Consolidated Financial Statements

Capital District Health Authority

[Operating as Capital Health]
March 31, 2013

MANAGEMENT'S REPORT

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

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

The Board of Directors [the "Board"] are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board through its sub committees (Sustainability Committee & Audit Committee) reviews internal monthly financial statements on a regular basis and external audited consolidated financial statements yearly.

The external auditors, Ernst & Young LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Capital District Health Authority and meet when required.

On behalf of Capital District Health Authority:

Amanda Whitewood
Vice-President, Sustainability & Chief Financial Officer

Chris Power
President & Chief Executive Officer

June 6, 2013.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Capital District Health Authority

We have audited the accompanying consolidated financial statements of the **Capital District Health Authority [the "Authority"]**, which comprise the consolidated statements of financial position as at March 31, 2013 and 2012, and April 1, 2011 and the consolidated statements of operations, remeasurement gains, change in net financial debt and cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2013 and 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 2012 in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Halifax, Canada,
June 6, 2013.

Chartered Accountants

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31
[in thousands]

	Note	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
			[Restated – Note 2]	[Restated – Note 2]
Financial assets				
Cash and cash equivalents		**(2,597)**	4,860	(4,420)
Accounts receivable		**39,243**	44,159	32,675
Due from Department of Health and Wellness		**32,305**	35,530	34,874
Due from Department of Finance	*8*	**180,691**	164,607	154,580
Due from Foundations		**6,457**	9,919	10,737
Restricted cash and portfolio investments	*5*	**34,250**	33,088	31,897
Portfolio investments		**26,359**	29,051	25,423
Investment in Partners for Care	*13*	**7**	(948)	(227)
		316,715	320,266	285,539
Liabilities				
Accounts payable and accrued liabilities		**105,136**	102,773	82,891
Restricted liabilities		**34,250**	33,088	31,897
Employee future benefits	*8*	**174,902**	162,487	152,126
Vested sick-leave benefits	*8*	**2,111**	1,789	1,532
Due to PDDP		**539**	(778)	(1,613)
Deferred operating revenue	*7*	**540**	28,994	28,443
Deferred capital revenue	*7*	**210**	387	11
Long-term debt	*12*	**8,738**	9,567	10,165
Obligations under capital leases	*12*	**896**	1,105	1,509
		327,322	339,412	306,961
Net financial debt		**(10,607)**	(19,146)	(21,422)
Non-financial assets				
Capital assets	*6*	**284,230**	258,939	279,257
Construction in progress	*6*	**5,379**	41,122	10,056
Inventories of supplies	*4*	**12,239**	14,258	12,031
Prepaid expenses		**2,785**	3,112	2,716
		304,633	317,431	304,060
Accumulated surplus	*2, 16*	**294,026**	298,285	282,638
Accumulated surplus is comprised of:				
Accumulated surplus		**292,790**	296,829	282,638
Accumulated remeasurement gains		**1,236**	1,456	-

See accompanying notes

On behalf of the Board: Director Director

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31
[in thousands]

	Note	Budget $ [Note 19]	2013 $	2012 $ [Restated – Note 2]
REVENUE				
Province of Nova Scotia				
Operating grants		771,311	793,106	778,304
Capital grants		-	14,369	26,763
Federal Government				
Operating grants		28,535	28,535	27,104
Revenue from other sources				
Capital grants		-	13,856	22,712
Operating grants		46,236	46,087	46,474
Recoveries		-	49,040	42,404
Investment revenue		1,500	1,814	1,471
Income (loss) from Partners for Care	*13*	-	955	(721)
Total revenue		847,582	947,762	944,511
EXPENSES				
Acute Person Centred Health		377,542	393,598	383,459
Community & Emergency Health		250,190	263,151	253,782
Sustainability & CFO		126,008	147,116	145,520
Medicine		39,605	53,719	55,967
People Support		19,010	20,133	20,213
Utilities		15,601	21,677	18,316
Provincial Programs		11,330	12,112	11,874
Performance Excellence		4,092	3,902	4,126
Stakeholder Engagement and Accountability		2,342	2,140	2,378
Innovation and Learning		671	518	559
Interest	*12*	1,191	489	579
Amortization	*6*	-	33,246	33,547
Total expenses		847,582	951,801	930,320
Net surplus (deficit) from operating and capital activities		-	(4,039)	14,191
Accumulated surplus, beginning of year	*2,16*		296,829	282,638
Accumulated operating surplus, end of year			292,790	296,829

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS

Year ended March 31
[in thousands]

	2013 $	2012 $
		[Restated – Note 2]
Accumulated remeasurement gains on derivative financial instruments, beginning of period	**1,456**	**-**
Remeasurement gains (losses) arising during the period		
Unrealized (loss) gain on portfolio investments	**(220)**	1,456
Net remeasurement (losses) gains for the period	**(220)**	1,456
Accumulated remeasurement gains on derivative financial instruments, end of period	**1,236**	1,456

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT

Year ended March 31
[in thousands]

	Note	Budget $	2013 $	2012 $ [Restated – Note 2]
Net (deficit) surplus		-	**(4,039)**	14,191
Change in tangible capital assets				
Acquisition of tangible capital assets	*6*	-	**(22,861)**	(44,295)
Amortization of tangible capital assets	*6*	-	**33,246**	33,547
Amortization of non-operating tangible capital assets		-	**14**	-
Write-downs on tangible capital assets	*6*	-	**53**	-
Decrease (increase) in tangible capital assets		-	**10,452**	(10,748)
Change in other non-financial assets				
Net change in inventories	*4*	-	**2,019**	(2,227)
Net change in prepaid expenses		-	**327**	(396)
Decrease (increase) in other non-financial assets		-	**2,346**	(2,623)
Remeasurement (losses) gains		-	**(220)**	1,456
Decrease in net financial debt		-	**8,539**	2,276
Net financial debt at beginning of year			**(19,146)**	(21,422)
Net financial debt at end of year			**(10,607)**	(19,146)

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
[in thousands]

	Note	2013 $	2012 $ [Restated – Note 2]
OPERATING ACTIVITIES			
Annual (deficit) surplus		**(4,039)**	14,191
Items not affecting cash including amortization		**33,026**	35,003
Employee future benefits	*8*	**12,737**	10,618
Prepaid expenses		**327**	(396)
Change in deferred revenue	*7*	**(28,631)**	927
Other		**687**	(5,755)
Cash provided by operating activities		**14,107**	54,588
CAPITAL ACTIVITIES			
Cash used to acquire tangible capital assets	*6*	**(24,955)**	(41,399)
Cash applied to capital activities		**(24,955)**	(41,399)
FINANCING ACTIVITIES			
Debt retirement	*12*	**(1,038)**	(1,002)
Cash applied to financing activities		**(1,038)**	(1,002)
INVESTING ACTIVITIES			
Proceeds from disposals and redemptions of portfolio investments		**2,692**	3,628
Portfolio investments		**-**	(3,628)
Restricted funding		**1,162**	1,191
Investment in Partners for Care	*13*	**(955)**	721
Cash provided by investing activities		**2,899**	1,912
(Decrease) increase in cash and cash equivalents		**(8,987)**	14,099
Cash and cash equivalents, beginning of year		**66,999**	52,900
Cash and cash equivalents, end of year		**58,012**	66,999
Cash and cash equivalents are composed of:			
Cash and cash equivalents		**(2,597)**	4,860
Portfolio Investments		**26,359**	29,051
Restricted cash and cash equivalents		**34,250**	33,088
		58,012	66,999

See accompanying notes

Capital District Health Authority
[Operating as Capital Health]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013
[in thousands]

1. Nature of the Organization

Effective January 1, 2001, Bill 34 of the Province of Nova Scotia created the Capital District Health Authority ["Capital Health"]. Capital Health includes the QEII Health Sciences Centre ["QEII"], Nova Scotia Hospital ["NSH"] and the former Central Regional Health Board ["CRHB"]. Collectively, these organizations provide core health services to 43% of the population of Nova Scotia, and tertiary and quaternary acute services to residents of Atlantic Canada. These services are grouped into the key areas such as medical and surgical care, mental health care, community health programs, addiction prevention and treatment and environmental health services.

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

2. Conversion to Public Sector Accounting Standards

Commencing with the 2012/2013 fiscal year, Capital Health has adopted Canadian public sector accounting ["PSA"] standards. These consolidated financial statements are the first consolidated financial statements for which Capital Health has applied Canadian public sector accounting standards.

The impact of the conversion to Canadian public sector accounting standards on the accumulated surplus/deficit at the date of transition and the comparative annual surplus is presented in note 16. These accounting changes have been applied retroactively with restatement of prior periods. The following changes have been implemented to comply with PSAB:

	Previously Stated April 1, 2011 $	Adjustment April 1, 2011 $	Restated April 1, 2011 $
Due from Department of Finance	153,048	1,532	154,580
Vested sick-leave benefits	-	1,532	1,532
Deferred capital revenue	4,212	(4,201)	11
Investment in Partners for Care	-	227	227
Accumulated surplus	278,664	3,974	282,638

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2. Conversion to Public Sector Accounting Standards (cont'd)

The conversion to PSA standards also had an impact on the operating surplus reported on the consolidated statement of operations for the year ended March 31, 2012. The following reconciliation shows the adjustment to previously stated operating surplus to restated operating surplus:

Previously stated operating surplus - March 31, 2012	26
Adjustments:	
Unrealized gain on investments	(1,456)
Deferred capital revenue	8,075
Amortization of capital fund	(33,132)
Capital funding	41,399
Loss from Partners for Care	(721)
Restated operating surplus - March 31, 2012	$ 14,191

Capital Health has elected the exemption to apply the modified equity method to its investment in Partners for Care, a government business enterprise, prospectively from the date of transition.

The transition to PSA standards did not result in any material changes to the consolidated statement of cash flows.

3. Summary of Significant Accounting Policies

a. Basis of accounting

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

b. Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenue, and expenses of the reporting entity, which is composed of all organizations that are controlled by Capital Health.

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3. Summary of Significant Accounting Policies (cont'd)

Capital Health consolidates its investment in a government business enterprise using the modified equity method. This business enterprise is Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care.

Under the modified equity method of accounting, only Capital Health's investment in the business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Capital Health, except that any other comprehensive income of the business enterprise is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and 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.

d. Temporary investments

Temporary investments include short-term investments recorded at the lower of cost or market value.

e. Portfolio investments

Portfolio investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the consolidated statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are reclassified to the consolidated statement of operations upon disposal or settlement.

All investment transactions are recorded on a trade date basis.

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3. Summary of Significant Accounting Policies (cont'd)

f. Restricted cash and investments and restricted liabilities

Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at fair value. The corresponding restricted liability represents the unexpended fund balance.

g. Employee future benefits/Due from Department of Finance

i. Employee future benefits include retirement allowances/public service awards paid to employees upon retirement, health and life insurance, as well as three separate pension funds. A liability for employee future benefits has been included in the consolidated financial statements in the current year. The Province of Nova Scotia funds the employees' retirement allowances so a receivable for the same amount has been recorded from the Department of Finance.

ii. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

The methods used in this valuation of costs and obligations were selected by Government Accounting in accordance with the requirements of PSAB Section 3255.

Government Accounting has selected the assumptions used in the valuation of plan costs and obligations. They are management's best estimate assumptions, selected for accounting purposes, in accordance with Section 3255 of the PSAB Handbook. These assumptions are in accordance with accepted actuarial practice. The Province of Nova Scotia funds the employees' sick leave benefits so a receivable for the same amount has been recorded from the Department of Finance.

h. Deferred revenue

Certain amounts are 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.

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

3. Summary of Significant Accounting Policies (cont'd)

i. 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.

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs [e.g. insurance, maintenance costs, etc.]. The discount rate used to determine the present value of the lease payments is the lower of Capital Health's rate for incremental borrowing or the interest rate implicit in the lease. Note 12 provides a schedule of repayments and amount of interest on the leases.

Capital assets are recorded at cost and depreciated on the straight-line basis at the following annual rates:

Halifax Infirmary building	50 years
Dartmouth General Hospital and Hants Hospital building	40 years
Parking garage	40 years
Other buildings	20-50 years
Equipment	10 years
Leasehold improvements	10 years
Parking equipment	10 years
Information technology	5 years
Paving	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Capital 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.

Contributed capital assets are recorded into revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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3. Summary of Significant Accounting Policies (cont'd)

j. Inventories of supplies

Inventories of supplies include drugs, linen, medical, surgical and general supplies, and are recorded at the lower of historical cost and replacement cost *[see Note 4]*.

k. Prepaid expenses

Prepaid expenses include maintenance, support costs, memberships and subscriptions, and are charged to expense over the periods expected to benefit from it.

l. Revenue

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenue is recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers (revenue from non-exchange transactions) are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all stipulations have been met.

m. Expenses

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

n. Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

3. Summary of Significant Accounting Policies (cont'd)

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

4. Inventories of Supplies

	2013 $	2012 $
Drugs	**5,122**	6,246
Medical and surgical	**3,670**	4,476
Linen	**2,017**	2,152
General supplies	**1,430**	1,384
	12,239	14,258

5. Restricted Cash and Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 3. For the fiscal year 2012/2013, research and restricted revenue totalled $18,583 [2012 - $19,304] and research expenses totalled $17,420 [2012 - $18,113], resulting in a net increase of $1,162 [2012 - $1,191].

Long-term Restricted Liabilities	**2013** **$**	**2012** **$**
Centre for Clinical Research	**26,667**	25,725
Other	**7,583**	7,363
	34,250	33,088

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6. Capital Assets

	2013		2012	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	$	$	$	$
Land and land improvements	1,170	156	1,170	156
Buildings and leaseholds	385,302	201,864	348,813	186,860
Equipment	341,396	254,304	319,813	238,166
Assets under capital lease	4,415	2,663	4,415	2,133
Information technology	52,336	49,789	51,885	48,505
Parking equipment and paving	332	332	332	332
Parking garage	11,000	2,613	11,000	2,337
Construction in progress	5,379	-	41,122	-
	801,330	511,721	778,550	478,489
Less: accumulated depreciation	511,721		478,489	
Net Book Value	289,609		300,061	

Additions and Disposals

	2013		2012	
	Additions	Disposals	Additions	Disposals
	$	$	$	$
Land and land improvements	-	-	-	-
Buildings and leaseholds	746	-	31,687	-
Equipment	21,665	53	12,346	-
Assets under capital lease	-	-	-	-
Information technology	451	-	261	-
Parking equipment and paving	-	-	-	-
Parking garage	-	-	-	-
Non-operating tangible capital assets	-	-	-	-
Totals	22,862	53	44,294	-

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6. Capital Assets (cont'd)

Amortization

	2013 Amortization	2012 Amortization
	$	$
Land and land improvements	-	-
Buildings and leaseholds	**15,004**	15,928
Equipment	**16,152**	15,641
Assets under capital lease	**530**	531
Information technology	**1,284**	1,172
Parking equipment and paving	-	-
Parking garage	**276**	275
Non-operating tangible capital assets	**14**	-
Total	**33,260**	33,547

Construction in Progress
Construction in progress is included above in capital assets with the majority of the costs associated with the following large projects: Physiologic Monitoring System [$1,000], Cancer Care Registry [$650], Transfer Switch at Musquodoboit Valley Memorial Hospital [$610], Elevator Upgrade at Dartmouth General Hospital [$486], Innovative Care Flexible Facilities Development [$387], Bar-code Specimen Tracking System [$360] [2012 c Radiation Wait Times $15,220, Bungalows $8,671, Heritage Gas $6,674, Two Cardiac Cath Labs $3,803, OR Lighting Upgrades $1,214, Digital Radiographic/Fluoroscopic Unit $620, Cancer Care Registry $427].

7. Deferred Revenue

Deferred operating revenue of $535 [2012 – $28,994] represents advance funding received in the current year from the Department of Health for the 2013/14 fiscal year and other program deferred funding. Deferred capital revenue of $210 [2012 – $387 restated] represents the advance funding received for capital equipment that will be purchased subsequent to March 31, 2013.

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7. Deferred Revenue (cont'd)

	Balance at beginning of year $	Receipts during year $	Transferred to revenue $	Balance at end of year $
	[Restated – Note 2]			
Deferred operating revenue	28,994	8	(28,462)	540
Deferred capital revenue	387	1,238	(1,415)	210
	29,381	1,246	(29,877)	750

8. Employee Future Benefits

Retiring allowances

Retiring allowances paid to employees upon retirement are actuarially determined. The retiring allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Board ["PSAB"] Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of 10 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; therefore, a corresponding accounts receivable amount is recorded. Under 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 contributed to the organization. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards. The most recent actuarial valuation was conducted as at September 30, 2010.

8. Employee Future Benefits (cont'd)

Capital Health has provided for retiring allowances as follows:

	2013 $	2012 $
Accrued benefit liability		
Beginning balance, retiring allowances	**59,735**	56,558
Current service cost for the year	**4,756**	4,523
Interest cost during the year	**3,244**	3,391
Amortization of experience loss	**717**	-
Unamortized actuarial gains	**1,503**	1,743
Estimated fiscal payments for employees	**(6,465)**	(6,480)
Ending balance, retiring allowances	**63,490**	59,735

	2013 $	2012 $
Employee future benefits retiring expense		
Current service costs	**4,756**	4,523
Interest on accrued benefits	**3,244**	3,391
Amortization of experience loss	**717**	-
Unamortized actuarial loss	**1,503**	1,743
	10,220	9,657

The significant actuarial assumptions adopted in measuring Capital Health's retirement allowances are as follows [weighted average assumptions] as at March 31, 2013:

Retiring Allowances

	2013 $	2012 $
Discount rate	**4.30%**	4.75%
Retirement % at age 65	**25.0%**	25.0%
Average age of employees	**45.2**	45.2
Average age of service	**10**	10
Future mortality rate	**[none assumed]**	[none assumed]
Rate of compensation increase [based on average]	**2.40%**	2.65%

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8. Employee Future Benefits (cont'd)

Total retiring allowances paid to employees are as follows:

	2013 $	2012 $
Employer contributions	6,465	6,480

Health and life insurance

Capital Health provides health and life insurance benefits to employees upon retirement. Under Union Collective agreements, employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. Capital Health contributes to the cost of these premiums. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards. The most recent actuarial valuation was conducted as at December 31, 2010.

The health and life insurance value is calculated by the Provincial Department of Finance for Capital Health. It is calculated using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Board ["PSAB"] Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 12 years for most employees and 9 years for those in the NSNU plan. 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; therefore, a corresponding accounts receivable balance is recorded.

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

	2013 $	2012 $
Accrued benefit liability		
Beginning balance, health and life	102,752	95,568
Current service cost for the year	5,247	4,393
Interest cost during the year	4,769	4,391
Amortization of experience loss	2,916	2,732
Unamortized actuarial gain	(2,556)	(2,599)
Estimated fiscal payments for employees	(1,716)	(1,733)
Ending balance, health and life	111,412	102,752

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8. Employee Future Benefits (cont'd)

	2013 $	2012 $
Employee future benefits health and life expense		
Current service costs	**5,247**	4,393
Interest on accrued benefits	**4,769**	4,391
Amortization of experience loss	**2,916**	2,732
Unamortized actuarial loss	**(2,556)**	(2,599)
	10,376	8,917

The significant actuarial assumptions adopted in measuring Capital Health's health and life insurance are as follows [weighted-average assumptions] as at March 31, 2013:

Health and Life

	2013	2012
Discount rate	**4.30%**	4.75%
Retirement rate at age 65	**25%**	25%
Participation rate – Health	**80%**	80%
Participation rate – Life	**80%**	80%
Future mortality rate	**[UP94, future improvements in accordance with scale AA]**	
Rate of compensation increase	**2.5% Plus Prom. Increase**	

Non-vested sick-leave benefits

Capital Health provides vested sick-leave payouts to the Nova Scotia Nurses' Union ["NSNU"] employees. The NSNU 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 benefit costs and liabilities related to the plan are included in the consolidated financial statements.

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8. Employee Future Benefits (cont'd)

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

	2013 $	2012 $
Accrued benefit liability		
Beginning balance, non-vested sick-leave benefits	**1,789**	1,532
Current service cost for the year	**453**	423
Interest cost during the year	**84**	77
Estimated fiscal payments for employees	**(215)**	(243)
Ending balance, non-vested sick-leave benefits	**2,111**	1,789

	2013 $	2012 $
Employee future benefits, non-vested sick-leave benefits		
Current service costs	**453**	423
Interest on accrued benefits	**84**	77
	537	500

The significant actuarial assumptions adopted in measuring Capital Health's non-vested sick-leave benefits are as follows [weighted-average assumptions] as at March 31, 2013:

Non-vested Sick-leave Benefits

	2013	2012
Discount rate	**4.30%**	4.75%
Retirement rate at age 65	**25%**	25%
Future mortality rate	**[UP94, future improvements in accordance with scale AA]**	
Rate of compensation increase	**2.5% Plus Prom. Increase**	

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8. Employee Future Benefits (cont'd)

	2013 $	2012 $
Employee future benefit summary		
Ending balance, retiring allowance	**63,490**	59,735
Ending balance, health and life	**111,412**	102,752
Ending balance, non-vested sick-leave benefits	**2,111**	1,789
Ending balance, employee future benefits	**177,013**	164,276

9. Pension Funds

Public Service Superannuation Fund
Most former employees of the Victoria General Hospital ["VGH"], Cancer Treatment and Research Foundation ["CTRF"], NSH, Public Health/Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ["the Plan"]. The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Health Association Nova Scotia
Employees of the former NSRC, Camp Hill Medical Centre ["CHMC"] and the Central Regional Health Board ["CRHB"] participate in the multi-employer Nova Scotia Health Employees' Pension Plan. The most recent actuarial valuation was conducted as at April 1, 2012 and showed a funding surplus for the entire plan of $444,067. Capital Health is not responsible for any unfunded liability in this plan.

Federal Superannuation Fund
A small group of employees of the former CHMC who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. Public Works and Government Services Canada administers the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

9. Pension Funds (cont'd)

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

	2013 $	2012 $
Employer contributions	**41,296**	38,643

10. Long-Term Disability Plan

Public Service Long-term Disability Plan Trust Fund
Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and Nova Scotia Government Employees Union. The most recent actuarial valuation was conducted as at December 31, 2010 and disclosed a funding excess of approximately $47,400. Capital Health is not responsible for any unfunded liability in this plan.

Health Association Nova Scotia
Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2011. This valuation indicates a funding excess of $6,135. Capital Health is not responsible for any unfunded liability in this plan.

Canada Life Plan
Employees of the former NSRC are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life. Capital Health is not responsible for any unfunded liability in this plan.

10. Long-Term Disability Plan (cont'd)

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

	2013 $	2012 $
Employer contributions	**5,461**	5,523

11. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years and thereafter ending March 31:

	$
2014	4,070
2015	3,549
2016	3,303
2017	3,212
2018	2,832
Thereafter in aggregate	11,348

12. Long-term Debt

	2013 $	2012 $
Term loan – parking garage	**7,154**	7,667
Department of Health loan [Cobequid Foundation]	**1,584**	1,900
Capital lease	**896**	1,105
	9,634	10,672

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

12. Long-term Debt (cont'd)

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this capital project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling $479.

Principal repayments for each of the next five years and thereafter are as follows:

	$
2014	1,088
2015	1,135
2016	1,153
2017	1,157
2018	1,002
Thereafter in aggregate	4,095

Interest expense relating to long-term debt is made up of the following two amounts: parking garage [$438] and capital lease [$51] [2012 – parking garage [$495] and capital lease [$84]].

13. Investment in Partners for Care

The Queen Elizabeth II Health Sciences Centre Auxiliary "Partners for Care" is a volunteer based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Capital Health through parking and retail services, rental activities and other special projects that generally take place within the hospital premises.

Refer to Schedule D for condensed supplementary financial information of Partners for Care that is part of Capital Health's reporting entity.

13. Investment in Partners for Care (cont'd)

The amounts included in these consolidated financial statements are as follows:

Consolidated Statement of Financial Position	2013 $	2012 $
Financial assets		
Investment in Partners for Care	7	(948)
Accumulated surplus (deficit)		
Accumulated surplus (deficit) of Partners for Care	7	(948)

Consolidated Statement of Operations	2013 $	2012 $
Revenue		
Income (loss) from Partners for Care	955	(721)

14. Related Parties

Within Capital Health geography there are seven foundations and one auxiliary. These organizations provide funding contributions for specific resources of Capital Health through fundraising activities. The balances due to and from related parties are non-interest bearing.

The following funding was recognized as revenue from each foundation and auxiliary for the year ended March 31:

	2013 $	2012 $
Related Parties		
QEII Health Sciences Centre Foundation	842	4,535
Cobequid Multi-purpose Centre Foundation	350	100
Dartmouth General Hospital Foundation	117	436
Hants Hospital Foundation	61	109
Partners for Care	-	5,085
Mental Health Foundation of Nova Scotia	-	700
Twin Oaks / Birches Healthcare Charitable Foundation	-	27

15. Financial Instruments

Investments consist of the following:

Investments at fair value	Fair value hierarchy level	March 31, 2013 $	March 31, 2012 $	April 1 2011 $
Short term investments	Level 2	**2,911**	-	1,362
Canadian government bonds	Level 2	**21,131**	24,355	20,696
Canadian corporate bonds	Level 2	**5,228**	4,696	4,727
Total investments		**29,270**	29,051	26,785

The fair value hierarchy level is provided to present the degree of objectivity of the fair values of the investment portfolio. The levels are defined as follows:

- Unadjusted quoted prices in an active market for an identical asset or liability (Level 1)
- Inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3)

Risk management
Capital 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, and liquidity risk. Capital Health's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Capital Health is subject to interest rate risk relating to the fixed-term investment portion of the portfolio, short-term borrowings and long-term debt.

15. Financial Instruments (cont'd)

Interest rate risk is mitigated through diversification of the investment portfolio and the use of fixed-rate financing where applicable.

A 1% change in the interest rates, all other variables held constant, would have a $74 impact on net assets and accumulated remeasurement gains (losses).

Capital Health has entered into fixed rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt. Capital Health does not have any variable interest rate debt.

The future annual payment requirements of Capital Health's obligations under its long-term debt are described in note 11.

Market risk
Market risk is the risk that the 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.

Capital Health authorizes BMO Nesbitt Burns Inc. to manage its short-term and long-term investment portfolio based on the established investment objectives to protect the purchasing power of the assets, while generating a stable stream of income. The debt must be a Canadian corporation or government and be rated 'A' or better by the Dominion Bond Rating Service or similar accredited bond rating services. Equities shall be of investment grade; a typical portfolio may be invested 70% in large capitalization stocks, 20% mid-cap and no more than 10% in small cap stocks. Venture capital and speculative securities shall not be permitted. No more than 10% of the equity/debt portion of the portfolio may be invested in the equity of any one corporation, government or agency, with the exception of the Government of Canada or guarantees of the Government of Canada.

A 10% change in the market prices of these investments, with all other variables held constant, would have a $2,636 impact on net assets and accumulated remeasurement gains (losses).

15. Financial Instruments (cont'd)

Credit risk
Capital Health is exposed to credit risk with respect to accounts receivable. Capital 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 as at March 31, 2013 amounts to $1,092 [2012 – $981].

The aging of trade accounts receivable was as follows:

	2013 $	2012 $
Current	**21,523**	22,427
61-90 days	**2,211**	1,067
90-120 days	**1,436**	1,739
Greater than 120 days	**8,922**	10,591

Liquidity risk
Capital Health has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. Capital Health manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing 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.

Accounts payable mature within 60 days. The maturities of other financial liabilities are provided in notes to the consolidated financial statements related to these liabilities.

Capital management
In managing capital, Capital 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, 2013, Capital Health has met its objective of having sufficient liquid resources to meet its current obligations.

The short-term investment policy of the Capital Health Board of Directors ensures that available cash flows are invested to earn the maximum interest income with minimum to low risk to the principal value of the assets invested.

15. Financial Instruments (cont'd)

Contributions to the Centre for Clinical Research ["CCR"] Fund represents money that is available for spending at any time to meet the needs of the CCR and individual research investigators, according to specific pre-approved terms of reference, and must be invested accordingly.

16. Accumulated Surplus

The accumulated surplus is made up as follows:

	2013 $	2012 $
Opening balance, accumulated surplus	296,829	282,638
Current year operating surplus	27	6,645
Current year capital surplus (deficit)	(5,021)	8,267
Income (loss) from Partners for Care	955	(721)
	292,790	296,829

17. Comparative Figures

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

18. Contingencies

Capital Health may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business, which Capital Health believes would not reasonably be expected to have a material adverse effect on its financial position.

19. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Capital Health Board of Directors. The variance between the 2013 budget and the 2013 actuals relates to the following unbudgeted items: recoveries - $49,040, future benefits and non-vested sick-leave benefits - $20,596 and amortization of capital assets - $33,246.

Capital District Health Authority
[Operating as Capital Health]

Schedule A

SCHEDULE OF REVENUE

Year ended March 31
[in thousands]

	2013 $	2012 $
		[Restated – Note 2]
Department of Health and Wellness	**786,557**	786,236
Recoveries	**49,040**	42,404
Federal government	**28,535**	27,104
Department of Finance	**20,918**	18,831
Non-resident billings	**17,672**	15,501
Other capital grants	**13,856**	22,712
Lab and support services	**9,670**	9,843
Preferred accommodation	**6,295**	6,153
Dietary	**5,727**	6,074
Workers' Compensation Board	**4,579**	3,835
Other operating grants	**2,144**	5,068
Investment income	**1,814**	1,471
Income (loss) from Partners for Care	**955**	(721)
Total revenue	**947,762**	944,511

Capital District Health Authority
[Operating as Capital Health]

Schedule B

SCHEDULE OF EXPENSES

Year ended March 31
[in thousands]

	2013 $	2012 $
		[Restated – Note 2]
Compensation	**619,328**	603,450
Medical/surgical supplies	**74,894**	74,721
Drugs	**61,857**	61,048
Plant maintenance/utilities	**57,467**	55,860
Amortization	**33,246**	33,547
Purchased services	**29,930**	27,439
Retiring allowance and benefits	**20,596**	18,831
Lab/diagnostic supplies	**18,775**	19,748
Other	**17,660**	17,839
Food and dietary supplies	**7,478**	7,605
Laundry and linen supplies	**6,528**	6,294
Freight and delivery	**3,553**	3,359
Interest	**489**	579
Total expenses	**951,801**	930,320

Capital District Health Authority **Schedule C**
[Operating as Capital Health]

SCHEDULE OF CHANGES IN CAPITAL

Year ended March 31
[in thousands]

	2013 $	2012 $
Capital Funding		
Department of Health	**14,746**	26,763
Operating Transfers for Capital	**7,724**	6,068
Foundations	**1,530**	5,881
Other	**955**	159
Partners for Care	**-**	2,528
Total capital funding	**24,955**	41,399
Capital Expenses		
Equipment	**11,496**	23,198
Leasehold improvements	**12,746**	17,323
Information technology	**713**	878
Total capital expenses	**24,955**	41,399

Capital District Health Authority **Schedule D**
[Operating as Capital Health]

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISE CONDENSED SUPPLEMENTARY FINANCIAL INFORMATION

Queen Elizabeth II Health Sciences Centre Auxiliary
[operating as Partners for Care]

BALANCE SHEET

Year ended March 31
[in thousands]

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
ASSETS			
Current			
Cash	1,254	-	190
Accounts receivable	278	258	224
Receivable from Capital Health	1,256	-	-
Inventory	313	280	325
Prepaid expenses	3	4	2
Total current assets	3,104	542	741
Capital assets, net	1,563	1,644	1,783
	4,667	2,186	2,524
LIABILITIES AND SURPLUS (DEFICIT)			
Current			
Bank indebtedness	-	34	-
Accounts payable and accrued liabilities	743	329	262
Current portion of capital lease	23	62	57
Payable to Foundations	3,600	-	-
Payable to Capital Health	-	2,686	2,347
Total current liabilities	4,366	3,111	2,666
Deferred revenue	294	-	
Capital lease	-	23	85
Total liabilities	4,660	3,134	2,751
Surplus (deficit)	7	(948)	(227)
	4,667	2,186	2,524

Capital District Health Authority
[Operating as Capital Health]

Schedule D

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISE CONDENSED SUPPLEMENTARY FINANCIAL INFORMATION (CONT'D)

Queen Elizabeth II Health Sciences Centre Auxiliary
[operating as Partners for Care]

STATEMENT OF OPERATIONS

Year ended March 31
[in thousands]

	2013 $	2012 $
REVENUE	**8,518**	8,440
COST OF SALES	**691**	706
EXPENSES	**3,060**	3,208
Excess of revenue over expenses before the following	**4,767**	4,526
Transfers to Capital Health	**-**	(5,056)
Transfers to Foundations	**(3,812)**	(191)
Increase in surplus (deficit)	**955**	(721)
Deficit, beginning of year	**(948)**	(227)
Surplus (deficit), end of year	**7**	(948)