



IWK Health Centre

Financial Statements

March 31, 2016



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Management's Report


The accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre") are the responsibility of management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the financial statements necessarily involves management's judgement and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

The Health Centre maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance, Audit & Risk Committee (the "Committee"). The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.



Tracy Kitch
President and Chief Executive Officer



Stephen D'Arcy
Chief Financial Officer

June 14, 2016

Independent auditor's report

To the Board of Directors of **The Izaak Walton Killam Health Centre**

We have audited the accompanying financial statements of The Izaak Walton Killam Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in accumulated surplus, changes in net debt, 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 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 Health Centre'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 Health Centre'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 the Health Centre as at March 31, 2016, and the results of its operations and changes in accumulated surplus, changes in net debt, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Other matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information disclosed in Note 3 is presented for purposes of additional information and is not required as part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.



Halifax, Canada
June 14, 2016

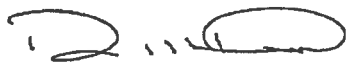
Chartered accountants

The Izaak Walton Killam Health Centre Statement of Financial Position

March 31 (expressed in \$,000's)	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 11,801	\$ 19,226
Receivables (Notes 4 and 14)	20,152	23,647
Employee receivables	1,269	1,447
Receivable from IWK Health Centre Charitable Foundation	18,654	18,389
Accumulated sick leave receivable (Note 11)	17,963	16,470
Retirement allowance and health benefits (Note 9)	<u>39,432</u>	<u>34,908</u>
	<u>109,271</u>	<u>114,087</u>
Liabilities		
Payables and accruals (Note 5)	23,713	34,369
Capital lease payable (Note 8)	52	100
Retirement allowances and health benefits (Note 9)	39,432	34,908
Accumulated sick leave payable (Note 11)	17,963	16,470
Facilities loan payable (Note 7)	8,407	9,245
Deferred capital, research and other restricted revenue (Note 8)	<u>31,732</u>	<u>30,758</u>
	<u>121,299</u>	<u>125,850</u>
Net Debt	<u>(12,028)</u>	<u>(11,763)</u>
Non-Financial Assets		
Prepays	2,627	1,642
Inventories held for use	1,470	1,350
Tangible capital assets (Page 19)	<u>190,424</u>	<u>189,828</u>
	<u>194,521</u>	<u>192,820</u>
Accumulated Surplus	<u>\$ 182,493</u>	<u>\$ 181,057</u>

Contingency and Contractual Obligation (Note 12)

On behalf of the Board of Directors:



Bob Hanf
Chair, Board of Directors



Larry Evans
Chair, Finance, Audit & Risk Committee

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre Statement of Operations and Changes in Accumulated Surplus

Years ended March 31 (expressed in \$,000's)	Revised Budget 2016	Actual 2016	Actual 2015
	(Note 15)		
Revenue			
Department of Health and Wellness			
IWK base operational funding	\$ 206,256	\$ 206,434	\$ 202,685
Claims-based/direct funding	14,854	16,212	18,703
Provincial program funding	22,301	22,614	23,181
Capital grant funding	6,003	4,851	7,958
PNS - benefit liabilities	-	8,641	6,423
Inpatient, outpatient and clinics	5,972	6,337	6,337
Rentals, sales and other	8,455	9,191	8,685
Miscellaneous recoveries			
IWK operations	6,545	8,613	7,145
Provincial programs	1,944	3,680	4,969
Research revenue	12,572	13,513	13,752
Specified donations for equipment, renovations & research			
IWK operations equipment and renovations	8,660	6,946	9,638
Research operating	1,200	1,200	800
Research equipment and renovations	1,100	1,100	237
	<u>295,862</u>	<u>309,332</u>	<u>310,513</u>
Expenses			
Salaries and wages	157,733	158,224	156,783
Employee benefits	28,274	33,669	31,907
Services and other contracts	9,128	8,573	10,691
Maintenance and building	14,015	15,362	14,091
Medical supplies	12,579	12,879	12,475
Other supplies and expenses	7,489	10,097	8,455
Equipment expenses	4,855	4,490	4,878
Drugs	3,565	5,370	3,695
Patient food	2,460	2,559	2,392
Professional fees	1,984	2,175	2,156
Amortization of capital assets	12,354	12,354	11,794
Provincial programs	24,245	27,113	28,784
Research	13,772	15,031	14,799
	<u>292,453</u>	<u>307,896</u>	<u>302,900</u>
Annual Surplus (Note 3)	\$ <u>3,409</u>	1,436	7,613
Accumulated Surplus, beginning of year		<u>181,057</u>	<u>173,444</u>
Accumulated Surplus, end of year		\$ <u>182,493</u>	\$ <u>181,057</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre Statement of Changes in Net Debt

Years ended March 31 (expressed in \$,000's)	Revised Budget 2016	Actual 2016	Actual 2015
	(Note 15)		
Annual surplus	\$ 3,409	\$ 1,436	\$ 7,613
Acquisition of tangible capital assets	(15,763)	(12,950)	(18,611)
Amortization	12,354	12,354	11,794
Change in prepaids	-	(985)	(616)
Change in inventories	-	(120)	2
Change in net debt	-	(265)	182
Net debt, beginning of year	(11,763)	(11,763)	(11,945)
Net debt, end of year	\$ (11,763)	\$ (12,028)	\$ (11,763)

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre Statement of Cash Flows

Years ended March 31 (expressed in \$,000's)	2016	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Annual surplus	\$ 1,436	\$ 7,613
Amortization	<u>12,354</u>	<u>11,794</u>
	13,790	19,407
Changes in non-cash operating items		
Decrease in receivables	3,495	11,074
Decrease in employee receivables	178	118
Increase in receivable from IWK Health Centre Charitable Foundation	(265)	(1,385)
Increase in prepaid expenses	(985)	(616)
(Increase) decrease in inventories	(120)	2
(Decrease) increase in payables and accruals	(10,656)	795
Decrease in capital lease payable	(48)	(46)
Increase (decrease) in deferred capital, research and other restricted revenue	<u>974</u>	<u>(693)</u>
	<u>6,363</u>	<u>28,656</u>
Capital		
Cash used to acquire tangible capital assets - net	<u>(12,950)</u>	<u>(18,611)</u>
Financing		
Principal repayments on facilities loan payable	<u>(838)</u>	<u>(791)</u>
(Decrease) increase in cash and cash equivalents	(7,425)	9,254
Cash and cash equivalents		
Beginning of year	<u>19,226</u>	<u>9,972</u>
End of year	\$ <u>11,801</u>	\$ <u>19,226</u>

See accompanying notes and schedule to the financial statements.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

1. Purpose of organization

The Izaak Walton Killam Health Centre (the "Health Centre") provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research, health promotion and advocacy for best results. The Health Centre is also committed to being global leaders in research and knowledge transfer.

The Health Centre is a charitable organization under the Income Tax Act.

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 significant accounting policies noted below.

These financial statements include the assets, liabilities and activities of the Health Centre. They do not include the activities of the IWK Health Centre Charitable Foundation (the "Foundation"), a non-controlled, not-for-profit entity (Note 16).

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 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 been met is reported as a liability within deferred capital, research and other restricted revenue until the resources are used for the purpose or purposes specified.

In-patient, out-patient, food services, and rentals are recognized as revenue when the related service is rendered or goods are provided.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks with original maturities of three months or less. Bank borrowings are considered to be financing activities.

The categories of cash include:

	<u>2016</u>	<u>2015</u>
Research	\$ 12,610	\$ 11,631
Restricted	6,910	7,479
Operating	<u>(7,719)</u>	<u>116</u>
	<u>\$ 11,801</u>	<u>\$ 19,226</u>

Inventories

Inventories are valued at the lower of cost and replacement cost. The Health Centre uses the weighted average cost method to determine cost of stores inventory and the first-in, first-out method to determine cost of pharmacy inventory.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Tangible capital assets

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

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

When conditions indicate that a tangible capital asset no longer contributes to the Health Centre'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.

Capital leases

Capital leases are leases where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity.

A capital lease is accounted for as an asset as well as an obligation. Accordingly, capital leases are recognized by recording an asset and a liability at the present value of the minimum lease payments, excluding the portion thereof relating to executor costs. However, the maximum value recorded for the asset and obligation will not exceed the leased asset's fair value.

An obligation under a capital lease is similar to a loan. Lease payments are allocated to a reduction of the obligation, interest expense and any related executor costs. The interest expense is calculated using the discount rate used in computing the present value of the minimum lease payments applied to the remaining balance of the obligation.

Compensation accruals

The Health Centre follows the policy of recording in accrued salaries and benefits a liability for vacation pay, accumulated overtime, smoothing banks and statutory holidays.

Retirement allowances, health benefits, and compensated absences

The Health Centre provides defined benefit plans to certain employee groups. These benefits include pension, health and dental, retirement allowances and non-vesting sick leave. The Health Centre has adopted the following policies with respect to these employee benefits:

- (i) Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is provided by the Department of Finance for the Health Centre. 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 11 years. The costs are actuarially 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.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Retirement allowances, health benefits, and compensated absences (continued)

- (ii) The costs of post-employment future health benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. 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 10 years. 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.
- (iii) 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. 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 11 years. 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.
- (iv) Pension benefits are provided to certain employees under multi-employer defined benefit plans. The costs of these pensions are the employer's contributions due to the plan in the period and are accounted for as defined contribution plans.

Funds held in trust

Funds held in trust are maintained separately from the Health Centre's assets and are excluded from the statement of financial position.

At March 31, 2016, the Health Centre held \$3,060 (2015 - \$2,778) in trust on behalf of various stakeholders.

Financial instruments

Financial instruments must be classified within either cost/amortized cost or fair value categories. The Health Centre 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, employee receivables, receivable from IWK Health Centre Charitable Foundation, payables and accruals, and facilities loan payable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assess each financial instrument to determine whether there are any impairment losses and if any, are reported in the statement of operations and changes in accumulated surplus. 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.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts, amortization of tangible capital assets and actuarial estimation of post-employment benefits, retiring allowances and non-vested sick time liabilities.

3. Reconciliation of annual operating funding	2016	2015
Annual surplus	\$ 1,436	\$ 7,613
Amortization	12,354	11,794
Specified donations for equipment and renovations - research	(1,100)	(532)
Capital grants	(11,797)	(17,303)
Surplus from operations	893	1,572
Amounts attributed to capital asset purchases	(893)	(1,572)
Annual operating surplus	\$ -	\$ -

4. Receivables	2016	2015
Patients and other receivables, net of allowance for doubtful accounts of \$1,561 (2015 - \$1,000)	\$ 8,116	\$ 10,030
NS Department of Health & Wellness	12,036	13,617
	\$ 20,152	\$ 23,647

NS Department of Health & Wellness receivables are comprised of:

Capital grants	\$ 3,826	\$ 4,026
Mental health funding	2,311	1,613
IT projects	1,672	2,642
HITS – NS deficit	1,064	1,255
Accumulated deficit 1998/99	908	908
Benefit bank funding	484	484
Newborn screening and other labs	465	-
Contract increases and wage funding	297	297
Provincial programs	276	1,320
Physician on call funding (Family Medicine)	196	194
Retiree benefits & allowances	185	-
Wage funding and other	135	564
Nursing strategy	148	141
Orthopaedic Working Group Initiative	69	173
	\$ 12,036	\$ 13,617

Of the total receivable from the NS Department of Health & Wellness, as of May 25, 2016, \$6,880 (2015 - \$3,393) has been received.

The Izaak Walton Killam Health Centre Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

5. Payables and accruals	<u>2016</u>	<u>2015</u>
Trade payables	\$ 9,519	\$ 18,509
Other	-	192
Accrued salaries and benefits	14,079	15,647
NS Department of Health & Wellness payables	<u>115</u>	<u>21</u>
	<u>\$ 23,713</u>	<u>\$ 34,369</u>

6. Credit facility

The Health Centre has been approved for a line of credit of \$2,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2015 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus ¾%.

7. Facilities loan payable

Nova Scotia Department of Finance loan repayable in equal quarterly instalments of \$338 at an interest rate of 5.76% per annum calculated semi-annually. First instalment paid on March 1, 2004, with the final instalment due December 1, 2023.

	<u>2016</u>	<u>2015</u>
Balance	\$ <u>8,407</u>	\$ <u>9,245</u>

Principal amounts repayable within the next four years and thereafter are as follows:

2017	\$ 887
2018	939
2019	995
2020 and thereafter	5,586

Interest on facilities loan payable in the amount of \$511 (2015 - \$557) is included in operating fund expenses.

8. Deferred Capital, Research and Other Restricted Revenue

The following is a summary of the amounts in deferred capital, research and other restricted revenue:

	<u>2016</u>	<u>2015</u>
Capital		
Equipment	\$ 98	\$ 44
Capital campaigns	<u>13,270</u>	<u>11,605</u>
	<u>13,368</u>	<u>11,649</u>
Research funds	11,454	11,630
Other restricted	<u>6,910</u>	<u>7,479</u>
Balance at year end	<u>\$ 31,732</u>	<u>\$ 30,758</u>

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

8. Deferred Capital, Research and Other Restricted Revenue (continued)

Included in equipment is obligations under capital lease of \$52 (2015 - \$100) payable to the Capital District Health Authority. The lease bears interest at 6.29%, is secured by specific equipment and is repayable in seven blended annual instalments of \$55 ending December 2016.

The following is a summary of the continuity of deferred capital and research revenue:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ <u>30,758</u>	\$ <u>31,451</u>
Grants from the IWK Health Centre Charitable Foundation	916	1,016
NS Department of Health & Wellness funding	4,851	7,957
Research funding	11,267	12,979
Capital campaign fund	7,538	7,618
Other funding	213	6
Other restricted	<u>1,577</u>	<u>2,722</u>
	<u>26,362</u>	<u>32,298</u>
Capital funding expended	(11,798)	(17,303)
Disbursements		
Research	(11,444)	(12,561)
Other restricted	<u>(2,146)</u>	<u>(3,127)</u>
	<u>(25,388)</u>	<u>(32,991)</u>
Balance, end of year	\$ <u>31,732</u>	\$ <u>30,758</u>

9. Retirement allowances and health benefits

Retirement allowance 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 June 30, 2015, with actuarial liabilities as at March 31, 2016 extrapolated based on the latest actuarial valuations.

The last actuarial valuation for the retiree health benefits was as at December 31, 2013, with actuarial liabilities as at March 31, 2016 extrapolated based on the latest actuarial valuations.

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 has been recorded.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

9. Retirement allowances and health benefits (continued)

Information about the retirement allowance and health benefits are as follows:

Accrued benefit obligation	Retirement		Health		2016 total retirement and health benefits	2015 total retirement and health benefits		
Opening benefit obligation, beginning of year	\$	24,764	\$	12,711	\$	37,475	\$	35,960
Current service cost		-		754		754		2,493
Interest on obligation		969		494		1,463		1,477
Impact of curtailment		1,755		-		1,755		-
Other		774		-		774		-
Less: premiums paid		(2,360)		(264)		(2,624)		(2,346)
Actuarial (losses) gains		(854)		(3,087)		(3,941)		(109)
Closing benefit obligation, end of year	\$	<u>25,048</u>	\$	<u>10,608</u>	\$	<u>35,656</u>	\$	<u>37,475</u>

Accrued benefit obligation	Retirement		Health		2016 total retirement and health benefits	2015 total retirement and health benefits		
Funded status - surplus	\$	25,048	\$	10,608	\$	35,656	\$	37,475
Unamortized net actuarial loss		<u>854</u>		<u>2,922</u>		<u>3,776</u>		<u>(2,567)</u>
Accrued benefit liability, end of year	\$	<u>25,902</u>	\$	<u>13,530</u>	\$	<u>39,432</u>	\$	<u>34,908</u>

The Health Centre's expense for the retirement allowance and health benefits is as follows:

	2016	2015
Retirement allowances and health benefits	\$ <u>7,150</u>	\$ <u>4,495</u>

The following actuarial assumptions have been used in the determination of the accrued benefit liabilities as at March 31, 2016:

	Allowances	Benefits
Discount rate	3.71%	3.71%
Rate of compensation increase	0 - 2.25%	-
Termination rates	0 - 20%	0-36%

- (i) 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.
- (ii) The plan was curtailed effective April 1, 2015 and accrued service for the purpose of benefit determination is frozen as at that date. The change in liability related to the curtailment of service is reflected in the current year benefit expense and totals \$3,141.
- (iii) 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.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

10. Pension plans

The Health Centre 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 July 1, 2014 which indicated a funding surplus.
- (ii) the second plan is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc. The most recent actuarial valuation was conducted as at December 31, 2014 which indicated a funding surplus.

The Health Centre's pension expense for the year amounted to \$15,066 (2015 - \$15,872).

11. Accumulated sick leave

Qualifying employees are entitled to a prescribed number of sick leave days over their employment term. The Health Centre has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. Compensated absences for qualifying employees are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all Health Authorities and the Health Centre. The actuarial valuation for non-vesting sick leave banks usage was as at March 31, 2014. These actuarial liabilities were extrapolated to March 31, 2015 and March 31, 2016.

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 accounts receivable balance is recorded.

Information about the sick leave liability is as follows:

	<u>2016</u>	<u>2015</u>
Accrued benefit liability		
Opening benefit obligation, beginning of year	\$ 13,719	\$ 14,878
Current service cost	2,629	2,328
Interest on obligation	542	635
Less: premiums paid	(1,431)	(1,066)
Actuarial gains	<u>(783)</u>	<u>(3,056)</u>
Closing benefit obligation, end of year	14,676	13,719
Unamortized net actuarial gain	<u>3,287</u>	<u>2,751</u>
Accrued benefit liability, end of year	\$ <u>17,963</u>	\$ <u>16,470</u>

The Health Centre's sick time expense is as follows:

Sick time expense paid to employees	\$ <u>8,843</u>	\$ <u>9,624</u>
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The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

11. Accumulated sick leave (continued)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2016:

	<u>2016</u>	<u>2015</u>
Discount rate	3.71%	4.10%
Rate of compensation increase	0.04 - 2.90%	0.15 - 2.65%
Current sick leave utilization	8.2 days	8.2 days
Sick leave bank utilization	6.2 - 14.6 days	6.2-14.6 days
Termination rates	0 - 20%	0 - 20%

The actuary for the 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.

12. Contingency and contractual obligations

The Health Centre has been named as a defendant in legal actions arising in the ordinary course of business. Counsel is unable to form an opinion regarding the merit of certain claims and those in which counsel has provided an opinion, it is expected that payments, if any, which may arise from these claims would be funded by the liability insurance carrier.

The Health Centre is committed to annual premise lease payments as follows:

2017	\$	3,459
2018		3,583
2019		3,617
2020		3,667
2021		3,223

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

13. Expenses by program

The following is a summary of the expenses reported on the statement of operations by program:

	Revised Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Clinical and medical			
Children's health	\$ 68,962	\$ 74,157	\$ 71,537
Women's and newborn health	48,431	50,539	50,277
Mental health and addictions	31,412	31,620	32,755
Clinic lab services	18,957	18,454	18,024
Medical services	9,614	10,024	8,664
Diagnostic imaging	8,382	8,506	8,289
Pharmacy	5,666	6,326	5,838
Professional practice	1,916	1,733	1,942
Primary health	1,548	1,581	1,561
Operations			
Finance	9,984	12,223	9,617
Quality and system performance	16,340	16,419	16,581
Corporate services	14,255	14,394	14,555
Plant maintenance services	9,464	10,102	9,745
Human resources	5,149	5,286	5,119
Executive offices and public relations	2,597	2,216	3,043
Facilities redevelopment	1,759	2,172	1,770
Provincial programs			
HITS-NS	20,042	23,706	25,442
Reproductive Care Program	1,764	1,664	1,743
Nova Scotia Breast Screening Program	1,265	1,332	1,274
Nova Scotia Insulin Pump Program	1,174	411	325
Research	<u>13,772</u>	<u>15,031</u>	<u>14,799</u>
	\$ <u>292,453</u>	\$ <u>307,896</u>	\$ <u>302,900</u>

14. Financial instrument risk management

The Health Centre has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include credit risk, liquidity risk and market risk. Market risk arises from changes in interest rates, foreign currency exchange rates and other price risks. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to market risks arising from financial instruments.

Credit risk

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

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

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

14. Financial instrument risk management (continued)

Credit risk (continued)

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

	<u>Total</u>	<u>0-150 Days</u>	<u>151-365 Days</u>	<u>365+ Days</u>
Patients	\$ 3,714	\$ 2,125	\$ 223	\$ 1,366
Clients/other agencies	1,879	1,518	-	361
Harmonized sales tax	1,545	1,545	-	-
NS Health Authority	1,025	1,011	10	4
NS Department of Health & Wellness	12,036	10,327	20	1,689
NS Government Departments	452	430	5	17
Other	1,062	1,062	-	-
Less: impairment allowances	<u>(1,561)</u>	<u>-</u>	<u>-</u>	<u>(1,561)</u>
	<u>\$ 20,152</u>	<u>\$ 18,018</u>	<u>\$ 258</u>	<u>\$ 1,876</u>

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

Government receivables are due from the Province of Nova Scotia. The Health Centre mitigates credit risk by ensuring that grants are entered into by way of a contract and by continuous monitoring of outstanding balances to ensure collection is timely.

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 Centre will not be able to meet all cash outflow obligations as they come due. The Health Centre 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.

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.

The Izaak Walton Killam Health Centre

Notes to the Financial Statements

March 31, 2016 (expressed in \$,000's)

15. Approved budget

The 2016 budget figures presented on the statement of operations and changes in accumulated surplus reflect certain budget adjustments made during the fiscal year. A breakdown of the adjustments is presented below.

	<u>Approved</u>	<u>Changes</u>	<u>Revised</u>
Revenue			
IWK operations	\$ 250,426	\$ 7,419	\$ 257,845
Provincial programs	21,140	3,105	24,245
Research operations	-	<u>13,772</u>	<u>13,772</u>
	<u>271,566</u>	<u>24,296</u>	<u>295,862</u>
Expense			
	<u>Approved</u>	<u>Adjustments</u>	<u>Revised</u>
Salaries and wages	\$ 157,931	\$ (198)	\$ 157,733
Employee benefits	28,274	-	28,274
Services and other contracts	9,228	(100)	9,128
Maintenance and building	14,015	-	14,015
Medical supplies	12,779	(200)	12,579
Other supplies and expenses	7,489	-	7,489
Equipment expenses	4,855	-	4,855
Drugs	3,565	-	3,565
Patient food	2,460	-	2,460
Professional fees	1,984	-	1,984
Amortization of capital assets	12,354	-	12,354
Recoveries	(6,545)	6,545	-
Provincial programs	21,140	3,105	24,245
Research	-	<u>13,772</u>	<u>13,772</u>
	<u>\$ 269,529</u>	<u>\$ 22,924</u>	<u>\$ 292,453</u>
Annual surplus	<u>\$ 2,037</u>	<u>\$ 1,372</u>	<u>\$ 3,409</u>

Actuarial estimates of gains and losses and provincial sick bank, retiree benefit and pension are not budgeted within the Health Centre expenses and revenue as they are not the responsibility of the organization.

The 2016 budget figure for acquisition of tangible capital assets as presented on the Statement of Changes in Net Debt was revised from \$14,391 to \$15,763 as the result of additional government and other capital funding received during the year.

16. IWK Health Centre Charitable Foundation

The Foundation provides donations to the Health Centre for capital, clinical programs and research activities. During the current year, the Health Centre received \$13,971 (2015 - \$13,098) in donations from the Foundation. The total amount receivable from the Foundation as at March 31, 2016 is \$18,654 (2015 - \$18,389).

17. Comparative figures

Certain 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

The Izaak Walton Killam Health Centre Schedule of Tangible Capital Assets

Year ended March 31, 2016 (expressed in \$,000's)

	Land and land improvements	Building and service equipment	Major equipment	<u>2016</u>
Cost				
Beginning of year	\$ 4,285	\$ 235,930	\$ 33,276	\$ 273,491
Additions during the year	-	8,196	4,754	12,950
Disposals during the year	-	(1,330)	(10,394)	(11,724)
End of year	<u>\$ 4,285</u>	<u>\$ 242,796</u>	<u>\$ 27,636</u>	<u>\$ 274,717</u>
Accumulated amortization				
Beginning of year	\$ -	\$ 69,358	\$ 14,304	\$ 83,662
Amortization	-	5,700	6,655	12,355
Reversal of accumulated amortization relating to disposals	-	(1,330)	(10,394)	(11,724)
End of year	<u>\$ -</u>	<u>\$ 73,728</u>	<u>\$ 10,565</u>	<u>\$ 84,293</u>
Net book value of tangible capital costs	<u>\$ 4,285</u>	<u>\$ 169,068</u>	<u>\$ 17,071</u>	<u>\$ 190,424</u>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$52 (2015 - \$100).

	Land and land improvements	Building and service equipment	Major equipment	<u>2015</u>
Cost				
Beginning of year	\$ 4,285	\$ 222,333	\$ 33,406	\$ 260,024
Additions during the year	-	13,942	4,669	18,611
Disposals during the year	-	(345)	(4,799)	(5,144)
End of year	<u>\$ 4,285</u>	<u>\$ 235,930</u>	<u>\$ 33,276</u>	<u>\$ 273,491</u>
Accumulated amortization				
Beginning of year	\$ -	\$ 64,591	\$ 12,422	\$ 77,013
Amortization	-	5,113	6,681	11,794
Reversal of accumulated amortization relating to disposals	-	(345)	(4,799)	(5,144)
End of year	<u>\$ -</u>	<u>\$ 69,359</u>	<u>\$ 14,304</u>	<u>\$ 83,663</u>
Net book value of tangible capital costs	<u>\$ 4,285</u>	<u>\$ 166,571</u>	<u>\$ 18,972</u>	<u>\$ 189,828</u>

Included in major equipment is equipment acquired under a capital lease with a total cost of \$332 and a net book value of \$100 (2014 - \$133).