



Healthy Communities for a Healthy Future

**Cumberland Health Authority
Financial Statements**

March 31, 2011

Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12

INDEPENDENT AUDITOR'S REPORT

To the Directors of Cumberland Health Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Cumberland Health Authority, which comprise the statement of financial position as at March 31, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cumberland Health Authority as at March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Amherst, Nova Scotia
June 14, 2011

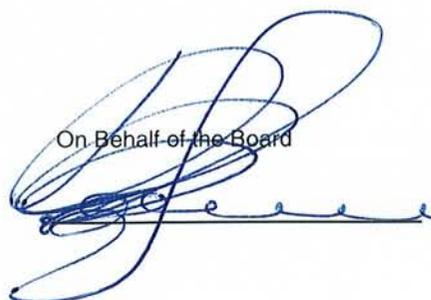


CHARTERED ACCOUNTANTS

Cumberland Health Authority
Statement of Financial Position
March 31, 2011

	Operating Fund	Capital Fund	Externally Restricted Funds	2011 Total	2010 Total
Assets					
Current					
Cash and cash equivalents	\$ 1,441,151	\$ -	\$ 37,109	\$ 1,478,260	\$ 5,238,822
Receivables (Note 4)	3,173,468	1,696,122	16,869	4,886,459	3,872,662
Inventories	345,123	-	-	345,123	343,940
Prepays	179,776	-	-	179,776	312,668
	<u>5,139,518</u>	<u>1,696,122</u>	<u>53,978</u>	<u>6,889,618</u>	<u>9,768,092</u>
Long term receivables (Notes 4, 8)	6,064,948	193,122	-	6,258,070	5,735,349
Land, buildings and equipment (Note 5)	-	55,319,945	-	55,319,945	54,631,817
	<u>\$ 11,204,466</u>	<u>\$ 57,209,189</u>	<u>\$ 53,978</u>	<u>\$ 68,467,633</u>	<u>\$ 70,135,258</u>
Liabilities					
Current					
Payables and accruals	\$ 6,047,055	\$ 1,175,547	\$ -	\$ 7,222,602	\$ 9,305,923
Deferred revenue (Note 6)	1,270,286	-	-	1,270,286	1,364,319
Due to (from) other funds	(1,521,827)	1,528,864	(7,037)	-	-
Advance from province (Note 7)	-	374,247	-	374,247	374,247
	<u>5,795,514</u>	<u>3,078,658</u>	<u>(7,037)</u>	<u>8,867,135</u>	<u>11,044,489</u>
Employee future benefits (Note 8)	4,995,933	-	-	4,995,933	4,670,181
	<u>10,791,447</u>	<u>3,078,658</u>	<u>(7,037)</u>	<u>13,863,068</u>	<u>15,714,670</u>
Net assets (Note 13)					
Invested in capital assets	-	53,573,168	-	53,573,168	52,792,863
Internally restricted (Note 11)	-	261,310	-	261,310	248,931
Externally restricted (Note 12)	-	296,053	61,015	357,068	1,054,698
Unrestricted	413,019	-	-	413,019	324,096
	<u>413,019</u>	<u>54,130,531</u>	<u>61,015</u>	<u>54,604,565</u>	<u>54,420,588</u>
	<u>\$ 11,204,466</u>	<u>\$ 57,209,189</u>	<u>\$ 53,978</u>	<u>\$ 68,467,633</u>	<u>\$ 70,135,258</u>

Commitments (Note 14)
Contingent liability (Note 15)

On Behalf of the Board


Chairman



Chief Executive Officer

Cumberland Health Authority
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Fund	Externally Restricted Funds	2011 Total	2010 Total
Revenues					
Province of Nova Scotia	\$ 58,367,098	\$ 1,980,270	\$ -	\$ 60,347,368	\$ 57,999,836
Non-resident billings	2,484,173	-	-	2,484,173	2,317,325
Preferred Accomodation/ Alternative Level Care	855,434	-	-	855,434	806,094
Foundations/Auxiliary (Note 4)	83,584	514,334	24,000	621,918	779,852
Federal government	457,340	-	-	457,340	447,774
Cafeteria	197,889	-	-	197,889	178,922
Parking (Note 11)	-	178,575	-	178,575	172,306
Other income	76,430	40,222	26,797	143,449	248,364
Workers Compensation Board	94,038	-	-	94,038	119,039
	<u>62,615,986</u>	<u>2,713,401</u>	<u>50,797</u>	<u>65,380,184</u>	<u>63,069,512</u>
Expenses					
Compensation (Notes 8, 9)	44,648,637	-	-	44,648,637	42,987,058
Purchased services	5,881,092	-	-	5,881,092	5,571,427
Plant maintenance/utilities	4,337,062	-	-	4,337,062	4,246,625
Amortization	-	2,545,144	-	2,545,144	2,438,509
Medical/surgical supplies	1,885,085	-	-	1,885,085	1,772,572
Pharmaceutical	1,253,433	-	-	1,253,433	1,121,401
Diagnostic and therapeutic services	1,173,339	-	-	1,173,339	1,141,001
Travel and education	1,029,376	-	-	1,029,376	1,193,139
Environmental services	719,567	-	-	719,567	851,033
Dietary	578,473	-	-	578,473	660,815
Retirement allowance expense (Note 8)	492,427	-	-	492,427	572,948
Other	297,525	-	67,500	365,025	552,610
Office supplies	287,547	-	-	287,547	307,623
	<u>62,583,563</u>	<u>2,545,144</u>	<u>67,500</u>	<u>65,196,207</u>	<u>63,416,761</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ 32,423</u>	<u>\$ 168,257</u>	<u>\$ (16,703)</u>	<u>\$ 183,977</u>	<u>\$ (347,249)</u>

Cumberland Health Authority
Statement of Changes in Net Assets
Year Ended March 31

	Operating Fund	Capital Fund	Externally Restricted Funds <i>(Note 12)</i>	2011 Total	2010 Total
Balance, beginning of period	\$ 324,096	\$ 54,018,774	\$ 77,718	\$ 54,420,588	\$ 54,764,755
Excess of revenues over expenses (expenses over revenues)	32,423	168,257	(16,703)	183,977	(344,167)
Transfer from Capital Fund ⁽¹⁾	56,500	(56,500)	-	-	-
Balance, end of period	<u>\$ 413,019</u>	<u>\$ 54,130,531</u>	<u>\$ 61,015</u>	<u>\$ 54,604,565</u>	<u>\$ 54,420,588</u>

⁽¹⁾ The transfer from the Capital Fund to the Operating Fund is for equipment maintenance costs expensed in the Operating Fund.

Cumberland Health Authority
Statement of Cash Flows
Year Ended March 31

	2011	2010
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenditures - Operating Fund	\$ 32,423	\$ 143,608
Excess of expenses over revenues - Capital Fund	168,257	(472,363)
Excess of expenses over revenues - Special Funds	<u>(16,703)</u>	<u>(15,412)</u>
	183,977	(344,167)
Non-cash item: amortization expense	2,545,144	2,438,509
Change in non-cash working capital		
Receivables	(1,536,518)	(241,459)
Inventories	(1,183)	(37,412)
Prepays	132,892	19,670
Payables and accruals	(1,757,568)	2,481,195
Deferred revenue	(94,033)	<u>(26,545)</u>
Cash generated from operations	<u>(527,289)</u>	<u>4,289,791</u>
Financing and investing		
Purchase of capital assets	<u>(3,233,273)</u>	<u>(1,483,650)</u>
Net increase (decrease) in cash and cash equivalents	(3,760,562)	2,806,141
Cash and cash equivalents, beginning of period	<u>5,238,822</u>	<u>2,432,681</u>
Cash and cash equivalents, end of period	<u>\$ 1,478,260</u>	<u>\$ 5,238,822</u>

CUMBERLAND HEALTH AUTHORITY

Notes to Financial Statements

Year Ended March 31, 2011

1. NATURE OF OPERATIONS

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services. The Cumberland Health Authority is a registered charity under the Income Tax Act of Canada and therefore is exempt from income tax.

2. HEALTH AUTHORITIES ACT

Cumberland Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Estimates include amortization of capital assets, allowance for doubtful accounts, accruals, as well as the actuarial and economic assumptions used in calculating the cost of defined benefit pension plans, the accrued benefit obligation and pension plan assets.

Fund accounting

The Cumberland Health Authority follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administration activities. This fund reports unrestricted resources and restricted operating contributions.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets.

Externally Restricted Funds report the assets, liabilities, revenues and expenses related to special bursaries and funds as well as contributions to the Endowment Fund.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

(continues)

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund in the year received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Investment income earned on externally restricted funds that must be spent on the fund's activity is recognized as revenue of the restricted fund. Other investment income is recognized as revenue of the Operating Fund when earned.

Cafeteria revenue is recognized at the point of sale when the product is provided to customers.

Inventories

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific identification for pharmaceuticals.

Land, buildings and equipment

Assets purchased during the period are recorded in the Capital Fund at cost. Amortization is charged to the Capital Fund on a straight line basis at the following rates:

Land improvements	5%
Buildings	2%
Equipment	5-20%

Amortization is not recorded on construction in progress until the projects are completed.

Compensation accruals

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and similar amounts. A benefit rate of 18% is used in the calculation of the payroll related accruals.

(continues)

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement allowances and post retirement benefits

The Authority pays allowances to employees upon retirement and certain employees are entitled to cost-sharing on health benefits following retirement. Annually, the values to record the liability and expenses are provided by the Department of Finance based on third party actuarial valuations. The Department of Finance fully funds these liabilities, therefore an offsetting receivable balance is recorded.

The actuarial determination of the accrued benefit obligations for retirement benefits uses the projected benefit method prorated on service (which incorporates estimates of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period. Past service costs arising from plan amendments, experience gains and losses, and assumption changes are deferred and amortized on a straight-line basis over the average remaining service period of employees.

Financial Instruments

The Cumberland Health Authority elects to disclose its exposure to risk and its risk management policies in accordance with CICA 3861, Financial Instruments – presentation and disclosure.

4. PLEDGES RECEIVABLE

The Cumberland Health Care Foundation has pledged to fund certain capital equipment in two installments to be received in March, 2012 and March, 2013. A receivable for this contribution has been recognized in the Capital Fund as follows:

	2011
Receivables	\$ 193,122
Long term receivables	193,122
	\$ 386,244

Included in Foundations/Auxilliary revenue - Capital Fund

5. LAND, BUILDINGS AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land	\$ 353,785	\$ -	\$ 353,785	\$ 353,785
Land improvements	1,350,434	623,908	726,526	794,047
Buildings	61,571,185	13,246,991	48,324,194	49,470,022
Equipment	11,273,441	7,471,362	3,802,079	3,919,472
Construction in progress	2,113,361	-	2,113,361	94,491
	\$ 76,662,206	\$ 21,342,261	\$ 55,319,945	\$ 54,631,817

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

6. DEFERRED REVENUE

	2011	2010
Deferred revenue, beginning of year	\$ 1,364,319	\$ 1,390,864
Funding received in the year	1,748,694	1,756,417
Less amount spent in the year	(1,842,727)	(1,782,962)
Deferred revenue, end of year	\$ 1,270,286	\$ 1,364,319

7. ADVANCE FROM PROVINCE

A 2003 advance from the Province of Nova Scotia is non-interest bearing, with no set terms of repayment

8. EMPLOYEE FUTURE BENEFITS

The Cumberland Health Authority has provided for retirement obligations and post retirement benefits as follows:

	Allowance	Benefits	2011	2010
<u>Accrued benefit obligation</u>				
Balance, beginning of year	\$ 3,141,346	\$ 1,528,835	\$ 4,670,181	\$ 4,532,407
Current service cost for the year	299,400	75,900	375,300	363,700
Amortization of experience gain	213,411	(11,974)	201,437	45,869
Interest cost during the year	207,125	68,500	275,625	270,700
Estimated fiscal payments for employees	(482,580)	(44,030)	(526,610)	(542,495)
Balance, end of year	\$ 3,378,702	\$ 1,617,231	\$ 4,995,933	\$ 4,670,181

Long term receivables in the Operating Fund include employee future benefits of \$5,000,411 (2010 - \$4,741,469).

The significant actuarial assumptions adopted in measuring the Health Authority's employee future benefits are as follows (weighted-average assumptions):

	2011	2010
Discount rate	4.75%	4.75%
Average age of employees	46.4	45.9
Expected average remaining service life	10.2	10.3
Average years of service	12.9	12.9
Rate of compensation increase	2.65%	2.65%

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

9. PENSION PLANS

The Cumberland Health Authority contributes to the following pension plans on behalf of its employees.

- i) A multi-employer defined benefit plan, administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at October 31, 2010, which indicated a funded liability. The Authority bears no direct financial responsibility for the liability of the plan.
- ii) A defined benefit plan, administered by the Province of Nova Scotia. The most recent actuarial valuations were conducted as at December 31, 2009 and which indicated 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 amounted to \$3,083,026 (2010 - \$2,793,943) and is included in compensation expense.

10. CREDIT FACILITIES

The Authority has an arrangement with a financial institution for an unsecured operating line of credit totaling \$1,000,000, bearing interest at the prime rate. The credit facility renewal date is April 1, 2011.

11. INTERNALLY RESTRICTED NET ASSETS

The Cumberland Health Authority's board of directors has internally restricted parking revenues to be used for equipment purchases for the Cumberland Regional Health Care Centre. The internally restricted fund balance represents the unspent portion of parking fee revenue and is not available for other purposes without approval of the board of directors.

	<u>2011</u>	<u>2010</u>
Opening balance, internally restricted net assets	\$ 248,931	\$ 186,181
Parking receipts	178,575	172,306
Equipment purchases	<u>(166,196)</u>	<u>(109,556)</u>
Ending balance, internally restricted net assets	<u>\$ 261,310</u>	<u>\$ 248,931</u>

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

12. EXTERNALLY RESTRICTED NET ASSETS

The major categories of externally imposed restrictions on net assets are as follows:

	2011	2010
Restricted for capital asset purchases	\$ 296,053	\$ 976,980
Bayview Endowment Fund	3,000	3,000
NCMH Fund	34,110	33,813
Bursary Fund	23,905	40,905
	61,015	77,718
Grand total	\$ 357,068	\$ 1,054,698

The Health Authority received \$296,053 in contributions for construction projects not complete at year end and for equipment not yet purchased. The Bursary Fund received \$50,500 (2010 - \$40,905) in contributions and paid out \$67,500, net of reimbursements (2010 - \$64,518). The NCMH Fund earned \$297 (2010 - \$106) of investment income.

13. MANAGEMENT OF NET ASSETS

The Health Authority's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mission of the provision of a high standard of health care within Cumberland County. It achieves its objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its annual budget. When necessary, the Health Authority takes prompt action to reduce expenditures when actual revenues do not meet its budget and alternate sources of revenue cannot be found. The Health Authority maintains an available line of credit (Note 10) to meet short term liquidity needs.

As of March 31, 2011, the Health Authority was in compliance with all externally imposed restrictions.

14. COMMITMENTS

Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2012	\$ 1,306,200
2013	1,101,500
2014	985,800
2015	411,100
2016	146,900

CUMBERLAND HEALTH AUTHORITY
Notes to the Financial Statements
Year Ended March 31, 2011

15. CONTINGENT LIABILITY

The Health Authority may, from time to time, be involved in legal proceedings, claims and litigation arising in the normal course of operations. As of March 31, 2011, management believes it is not exposed to material, adverse impact on its financial position as a result of any such claims.

16. RELATED ENTITIES

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor, to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2011 are available from the individual financial statements of the related entities.

17. FINANCIAL INSTRUMENTS

The Health Authority's financial instruments consist of cash and cash equivalents, receivables, long term receivables, payables and accruals, and advance from province. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short-term nature, most financial instruments are carried at amounts which are considered to approximate their fair value, unless otherwise noted. The fair value of the advance from province and long term receivables cannot be determined as they are non-interest bearing with no set terms of repayment.

The Authority does not enter into hedging activities and does not engage in derivative transactions.

18. COMPARATIVE FIGURES

Certain of the comparative figures for 2010 have been restated to conform to current year's presentation.
