Grant Thornton

Financial Statements

Cape Breton District Health Authority

March 31, 2013, and 2012

Contents

Management's responsibility for financial reporting

The accompanying financial statements are the responsibility of the management of Cape Breton District Health Authority (the "Authority") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Board of Directors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Authority in accordance with Canadian public sector accounting standards.

_____	_____
Chair	Director

Grant Thornton

Independent auditor's report

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To the Chairperson and members of

Cape Breton District Health Authority

We have audited the accompanying financial statements of the Cape Breton District Health Authority (the "Authority"), which comprise the statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, and the statements of operations, statements of changes in net debt, and cash flows for the years ended March 31, 2013, and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2013, March 31, 2012, and April 1, 2011, and the results of its operations, changes in net debt, and its cash flows for the years ended March 31, 2013, and March 31, 2012, in accordance with Canadian public sector accounting standards.

Sydney, Canada

June 26, 2013

Grant Thornton LLP

Chartered accountants

Cape Breton District Health Authority
Statement of financial position

	March 31 2013	March 31 2012	(Note 4) April 1, 2011
Financial assets			
Cash and cash equivalents	**$ 13,132,227**	$ 13,920,087	$ 10,874,165
Receivables (Note 5)	**22,796,791**	20,295,745	21,735,243
Post employment benefits (Note 10)	**35,212,634**	28,903,988	27,782,199
Compensated absences benefits (Note 12)	**10,326,000**	9,202,000	8,352,000
	81,467,652	72,321,820	68,743,607
Liabilities			
Payables and accruals (Note 9)	**36,355,440**	34,545,017	34,978,414
Deferred revenue (Note 14)	**4,487,685**	4,562,850	3,076,639
Post employment benefits (Note 10)	**35,212,634**	28,903,988	27,782,199
Compensated absences benefits (Note 12)	**10,326,000**	9,202,000	8,352,000
	86,381,759	77,213,855	74,189,252
Net debt	**(4,914,107)**	(4,892,035)	(5,445,645)
Non-financial assets			
Prepaids	**1,162,660**	750,094	679,870
Inventories (Note 7)	**3,426,929**	3,292,914	3,720,313
Tangible capital assets (Page 23)	**161,489,985**	164,361,054	162,191,355
	166,079,574	168,404,062	166,591,538
Accumulated surplus	**$ 161,165,468**	$ 163,512,027	$ 161,145,893

Commitments and contingencies (Notes 15 and 16)

See accompanying notes to the financial statements.

Cape Breton District Health Authority
Statement of operations

Year ended March 31	Budget 2013	**Actual 2013**	(Note 4) Actual 2012
Revenue			
Provincial plan – operating grant	$ 245,240,077	**$ 254,429,639**	$ 250,121,157
Capital grant – provincial	-	**4,213,622**	7,457,872
Capital grant – other	-	**1,504,050**	4,084,852
Other patient income	16,511,909	**18,390,938**	17,963,411
Post employment benefits (Note 10)	-	**9,820,304**	4,318,684
Compensated absences benefits (Note 12)	-	**1,124,000**	850,000
Net differential	1,424,303	**1,357,173**	1,506,328
Miscellaneous	1,398,903	**1,783,265**	1,434,967
Interest	100,000	**171,156**	147,740
Referred in work	50,900	**41,381**	42,616
	264,726,092	**292,835,528**	287,927,627
Expenditures			
Nursing inpatient services	70,112,462	**74,453,709**	74,425,538
Support services	57,291,019	**69,429,232**	68,028,757
Diagnostic and therapeutic services	44,893,779	**46,042,936**	46,255,621
Ambulatory care services	24,164,462	**25,957,872**	24,639,170
Primary health care	1,185,676	**1,028,242**	1,308,453
Addiction services	7,243,000	**6,881,341**	6,939,035
Public health	4,711,021	**4,680,863**	4,785,007
Continuing care	21,581,307	**22,088,253**	21,609,785
Education	536,205	**536,656**	540,769
Post employment benefits (Note 10)	-	**9,820,304**	4,318,684
Compensated absences benefits (Note 12)	-	**1,124,000**	850,000
Renal and dialysis	6,600,374	**6,821,140**	6,126,782
Mental health	15,857,712	**15,161,624**	14,902,549
Palliative care and cancer clinic	10,549,075	**11,155,916**	10,831,343
Total expenses	$ 264,726,092	**$ 295,182,088**	$ 285,561,493
Annual surplus (deficit)		**(2,346,560)**	2,366,134
Accumulated surplus, beginning of year	$	**$ 163,512,027**	$ 161,145,893
Accumulated surplus, end of year	$	**$ 161,165,467**	$163, 512,027

See accompanying notes to the financial statements.

Cape Breton District Health Authority
Statement of changes in net debt

Year ended March 31	**Actual 2013**	(Note 4) Actual 2012
Annual (deficit) surplus	**$ (2,346,560)**	$ 2,366,134
Purchase of tangible capital assets	**(8,391,030)**	(12,926,543)
Amortization of tangible capital assets	**11,262,099**	10,756,844
Changes in other non-financial assets		
Acquisition of prepaids (net of usage)	**(412,566)**	(70,224)
Acquisition of inventory (net of usage)	**(134,015)**	427,399
Decrease (increase) in net debt	**(22,072)**	553,610
Net debt		
Beginning of year	**(4,892,035)**	(5,445,645)
End of year	**$ (4,914,107)**	$ (4,892,035)

See accompanying notes to the financial statements.

Cape Breton District Health Authority
Statement of cash flows

Year ended March 31	**2013**	2012
(Decrease) increase in cash and cash equivalents		
Operating		
Annual (deficit) surplus	**$ (2,346,560)**	$ 2,366,134
Amortization of tangible capital assets	**11,262,099**	10,756,844
	8,915,539	13,122,978
Change in non-cash items:		
Receivables	**(2,501,046)**	1,439,498
Post employment benefits receivable	**(6,308,646)**	(1,121,789)
Compensated absences receivable	**(1,124,000)**	(850,000)
Inventories	**(134,015)**	427,399
Prepaids	**(412,566)**	(70,224)
Payables and accruals	**1,810,423**	(433,397)
Post employment benefits payable	**6,308,646**	1,121,789
Compensated absences benefits accrual	**1,124,000**	850,000
Deferred revenue	**(75,165)**	1,486,211
	(1,312,369)	2,849,487
Capital		
Purchase of tangible capital assets	**(8,391,030)**	(12,926,543)
(Decrease) increase in cash and cash equivalents	**(787,860)**	3,045,922
Cash and cash equivalents		
Beginning of year	**13,920,087**	10,874,165
End of year	**$13,132,227**	$13,920,087

1. Nature of operations

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

2. Summary of significant accounting policies

Basis of accounting
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant policies:

Revenue recognition
Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility credits or stipulations, it is recognized when the transfer from the Province of Nova Scotia is authorized.

All non-government contribution or grant/revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has not been met is reported as a liability until the resources are used for the purpose or purposes specified.

In patient, out-patient, food services, laboratory and parking revenue are recognized as revenue when the related service is rendered or goods are provided. Rental income is recognized on a straight-line basis over the term of the lease.

Investment income is recognized as revenue in the year in which it was earned.

Use of estimates
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain estimates, such as those related to allowance for doubtful accounts, amortization of capital assets, compensation accruals, and retirement allowance and benefits depend on subjective or complex judgements about matters that may be uncertain. Actual results may differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks held in guaranteed investment certificates. Bank borrowings are considered to be financing activities.

2. Summary of significant accounting policies (continued)

Inventories
Inventories are recorded at the lower of average cost and replacement value. The Health Authority uses the weighted average cost method to determine stores inventory and the first-in first-out method to determine cost of pharmacy inventory. The cost of inventories is comprised of purchase price. Inventories are written down to replacement value when the cost of inventories is not estimated to be recoverable due to obsolescence or damage. When circumstances that previously caused inventories to be written down below cost no longer exist the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

Compensation accruals
The Authority follows the policy of recording in accrued salaries and benefits a liability for vacation pay, accumulated overtime, and statutory holidays.

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

Land improvements	5%
Buildings and service equipment	2% - 5%
Equipment	5% - 20%

When conditions indicate that a tangible capital asset no longer contributes to an entity's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

Retirement and post employment benefits and compensated allowances
The hospital provides defined retirement allowances and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

i) The costs of post-employment retirement allowances are actually determined using management's best estimate of employee retention, retirement ages of employees, salary escalation, other cost escalation, long term inflation and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

ii) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

2. Summary of significant accounting policies (continued)

iii) The costs of multi-employer defined benefit pension are the employer's contributions due to the plan in the period and are accounted for as a defined contribution plan.

iv) The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.

Financial instruments
Financial instruments must be classified into either the cost/amortized cost or fair value categories. The entity has no financial instruments that are required to be accounted for at fair value.

The cost/amortized cost category includes cash and cash equivalents, receivables, and payables and accruals. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less and impairment losses on financial assets.

Management assesses each financial instrument to determine whether there is any impairment losses and if any, are reported in the statement of operations. Valuation allowances are recorded to write-down amounts and loans receivable to the lower of cost their net recoverable value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

3. Accounting policy changes

On April 1, 2012, the Authority adopted Public Accounting Standards PS 3410 - Government Transfers and PS 3450 – Financial Instruments. The new standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3410, Government transfers should be recognized as revenue when the transfer is authorized, eligibility criteria and stipulations are met.

Under PS 3450, all financial instruments, including derivatives, are included in the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Authority's accounting policy choices.

In accordance with the provisions of these new standards, no adjustments were required in the adoption of these new standards.

4. Impact of the change on the basis of accounting

These financial statements are the first financial statements for which the Authority has applied Canadian public sector accounting standards ("PSAB" Standards"). The financial statements for the year ended March 31, 2013, were prepared in accordance with PSAB standards. Comparative period information presented for the year ended March 31, 2012, was prepared in accordance with PSAB standards and the provisions set out in Section *PS 2125 First-time adoption by government organizations.*

The date of transition to PSAB standards is April 1, 2011. The adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended March 31, 2012, and accumulated surplus as of April 1, 2011, and March 31, 2012. The significant impacts on the statement of operations and statement of financial position included:

- write off of certain deferred capital contributions
- write off of deferred unamortized portion of capital asset grants
- adjustments to compensated absences accrual

(a) Adjustment to the statement of financial position as at April 1, 2011:

	As previously reported	Adjustment required	As restated
Financial assets			
Cash and cash equivalents	**$ 10,865,165**	$ 9,000	$ 10,874,165
Receivables	**21,237,602**	497,641	21,735,243
Retirement allowances and benefits	**27,782,199**	8,352,000	36,134,199
Other receivables	**506,641**	(506,641)	-
Inventory	**3,720,313**	(3,720,313)	-
Prepaids	**679,870**	(679,870)	-
Capital assets	**162,191,355**	(162,191,355)	-
	$ 226,983,145	$(158,239,538)	$ 68,743,607

4. Impact of the change on the basis of accounting (continued)

	As previously reported	Adjustment required	As restated
Financial liabilities			
Payables and accruals	**$ 32,764,196**	$ 2,214,218	$ 34,978,414
Due to Dept of Health and Wellness	**470,240**	(470,240)	-
Deferred revenue	**6,165,335**	(3,088,696)	3,076,639
Deferred contributions related to capital assets	**159,804,590**	(159,804,590)	-
Retirement allowances and benefits	**27,782,199**	8,352,000	36,134,199
	$ 226,986,560	$(152,797,308)	$ 74,189,252

	As previously reported	Adjustment required	As restated
Non-financial assets			
Prepaids	**$ -**	$ 679,870	$ 679,870
Inventory	**-**	3,720,313	3,720,313
Tangible capital assets	**-**	162,191,355	162,191,355
	$ -	$166,591,538	$166,591,538

(b) Reconciliation of previously reported annual surplus (deficit) for March 31, 2012, with the annual surplus (deficit) for March 31, 2012 shown in the financial statements:

	2012
Annual deficit, as previously reported at March 31, 2012	**$ (32,832)**
Adjustment related to deferred revenue	**60,625**
Adjustment related to deferred contributions	**13,095,185**
Adjustment related to amortization of deferred capital contributions	**(10,756,844)**
Adjustment related to compensated absences recovery	**850,000**
Adjustment related to compensated absences expense	**(850,000)**
	$ 2,366,134

Adjustments to the statement of cash flows for the year ended March 31, 2012:

The transition to PSAB had no impact on total operating or financial activities on the statement of cash flows. The transition to PSAB resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section on the statement of cash flows did not exist prior to the transition to PSAB.

4. Impact of the change on the basis of accounting (continued)

Explanation for adjustments to PSAB:

i) Non-vesting sick leave (compensated absences)

PSAB requires the recognition of a liability for sick leave benefits that accumulate, but do not vest, which was not required under pre-changeover GAAP. As a result, the Authority has recognized a liability and charge to net assets as described in the tables above.

ii) Deferred contributions

PSAB requires funding for capital assets to be recognized in revenue once all stipulations related to the purchase of the asset have been met. As a result, all revenues related to capital funding have been recognized in the statement of financial position. As well, under PSAB only operating revenues with externally imposed restrictions or stipulations that have not been met are eligible to be deferred. As a result all revenues that do not meet this criteria have been recognized in the statement of financial position.

5. Receivables

	2013	2012	April 1, 2011
Patients, medical service insurance Level II Care, veterans	**$ 2,087,420**	$ 2,366,709	$ 1,859,448
Harmonized sales tax	**2,414,251**	2,225,228	2,665,815
Hospital Foundations (Note 13)	**1,723,822**	1,259,917	4,143,007
Sundry	**2,753,930**	7,622,941	2,664,600
Department of Health and Wellness (Note 6)			
Vacation accrual	**2,650,890**	2,650,890	2,650,890
Capital funding	**2,941,542**	1,963,543	4,592,508
Other	**8,224,936**	2,206,517	2,801,068
Retirement payouts	**-**	-	357,907
	$ 22,796,791	$ 20,295,745	$ 21,735,243

6. Accounts with the Department of Health and Wellness

The Health Authority has the following accounts with the Department of Health and Wellness:

	2013	2012	April 1, 2011
Post employment benefits (Note 10)	**$ 35,212,634**	$ 28,903,988	$ 27,782,199
Vacation accrual	**2,650,890**	2,650,890	2,650,890
Compensated absences benefits (Note 12)	**10,326,000**	9,202,000	8,352,000
Capital funding	**2,941,542**	1,936,543	4,592,508
Other	**8,224,936**	4,796,708	3,158,975
New hospital construction	**(400,240)**	(435,240)	(470,240)
	$ 58,955,762	$ 47,054,889	$ 46,066,332

7. Inventories

	2013	2012	April 1, 2011
Drugs	**$ 1,381,052**	$ 1,259,503	$ 1,496,273
Medical and surgical	**648,774**	688,526	703,555
Food	**112,112**	132,193	121,725
General	**1,284,991**	1,212,692	1,398,760
	$ 3,426,929	$ 3,292,914	$ 3,720,313

8. Other long term assets

	2013	2012	April 1, 2011
Due from Buchanan Memorial Hospital Foundation	**$ -**	$ -	$ 497,641
Other	**-**	-	9,000
	$ -	$ -	$ 506,641

9. Payables and accruals

	2013	2012	April 1, 2011
Accounts payable	**$ 16,933,447**	$ 13,527,408	$ 13,413,125
Salaries	**12,772,358**	14,085,179	14,875,758
Vacation pay accrual	**3,461,502**	3,558,094	3,528,530
Holiday pay accrual	**1,130,734**	988,784	946,783
Due to Dept of Health and Wellness	**400,240**	435,240	470,240
Research	**809,701**	1,002,281	942,305
Special Purpose	**847,458**	948,031	801,673
	$ 36,355,440	$ 34,545,017	$ 34,978,414

10. Post employment benefits

Retirement allowances amounts for employees and cost sharing for certain employees on health benefits following retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments' agencies and boards. The last actuarial valuation for retiring allowances was conducted as at September 30, 2010. The last actuarial valuation for the health benefits was as at March 31, 2009. These actuarial liabilities as at March 31 were extrapolated based on the latest actuarial valuations.

The retirement allowance and post-retirement health benefit values are calculated by the Department of Finance for the health authority. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 9-11 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting receivable balance is recorded.

Cape Breton District Health Authority has provided for retirement allowances as follows:

	2013	2012	2011
Accrued benefit plan obligation	**$ 23,590,235**	$ 19,515,953	$ 19,038,548
Plan deficit	**27,881,556**	24,625,230	25,075,095
Unamortized actuarial loss	**(4,291,321)**	(5,109,277)	(6,036,547)
Total liability	**$ 23,590,235**	$ 19,515,953	$ 19,038,548
Current year benefit costs	**1,558,400**	1,326,900	1,308,300
Interest on accrued benefit obligation	**1,182,600**	1,153,000	1,153,930
Plan amendment	**3,443,600**	-	-
Amortized actuarial losses	**958,756**	927,270	1,627,170
Retirement benefits expense	**$ 7,143,356**	$ 3,407,170	$ 4,089,400

10. Post-employment benefits (continued)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation related to retiring allowances as at March 31, 2013:

Discount rate	4.30%
Rate of compensation increase	2.40%-4.90%
Termination rates	1.20% - 20%

The actuary for the pension manager assumed that 75% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday.

Cape Breton District Health Authority has provided for retirement health benefits as follows:

	2013	2012	2011
Accrued benefit plan obligation	**$ 11,622,400**	$ 9,388,036	$ 8,743,651
Plan deficit	**10,822,452**	9,348,680	9,084,840
Unamortized actuarial losses (gains)	**(799,948)**	(39,356)	341,189
Total liability	**$ 11,622,400**	$ 9,388,036	$ 8,743,651
Current year benefit costs	**485,700**	441,400	389,200
Interest on accrued benefit obligation	**474,400**	435,670	379,500
Plan amendment	**1,714,300**	-	-
Amortized actuarial losses (gains)	**2,548**	34,444	(35,089)
Post employment health benefit expense	**$ 2,676,948**	$ 911,515	$ 733,611

The following actuarial assumptions have been used in the determination of the accrued benefit obligation related to health benefits as at March 31, 2013:

Discount rate	4.30%
Rate of compensation increase	2.40% - 4.9%
Termination rates	0% - 20%

10. Post-employment benefits (continued)

The actuary for the health benefits plan manager assumed 75% would retire on the date they are first eligible for an unreduced retirement pension and the remainder will retire at the rate of 5% each at ages 52, 57, 60, 62 and 65. In calculating the post-retirement health benefits liability, it was further assumed that 60% of members will elect family coverage and that 95% of eligible employees will elect to participate.

Effective June 7, 2012, the post-employment benefit plans for CUPE and CAW members were changed from Plan B to Plan A resulting in plan amendments during the year. There are no longer members accruing benefits under Plan B. The plan amendments of $3,443,600 related to retiring allowances and $1,714,300 related to post employment health benefits were reflected in post- employment benefits expense for the year ending March 31, 2013.

The Authorities post-employment expense for the year was $7,143,356 (2012-$3,407,170) for retirement benefits and $2,676,948 (2012- $911,514) for post-employment health benefits.

11. Pension plan

The Authority contributes to the following pension plans on behalf of its employees:

(i) a multi-employer defined benefit plan, as administered by the Health Association of Nova Scotia, formerly the Nova Scotia Association of Health Organizations (NSAHO), providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at October 31, 2010, and indicates a funding surplus.

(ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was September 30, 2010, and indicates an unfunded liability. The Authority bears no direct financial responsibility for the unfunded liability of the plan.

The Authority's pension expense for the year was $15,431,685 (2012 - $14,086,639).

12. Compensated absences benefits

Qualifying employees are entitled to a prescribed number of sick leave days for use over their employment term.

The Authority has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. The Authority has also recorded a corresponding receivable from the Province of Nova Scotia which has assumed responsibility for the liability up to March 31, 2013. These amounts have been determined by the Department of Finance in relation to an independent actuarial evaluation performed for them. This evaluation has calculated the benefit obligation for the Authority to be $10,326,000 as of March 31, 2013 (2012-9,202,000, April 1, 2011 - $8,352,000).

	2013 Total Compensated absences	2012 Total Compensated absences	April 1, 2011 Total Compensated absences
Accrued benefit plan obligation	**$ 10,326,000**	$ 9,202,000	$ 8,352,000
Plan deficit	**(10,326,000)**	(9,202,000)	(8,352,000)
Unamortized actuarial gains/losses	**-**	-	-
Total liability	**10,326,000**	9,202,000	8,352,000
Current year benefit costs	**1,791,000**	1,710,000	1,633,000
Sick leave taken	**(1,120,000)**	(1,267,000)	(1,267,000)
Interest on accrued benefit obligation	**453,000**	407,000	370,000
Compensated absences benefit expense	**$ 1,124,000**	$ 850,000	$ 736,000

These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the board's best estimate of expected rates of:

	2013	2012
Discount rate	**4.30%**	4.30%
Rate of compensation increase	**2.4 – 4.90%**	2.4 - 4.9%

13. Due to/from Foundations and Auxiliaries

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

	2013	2012	April 1, 2011
Cape Breton Regional Hospital Foundation	**$ 1,089,115**	$ 573,617	$ 2,318,557
Northside Hospital Charitable Foundation	**86,750**	106,334	72,757
Inverness Consolidated Memorial Hospital Foundation	**37,858**	-	1,133,494
Sacred Heart Hospital Foundation	**58,202**	55,126	55,126
Victoria County Memorial Hospital Foundation	**1,123**	1,251	7,837
New Waterford Consolidated Hospital Foundation	**-**	55,126	55,126
Buchanan Memorial Hospital Foundation	**425,741**	462,640	497,641
Victoria County Hospital Auxiliary	**-**	-	2,469
Harbourview Hospital	**-**	5,823	-
Cape Breton Regional Hospital Auxiliary	**25,033**	-	-
	$ 1,723,822	$ 1,259,917	$ 4,143,007

14. Deferred revenue

This represents unspent externally restricted funds not available for regular operations. The amount includes donations and funds for specific projects.

	2013	2012	2011
Balance, beginning of the year	**$ 4,562,850**	$ 3,076,639	$ 2,136,043
Less: amounts recognized as revenue in the year	**(1,074,621)**	(1,592,116)	(1,711,922)
Add: amounts received during the year	**999,456**	3,078,327	2,652,518
Balance, end of year	**$ 4,487,685**	$ 4,562,850	$ 3,076,639
Deferred revenue is comprised of:			
Government grants	**$ 2,419,361**	$ 2,479,920	$ 2,764,105
Capital contributions	**1,729,915**	1,729,915	-
Other	**338,409**	353,015	312,534
	$ 4,487,685	$ 4,562,850	$ 3,076,639

15. Contingency

The Health Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business and which the Health Authority believes would not reasonably be expected to have a material adverse effect on its financial condition.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

16. Commitments

The Authority leases premises under operating leases which expire from 2013 to 2027 with minimum annual lease payments and aggregate lease payments as follows:

	Minimum Annual Lease Payment	Aggregate Lease Payment
Northwest Properties Geriatric Clinic	$ 115,440	$ 452,170
Wentworth Condos - Greg MacLeod	$ 19,608	$ 9,804
Board of Trustees St. Andrews United Church Hall	$ 34,749	$ 17,374
Grand Lake Rd. Vol. Fire Dept.	$ 104,000	$ 86,667
Health Park (Northwest Properties)	$ 12,001	$ 14,001
Senator's Corner	$ 79,529	$ 112,665
Layton's Building Supplies	$ 44,460	$ 88,920
Parsons Investments	$ 38,070	$ 82,485
Kate Muir	$ 12,000	$ 27,000
North West Property Medical Arts	$ 38,841	$ 100,339
Pembrook Properties Limited – GB Medical Clinic	$ 73,440	$ 201,960
Pembrook Properties Limited – MH/AS 80/20	$ 94,500	$ 858,375
N.S. Power Corporation	$ 331,380	$ 1,270,290
North West Property Medical Arts – Autism Clinic	$ 131,208	$ 962,192
Novacorp	$ 152,982	$ 1,185,614
Health Park (Northwest Properties) – Continuing Care	$ 190,562	$ 1,524,495
Parks Canada	$ 1,200	$ 15,400
Health Park (Northwest Properties) – Office	$ 27,353	$ 378,385
Health Park (Northwest Properties) – Chest Clinic	$ 108,561	$ 1,574,138
Membertou Heart Lung Wellness Clinic	$ 75,154	$ 363,242

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately $60,550. These lease agreements are renewed on a yearly or monthly basis.

17. Expenditures by object	2013	2012
Salaries, wages, and benefits	**$ 241,564,855**	$ 230,189,124
Supplies	**45,774,108**	44,976,156
Sundry	**6,774,557**	7,890,265
Equipment	**5,636,656**	5,729,574
Contracted Out Services	**4,349,596**	4,297,066
Buildings and Grounds	**3,524,511**	3,305,095
Depreciation Expense	**11,262,098**	10,756,844
Offset Revenues	**(23,704,293)**	(21,582,631)
	$ 295,182,088	$ 285,561,493

18. Financial instrument risk management

Credit risk

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

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

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

	Total	0-120 Days	121-240 Days	241-360 Days	361+ Days
Patients, medical service insurance, veterans	2,681,685	1,667,886	385,069	185,423	443,307
Hospital Foundations	1,723,822	1,207,955			480,867
Harmonized sales tax	2,414,251	2,414,251			
Sundry	2,753,930	2,518,278	57,946	36,448	141,258
Nova Scotia Department of Health and Wellness	13,817,368	10,790,996			3,026,372
Less: impairment allowances	(594,265)	(594,265)			
Net receivables	$ 22,796,791	$ 18,005,101	$ 443,015	$ 256,871	$ 4,091,804

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

Government receivables are due from the Nova Scotia Government. The Authority mitigates credit risk by ensuring that all grants are entered into by way of a contract.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

18. Financial instrument risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The health authority is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

Interest rate risk
Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The health authority is exposed to this risk through its variable interest bearing bank overdraft. However, management does not feel that this represents a material risk to the health authority as fluctuations in market interest rates would not materially impact future cash flows and operations relating to the bank overdraft.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the health authority will not be able to meet all cash outflow obligations as they come due. The health authority mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining a bank overdraft credit facility if unexpected cash outflows arise. The following table sets out the contractual maturities of financial liabilities:

	Within 6 months	6 months to 1 year	1-5 years	>5 years
Payables and accruals	29,473,773			6,881,667
Post employment benefits				45,538,634
Total	29,473,773			52,420,301

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.