

**Fort Smith Health and Social
Services Authority**

Financial Statements

March 31, 2014

Fort Smith Health and Social Services Authority

Financial Statements

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Independent Auditors' Report

**To the Minister of Health and Social Services
Government of the Northwest Territories
and
To the Board of Management
Fort Smith Health and Social Services Authority**

We have audited the accompanying financial statements of the Fort Smith Health and Social Services Authority (the "Authority") as at March 31, 2014, which comprise the statement of financial position and the statements of operations, change in net financial 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 Authority'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 qualified audit opinion.

Basis for Qualified Opinion

Salaries and benefits paid to employees of the Authority are administered by the Government of the Northwest Territories and are audited as part of the Government of the Northwest Territories. Our audit scope was limited as we did not audit the components of salaries and benefits expenditures and related balances. Accordingly, we were not able to determine whether any adjustments might be necessary to salaries and benefits expenditures, accounts payable and accrued liabilities, employee leave and termination benefits, and net financial debt.



Crowe MacKay LLP
Member Crowe Horwath International
PO Box 727, 5103-51st Street
Yellowknife, NT X1A 2N5
+1.867.920.4404 Tel
+1.867.920.4135 Fax
+1.866.920.4404 Toll Free
www.crowemackay.ca

Independent Auditors' Report (continued)

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material aspects, the financial position of the Fort Smith Health and Social Services Authority as at March 31, 2014, and its financial operations, changes in its net financial debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards consistently applied.

Report on Other Legal and Regulatory Requirements

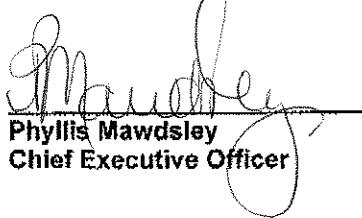
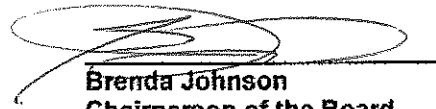
We further report in accordance with the *Financial Administration Act* of the Northwest Territories that, in our opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith, and the transactions that have come under our notice have, in all material aspects, been within the statutory powers of the Authority.

Yellowknife, Northwest Territories
June 20, 2014

Crowe MacKay LLP
Chartered Accountants

STATEMENT I**Fort Smith Health and Social Services Authority****Statement of Financial Position**

| <u>As at March 31,</u> | 2014 | 2013 |
|---|-----------------------|-----------------------|
| Financial Assets | | |
| Cash | | |
| Cash | \$ 224,611 | \$ 148,274 |
| Cash held in trust (Note 4) | 30,546 | 17,801 |
| Accounts receivable (Note 5) | 697,287 | 1,322,374 |
| | \$ 952,444 | \$ 1,488,449 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | \$ 817,761 | \$ 915,802 |
| Employee and payroll related liabilities | 3,202,975 | 2,408,550 |
| Deferred revenue | - | 3,510 |
| Employee leave and termination benefits (Note 7) | 973,449 | 903,544 |
| Trust liabilities (Note 4) | 30,546 | 17,801 |
| Total liabilities | 5,024,731 | 4,249,207 |
| Net Financial Debt | \$ (4,072,287) | \$ (2,760,768) |
| Non-Financial Assets | | |
| Inventory (Note 8) | 266,335 | 293,721 |
| Prepaid expenses (Note 9) | 87,472 | 44,225 |
| | 353,807 | 337,946 |
| Accumulated Deficit (Note 10) | \$ (3,718,480) | \$ (2,422,812) |

Contingent Liabilities (Note 11)**Contractual Obligations (Note 12)****Approved on behalf of the Authority**
Phyllis Mawdsley
Chief Executive Officer
Brenda Johnson
Chairperson of the Board

STATEMENT II

Fort Smith Health and Social Services Authority

Statement of Operations

| For the year ended March 31, | 2014 | 2013 |
|---|-------------------|-----------------------|
| | (unaudited) | |
| | Budget | Actual |
| REVENUE | | |
| Operating advances from the GNWT (Schedule A) | \$ 16,717,000 | \$ 16,717,000 |
| Other recoveries (Schedule B) | 170,000 | 248,999 |
| Other revenues (Schedule C) | 868,000 | 1,025,403 |
| Interest revenue | 6,000 | 8,125 |
| | 17,761,000 | 17,999,527 |
| | 17,761,000 | 17,484,416 |
| EXPENDITURES | | |
| Administration and support services (Schedule D) | 2,785,012 | 3,168,257 |
| Nursing Inpatients / Residents (Schedule D) | 2,380,008 | 3,128,148 |
| Ambulatory care services (Schedule D) | 2,646,020 | 2,902,909 |
| Diagnostic and Therapeutic Services (Schedule D) | 1,323,984 | 1,330,486 |
| Community health services (Schedule D) | 1,435,980 | 1,572,365 |
| Social services (Schedule D) | 7,180,000 | 7,189,089 |
| Undistributed (Schedule D) | 9,996 | 3,941 |
| | 17,761,000 | 19,295,195 |
| | 17,761,000 | 17,833,437 |
| OPERATING DEFICIT | - | (1,295,668) |
| PRIOR YEAR FUNDING | - | (349,021) |
| | - | (445,000) |
| OPERATING DEFICIT BEFORE PRIOR YEAR FUNDING | - | (1,295,668) |
| UNFUNDED ITEM | | (794,021) |
| Change in employee leave and termination benefits (Note 7) | - | 69,905 |
| | | (14,203) |
| ANNUAL DEFICIT BEFORE THE FOLLOWING | - | (1,225,763) |
| | | \$ (808,224) |
| Rent expense - GNWT assets provided at no cost (Note 13) | - | 836,301 |
| | | 833,174 |
| Grant-in-kind - GNWT assets provided at no cost (Note 13) | - | (836,301) |
| | | (833,174) |
| ANNUAL DEFICIT | \$ - | \$ (1,225,763) |
| | | \$ (808,224) |
| OPENING ACCUMULATED DEFICIT | \$ - | \$ (2,422,812) |
| CLOSING ACCUMULATED DEFICIT | \$ - | \$ (3,718,480) |
| | | \$ (2,422,812) |

STATEMENT III**Fort Smith Health and Social Services Authority****Statement of Change in Net Financial Debt**

| For the year ended March 31, | 2014 | 2013 |
|--|-----------------------|-----------------------|
| Annual operating deficit | \$ (1,295,668) | \$ (349,021) |
| Adjustments: | | |
| Change in prepaid expenses | (43,247) | 22,554 |
| Change in inventory | 27,386 | 91,093 |
| INCREASE IN NET FINANCIAL DEBT | (1,311,529) | (235,374) |
| NET FINANCIAL DEBT, BEGINNING OF YEAR | (2,760,758) | (2,525,384) |
| NET FINANCIAL DEBT, END OF YEAR | \$ (4,072,287) | \$ (2,760,758) |

STATEMENT IV**Fort Smith Health and Social Services Authority****Statement of Cash Flow**

| For the year ended March 31, | 2014 | 2013 |
|-------------------------------------|-------------|-------------|
|-------------------------------------|-------------|-------------|

Net inflow (outflow) of cash related to the following activities:**Operating transactions**

| | | |
|---|-------------------|-------------------|
| Annual operating deficit | \$ (1,295,668) | \$ (349,021) |
| Non-cash charges to operations: | | |
| Accounts receivable | 625,087 | (731,684) |
| Accounts payable and accrued liabilities | (98,041) | (1,224,667) |
| Employee and payroll related liabilities | 794,425 | 2,112,431 |
| Deferred revenue | (3,510) | 3,510 |
| Employee leave and termination benefits | 69,905 | (14,203) |
| Funds liabilities | 12,745 | 17,801 |
| Inventory | 27,386 | 91,093 |
| Prepaid expenses | (43,247) | 22,554 |
| Net cash from operating transactions | 89,082 | (72,186) |
| Cash, beginning of year | 166,075 | 238,261 |
| Cash, end of year | \$ 255,157 | \$ 166,075 |

Represented by

| | | |
|--------------------|-------------------|-------------------|
| Cash | \$ 224,611 | \$ 148,274 |
| Cash held in trust | 30,546 | 17,801 |
| | \$ 255,157 | \$ 166,075 |

Fort Smith Health and Social Services Authority

STATEMENT V

Statement of Expenditures by Object

| For the year ended March 31, | 2014 | 2014 | 2013 |
|------------------------------------|-----------------------|----------------------|----------------------|
| | (unaudited) Budget | Actual | Actual |
| Expenditures | | | |
| Advertising and promotion | \$ 31,500 | \$ 30,595 | \$ 62,657 |
| Contracted and general services | 2,238,732 | 1,693,871 | 1,769,453 |
| Equipment rental | 39,108 | 39,449 | 41,860 |
| Equipment and software maintenance | 110,700 | 85,884 | 87,916 |
| Foster care | 236,604 | 251,226 | 214,023 |
| Groceries | 140,988 | 161,548 | 161,711 |
| Insurance | - | - | 2,606 |
| Interest and bank charges | 1,404 | 3,679 | 5,350 |
| Medical supplies | 419,184 | 441,977 | 468,449 |
| Minor capital | 212,244 | 86,112 | 85,591 |
| Office and administration services | 129,228 | 187,963 | 174,616 |
| Postage and freight | 56,808 | 84,137 | 69,422 |
| Professional services | 44,100 | 100,963 | 38,914 |
| Rent | 14,496 | 18,109 | 62,554 |
| Salaries and wages | 13,491,052 | 15,183,308 | 13,800,065 |
| Telephone and communications | 82,080 | 121,620 | 118,268 |
| Training and development | 218,268 | 86,240 | 149,768 |
| Travel and relocation | 255,492 | 676,751 | 490,130 |
| Utilities | 11,004 | 6,847 | 4,700 |
| Vehicle operations and maintenance | 28,008 | 34,926 | 25,384 |
| Total expenditures | \$ 17,761,000 | \$ 19,295,195 | \$ 17,833,437 |

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

1. Authority

The Fort Smith Health and Social Services Authority ("Authority") operates under the authority of the *Hospital Insurance and Health and Social Services Act* of the Northwest Territories. The Authority provides a full range of health and social services to the community of Fort Smith.

The Authority is a public body performing a function of government in Canada. Paragraph 149(1)(c) of the federal *Income Tax Act* provides that a public body performing a function of government in Canada is exempt from taxation.

2. Summary of significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board. The significant policies are detailed as follows:

(a) Reserves

The Department of Health and Social Services (DHSS) requires the Authority to establish the following reserves:

Deficit reserve - reflects the funds maintained in a reserve according to the DHSS Surplus/Deficit Retention Policy.

Termination benefit reserve - reflects the funds received in advance for the severance liability of employees who were transferred to the Authority from the Government of the Northwest Territories (GNWT). These liabilities will be reduced as employees are paid out upon termination of employment with the Authority.

(b) Territorial operating advance

The Authority is primarily funded by the GNWT in accordance with budget arrangements established by the DHSS. Under the arrangements, the Authority is responsible for the net deficit from operations and is allowed to retain surpluses from core programs. Any capital funding not spent may be retained for future capital purchases. These policies do not apply to contribution agreements, where an accounting of and return of surpluses may be required.

(c) Inventory of supplies

Inventory is valued at the lower of cost and replacement value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Replacement value is the estimated cost to replacement the inventory in the ordinary course of operations. The costs of purchase comprise the purchase price, import duties, non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition and inbound delivery of the inventory. Costs are determined using the first-in, first-out method.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

2. Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and restricted cash.

(e) Financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value expensed.

Financial assets subsequently measured at amortized cost include cash and accounts receivable.

Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and employee and payroll-related liabilities.

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset is recognized in operations.

(f) Employee leave and termination benefits

In accordance with GNWT accounting policies specified for public agencies, the Authority annually accrues estimated employee leave and termination benefits payable.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

2. Summary of significant accounting policies (continued)

(g) Tangible capital assets

The GNWT retains ownership of all tangible capital assets (TCA) used by the Authority, or purchased by the Authority (regardless of source of funding for the purchase). The GNWT amortizes TCAs over the estimated useful lives of the assets at the rates established in the Financial Administration Manual over the following terms:

| | |
|--------------------------------|--------------|
| Buildings | 40 years |
| Mainframe and software systems | 5 - 10 years |
| Medical equipment | 5 - 10 years |

The TCAs used by the Authority and held on behalf of, or in trust for, the GNWT are not recognized by the Authority in the financial statements.

The statement of operations reflects the amount that would otherwise be considered amortization expense for the fiscal year with an offsetting corresponding amount as a Grant-In-Kind revenue.

(h) Pension contributions

The Authority and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

The Authority and its contracted physicians make contributions to a physician directed investment fund administered by the Government of Canada. These contributions represent the total pension liability of the Authority and are recognized in the accounts on a current basis.

(i) Revenue recognition

Territorial Health Insurance Service funding is recognized as dictated by the DHSS. The revenue is recognized on a straight-line basis throughout the fiscal year.

Billings processed through the ICORE system by the medical centre's billing clerks are recognized as revenue upon receipt of payment from the Department of Health and Social Service's Health Administration Office in Inuvik.

Other revenue is recognized when the service is performed or the goods are provided.

(j) Program recoveries

The Authority has established program delivery contribution agreements with various non-governmental organizations for which the Authority receives funding from the territorial and federal governments. Excess revenues or expenditures on the program delivery are reported to the Authority when audited financial statements of the non-governmental organizations become available. Excess revenues on program delivery contribution agreements are recorded as recoveries when received.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

2. Summary of significant accounting policies (continued)

(k) Government transfers

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

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Operating transfers are recognized as revenue in the period in which the events giving rise to the transaction occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Capital transfers or transfers of tangible capital assets are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital asset are recognized as acquired or built.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

3. Future accounting changes

Liability for contaminated sites, section PS 3260

The Public Sector Accounting Board approved Section PS 3260, Liability for Contaminated Sites, in March 2010. The new standard requires a government or government organization to recognize a liability for a contaminated site when an environmental standard exists, the contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility for remediation of the contaminated site, and a reasonable estimate of the amount can be made. The new standard is effective for fiscal years beginning on or after April 1, 2014. Earlier adoption is encouraged. Management is currently assessing the impact of the standard.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

4. Cash held in trust

Cash held in trust represents funds held in trust for seniors living at the Northern Lights Special Care Home.

5. Accounts receivable

| | Amount 2014 | Allowance 2014 | Net 2014 | Net 2013 |
|--|----------------|-------------------|-------------|--------------|
| Government of Northwest Territories | \$ 575,741 | \$ - | \$ 575,741 | \$ 1,115,440 |
| Government of Nunavut | 4,232 | - | 4,232 | 350 |
| Goods and Services Tax | 53,165 | - | 53,165 | 50,595 |
| Other | 114,863 | 71,294 | 43,569 | 130,274 |
| Workers' Safety & Compensation Commission | 20,580 | - | 20,580 | 25,715 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ 768,581 | \$ 71,294 | \$ 697,287 | \$ 1,322,374 |

6. Accounts payable and accrued liabilities

| | 2014 | 2013 |
|---|------------|------------|
| Trade payables | \$ 664,272 | \$ 474,555 |
| Government of the Northwest Territories | 153,489 | 441,247 |
| | <hr/> | <hr/> |
| | \$ 817,761 | \$ 915,802 |

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

7. Employee leave and termination benefits

Under the conditions of employment, employees qualify for annual leave of varying lengths depending on their length of service. Certain employees earn severance remuneration based on the number of years of service. All employees will also receive assistance with removal costs to return to their point of recruitment depending on the number of years of service. Annual leave is payable within one fiscal year. The payment of the other amounts is dependent on employees leaving the Authority.

These liabilities are to be funded in the year they become due through regular annual budget allocations.

| | 2014 | 2013 |
|---|------------|------------|
| <u>Resignation and retirement</u> | | |
| <i>Obligations for benefits, opening</i> | \$ 218,730 | \$ 211,528 |
| Benefits accrued during the year | 19,165 | 23,949 |
| Benefits paid to employees during the year | (19,586) | (16,747) |
| <i>Obligations for benefits, closing</i> | 218,309 | 218,730 |
| Less: portion included in current liabilities | (10,915) | (10,937) |
| Long term portion | \$ 207,394 | \$ 207,793 |
| <u>Removal</u> | | |
| <i>Obligations for benefits, opening</i> | \$ 227,187 | \$ 234,071 |
| Benefits accrued during the year | 34,422 | 27,538 |
| Benefits paid to employees during the year | (5,737) | (34,422) |
| <i>Obligations for benefits, closing</i> | 255,872 | 227,187 |
| Less: portion included in current liabilities | (12,794) | (11,359) |
| Long term portion | \$ 243,078 | \$ 215,828 |
| <u>Leave*</u> | | |
| <i>Obligations for benefits, opening</i> | \$ 457,627 | \$ 472,148 |
| Benefits accrued during the year | 153,612 | 117,193 |
| Benefits paid to employees during the year | (111,971) | (131,714) |
| <i>Obligations for benefits, closing</i> | 499,268 | 457,627 |
| Less: portion included in current liabilities | (24,963) | (22,881) |
| Long term portion | \$ 474,305 | \$ 434,746 |
| <u>Total obligations for benefits</u> | | |
| Long term portion | 924,777 | 858,367 |
| Current portion | 48,672 | 45,177 |
| | \$ 973,449 | \$ 903,544 |

The change in employee leave and termination benefits is \$69,905 (2013 - \$(14,203)).

*Leave

- includes annual, lieu, statutory holidays, and mandatory leave.
- includes leave banks as well as leave accruals and leave payouts due.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

8. Inventory

| | 2014 | 2013 |
|----------------------|-------------------------|-------------------------|
| Drugs | \$ 41,218 | \$ 54,302 |
| Laboratory and x-ray | 25,029 | 13,245 |
| Laundry | 1,436 | - |
| Housekeeping | 6,871 | 3,711 |
| Medical and surgical | 158,475 | 199,321 |
| Office | 23,463 | 23,142 |
| Vaccines | 9,843 | - |
| | <hr/> \$ 266,335 | <hr/> \$ 293,721 |

Inventory is held for consumption in the process of providing services and are distributed at no charge or for a nominal charge.

9. Prepaid expenses

| | 2014 | 2013 |
|----------------------------------|------------------------|------------------------|
| Agreements, contracts and leases | \$ 87,472 | \$ 40,660 |
| Travel expenses | - | 3,565 |
| | <hr/> \$ 87,472 | <hr/> \$ 44,225 |

10. Accumulated deficit

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| Operating accumulated deficit | \$ (2,745,031) | \$ (1,519,268) |
| Unfunded leave and termination benefits | (973,449) | (903,544) |
| | <hr/> \$ (3,718,480) | <hr/> \$ (2,422,812) |

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

11. Contingent liabilities

The Authority's operations are affected by federal, territorial and local laws and regulations regarding environmental protection. The Authority is committed to meet these existing laws and regulations. Management is not aware of any material environmental liabilities.

In common with many health authorities, claims are made against the Authority and its staff. As of March 31, 2014, there are no claims pending against the Authority.

12. Contractual obligations

The Authority has commitments for contractual agreements for services and purchases, and program contribution agreements which will require payment in upcoming years. The minimum annual payments for these commitments are as follows:

| | Expires in fiscal year | 2015 | 2016 - 2019 | Total |
|-----------------------------------|------------------------|---------------------|-------------------|---------------------|
| Commercial and residential leases | 2015 | \$ 14,400 | \$ 3,600 | \$ 18,000 |
| Equipment lease and maintenance | 2019 | 282,454 | 220,139 | 502,593 |
| Operational contracts | 2018 | 1,303,248 | 5,440 | 1,308,688 |
| Total | | \$ 1,600,102 | \$ 229,179 | \$ 1,829,281 |

13. GNWT assets provided at no cost

| | | 2014 | 2013 |
|--------------------------------|----------------------|--------------------------|---------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Buildings | \$ 20,395,677 | \$ (11,153,404) | \$ 9,242,273 |
| Mainframe and software systems | 55,407 | (55,407) | - |
| Medical equipment | 3,315,091 | (1,826,442) | 1,488,649 |
| | \$ 23,766,175 | \$ (13,035,253) | \$10,730,922 |
| | | | \$11,471,672 |

Rent expense for 2014 is \$836,301 (2013 - \$833,174) with an offsetting grant-in-kind.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

14. Economic dependence

The Authority receives its funding primarily from the GNWT. If the funding arrangements were to change management is of the opinion that the Authority's operations would be significantly affected.

15. Budget

Budget figures were those approved by the Authority's board of management and DHSS. The budget figures are unaudited and not covered by the audit report of Crowe MacKay LLP.

16. Comparative figures

The comparative figures have been reclassified, where applicable, to conform with the presentation adopted in the current year.

17. Related party transactions

The Authority is related in terms of common ownership to all GNWT created departments, agencies and corporations. The Authority enters into transactions with these entities in the normal course of business. The Authority is provided with various administrative services by the GNWT, the value of which is not reflected in these financial statements. The administrative costs include legal services by the Department of Justice, insurance coverage by the Department of Finance, payroll services by the Department of Human Resources, and internal audit services by the Department of Finance.

| | 2014 | 2013 |
|---|--------------------|--------------------|
| Accounts payable | | |
| Government of the Northwest Territories | \$ 153,489 | \$ 441,247 |
| Government of the Northwest Territories - payroll | 3,202,975 | 2,408,550 |
| Hay River Health and Social Services Authority | 6,377 | 2,100 |
| Stanton Territorial Health Authority | 16,865 | 31,033 |
| | <hr/> \$ 3,379,706 | <hr/> \$ 2,882,930 |
| Accounts receivable | | |
| Government of the Northwest Territories | \$ 575,741 | \$ 1,115,440 |
| Hay River Health and Social Services Authority | 9,120 | 588 |
| | <hr/> \$ 584,861 | <hr/> \$ 1,116,028 |

Transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Fort Smith Health and Social Services Authority

Notes to Financial Statements

March 31, 2014

18. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority does have credit risk in accounts receivable \$697,287 (2013 - \$1,322,374). The Authority reduces this risk by regularly assessing the credit risk and closely monitoring overdue balances. This risk has not changed from the prior year.

Concentration risk

Concentration risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the business in the event of a default by one of these customers. The Authority does have concentration risk. At March 31, 2014, receivables from one customer comprised 78% of the total outstanding receivables (2013 - 84%). The Authority reduces this risk by regularly assessing the credit risk associated with this account and closely monitoring overdue balances. This risk has not changed from the prior year.

Liquidity risk

Liquidity risk is the risk that the Authority cannot repay its obligations when they become due to its creditors. The Authority does have a liquidity risk in accounts payable and accrued liabilities, employee and payroll-related liabilities, and employee leave and termination benefits \$4,994,185 (2013 - \$4,227,896). The Authority reduces its exposure to this risk by consistently monitoring budgets and cash flows. This risk has not changed from the prior year.

SCHEDULE A**Fort Smith Health and Social Services Authority****Territorial Operating Advances**

| For the year ended March 31, | 2014 | 2014 | 2013 |
|--|-------------------------------|----------------------|----------------------|
| | (unaudited) Budget | Actual | Actual |
| Authority administration | \$ 1,393,000 | \$ 1,393,000 | \$ 1,352,000 |
| Authority social service delivery | 1,598,000 | 1,598,000 | 1,579,000 |
| Community wellness programs | 99,000 | 99,000 | 114,000 |
| Family violence | 519,000 | 519,000 | 519,000 |
| Foster care | 284,000 | 284,000 | 284,000 |
| Homecare | 363,000 | 363,000 | 351,000 |
| Hospital services | 5,658,000 | 5,658,000 | 5,034,000 |
| Medical equipment | 18,000 | 18,000 | 18,000 |
| Physician programs | 1,682,000 | 1,682,000 | 1,513,391 |
| Prior year payroll deficit funding | - | - | 445,000 |
| Prevention and promotion services | 9,000 | 9,000 | 9,000 |
| Protective services | 21,000 | 21,000 | 21,000 |
| Residential care - children | 1,633,000 | 1,633,000 | 1,633,000 |
| Residential care - elderly and persons with disabilities | 3,229,000 | 3,229,000 | 2,945,000 |
| Residential care - group home | 211,000 | 211,000 | 211,000 |
| | \$ 16,717,000 | \$ 16,717,000 | \$ 16,028,391 |

SCHEDULE B**Fort Smith Health and Social Services Authority****Schedule of Other Recoveries for Direct Charges for Services**

| <u>For the year ended March 31,</u> | <u>2014</u> | <u>2014</u> | <u>2013</u> |
|---|-------------------------------------|-------------------|-------------------|
| | (unaudited) Budget | Actual | Actual |
| Other Recoveries from the GNWT | \$ - | \$ - | \$ - |
| Other Recoveries directly from Third Parties | | | |
| Non-Residents of the Territory - | | | |
| Territorial Health Insurance Plan | 99,996 | 136,799 | 143,004 |
| Other clinic recoveries | 20,004 | 47,677 | 41,041 |
| Workers' Safety Compensation Commission | 50,000 | 64,523 | 74,505 |
| | \$ 170,000 | \$ 248,999 | \$ 258,550 |

SCHEDULE C**Fort Smith Health and Social Services Authority****Schedule of Other Revenues**

| For the year ended March 31, | 2014 | 2014 | 2013 |
|---|-------------------------------------|---------------------|---------------------|
| | (unaudited) Budget | Actual | Actual |
| Other Revenues from the GNWT | | | |
| GNWT - DHSS | \$ 648,010 | \$ 798,528 | \$ 994,383 |
| | 648,010 | 798,528 | 994,383 |
| Other Revenues directly from Third Parties | | | |
| Room and Board | 219,990 | 226,875 | 196,325 |
| | 219,990 | 226,875 | 196,325 |
| | \$ 868,000 | \$ 1,025,403 | \$ 1,190,708 |

SCHEDULE D

Fort Smith Health and Social Services Authority

Schedule of Expenditures by Functional Centre

For the year ended March 31,

2014

| Functional Centre | Grants and Contributions | | Operations and Maintenance | | Compensation and Benefits | | Total | |
|--|--------------------------|-------------|----------------------------|--------------------|---------------------------|---------------------|-----------------------|---------------------|
| | (unaudited) Budget | Actual | (unaudited) Budget | Actual | (unaudited) Budget | Actual | (unaudited) Budget | Actual |
| 711 Administrative and support services | \$ - | \$ - | \$ 525,996 | \$ 459,073 | \$ 2,259,016 | \$ 2,709,184 | \$ 2,785,012 | \$ 3,168,257 |
| 712 Nursing Inpatients/ Residents | - | - | 249,996 | 438,945 | 2,130,012 | 2,689,203 | 2,380,008 | 3,128,148 |
| 713 Ambulatory care services | - | - | 360,012 | 489,207 | 2,286,008 | 2,413,702 | 2,646,020 | 2,902,909 |
| 714 Diagnostic and Therapeutic Services | - | - | 364,956 | 406,636 | 959,028 | 923,850 | 1,323,984 | 1,330,486 |
| 715 Community health services | - | - | 88,992 | 188,231 | 1,346,988 | 1,384,134 | 1,435,980 | 1,572,365 |
| 716 Social services | - | - | 2,670,000 | 2,125,854 | 4,510,000 | 5,063,235 | 7,180,000 | 7,189,089 |
| 719 Undistributed Nursing Rent | - | - | 9,996 | 3,941 | - | - | 9,996 | 3,941 |
| Total | \$ - | \$ - | \$4,269,948 | \$4,111,887 | \$13,491,052 | \$15,183,308 | \$17,761,000 | \$19,295,195 |

SCHEDULE E

Fort Smith Health and Social Services Authority

Schedule of Non-insured Recoveries and Expenditures

| For the year ended March 31, | 2014 (unaudited) Budget | 2014 Actual | 2013 Actual |
|------------------------------|-------------------------------|----------------|----------------|
| Recoveries | \$ - | \$ - | \$ - |
| Expenditures | - | - | - |
| Net Expenditure | \$ - | \$ - | \$ - |

This schedule is not applicable to the Authority.

SCHEDULE F**Fort Smith Health and Social Services Authority****Other Contributions**

| <u>For the year ended March 31,</u> | <u>2014</u> | <u>2014</u> |
|---|-------------------------------------|---------------|
| | (unaudited) Budget | Actual |
| Funding | | |
| Government of the Northwest Territories | \$ - | \$ - |
| Expenditures | - | - |
| Surplus | \$ - | \$ - |

This schedule is not applicable to the Authority because none of the contribution agreements exceed \$250,000.

Fort Smith Health and Social Services Authority

Reserves

| | Surplus/Deficit | | Leave and Termination | | Special Projects | | TOTAL | |
|----------------------------|-----------------|------|-----------------------|------|------------------|------|-------|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| March 31, | | | | | | | | |
| Balance, beginning of year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers between reserves | - | - | - | - | - | - | - | - |
| Balance, end of year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

This schedule is not applicable to the Authority because there are no reserves.