



Consolidated Financial Statements

Nova Scotia Health

March 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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.

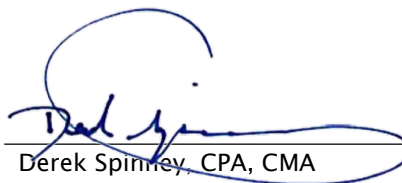
The Administrator is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the regularly scheduled meetings. The Administrator reviews internal consolidated financial statements on a monthly basis and external audited consolidated financial statements annually and recommends approval.

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

On behalf of Nova Scotia Health:



Karen Oldfield, QC
Nova Scotia Health
Interim President and CEO



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

June 22, 2023

INDEPENDENT AUDITOR'S REPORT

To the Administrator of the Nova Scotia Health Authority:

Opinion

I have audited the consolidated financial statements of the Nova Scotia Health Authority (NS Health), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows 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 NS Health as at March 31, 2023, 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 NS Health 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.

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 NS Health'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 NS Health or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NS Health'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 NS Health'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 NS Health'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 NS Health 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 NS Health 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 that reads "Kim Adair". The signature is written in a cursive, flowing style.

Kim Adair, FCPA, FCA, ICD.D
Auditor General of Nova Scotia

Halifax, Nova Scotia

June 22, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
AS AT MARCH 31					
	Note	2023		2022	(Restated)
Financial assets					
Cash	4	\$ 16,194	\$	61,923	
Portfolio investments	4	59,099		60,140	
Accounts receivable	5	55,926		36,815	
Due from governments	6	716,175		418,456	
Due from foundations	7	18,076		15,062	
		865,470		592,396	
Liabilities					
Accounts payable and accrued liabilities	8	502,042		280,762	
Employee future benefits	9	303,950		288,211	
Deferred revenue	10	71,724		87,187	
Long-term debt	11	4,218		3,342	
Asset retirement obligations	13	51,164		51,064	
		933,098		710,566	
Net debt		(67,628)		(118,170)	
Non-financial assets					
Tangible capital assets	12	1,200,387		1,138,395	
Inventories of supplies	14	63,731		69,991	
Prepaid expenses		15,599		10,404	
		1,279,717		1,218,790	
Accumulated surplus		\$ 1,212,089	\$	1,100,620	

Contractual obligations & contingent liabilities (Notes 18 and 23)
Change in Accounting Policy (Note 2)

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

Approved by the NS Health Administrator:



Janet Davidson, OC

CONSOLIDATED STATEMENT OF OPERATIONS				
YEAR ENDED MARCH 31				
	Note	Budget	2023	2022
		[Note 24]		(Restated)
Revenues				
Operating grants – Provincial		\$ 2,523,144	\$ 2,825,667	\$ 2,458,868
Operating grants – Federal		30,878	31,323	38,628
Capital grants – Provincial		47,788	45,545	23,630
Capital grants – Other		28,096	16,593	25,952
Capital transfers		72,354	130,119	45,762
Research & designated contributions		41,223	48,590	31,941
Other revenue	15	91,913	124,877	104,904
Recoveries		47,427	50,822	49,094
Total revenues		2,882,823	3,273,536	2,778,779
Expenses (Schedule A)				
Inpatient care		757,173	800,960	763,554
Ambulatory care		450,005	460,452	441,040
Diagnostic and therapeutic services		448,727	462,448	444,758
Operational support services		495,743	751,492	498,005
Community health services		372,985	392,550	384,918
Corporate support		240,125	240,616	186,038
Research, innovation and discovery		44,827	53,549	35,376
Total expenses		2,809,585	3,162,067	2,753,689
Annual surplus		73,238	111,469	25,090
Accumulated surplus, beginning of year				
As previously reported			1,131,085	1,103,066
Accounting changes (Note 2)			(30,465)	(27,536)
As restated		1,100,620	1,100,620	1,075,530
Accumulated surplus, end of year		\$ 1,173,858	\$ 1,212,089	\$ 1,100,620

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

CONSOLIDATED FINANCIAL STATEMENTS
[in thousands of Canadian dollars]

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT			
YEAR ENDED MARCH 31			
	Budget	2023	2022
	[Note 24]		(Restated)
Net debt, beginning of year			
As previously reported		(67,106)	(58,033)
Accounting changes (Note 2)		(51,064)	(50,939)
As restated	(118,170)	(118,170)	(108,972)
Annual surplus	\$ 73,238	\$ 111,469	\$ 25,090
Change in tangible capital assets			
Acquisition of tangible capital assets	(148,238)	(140,831)	(90,947)
Amortization of tangible capital assets	75,000	78,676	75,026
Disposal of tangible capital assets	-	263	499
Change in asset retirement obligations	-	(100)	(125)
(Increase) in tangible capital assets	(73,238)	(61,992)	(15,547)
Change in other non-financial assets			
Net change in inventories of supplies	-	6,260	(15,921)
Net change in prepaid expenses	-	(5,195)	(2,820)
(Increase) decrease in other non-financial assets	-	1,065	(18,741)
(Increase) decrease in net debt	-	50,542	(9,198)
Net debt, end of year	\$ (118,170)	\$ (67,628)	\$ (118,170)

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

CONSOLIDATED STATEMENT OF CASH FLOW			
YEAR ENDED MARCH 31			
	Note	2023	2022 (Restated)
Operating Activities			
Annual surplus		\$ 111,469	\$ 25,090
Items not affecting cash			
Amortization of tangible capital assets		78,676	75,026
Writedown of tangible capital assets		263	499
Unrealized (gain) loss		2,334	948
Realized loss (gain)		201	(657)
Change in inventories of supplies		6,260	(15,921)
Change in prepaid expenses		(5,195)	(2,820)
Change in deferred revenue		(15,464)	1,016
Net change in other items	20	(98,564)	6,087
Change in employee future benefits		15,739	4,754
Cash provided by operating activities		<u>95,719</u>	<u>94,022</u>
Capital Activities			
Acquisition of tangible capital assets	12	(140,831)	(90,947)
Cash applied to capital activities		<u>(140,831)</u>	<u>(90,947)</u>
Financing Activities			
Debt retirement		(1,002)	(1,095)
Payments on obligations under capital lease		(260)	(260)
Acquisition of capital leases		2,139	-
Cash applied to financing activities		<u>877</u>	<u>(1,355)</u>
Investing Activities			
Redemption of portfolio investments		3,391	2,980
Purchases of portfolio investments		(4,885)	(4,231)
Cash applied to investing activities		<u>(1,494)</u>	<u>(1,251)</u>
Increase in cash and cash equivalents		(45,729)	469
Cash and cash equivalents, beginning of the year		61,923	61,454
Cash, end of year	4	\$ <u>16,194</u>	\$ <u>61,923</u>

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

Note 1 Nature of the Organization

Nova Scotia Health Authority (NS Health) 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 NS Health.

The objectives of NS Health are to govern, manage and provide health services in the province and to implement the strategic direction set out in the provincial health plan. As shown in the consolidated statement of operations, costs incurred to support these objectives have been presented in the below noted categories:

a. Inpatient care

Inpatient care includes costs incurred to meet physical and physiological needs of those patients who are admitted into hospital care.

b. Ambulatory care

Ambulatory care includes costs incurred relating to specialized diagnostic, consultative, treatment and teaching services. Access to these services is generally through a referral from a primary care practitioner or specialist. Includes community based dialysis, oncology, surgical and urgent care services.

c. Diagnostic and therapeutic services

Diagnostic and therapeutic services includes costs incurred for professional and technical services, which assist in the clinical services provided to detect, assess and/or treat diseases, disabilities or injuries. Includes pharmacy, laboratory services, physiotherapy, occupational therapy, social work and diagnostic imaging.

d. Operational support services

Operational support services includes costs incurred in both provision and management of all physical assets and services necessary to support staffing, operation and maintenance. Includes information technology, materials management, housekeeping, registration and food services.

e. Community health services

Community health services includes costs incurred in the provision of health services on an ambulatory or out-reach basis to individuals, groups and/or communities. Includes community addiction services, communicable disease prevention and control, cancer prevention and control, hospice, and community mental health services.

f. Corporate support

Corporate support includes costs incurred to support administering health services. Includes human resources, finance and communications.

g. Research, innovation and discovery

Research, innovation and discovery includes costs incurred for formally organized research.

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

Note 2 Change in Accounting Policy

Effective April 1, 2022, NS Health adopted Public Sector Accounting Standard 3280, *Asset Retirement Obligations* using the modified retroactive approach. Asset retirement obligations (AROs) are recognized when a legal obligation to retire a tangible capital asset is incurred, and the amount can be reasonably estimated. The recognition criteria for an asset retirement obligation are as follows:

- A legal obligation to retire a tangible capital asset is incurred;
- The obligation is associated with the acquisition, construction, development, or normal use of the asset;
- The obligation relates to the retirement of the tangible capital asset; and
- The obligation can be reasonably estimated.

The change in accounting policy for AROs has resulted in a material adjustment to the carrying amount of the related assets and liabilities. As of the beginning of the current year, NS Health recognized an increase in the ARO liability of \$51,064. The balance of NS Health's liability includes those assets with associated AROs that NS Health owned prior to the April 1, 2022 adoption date as well as additions of \$100 and \$125 in 2023 and 2022 respectively. Associated ARO assets have been capitalized in accordance with PS 3150 Tangible Capital Assets, with a decrease to the carrying amount of the assets related to depreciation prior to the adoption date of April 1, 2022 of \$27,536 and 2022 annual depreciation of \$2,929. The impact of the change on the current year's statement of operations was a charge of \$2,934, which represents the depreciation expense under the new accounting policy.

The change in accounting policy for AROs is expected to have an ongoing impact on NS Health's financial statements. Specifically, NS Health expects to recognize a higher ARO liability and a lower carrying amount of the related assets, which will result in higher amortization expense over the useful life of the assets.

The change in accounting policy for AROs reflects NS Health's commitment to providing transparent and meaningful financial information to stakeholders. The change has resulted in a material adjustment to the carrying amount of the related assets and liabilities, and is expected to have an ongoing impact on NS Health's financial statements.

In accordance with the transitional provisions, NS Health has applied PS 3280 using the modified retroactive approach. Comparative figures have been restated and the impact on opening comparative figures (March 31, 2022) is reflected as an adjustment to opening accumulated surplus. Details on the impact of this adjustment to the financial statements is provided below.

	2023			2022	
	Net Debt April 1, 2022	Accumulated Surplus April 1, 2022	Annual Surplus	Net Debt April 1, 2021	Accumulated Surplus April 1, 2021
Adoption of PS 3280 Asset Retirement Obligations	(51,064)	(30,465)	(2,929)	(50,939)	(27,536)
Total	(51,064)	(30,465)	(2,929)	(50,939)	(27,536)

Note 3 Summary of Significant Accounting Policies

a. Basis of accounting

These consolidated financial statements have been prepared by management of NS Health 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 NS Health.

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

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.

d. Inventories of supplies

Inventories of supplies held for consumption or use include drugs, linen, food, laboratory, medical & surgical and departmental supplies and are recorded using weighted average cost. Transfers of inventory from related parties are recorded at carrying value.

e. Prepaid expense

Prepaid expense includes maintenance, support costs, insurance, memberships and subscriptions 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. Certain tangible capital assets paid for by the Province through major redevelopment projects are excluded as the strategic realignments of health care in the province is determined and controlled by the Department of Health and Wellness.

NS Health 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 and building service equipment	5–60 years
Leasehold improvements	lesser of term or 10 years
Equipment	5–20 years
Parking garage	40 years
Information technology	5–10 years

Note 3 Summary of Significant Accounting Policies (continued)

NS Health continues to depreciate the tangible capital assets transferred into NS Health 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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to NS Health's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations. 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 NS Health 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. Asset Retirement Obligations

NS Health owns tangible capital assets that are subject to asset retirement obligations (AROs). In accordance with Public Sector Accounting Standards (PSAS), NS Health has recognized and measured AROs based on the fair value of the liability at the time the obligation was incurred. Legal asset retirement obligation costs that can be reasonably estimated are capitalized as part of the cost of the related asset and amortized over the useful life of the asset.

In the current year, NS Health has adopted a policy for AROs and has elected to measure AROs using a discounted cash flow model, which takes into account the timing and amount of the expected cash flows associated with settling the obligation. The discount rate used in the model is based on the Government of Nova Scotia's borrowing rate, which reflects the credit risk associated with the obligation.

Note 3 Summary of Significant Accounting Policies (continued)**h. 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.

i. 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 consolidated financial statements.

The cost and obligations of these employee future benefits are actuarially determined using management's best estimate of the assumptions disclosed in Note 9. 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 generally 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 consolidated 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.

NS Health participates in multi-employer registered defined benefit pension plans. NS Health accounts for these plans on a defined contribution basis. Accordingly, the pension expense recorded for these plans in these consolidated financial statements is comprised of the employer contributions that NS Health is required to pay for its employees during the fiscal year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plans' future benefits.

Note 3 Summary of Significant Accounting Policies (continued)**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 consolidated 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 NS Health. Expenses for which NS Health 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.

Donations, fundraising, and non-government contributions are received from individuals, corporations, and other not-for-profit organizations. Donations, fundraising, and non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations, fundraising, and non-government contributions are recorded as revenue in the year received or in the year the funds are committed to NS Health if the amount can be reasonably estimated and collection is reasonably assured.

Donated supplies, including Federally donated personal protective equipment, vaccine supplies and COVID-19 rapid test kits, are recorded at fair market value on the day they were contributed.

k. Expenses

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

Note 3 Summary of Significant Accounting Policies (continued)**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 consolidated 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 consolidated 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 sick leave, retirement and other obligations. The nature of the uncertainty in the accruals for sick leave, 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, asset retirement obligations, amortization rates and inventory.

n. Contributed services

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

Note 3 Summary of Significant Accounting Policies (continued)**o. 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:

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

For the fiscal year ended March 31, 2023, NS Health has not recorded a liability for contaminated sites.

p. Future changes in accounting standards

PSAB has issued the following new accounting standards effective April 1, 2023:

- *PS 3400 Revenue* establishes standards on how to account for and report on revenue.
- *PS 3160 Public private partnerships* establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

These new accounting standards have not been applied in preparing these consolidated financial statements. NS Health is currently assessing the impact of these new standards, and the extent of the impact of their adoption on the consolidated financial statements has not yet been fully determined.

Note 4 Cash and Portfolio Investments

	2023	2022
Cash	\$ 16,194	\$ 61,923
Portfolio investments	59,099	60,140
	75,293	122,063
Amounts restricted for research and designated purposes	(64,415)	(79,213)
Amounts restricted for capital purposes	(5,068)	(4,125)
Amounts restricted for designated operating purposes	(2,241)	(3,849)
Unrestricted cash and cash equivalents	\$ 3,569	\$ 34,876

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 amounts are designated to be used only in support of initiatives specifically approved by external funding organizations and individuals. These funds mainly represent money that is available for spending at any time to meet the needs of Research, Innovation and Discovery and individual research investigators, according to specific, pre-approved terms of reference, and must be invested accordingly. 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.

Note 5 Accounts Receivable

	2023	2022
Patient care	\$ 35,749	\$ 28,946
Operational accruals	18,570	8,170
Research, Innovation and Discovery	8,616	5,767
Other external health organizations	4,572	5,486
Dalhousie University	1,555	2,018
Private long-term care facilities	1,540	1,378
Other	7,994	5,346
Less provision for doubtful accounts	(22,670)	(20,296)
	\$ 55,926	\$ 36,815

Note 6 Due from Governments

	2023	2022
Province of Nova Scotia		
Department of Finance & Treasury Board <i>(Employee Future Benefits – see Note 9)</i> <i>(Asset Retirement Obligations – See Note 13)</i>	\$ 355,113	\$ 288,211
Department of Health & Wellness	284,984	108,912
Office of Addictions and Mental Health	24,332	273
Department of Seniors & Long-Term Care	23,288	3,356
Federal Government	20,010	8,177
Other government organizations	4,905	5,581
Other Provincial Governments	4,619	4,208
IWK Health Centre	1,633	2,145
Less provision for doubtful accounts	(2,709)	(2,407)
	\$ 716,175	\$ 418,456

Note 7 Due from Foundations

NS Health receives funding from various foundations, auxiliaries and organizations. This funding is used by NS Health for capital, clinical programs and research activities. During the current year, NS Health received \$19,313 (2022 – \$19,391) from these organizations. The total amount receivable from foundations and auxiliaries at March 31, 2023 is \$18,076 (2022 – \$15,062).

Note 8 Accounts Payable & Accrued Liabilities

	2023	2022 (Restated)
Salaries and benefits payable	\$ 274,110	\$ 133,096
Trade payables	170,433	98,980
Vacation pay	33,409	30,422
Accrued liabilities	24,090	18,264
	\$ 502,042	\$ 280,762

Note 9 Employee Future Benefits

	2023	2022
Health and life insurance (a)	\$ 242,993	\$ 223,580
Non-vested sick-leave benefits (b)	52,261	53,987
Retiring allowances (c)	8,696	10,644
	\$ 303,950	\$ 288,211

a. Health and Life Insurance

NS Health 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). NS Health 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 NS Health. The most recent actuarial valuation for the Nova Scotia Health Authority (Central Zone) health plan was conducted as at June 30, 2020, with actuarial liabilities extrapolated to March 31, 2023.

Effective June 1, 2022, all health sector employees who were members of the Public Service health plan began participating in the Nova Scotia Health Authority (Central Zone) health plan. This has resulted in a past service cost (\$6,879) in this plan for the 851 employees who were previously participating in the Public Service plan. For the employees who were part of this transfer, an actuarial valuation was conducted as at December 31, 2021 and extrapolated to March 31, 2023.

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 13 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.

NS Health has provided for health and life insurance as follows:

Accrued benefit liability	2023	2022
Beginning balance, accrued benefit obligation	\$ 242,403	\$ 220,659
Current service cost	10,353	10,081
Interest on accrued benefit obligation	7,136	6,406
Past service benefits transfer	6,879	-
Experience (gains) losses	(1,098)	10,935
Benefits paid	(5,908)	(5,678)
Ending balance, accrued benefit obligation	259,765	242,403
Unamortized net actuarial losses	(16,772)	(18,823)
Accrued benefit liability	\$ 242,993	\$ 223,580

Note 9 Employee Future Benefits: **Health and Life Insurance** (continued)

Employee future benefits health and life insurance expense	2023	2022
Current service costs	\$ 10,353	\$ 10,081
Interest on accrued benefit obligations	7,136	6,406
Amortization of net actuarial losses (gains)	952	(699)
Past service benefits transfer	6,879	–
Employee future benefits and health and life insurance expense	\$ 25,320	\$ 15,788

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

	2023	2022
Discount rate	2.96%	2.74%
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% over 20 years)	7%	7%

b. Non-Vested Sick-Leave Benefits

NS Health 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 NS Health. 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 June 30, 2020, with actuarial liabilities extrapolated to March 31, 2023.

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

Note 9 Employee Future Benefits: Non-Vested Sick-Leave Benefits (continued)

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

Accrued benefit liability	2023	2022
Beginning balance, accrued benefit obligation	\$ 34,189	\$ 33,101
Current service cost	4,806	4,731
Interest cost on accrued benefit obligation	999	917
Experience (gains) losses	(467)	566
Benefits paid	(4,731)	(5,127)
Ending balance, accrued benefit obligation	34,796	34,188
Unamortized net actuarial gains	17,465	19,799
Accrued benefit liability	\$ 52,261	\$ 53,987

Employee future benefits, non-vested sick-leave benefits expense	2023	2022
Current service costs	\$ 4,806	\$ 4,731
Interest on accrued benefit obligation	999	917
Amortization of net actuarial gains	(2,800)	(2,852)
Employee future benefits, non-vested sick-leave benefits expense	\$ 3,005	\$ 2,796

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

	2023	2022
Discount rate	2.96%	2.74%
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%
Promotional increase	0.4% – 2.9%	0.4% – 2.9%

c. Retiring Allowances

NS Health 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 NS Health. The most recent actuarial valuation was conducted as at March 31, 2022, with actuarial liabilities extrapolated to March 31, 2023.

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.

Note 9 Employee Future Benefits: Retiring Allowances (continued)

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

NS Health has provided for retiring allowances as follows:

Accrued benefit liability	2023	2022
Beginning balance, accrued benefit obligation	\$ 7,593	\$ 9,838
Interest on accrued benefit obligation	201	237
Experience losses	532	93
Benefits paid	(1,476)	(2,575)
Ending balance, accrued benefit obligation	6,850	7,593
Unamortized net actuarial gains	1,846	3,051
Accrued benefit liability	\$ 8,696	\$ 10,644

Employee future benefits retiring allowance expense (recovery)	2023	2022
Interest on accrued benefit obligation	\$ 201	\$ 237
Amortization of net actuarial gains	(673)	(687)
Employee future benefits retiring allowance expense	\$ (472)	\$ (450)

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

	2023	2022
Discount rate	2.96%	2.74%
Average age of employees	51.8	52.2
Average years of services	7.96	11.2
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%

Note 10 Deferred Revenue

Deferred operating revenue of \$2,241 [2022 – \$3,849] represents advance operating grant funding. Deferred capital revenue of \$5,068 [2022 – \$4,125] represents advance funding, received from Foundations and Partners for Care, for capital equipment that will be purchased or constructed in the coming year(s).

Deferred Research, Innovation and Discovery [R, I and D] revenue of \$51,947 [2022 – \$67,761] represents the fund that is available for spending at any time to meet the needs of R, I and D and individual research investigators. These funds are subject to specific, pre-approved terms of reference, and must be managed accordingly. Deferred revenue related to the fund represents the amount that must be used in support of these approved initiatives and projects which are consistent with the fund's goals and objectives.

Note 10 Deferred Revenue (continued)

Deferred designated revenue of \$12,468 [2022 - \$11,452] 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.

	2023	2022
Deferred operating revenue		
Balance, beginning of year	\$ 3,849	\$ 2,914
Receipts during the year	3,317	1,226
Recognized during the year	(4,925)	(291)
Balance, end of year	2,241	3,849
Deferred capital revenue		
Balance, beginning of year	4,125	5,311
Receipts during the year	3,393	4,380
Recognized during the year	(2,450)	(5,566)
Balance, end of year	5,068	4,125
Deferred Research, Innovation and Discovery Fund		
Balance, beginning of year	67,761	65,322
Receipts during the year	29,623	30,320
Recognized during the year	(45,437)	(27,881)
Balance, end of year	51,947	67,761
Deferred designated revenue		
Balance, beginning of year	11,452	12,624
Receipts during the year	4,200	2,622
Recognized during the year	(3,184)	(3,794)
Balance, end of year	12,468	11,452
	\$ 71,724	\$ 87,187

Note 11 Long-Term Debt

	2023	2022 (Restated)
Term loan – parking garage	\$ –	\$ 917
Term loan – building improvements	–	85
Obligations under capital lease	4,218	2,340
	\$ 4,218	\$ 3,342

NS Health's term loans were paid in full in fiscal 2023.

The total gross interest paid on long term debt for the year ended March 31, 2023 was \$29 [2022 – \$81].

NS Health 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, 2023, NS Health has \$nil [2022 – \$nil] draws against this facility.

NS Health also has access to a \$15,000 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, 2023, NS Health has \$nil [2022 – \$nil] draws against this facility.

Estimated annual minimum capital lease payments in each of the next five years are expected as follows:

Year ended March 31	
2024	\$ 608
2025	614
2026	627
2027	640
2028	654
Thereafter	1,075
	\$ 4,218

Note 12 Tangible Capital Assets

Historical Costs	Land	Buildings	Equipment ^(b)	Information technology	Construction in progress (CIP)	2023 Total	2022 (Restated) Total
Opening costs	4,284	1,922,164	546,376	9,487	97,434	\$ 2,579,745	\$ 2,493,335
Transfers from CIP	167	32,619	22,615	1,407	(56,808)	-	-
Additions	3	8,971	17,349	296	114,212	140,831	90,947
ARO additions	-	-	100	-	-	100	125
Disposals ^(a)	-	-	(535)	-	-	(535)	(4,662)
Closing costs	4,454	1,963,754	585,905	11,190	154,838	\$ 2,720,141	\$ 2,579,745

Accumulated Amortization	Land	Buildings	Equipment	Information technology	Construction in progress (CIP)	2023 Total	2022 (Restated) Total
Opening	-	1,083,598	350,960	6,792	-	1,441,350	1,370,487
Disposals	-	-	(272)	-	-	(272)	(4,163)
Amortization Expense	-	42,752	34,919	1,005	-	78,676	75,026
Closing Amortization	-	1,126,350	385,607	7,797	-	\$ 1,519,754	\$ 1,441,350
Net Book Value	4,454	837,404	200,298	3,393	154,838	\$ 1,200,387	\$ 1,138,395

a. Disposals

Disposals are for the removal of equipment and information technology assets which were determined by management to no longer be in use.

b. Leased equipment

Equipment includes tangible capital assets acquired through capital leases.

Note 13 Asset Retirement Obligations

On April 1, 2022, NS Health adopted Public Sector Accounting Standard 3280, Asset Retirement Obligations, requiring NS Health to record and disclose liabilities related to retiring NS Health's assets. As at March 31, 2023, a total liability for asset retirement obligations of \$51,164 has been recorded in these financial statements.

The most significant asset retirement obligation comprises of asbestos and lead disposal in hospitals and buildings. Although there is no legal requirement to dispose of asbestos until it is disturbed, regulations require asbestos to be handled and disposed of in a prescribed manner, such as during renovations or ultimately upon demolition. Similarly for paint with lead, there is a legal obligation to dispose of lead-containing paint in a prescribed manner.

Note 13 Asset Retirement Obligations (continued)

Another significant asset retirement obligation is attributed to the safe removal of radioactive medical equipment used at NS Health's sites.

Other less significant asset retirement obligations are attributed to regulated requirements for decommissioning and disposing petroleum storage tanks.

The assets identified by NS Health that are likely to have AROs are;

- Hospital buildings, storage buildings, sheds
- Fuel storage tanks
- Radioactive medical equipment

The asset retirement obligations estimates are based on the estimated costs per unit to dispose of regulated materials in accordance with prescribed legislative requirements. These estimated costs per unit were developed based on available data such environmental reports, building management reports, and long-range outlook reports, supplemented as required by past experience of management's expert in relation to these types of regulated materials. The asset retirement obligations estimates have not been discounted due to the uncertainty in the timing of settlement of these obligations. Asset costs are amortized straight-line over time until the obligation is expected to be realized.

	Asbestos	Lead	Equipment	Fuel Tanks	Other	2023 Total	2022 Total
Opening liability	38,535	5,483	4,675	1,223	1,148	51,064	50,939
Liabilities disposed	-	-	-	-	-	-	-
Liabilities incurred	-	-	100	-	-	100	125
Liabilities settled	-	-	-	-	-	-	-
Estimate revisions	-	-	-	-	-	-	-
Accretion expense	-	-	-	-	-	-	-
Closing liability	38,535	5,483	4,775	1,223	1,148	51,164	51,064

Tangible capital asset net book value and related ARO liability amounts at March 31, 2023 are as follows:

Tangible Capital Asset Class	Tangible Capital Asset NBV	ARO Liability
Land and land improvements	-	-
Buildings	15,785	46,489
Equipment	1,977	4,675
Information Technology	-	-
Projects in progress	-	-
Total	17,762	51,164

Note 14 Inventories of Supplies

	2023	2022
Drugs	\$ 26,855	\$ 23,770
Medical, surgical, other	21,512	25,357
Departmental	10,528	9,315
Laboratory	2,204	8,906
Linen	2,632	2,643
	\$ 63,731	\$ 69,991

Note 15 Other Revenue

	2023	2022
Uninsured Patient Revenue	\$ 22,235	19,635
Out of Province Patient Revenue	21,739	20,245
Out of Country Patient Revenue	20,197	12,274
Workers Compensation	12,495	11,536
PDDP	11,920	10,215
Donated Rapid Test Kits	11,048	15,128
Other	9,565	2,963
Cafeteria	6,265	5,182
Parking	3,767	3,668
Investment	3,033	878
Preferred Accommodations	2,613	3,180
	\$ 124,877	\$ 104,904

Note 16 Contributions to Employee Pension Plans

Nova Scotia Health Employees' Pension Plan

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

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

	2023	2022
Employer contributions	\$ 117,744	\$ 114,082

Note 17 Contributions to Employee Long-Term Disability Plans

Health Association Nova Scotia Long-Term Disability Plan

The majority of NS Health employees are members of this plan, which is funded equally by employee and employer contributions. The employer’s contributions are included in NS Health’s operating expenses. Health Association Nova Scotia administers this long-term disability plan. NS Health’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 NS Health’s operating expenses. The Plan is currently administered by the Province of Nova Scotia and the Nova Scotia Government Employees Union. NS Health’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 NS Health’s operating expenses. The Plan is currently administered by Great West Life. NS Health’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:

	2023	2022
Employer contributions	\$ 20,444	\$ 19,345

Note 18 Contractual Obligations

NS Health 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:

Year ended March 31	
2024	\$ 67,290
2025	59,766
2026	73,539
2027	57,216
2028	9,287
Thereafter in aggregate	12,291

Note 19 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. NS Health’s financial assets include cash and cash equivalents, portfolio investments and receivables. NS Health’s financial liabilities include accounts payable, long-term debt and accrued liabilities.

Restricted portfolio investments consist of the following:

Investments at fair value	FV hierarchy level	2023	2022
Short term investments	Level 2	\$ 943	\$ 892
Common equities & related securities	Level 1	58,156	59,248
		\$ 59,099	\$ 60,140

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:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities;
- Level 2: 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]; and
- Level 3: Inputs for the asset or liability that are not based on observable market data [unobserved inputs].

Risk management

NS Health is exposed to a number of risks as a result of the financial instruments on its consolidated 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 NS Health’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.

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

NS Health 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.

Note 19 Financial Instruments (continued)

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.

Price risk

Price risk relates to the possibility that equity portfolio investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. NS Health is exposed to price risk associated with the underlying equity portfolio investments held in pooled funds. A 10% change in the market prices of these investments, with all other variables held constant, would have a \$5,816 [2022 - \$5,925] impact on net assets.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. NS Health's interest rate risk, relating to investments, is mitigated by the rebalancing of the investment portfolio by NS Health's authorized investment manager, RBC Dominion Securities Inc.

A 1% change in market value yield relating to fixed income securities would have increased or decreased fair value by approximately \$582 (2022 - \$592).

Foreign currency risk

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

NS Health 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.

Note 19 Financial Instruments (continued)

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

	2023	2022
US dollar per Canadian dollar	\$ 0.7389	\$ 0.8003

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

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligation. NS Health is exposed to credit risk with respect to accounts receivable. NS Health has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis. The allowance for doubtful accounts at March 31, 2023 amounts to \$20,296 [2022 – \$22,729].

The aging of trade accounts receivable was as follows:

	2023	2022
Current	\$ 44,065	\$ 25,079
61–90 days	1,742	2,087
90–120 days	1,808	1,739
Greater than 120 days	8,311	7,910
Total	\$ 55,926	\$ 36,815

Liquidity risk

Liquidity risk is the risk of limitations on NS Health’s ability to convert financial assets to cash in order to meet financial liabilities. NS Health has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. NS Health 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.

Capital management

In managing capital, NS Health focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2023, NS Health has met its objective of having sufficient liquid resources to meet its current obligations.

Note 20 Net Change in Other Items

	2023	2022 (Restated)
(Increase) decrease in account receivable	\$ (19,111)	\$ (7,732)
(Increase) decrease in due from governments	(297,719)	30,757
(Increase) decrease in due from foundations	(3,014)	(197)
Increase (decrease) in accounts payable	221,280	(16,741)
Net change in other items	\$ (98,564)	\$ 6,087

Note 21 Operational & Capital Funding Reconciliation

As per the Health Authorities Act of Nova Scotia, NS Health 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 consolidated statement of operations and accumulated surplus. The below schedule is the reconciliation of the operating and capital funding:

	2023	2022 (Restated)
Annual surplus, reported on the consolidated statement of operations	\$ 111,469	\$ 25,090
Amortization	78,676	75,026
Capital grants	(192,257)	(95,343)
Gain on sale of land	-	(17)
Disposal of tangible capital assets	263	499
Operating funding (deficit) surplus, as defined by the Act	\$ (1,849)	\$ 5,255

Note 22 Related Parties and Inter-Entity Transactions

NS Health 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, NS Health Administrator, and their close family members. NS Health 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 Public Works project management and the Department of Service Nova Scotia and Internal Services information technology support provided by the Province of Nova Scotia to NS Health, are not recognized in the consolidated financial statements. Additionally, SAP Enterprise system support services are provided by NS Health to IWK at no charge.

Note 23 Contingent Liabilities

NS Health may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business. NS Health 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.

NS Health currently has two collective agreements that have expired and are currently under negotiation as at March 31, 2023. The outcome of these negotiations is not determinable at this time and no accrual has been made in the consolidated financial statements.

Note 24 Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been approved by the Department of Health and Wellness.

The following presents a reconciliation between NS Health’s approved budget and the budget as presented in the statement of operations to align with the presentation of the current year results.

Revenues	
DHW approved operating revenue	2,687,158
Recoveries	47,427
Capital grants – Provincial	47,788
Capital grants – Other	28,096
Capital transfers	<u>72,354</u>
Capital grants and transfers total	148,238
Total budgeted revenues per consolidated statement of operations	2,882,823

Expenses	
DHW approved operating expenses	2,687,158
Recoveries	47,427
Amortization	75,000
Total budgeted expenses per consolidated statement of operations	2,809,585

Note 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.

CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED MARCH 31		
	2023	2022 (Restated)
Compensation	\$ 2,098,822	1,854,496
Drugs	181,885	162,810
Medical and Surgical Supplies	161,622	141,117
Contracted Services	83,973	56,487
Clinical Supplies	79,934	79,228
Amortization	78,676	75,026
Professional Fees	77,393	43,606
Utilities	68,976	57,373
Research and designated contributions	46,413	28,272
Buildings and Grounds	44,263	35,876
Information and Technology	41,184	38,026
Equipment Maintenance	37,470	38,780
Other Expenses	24,024	12,086
Housekeeping Laundry Linens	23,032	38,563
Equipment Purchase and Lease	22,284	11,915
Travel and Education	20,170	14,071
Food Services	19,911	17,402
Delivery and courier	17,888	18,046
Insurance and liability claims	10,273	9,124
Office Expenses	9,386	8,125
Community Grants	7,800	6,624
Plant Operations	6,688	6,636
Total expenses	\$ 3,162,067	\$ 2,753,689