,335
Due from governments	5	395,130	397,349
Due from foundations	6	17,174	12,354
		<u>536,497</u>	<u>531,894</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7	255,185	228,716
Employee future benefits	8	280,832	281,003
Deferred revenue	9	66,410	65,327
Long-term debt	10	2,754	3,559
		<u>605,181</u>	<u>578,605</u>
<b>Net debt</b>		<u>(68,684)</u>	<u>(46,711)</u>
<b>Non-financial assets</b>			
Tangible capital assets	11	1,062,823	969,773
Inventories of supplies	12	47,274	41,383
Prepaid expenses		25,137	7,884
		<u>1,135,234</u>	<u>1,019,040</u>
<b>Accumulated surplus</b>		<u>1,066,550</u>	<u>972,329</u>

*Contractual obligations & contingent liabilities (Notes 16 and 21)**The accompanying notes and schedule are an integral part of these consolidated financial statements.**On behalf of the Board:*

Board Chair



Audit Committee Chair



## CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2020

*[in thousands of Canadian dollars]*

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
<i>Note</i>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<i>Unaudited</i>		
	[Note 24]		
<b>Revenues</b>			
Operating grants – Provincial	2,081,546	2,110,957	1,983,540
Operating grants – Federal	48,608	48,287	45,233
Capital grants – Provincial	25,534	23,630	23,390
Capital grants – Other	19,124	27,434	22,647
Capital transfers	158,136	107,538	67,559
Research & designated contributions	24,130	28,747	25,962
Other revenue	13 85,789	106,870	105,461
Recoveries	46,477	49,309	52,157
Investment revenue	–	1,468	1,375
<b>Total revenues</b>	<b>2,489,344</b>	<b>2,504,240</b>	<b>2,327,324</b>
<b>Expenses (Schedule A)</b>			
Chief Public Engagement and Communications	6,014	5,808	5,521
VP Health Services	223,522	235,718	224,379
VP Corporate Services and CFO	469,626	461,023	458,517
VP Research, Innovation, Discovery and Chief Nurse Executive	46,972	50,038	45,629
VP Quality and System Performance	1,224,345	1,258,031	1,178,728
VP Medicine	147,910	164,938	143,680
Chief Executive Officer	1,304	970	933
VP Integrated Health Services, QEII New Generation Project & CB Redevelopment Project	236,857	233,493	222,352
<b>Total expenses</b>	<b>2,356,550</b>	<b>2,410,019</b>	<b>2,279,739</b>
<b>Annual surplus</b>	<b>132,794</b>	<b>94,221</b>	<b>47,585</b>
<b>Accumulated surplus, beginning of year</b>	<b>972,329</b>	<b>972,329</b>	<b>924,744</b>
<b>Accumulated surplus, end of year</b>	<b>1,105,123</b>	<b>1,066,550</b>	<b>972,329</b>

*The accompanying notes and schedule are an integral part of these consolidated financial statements.*

Nova Scotia Health Authority

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

	Budget	2020	2019
	\$	\$	\$
	<i>Unaudited</i>		
	[Note 24]		
<b>Annual surplus</b>	<b>132,794</b>	<b>94,221</b>	47,585
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(202,794)	(157,431)	(112,198)
Amortization of tangible capital assets	70,000	64,381	66,011
<b>Increase in tangible capital assets</b>	<b>(132,794)</b>	<b>(93,050)</b>	(46,187)
<b>Change in other non-financial assets</b>			
Net change in inventories of supplies	—	(5,891)	(2,453)
Net change in prepaid expenses	—	(17,253)	(2,534)
<b>Increase in other non-financial assets</b>	<b>—</b>	<b>(23,144)</b>	(4,987)
<b>Increase in net debt</b>	<b>-</b>	<b>(21,973)</b>	(3,589)
<b>Net debt, beginning of year as previously reported</b>	<b>(46,711)</b>	<b>(46,711)</b>	(43,122)
<b>Net debt, end of year</b>	<b>(46,711)</b>	<b>(68,684)</b>	(46,711)

*The accompanying notes and schedule are an integral part of these consolidated financial statements.*



## CONSOLIDATED STATEMENT OF CASH FLOW

Year ended March 31, 2020

*[in thousands of Canadian dollars]*

	<i>Note</i>	2020 \$	2019 \$
<b>Operating Activities</b>			
Annual surplus		94,221	47,585
Items not affecting cash			
Amortization of tangible capital assets		64,381	66,011
Unrealized loss		3,464	5,488
Realized loss (gain)		217	(7,165)
Other		-	725
Change in inventories of supplies		(5,891)	(2,454)
Change in prepaid expenses		(17,254)	(2,534)
Change in deferred revenue		1,083	6,422
Net change in other items	18	30,928	126,162
Change in employee future benefits		(171)	(133,369)
<b>Cash provided by operating activities</b>		<b>170,978</b>	<b>106,871</b>
<b>Capital Activities</b>			
	11		
Acquisition of tangible capital assets		(157,431)	(112,197)
<b>Cash applied to capital activities</b>		<b>(157,431)</b>	<b>(112,197)</b>
<b>Financing Activities</b>			
Debt retirement		(805)	(761)
<b>Cash applied to financing activities</b>		<b>(805)</b>	<b>(761)</b>
<b>Investing Activities</b>			
Redemption of portfolio investments		6,222	51,729
Purchases of portfolio investments		(6,933)	(52,740)
<b>Cash provided by (applied to) investing activities</b>		<b>(711)</b>	<b>(1,011)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>12,031</b>	<b>(7,098)</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>24,575</b>	<b>31,673</b>
<b>Cash, end of year</b>	3	<b>36,606</b>	<b>24,575</b>

*The accompanying notes and schedule are an integral part of these consolidated financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 1. Nature of the Organization

Nova Scotia Health Authority (NSHA) was established on April 1, 2015 under the *Health Authorities Act* (Nova Scotia) through the amalgamation of nine of the ten existing health authorities in Nova Scotia. All of the assets, liabilities, rights and obligations of the former health authorities were assumed by NSHA.

The objectives of NSHA are to govern, manage and provide health services in the Province and to implement the strategic direction set out in the provincial health plan. These services are grouped into key areas such as medical and surgical care, mental health care, community health programs, addiction prevention and treatment and environmental health services. These services are each grouped into a portfolio with Vice President oversight as shown in the consolidated statement of operations. Corporate Services includes finance, IM/IT, food services, procurement, facilities and asset amortization. Operations and Clinical Infrastructure portfolios include redevelopment projects and zonal operations. Quality and System Performance includes perioperative services, emergency departments, mental health and addictions, laboratory services, cancer care, pharmacy and other provincially lead programs. Research, Innovation and Discovery includes research activities and inter-professional practice. Medicine includes physician leadership, recruitment and education.

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

### 2. Summary of Significant Accounting Policies

#### a. Basis of accounting

These consolidated financial statements have been prepared by management of NSHA in accordance with Canadian public sector accounting standards ["PSAS"] 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 NSHA.

The organization controlled by NSHA is the Provincial Drug Distribution Program (PDDP). As a result, this organization is fully consolidated with NSHA.

#### c. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits that are readily available and are subject to an insignificant risk of change in value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

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

#### d. Inventories of supplies

Inventories of supplies held for consumption or use include drugs, linen, food, medical & surgical and departmental supplies and are recorded using weighted average cost.

#### e. Prepaid expense

Prepaid expense includes maintenance, support costs, memberships & subscriptions as well as prepaid inventory and are charged to expense over the periods the good or service is consumed.

#### f. 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.

NSHA standardized the tangible capital assets depreciation rates, on a straight-line basis, for all assets purchased subsequent to April 1, 2015. Tangible capital assets are recorded at cost and depreciated on a straight-line basis at the following annual rates:

Buildings	5-50 years
Leasehold improvements	Lesser of term or 10 years
Equipment	3-20 years
Parking garage	40 years
Information technology	3-10 years

NSHA continues to depreciate the tangible capital assets transferred into the NSHA on April 1, 2015 based on the former district health authorities' historical rates. Construction in progress assets are not amortized until the asset is available for productive use.

The useful life of an asset may require revision during its life due to significant changes such as physical damage, upgrades/developments, a change in its use, etc. The effect of this change would be recorded in the year of revision and in future years. The consolidated financial statements of previous years are not restated due to the change in an estimated useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to NSHA'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. Write-downs are not reversed.

When a tangible capital asset is removed from service, destroyed, becomes obsolete, scrapped, etc., the asset is disposed as of the specified effective date. Assets will be retired from the accounts of NSHA when the asset is disposed. The gain or loss on disposal will be calculated as the difference between the proceeds received and the net book value of the asset. The gain or loss on disposal will be recorded as revenue or an expense 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.

#### **g. Deferred revenue**

Deferred revenue includes contributions 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. Deferred revenues include both operating and capital revenue.

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

#### **h. Employee future benefits**

Employee future benefits include retiring allowances/public service awards paid to employees upon retirements, health & life insurance, and accumulating non-vesting sick leave. A liability for employee future benefits has been included in these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

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

The cost and obligations of these employee future benefits are actuarially determined using management's best estimate of the assumptions disclosed in Note 8. The methods used in this valuation of costs and obligations were selected by the Nova Scotia Department of Finance and Treasury Board. These assumptions are in accordance with accepted actuarial practice.

The Province of Nova Scotia funds the employees' retiring allowances/public service awards, health & life insurance, and accumulating non-vesting sick leave benefits. As a result, a receivable for the same amount has been recorded from the Nova Scotia Department of Finance and Treasury Board and is included in due from governments in these financial statements.

Effective April 1, 2015, retiring allowances have been discontinued and as a result no new members will be admitted into this plan. The payment of retirement allowances are deferred until retirement and calculated based on accumulated service as of the discontinuation date and salary upon retirement.

#### **i. Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability of this nature is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) NSHA is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

For the fiscal year ended March 31, 2020, NSHA has not identified a liability for contaminated sites.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

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

#### **j. Revenue Recognition**

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.

Provincial and federal government transfers, defined as operating or capital, are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable.

Recovery revenues include reimbursement or coverage by a third party entity for expenses covered by NSHA. Expenses for which NSHA would typically recover include compensation and supplies.

Revenue related to fees or services received in advance of the fee being earned or the service is performed are deferred and recognized when the fee is earned or service performed.

Investment income includes dividend and interest income, and realized gains or losses on the sale of portfolio investments and is reported in the period earned. Restricted investment income is recognized as revenue in the period the related expenses are incurred or the terms of use are met.

#### **k. Expenses**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

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

#### **I. Financial instruments**

Financial instruments are classified into either the cost/amortized cost or fair value categories. The cost/amortized cost category includes cash and cash equivalents, receivables, payables, long-term debt and accruals. These items are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Portfolio investments are measured at fair value. Once realized, the cumulative change in fair value is recognized in the statement of operations. Transaction costs of financial instruments in the fair value category, such as investment management fees, are expensed in the period in which they are incurred. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value. Management assesses financial instruments for impairment on an annual basis. When financial assets are impaired, impairment losses are recorded in the statement of operations.

#### **m. Measurement uncertainty**

Measurement uncertainty exists in determining certain amounts at which items are recorded in these consolidated financial statements. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in accruals for such items as pension, retirement and other obligations. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace. Other areas requiring the use of management estimates include allowances for doubtful accounts, amortization rates and inventory.

#### **n. Contributed Services**

Volunteers contribute a significant amount of their time each year to assist NSHA in carrying out its programs and services. Due to difficulty in determining fair value, contributed services are not recognized in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***3. Cash and Cash Equivalents and Portfolio Investments**

	2020	2019
	\$	\$
Cash and cash equivalents	36,606	24,575
Portfolio investments	47,312	50,281
	<b>83,918</b>	74,856
Amounts restricted for research and designated purposes	(59,912)	(59,317)
Amounts restricted for capital purposes	(6,177)	(5,713)
Amounts restricted for designated operating purposes	(322)	(297)
Unrestricted cash and cash equivalents	<b>17,507</b>	9,529

Restricted cash and portfolio investments consists of 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.

Restricted cash and portfolio investments are designated to be used only in support of initiatives specifically approved by external funding organizations and individuals. Related investments are stated at fair market value. The corresponding restricted liabilities represent unexpended funds as of the end of the fiscal year, and will be recognized as revenue when the funds are used for their intended purpose.

**4. Accounts Receivable**

	2020	2019
	\$	\$
Patient care	37,922	36,375
Other	19,365	24,879
Payroll advances receivable	785	749
Due from Partners for Care	557	939
Less provision for doubtful accounts	<b>(18,354)</b>	(15,607)
	<b>40,275</b>	47,335



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***5. Due from Governments**

	2020	2019
	\$	\$
Province of Nova Scotia		
Department of Finance & Treasury Board (Employee Future Benefits – see Note 8)	280,832	281,003
Department of Health & Wellness	96,608	95,727
Other government organizations	6,574	3,963
Federal Government	5,551	6,403
Other Provincial Governments	4,906	8,588
IWK Health Centre	2,100	2,340
Less provision for doubtful accounts	(1,441)	(675)
	<b>395,130</b>	<b>397,349</b>

**6. Due from Foundations**

NSHA receives donations from 66 foundations and auxiliaries. These foundations provide donations to the NSHA for capital, clinical programs and research activities. During the current year, NSHA received \$23,063 (2019 – \$17,160) from these organizations. The total amount receivable from foundations and auxiliaries at March 31, 2020 is \$17,174 (2019 – \$12,354).

**7. Accounts Payable & Accrued Liabilities**

	2020	2019
	\$	\$
Trade payables	88,252	83,489
Salaries and benefits payable	133,113	97,378
Accrued liabilities	14,583	29,965
Vacation pay	19,237	17,884
	<b>255,185</b>	<b>228,716</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***8. Employee Future Benefits – Summary**

	2020	2019
<u>Employee future benefits summary</u>	<u>\$</u>	<u>\$</u>
Ending balance, retiring allowances (Note 8a)	17,619	22,991
Ending balance, health and life insurance (Note 8b)	206,418	200,100
Ending balance, non-vested sick-leave benefits (Note 8c)	56,795	57,912
<u>Ending balance, employee future benefits</u>	<u>280,832</u>	<u>281,003</u>

**8a. Employee Future Benefits – Retiring Allowances**

NSHA provides retiring allowances to employees under certain 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 served with the organization. Effective April 1, 2015, retiring allowances have been discontinued and as a result no new members will be admitted into this plan. The payment of retirement allowances are deferred until retirement and calculated based on accumulated service as of the discontinuation date and salary upon retirement. The Province of Nova Scotia contracts a third party to perform actuarial valuations on employee future benefits on behalf of certain government departments, government agencies and boards. The most recent actuarial valuation was conducted as at March 31, 2019, with actuarial liabilities extrapolated to March 31, 2020.

Retiring allowances paid to employees upon retirement are actuarially determined. The retiring allowance value is calculated using the projected unit credit method, prorated on services. Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life of 7 years. Annually, results along with values to record the liability and expense are provided by the Nova Scotia Department of Finance and Treasury Board.

In 2018, eligible management and non-unionized staff as well as unionized staff were offered a one-time service payout in lieu of the retirement allowance available at the time of retirement. This resulted in a total service payout in the prior year of \$23 million to 83% of those eligible management and non-unionized staff as well as \$119 million to 89% of those eligible unionized employees. This immediate payout triggered a partial plan settlement under PS 3250, and as such a net cost of \$6.6 million had been reflected in expenses for the year ended March 31, 2019. These payouts had no affect on the current fiscal year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***8. Employee Future Benefits (cont'd)**

The Nova Scotia Department of Finance and Treasury Board fully funds this liability; therefore, a corresponding accounts receivable amount is recorded.

NSHA has provided for retiring allowances as follows:

	2020	2019
	\$	\$
<b>Accrued benefit liability</b>		
Beginning balance, accrued benefit obligation	23,461	162,949
Interest on accrued benefit obligation	665	3,542
Impact of plan settlement	-	4,359
Settlement payouts	-	(134,154)
Experience (gain) loss	(4,997)	1,429
Benefits paid	(6,060)	(14,664)
Accrued benefit obligation	13,069	23,461
Unamortized net actuarial gain (loss)	4,550	(470)
Ending balance, accrued benefit liability	17,619	22,991

	2020	2019
	\$	\$
<b>Employee future benefits retiring allowance expense:</b>		
Interest on accrued benefit obligation	665	3,542
Curtailment	-	2,253
Impact of plan settlement	-	4,359
Amortization of net actuarial loss	23	28
	688	10,182

The significant weighted average assumptions adopted in measuring NSHA's retiring allowances are as follows as at March 31:

	2020	2019
Discount rate	3.24%	3.29%
Average age of employees	52.2	47.4
Average years of services	11.2	11.8
Future mortality rate	[none assumed]	
Rate of compensation increase	0.5% - 2%	0.5% - 2%
Promotional increase	0.4% - 2.9%	0.4% - 2.9%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***8b. Employee Future Benefits – Health and Life Insurance**

NSHA provides health and optional life insurance benefits for certain non-union and unionized employees at the choice of the employee at retirement (life insurance is applicable to former Capital District Health Authority employees only). NSHA contributes to the cost of these premiums. The Province of Nova Scotia contracts a third party to perform actuarial valuations on employee future benefits on behalf of certain government departments, government agencies and boards. The most recent actuarial valuation for the former Capital District Health Authority plan was conducted as at December 31, 2017, with actuarial liabilities extrapolated to March 31, 2020. The most recent actuarial valuation for all other former district health authorities was conducted as at June 30, 2017, with actuarial liabilities extrapolated to March 31, 2020.

The health and life insurance value is calculated using the projected unit credit method, prorated on service. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years for active employees. Annually, results along with values to record the liability and expenses are provided by the Nova Scotia Department of Finance and Treasury Board.

The Nova Scotia Department of Finance and Treasury Board fully funds this liability; therefore, a corresponding accounts receivable amount is recorded.

NSHA has provided for health and life insurance as follows:

	2020	2019
<b>Accrued benefit liability</b>	<b>\$</b>	<b>\$</b>
Beginning balance, accrued benefit obligation	188,458	176,866
Current service cost	7,892	7,719
Interest on accrued benefit obligation	6,190	5,983
Experience loss	1,603	3,275
Benefits paid	(5,890)	(5,385)
Accrued benefit obligation	198,253	188,458
Unamortized net actuarial gain	8,163	11,642
Ending balance, accrued benefit liability	206,416	200,100
<b>Employee future benefits health and life insurance expense:</b>	<b>\$</b>	<b>\$</b>
Current service costs	7,892	7,719
Interest on accrued benefit obligations	6,190	5,983
Amortization of net actuarial gain	(1,874)	(892)
	12,208	12,810

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***8. Employee Future Benefits (cont'd)**

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

	2019	2018
Discount rate	3.24%	3.29%
Participation rate - Health	80%-95%	80%-95%
Future mortality rate based on CPM 2014 Public sector table with mortality scale CPM-B	120%	120%
Rate of compensation increase	0.5% - 2%	0.5% - 2%
Promotion increase	0.4% - 2.9%	0.4% - 2.9%
Rate of healthcare inflation, (reduced to a rate of 4.5% over 15 years)	7%	7%

**8c. Employee Future Benefits – Non-Vested Sick-Leave Benefits**

NSHA provides non-vested sick-leave benefits to certain unionized and non-management employees. These 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 Province of Nova Scotia contracts a third party to perform actuarial valuations on employee future benefits on behalf of certain government departments, government agencies and boards. The benefit costs and liabilities related to the plan are included in the consolidated financial statements. Actuarial gains and losses are amortized over the expected average remaining service life of 10 years. The most recent actuarial valuation was conducted as at March 31, 2017, with actuarial liabilities extrapolated to March 31, 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***8. Employee Future Benefits (cont'd)**

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

	2020	2019
	\$	\$
<b>Accrued benefit liability</b>		
Beginning balance, accrued benefit obligation	38,819	38,320
Current service cost	5,335	5,157
Interest cost on accrued benefit obligation	1,261	1,254
Experience loss	118	256
Benefits paid	(5,336)	(6,168)
Accrued benefit obligation	40,197	38,819
Unamortized net actuarial gain	16,598	19,093
Ending balance, accrued benefit liability	56,795	57,912

	2020	2019
	\$	\$
<b>Employee future benefits, non-vested sick-leave benefits expense:</b>		
Current service costs	5,335	5,157
Interest on accrued benefit obligation	1,261	1,254
Amortization of net actuarial gain	(2,377)	(2,402)
	4,219	4,009

The significant weighted-average actuarial assumptions adopted in measuring NSHA's non-vested sick leave benefits are as follows as at March 31:

	2020	2019
Discount rate	3.24%	3.29%
Future mortality rate based on CPM 2014 Public Sector table with mortality scale CPM-B	120%	120%
Rate of compensation increase	0.5%-2%	1.5% - 2%
Promotional increase	0.4% - 2.9%	0.4% - 2.9%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 9. Deferred Revenue

Deferred operating revenue of \$322 [2019 - \$297] represents advance funding. Deferred capital revenue of \$6,177 [2019 - \$5,713] represents advance funding, received from Foundations and Partners for Care, for capital equipment that will be purchased or constructed in the coming year(s).

Contributions to the Centre for Clinical Research ["CCR"] Fund of \$47,661 [2019 - \$47,233] 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. Deferred revenue related to the CCR Fund represent the amount that must be used in support of these approved initiatives and projects which are consistent with the CCR's goals and objectives.

Deferred designated revenue of \$12,251 [2019 - \$12,084] relate to miscellaneous sources of external funding which are to be used for purposes specified by the related funding organization or individual. Sources of designated contributions include endowments and funding specified for other restricted purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***9. Deferred Revenue (cont'd)**

	2020	2019
	\$	\$
<b>Deferred operating revenue</b>		
Balance, beginning of year	297	789
Receipts during the year	804	645
Recognized during the year	<b>(780)</b>	(1,137)
Balance, end of year	<b>321</b>	297
<b>Deferred capital revenue</b>		
Balance, beginning of year	5,713	5,314
Receipts during the year	6,522	4,989
Recognized during the year	<b>(6,058)</b>	(4,590)
Balance, end of year	<b>6,177</b>	5,713
<b>Deferred Centre for Clinical Research revenue</b>		
Balance, beginning of year	47,233	42,353
Receipts during the year	26,129	28,868
Recognized during the year	<b>(25,701)</b>	(23,988)
Balance, end of year	<b>47,661</b>	47,233
<b>Deferred designated revenue</b>		
Balance, beginning of year	12,084	10,449
Receipts during the year	3,335	3,324
Recognized during the year	<b>(3,168)</b>	(1,689)
Balance, end of year	<b>12,251</b>	12,084
	<b>66,410</b>	65,327

**10. Long-Term Debt**

	2020	2019
	\$	\$
Term loan - parking garage	2,599	3,369
Term loan - building improvements	155	190
	<b>2,754</b>	3,559



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 10. Long-Term Debt (cont'd)

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

A debenture between the former Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this capital project. The Department of Health & Wellness 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% annually, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling \$479.

Total principal repayments required in respect of long-term debt as at March 31, 2020 for each of the next five years and thereafter are as follows:

	\$
2021	<b>851</b>
2022	<b>900</b>
2023	<b>952</b>
2024	<b>35</b>
2025	<b>15</b>
Thereafter in aggregate	<b>0</b>

The total gross interest paid on long term debt for the year ended March 31, 2020 was \$222 [2019 – \$328].

NSHA has access to a \$65,000 line of credit with a Canadian chartered bank which may be used for general operating purposes. Draws on the facility bear interest at the bank's prime rate less 0.80% per annum. As at March 31, 2020, NSHA has \$nil [2019 – \$nil] draws against this facility.

NSHA also has access to a \$7,500 revolving lease line of credit with a Canadian chartered bank which may be used for the acquisition of capital assets. Draws on the facility bear interest at a rate to be negotiated at the time of the draw. As at March 31, 2020, NSHA has \$nil [2019 – \$nil] draws against this facility.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

## 11. Tangible Capital Assets

Historical Costs	Land	Buildings	Equipment	Information technology	Construction in progress	2020	2019
						Total	Total
Opening costs	4,284	1,580,979	495,660	8,318	213,920	<b>2,303,161</b>	2,210,508
Transfers		60,746	40,950	965	(102,661)		
Additions		833	14,240		142,358	<b>157,431</b>	112,989
Disposals							(1,357)
Write-downs*			(99,149)	(2,362)		<b>(101,511)</b>	(18,979)
Closing costs	4,284	1,642,558	451,701	6,921	253,617	<b>2,359,081</b>	2,303,161

Accumulated Amortization	Land	Buildings	Equipment	Information technology	Construction in progress	2020	2019
						Total	Total
Opening		944,621	382,139	6,628		<b>1,333,388</b>	1,286,922
Disposals							(566)
Write-downs			(99,149)	(2,362)		<b>(101,511)</b>	(18,979)
Amortization Expense		36,206	27,126	1,049		<b>64,381</b>	66,011
Closing		980,827	310,116	5,315		<b>1,296,258</b>	1,333,388
<b>Net Book Value</b>	<b>4,284</b>	<b>661,731</b>	<b>141,585</b>	<b>1,606</b>	<b>253,617</b>	<b>1,062,823</b>	<b>969,773</b>

*\*Write-downs are for the removal of equipment and information technology assets which are assumed to be no longer in use due to their age.*

## 12. Inventories of Supplies

	2020	2019
	\$	\$
Drugs	<b>23,955</b>	19,459
Departmental	<b>13,538</b>	12,368
Medical and surgical	<b>7,185</b>	6,848
Linen	<b>2,596</b>	2,708
	<b>47,274</b>	41,383

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***13. Other Revenue**

	2020	2019
	\$	\$
Out of Province – Patient	24,831	25,522
Uninsured Services – Patient	18,170	18,854
Out of Country – Patient	16,429	12,673
Workers Compensation	11,511	11,744
PDDP External Drug Sales	10,611	9,294
Cafeteria	7,399	7,580
Preferred Accommodation	7,030	8,506
Other	6,162	6,009
Parking	4,727	5,279
<b>Total</b>	<b>106,870</b>	<b>105,461</b>

**14. Pension Funds****Nova Scotia Health Employees' Pension Plan**

The majority of NSHA employees participate in the multi-employer Nova Scotia Health Employees' Pension Plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. Health Association Nova Scotia administers the pension plan. The NSHA's responsibility with regard to this plan is limited to its contributions.

**Nova Scotia Public Service Superannuation Plan**

Certain employees of the former district health authorities belong to the Nova Scotia Public Service Superannuation Plan. This plan is funded equally by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. The Nova Scotia Pension Agency administers the pension plan. The NSHA's responsibility with regard to this plan is limited to its contributions.

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

	2020	2019
	\$	\$
<b>Employer contributions</b>	<b>103,862</b>	<b>100,886</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

**15. Long-Term Disability Plan**

**Health Association Nova Scotia**

The majority of NSHA employees are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in NSHA's operating expenses. Health Association Nova Scotia administers this long-term disability plan. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

**Nova Scotia Public Service Long-Term Disability Plan Trust Fund**

Certain employees of the former district health authorities are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in NSHAs' operating expenses. The Plan is currently administered by the Province of Nova Scotia and the Nova Scotia Government Employees Union. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

**Long-Term Disability Plan for Clinical Research**

Certain employees of the former district health authorities are members of this plan which is funded by employee and employer contributions. The employer's contributions are included in NSHAs' operating expenses. The Plan is currently administered by Great West Life. The NSHA's responsibility with regard to this plan is limited to its contributions and it has no claim on the surplus or responsibility for any unfunded amounts that may occur.

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

	2020	2019
	\$	\$
Employer contributions	15,873	15,405

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 16. Contractual Obligations

NSHA has entered into a number of multiple-year contracts for the delivery of supplies, services and operating leases. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Estimated annual minimum lease payments and purchase commitments in each of the next five years are expected as follows:

	\$
2021	13,262
2022	10,455
2023	7,338
2024	4,930
2025	4,123
Thereafter in aggregate	9,084

### 17. Financial Instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities of another entity. Financial assets represent a contractual right to receive cash in the future and financial liabilities represent a contractual obligation to deliver cash in the future. NSHA's financial assets include cash and cash equivalents, portfolio investments and receivables. NSHA's financial liabilities include accounts payable, long-term debt and accrued liabilities.

Restricted portfolio investments consist of the following:

<b>Investments at fair value</b>	<b>FV hierarchy level</b>	<b>2020 \$</b>	<b>2019 \$</b>
Short term investments	Level 2	1,682	2,040
Canadian government & corporate bonds	Level 2	-	-
Common equities & related securities	Level 1	45,630	48,241
		<b>47,312</b>	<b>50,281</b>

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/liability [Level 1];

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 17. Financial Instruments (cont'd)

- 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]; and
- Inputs for the asset or liability that are not based on observable market data [unobserved inputs] [Level 3].

#### **Risk management**

NSHA 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.

Under NSHA's Investment Policy, money market securities are limited to a rating of R-1 or higher and no more than 10% may be invested in any one issuer. Investments in corporate bonds are limited to BBB or equivalent rated bonds and no more than 30% of the total fixed income securities.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. NSHA 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.

NSHA 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. NSHA does not have any variable interest rate debt.

The future principal repayments required in respect of long-term debt are described in Note 10.

#### **Market risk**

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 17. Financial Instruments (cont'd)

specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

NSHA authorizes RBC Dominion Securities 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 \$4,563 [2019 - \$4,824] impact on net assets.

#### **Credit risk**

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligation. NSHA is exposed to credit risk with respect to accounts receivable. NSHA 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, 2020 amounts to \$19,928 [2019 - \$16,354].

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***17. Financial Instruments (cont'd)**

The aging of trade accounts receivable was as follows:

	2020	2019
	\$	\$
Current	23,239	26,305
61–90 days	2,229	2,126
90–120 days	1,594	1,664
Greater than 120 days	13,213	17,240
<b>Total</b>	<b>40,275</b>	<b>47,335</b>

**Liquidity risk**

Liquidity risk is the risk of limitations on NSHA's ability to convert financial assets to cash in order to meet financial liabilities. NSHA has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. NSHA monitors its liquidity risk by updating and reviewing its 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.

**Foreign exchange risk**

NSHA's operating results and financial positions are reported in Canadian dollars. Some of NSHA'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. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

NSHA occasionally makes payments denominated in foreign currencies. Most of these foreign transactions are in US dollars with vendors located in the USA. Foreign currency is acquired in Canadian dollars at the spot rate in the amounts necessary to cover the foreign currency amount.

The currency most contributing to the foreign exchange risk is the US dollar. Comparative foreign exchange rates as at March 31 are as follows:

	2020	2019
	\$	\$
US dollar per Canadian dollar	0.7049	0.7483



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]***17. Financial Instruments (cont'd)**

NSHA 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.

**Capital management**

In managing capital, NSHA 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, 2020, NSHA has met its objective of having sufficient liquid resources to meet its current obligations.

**18. Net Change in Other Items**

	2020	2019
	\$	\$
Decrease in account receivable	7,060	6,068
Decrease in due from governments	2,219	138,387
(Increase) in due from foundations	(4,820)	(846)
Increase (decrease) in accounts payable	26,469	(17,447)
<b>Total changes in non-cash working capital items</b>	<b>30,928</b>	<b>126,162</b>

**19. Operational & Capital Funding Reconciliation**

As per the Health Authorities Act of Nova Scotia, NSHA is to reconcile the annual operating and capital funding surplus/deficit, as defined by the Act, to the current year operating and capital surplus/deficit reported on the statement of operations and accumulated surplus. The below schedule is the reconciliation of the operating and capital funding:

	2020	2019
	\$	\$
Annual surplus, reported on the statement of operations	94,221	47,585
Amortization	64,381	66,011
Capital grants	(158,602)	(113,596)
Operating funding surplus (deficit), as defined by the Act	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 20. Related Parties and Inter-Entity Transactions

NSHA is related in terms of common ownership to all Province of Nova Scotia created departments, agencies, boards and commissions. Related parties also include key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Authority. This includes the senior leadership team, and members of the Board of Directors and their close family members. NSHA enters into transactions with these entities in the normal course of business measured at the exchange amount. This disclosure is in addition to the related party disclosure provided elsewhere in these consolidated financial statements.

The Province of Nova Scotia has centralized some of its administrative activities for efficiency and cost-effectiveness purposes. As a result, the Province of Nova Scotia uses a shared services model so that one department performs services for other departments, agencies, boards and commissions without charge. The costs of these services, such as the Department of Transportation and Infrastructure Renewal project management and the Department of Service Nova Scotia and Internal Services information technology support provided by the Province of Nova Scotia to NSHA, are not recognized in the financial statements. Additionally, SAP system support services are provided by NSHA to IWK at no charge.

### 21. Contingent Liabilities

NSHA may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business. NSHA believes it is not exposed to 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.

### 22. COVID-19

On March 11th, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The novel Coronavirus 19 (or COVID-19) is a newly discovered infectious disease which is highly contagious and deadly. As a result of the pandemic, NSHA reduced or suspended many of its services on March 18th, 2020. This was ahead of the Province of Nova Scotia who declared a provincial state of emergency on March 22nd, 2020. Nationally, the infection has caused provincial border restrictions, mandatory quarantines and the temporary closure of most businesses. Globally, the virus has caused significant volatility that will go into the foreseeable future.

#### **Operational impact**

COVID-19 had considerable operational impacts on NSHA. These impacts include delays/deferrals in most non-elective services and surgeries, clinic closures, and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 22. COVID-19 (cont'd)

changes in employee absenteeism. In order to respond to COVID-19, NSHA had to react quickly by setting up COVID-19 assessment centers across the province, increasing virtual care, increasing lab testing capacities, offering free parking at all locations and ensuring personal protective equipment (PPE) supply was sufficient to meet demand. Mandatory screening protocols and visitor restrictions were also put into place across the province.

The Essential Health Care Workers Program was announced by Government on May 7th, 2020. The Essential Health Care Workers Program will see health-care workers receive a bonus of up to \$2,000 after a four-month period, beginning March 13th. It includes eligible employees at the NSHA, IWK Health Centre and in long-term care, home care and in-home support and emergency health services. NSHA will be responsible to administer this program on behalf of the Department of Health & Wellness to our eligible employees.

#### **Financial impact**

Any current year impact of COVID-19 on costs and revenues have been recognized in this set of financial statements. The overall financial impact of COVID-19 was minimal for Fiscal 2020 and included lost revenue that would have normally been generated from uninsured medical services and visitor traffic had those services not been cancelled, lost parking revenue as a result of parking being free for a portion of the year, increases in wages and benefits, additional equipment purchases and increases in PPE purchases. The duration and impact of the COVID-19 pandemic on NSHA remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of NSHA for future periods.

### 23. Subsequent Events

On June 15, 2020, it was announced that NSHA and Nova Scotia Government and General Employees Union (NSGEU) had come to an agreement as a result of an outstanding LPN classification grievance in the former Capital District Health Authority (CDHA). The agreement, known as a consent award, was negotiated by NSHA and NSGEU, with a decision imposed by an arbitrator. The outcome of the agreement resulted in a reclassification for former CDHA NSGEU Licensed Practical Nurses (LPNs). Effective March 17, 2014, the consent award will provide an increase of 12% to LPNs' applicable hourly rate and will be paid retroactive to that date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 23. Subsequent Events (cont'd)

Retroactive pay for eligible LPNs will be made in the form of a lump sum payment of 12% on their earnings for any period of time from March 17, 2014 to June 10, 2020, during which the LPN worked at the former CDHA and was represented by NSGEU.

All NSGEU (former CDHA only) LPNs who are employees of NSHA as of June 11, 2020, including those on approved leave, as well as retirees and those who resigned are eligible for retroactive pay. The financial impact to NSHA from March 17, 2014 to March 31, 2020 is estimated at approximately \$19.3M. The financial statements have been adjusted for this estimate.

The Province of Nova Scotia has agreed to fund the retroactive pay for the eligible (former CDHA only) LPNs. As a result, a receivable for the same amount has been recorded from the Nova Scotia Department of Health & Wellness (DHW) and is included in due from governments in these financial statements.

Subsequent to the consent award, other NSHA unions announced that they were seeking wage parity with immediate action and full acknowledgement and compensation for all LPNs in the province, regardless of where they work. While NSHA acknowledges the Unions' claim, the response to the claim is currently not determinable. As such, an estimate of the financial impact, if any, cannot be made at this time.

### 24. Budgeted Figures

Budgeted figures, detailed within NSHA's 2019-20 Business Plan, have been provided for comparison purposes and have been approved by the Department of Health & Wellness (DHW). Budgeted figures included in the consolidated financial statements are not audited.

The following presents a reconciliation between NSHA's original budget, the final budget approved by the Department of Health & Wellness (DHW) and the budget as presented in the consolidated financial statement of operations and accumulated surplus to align with the presentation of the current year results.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

### 24. Budgeted Figures (cont'd)

#### REVENUES

DHW approved operating revenue	2,240,073
Recoveries	46,477
Capital grants - Provincial	25,534
Capital grants - Other	19,124
Capital transfers	158,136
	<hr/>
	2,489,344

#### EXPENSES

DHW approved operating expenses	2,240,073
Recoveries	46,477
Amortization	70,000
	<hr/>
	2,356,550

### 25. Comparative Figures

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2020

*[in thousands of Canadian dollars]*

## SCHEDULE OF EXPENSES

	2020	2019
	\$	\$
Compensation	1,669,362	1,572,621
Drugs	137,635	124,481
Medical/surgical supplies	137,586	129,941
Other	86,379	81,938
Equipment & maintenance	70,944	71,491
Amortization	64,381	66,011
Utilities	51,585	56,169
Clinical supplies	44,884	41,822
Plant operations	43,474	40,703
Clinical research and designated programs	28,747	25,962
Professional fees	25,062	22,152
Laundry and linen supplies	18,141	16,528
Food and dietary supplies	16,186	16,304
Travel and education	15,653	13,616
<b>Total expenses</b>	<b>2,410,019</b>	<b>2,279,739</b>

*See accompanying notes*