

Facilicorp^{NB}

FACILICORPNB ANNUAL REPORT 2013-2014



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FacilicorpNB
1 Germain Street, Suite 902
Saint John NB
E2L 4V1
Canada

Contact us:
www.FacilicorpNB.ca
Tel: 506-663-2500
Toll-free: 1-888-480-4404
Email: info@FacilicorpNB.ca
Facebook: www.facebook.com/FacilicorpNB
Twitter: www.twitter.com/FacilicorpNB
LinkedIn: www.linkedin.com/company/FacilicorpNB

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Communications, FacilicorpNB
Communications@FacilicorpNB.ca

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Mission FacilicorpNB provides innovative support services in a safe and cost-effective manner, creating value and exceeding customer expectations.

Vision FacilicorpNB will be the leading provider of health shared services in Canada.

Values

Integrity: We are ethical, honest, consistent and professional.

Teamwork: We cooperate and collaborate with our staff, customers and other stakeholders.

Accountability: We measure, monitor and report our performance in an open and transparent manner.

Respect: We treat all stakeholders with courtesy, fairness and dignity, and communicate with them in both official languages.

Pride: We have personal and professional pride in everything that we do.

Environmental Stewardship: We are diligent in identifying and adopting practices that will reduce our environmental footprint.



QUICK FACTS 2013-2014

WE ARE:

New Brunswick's health system shared services agency.

WE PROVIDE:

Safe, cost-effective, innovative and sustainable non-clinical support services for the health system.

Our service lines include:

- Information Technology and Telecommunications (IT&T)
- Clinical Engineering
- Supply Chain
- Laundry

2013-2014 FISCAL YEAR

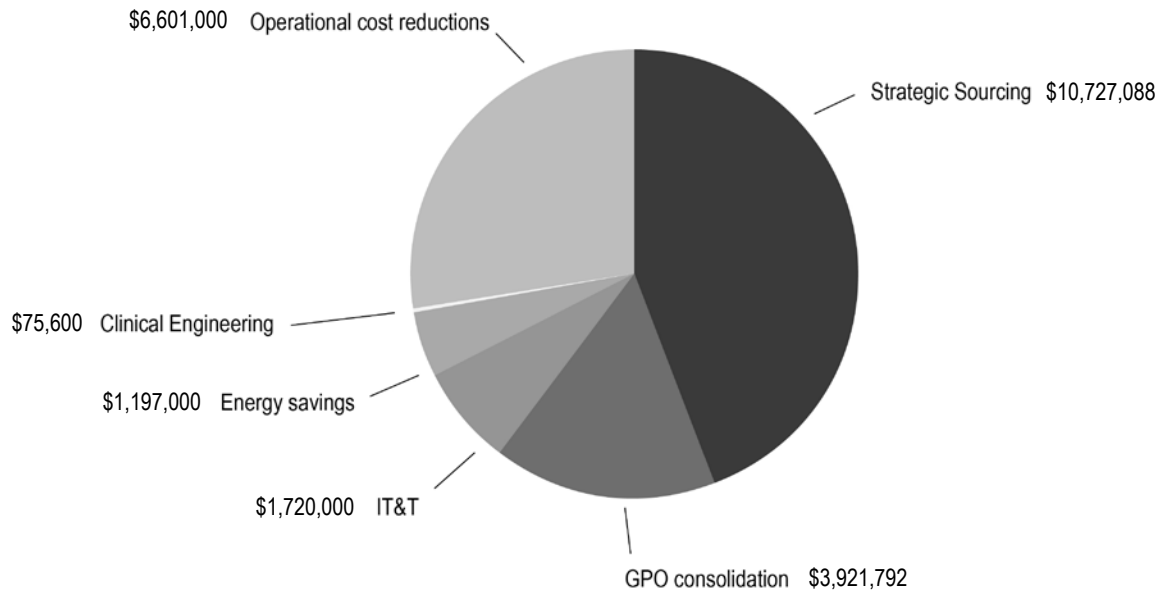
Savings realized in 2013-2014: \$2.8 million

Reinvested in health system 2013-2014: \$1.5 million

2013 CLIENT SATISFACTION SURVEY RESULTS

IT&T:	88%
Clinical Engineering:	93%
Supply Chain:	87%
Laundry:	64%

CUMULATIVE ANNUALIZED SAVINGS (2008-2014): \$24,242,480



2013-2014 ACCOMPLISHMENTS

In 2013-2014 we launched our organization's 2013-2016 Strategic Plan. It is a document that embraces the Balanced Scorecard approach to measuring our progress toward achieving our goals. The document has already had a big impact on the way we plan and execute our work. Today we are focused on aligning our efforts to our six drivers of change – an approach that will harmonize outputs across our business lines.

This has been a results-driven year. Several large-scale projects achieved major milestones, and meaningful progress has been made on new initiatives that will prove to be game-changers in the years to come:

- we are at the halfway mark in the laundry consolidation process
- we added 17 nursing homes to our list of laundry clients
- we helped 39 nursing homes become associate members in Medbuy, a national Group Purchasing Organization
- we launched the renewal of Supply Chain operations
- we continued our efforts to roll out the IT Provincial Service Desk to all zones/areas
- we successfully upgraded more than 10,000 computers to the Windows 7 operating system
- we launched an energy management program
- we began the implementation phase of the Pharmaceutical Supply Chain project



1.0 MESSAGE FROM THE BOARD CHAIR

On behalf of the Board of Directors at FacilicorpNB, I am pleased to present our 2013-2014 Annual Report.

This past year we embarked upon a new strategic plan for our organization, one that will see us focus on continuous improvement, and achieve specific targets related to our six drivers of change.

Throughout the year we continued our consolidation and rationalization efforts, continued to build our customer base, and launched several new major initiatives including the Supply Chain Renewal project.

The relationships we have built with other government agencies and departments are flourishing – and we are working collaboratively to solve problems, remove obstacles and make change.

From the perspective of the Board of Directors, it was a year of evolution.

Several of our Directors saw their terms expire mid-year. I'd like to thank Alfred Lacey, Gerald W. O'Brien, Q.C., Roxanne Fairweather, Suzanne Roussel and Odette Snow, Q.C., for their guidance and support. I also want to thank Marc Léger and Sylvie Lévesque-Finn, who left the Board during this fiscal year, for their efforts and commitment to our organization.

We welcomed six new Directors. Christian Couturier, David T. Hashey, Q.C., Dr. David Elias, Lily Durepos, Manon Losier and Paula MacNeil are all leaders in their field of expertise, and collectively embody our organization's corporate values.

An engaged Board raises the bar for the entire organization, and I am proud to say that FacilicorpNB is fortunate to have such a Board.

It is an honour to be a part of an organization that is making real and positive change for our province's health system. There are a lot of initiatives underway, and a lot of hard work has been done. The contribution made by each and every one of our team members has a significant and meaningful impact on our success, and I look forward to embracing this new phase of our organization's evolution together.

Sincerely,



Marcus Goddard
Board Chair



1.1 GOVERNANCE

FacilicorpNB's Board of Directors endorses the principle that sound corporate governance practices are essential for the proper functioning of the corporation and for enhancing the interest of its sole shareholder, the Province of New Brunswick.

Our Board discharges its responsibilities directly and through committees under FacilicorpNB's By-laws, Sole Shareholder Declaration and Board of Directors' Governance Manual. The Board holds five scheduled meetings each year, with unscheduled meetings held as required.

1.1.1 BOARD COMMITTEES

The Board of Directors is currently responsible for the governance and functioning of the following two committees:

- Audit & Finance Committee – responsible for reviewing all finance, audit and risk items
- Governance and Human Resource Committee – responsible for reviewing all governance and human resource items

Our Board committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.

1.1.2 ETHICAL BUSINESS CONDUCT

FacilicorpNB has adopted a Code of Conduct and Conflict of Interest Guidelines, which govern the conduct of all Directors and Officers, and manage the disclosure and avoidance of conflicts of interest.

Directors are required to file disclosure statements annually and to provide updates as required.



1.2 BOARD OF DIRECTORS

Name	Role	Board meeting attendance ¹	Committee memberships	Committee meeting attendance ¹
Alfred W. Lacey ¹	Director	3/3	Audit & Finance Committee Governance & HR Committee	1/1 1/1
Christian Couturier ²	Director	2/2	n/a	n/a
David T. Hashey, Q.C. ³	Director	4/4	Governance & HR Committee	2/3
Dr. David Elias ³	Director	4/4	Audit & Finance Committee	3/3
Gerald W. O'Brien, Q.C. ¹	Director	3/3	Audit & Finance Committee	1/1
Gordon A. Gilman ⁴	President & CEO	6/7 ⁸	Audit & Finance Committee Governance & HR Committee	5/5 4/4
Lily Durepos ³	Director	4/4	Governance & HR Committee	3/3
Manon Losier ³	Director	3/4	Governance & HR Committee	n/a
Marc Léger ⁵	Director	3/3	n/a	n/a
Marcus Goddard	Board Chair	7/7	Audit and Finance Committee Governance & HR Committee	5/5 4/4
Michael Coster	Director	7/7	Audit and Finance Committee	5/5
Odette Snow, Q.C. ¹	Director	2/3	Governance & HR Committee	1/1
Paul Couturier	Director	6/7	n/a	n/a
Paula MacNeil ³	Director	3/4	Audit & Finance Committee	5/5
Roxanne Fairweather	Director	2/3	Audit & Finance Committee	0/1
Sonia Roy	Director	6/7	Governance & HR Committee	4/4
Suzanne Roussel ¹	Director	1/3	Governance & HR Committee	0/1
Sylvie Levesque-Finn ⁶	Director	1/1	Governance & HR Committee	1/5
Tom Maston	Director	5/7	Audit & Finance Committee	1/6
W. David Ferguson	Director	5/7	n/a	n/a

1 Terms for Alfred Lacey, Gerald W. O'Brien, Q.C., Roxanne Fairweather, Suzanne Roussel and Odette Snow, Q.C., ended on July 9, 2013.

2 Christian Couturier was appointed to the Board on September 23, 2013.

3 David T. Hashey Q.C., Dr. David Elias, Lily Durepos, Manon Losier and Paula MacNeil were appointed to the Board on July 9, 2013.

4 Ex officio, non-voting.

5. Marc Léger resigned from the Board on February 27, 2014.

6. Sylvie Levesque-Finn resigned from the Board on September 13, 2013.

7. For those Directors who left or joined the Board or Board Committees part way through the year, the attendance record reflects the number of meetings held during their respective tenures.

8. One (1) Board of Directors meeting was held specifically without the CEO present.



2.0 MESSAGE FROM THE PRESIDENT AND CEO

On behalf of the management and staff at FacilicorpNB, I am pleased to present our 2013-2014 Annual Report.

Our organization's first five years were focused on streamlining purchasing, establishing dependable service delivery, and achieving an aggressive savings target. We were able to deliver on those goals through hard work and a collective vision.

Fiscal year 2013-2014 saw our organization move into the next phase of our development. Working in partnership with the Department of Health and the Regional Health Authorities (RHAs) to ensure strategic alignment, we have implemented the Balanced Scorecard management approach, and developed our second Strategic Plan document.

Our new Strategic Plan provides a path forward that is both specific and measurable. Six drivers of change are at the core of this plan, concepts that are directly and transparently tied to strategic solutions and to a portfolio of planned activities and projects that will move us toward health system sustainability in a meaningful way.

We continue our dedication to being a dependable partner for all stakeholders in our health system, and to taking a collegial approach to service delivery, project implementation, needs assessment and measurement.

The process of operationalizing our strategic plan is well underway, as illustrated in the pages that follow.

As we saw in our first five years, generating long-term value in an efficient and sustainable manner begins with delivering quality, dependable services. This past year, our efforts were geared towards reinforcing that endeavour by refining and improving our service offering, lowering costs over time, and seeking new business opportunities.

These are exciting times for our organization. We have proven ourselves to be a valued part of the sustainability solution for our health system, and we are dedicated to continuing that process in a creative and efficient manner.

Thank you to our employees, our senior executive team, our partners and stakeholders, and our Board of Directors. Your efforts are directly tied to making this province a safer, healthier and more sustainable place to live.



Gordon Gilman
President and CEO

2.1 CORPORATE OVERVIEW

FacilicorpNB is a public sector agency, created in 2008 to manage specific non-clinical shared services for the New Brunswick health system. Our mandate is to provide cost-effective, innovative and sustainable support services to the health system.

We fulfill our mandate by delivering high quality services; consolidating service management; standardizing processes and products; developing best practices; and leveraging greater critical mass in the procurement of goods and services.

Our operations are funded by the Department of Health, user charges for laundry services and savings generated from our activities.

2.2 BUSINESS LINES

Our business lines – Information Technology and Telecommunications (IT&T), Clinical Engineering, Supply Chain, and Laundry – provide a comprehensive range of services for the health system and its partners.

2.2.1 INFORMATION TECHNOLOGY & TELECOMMUNICATIONS

Health professionals rely on timely clinical and decision-support information to treat patients and administer health services to New Brunswickers. IT&T provides that critical foundation through effective, proactive and innovative management of our health system's technology and communications infrastructure. We develop, test and implement provincial e-health solutions for the Regional Health Authorities (RHAs) and for the Department of Health. We also troubleshoot, support and manage the lifecycle of both hardware and software products in use within the health system throughout the province. IT&T also ensures that data and information are safely and securely stored and managed.

We provide 24/7 support for all IT operations within New Brunswick's health system.

Statistics at a glance	2012-2013	2013-2014	Change
Total number of desktops and laptops	12,683	13,337	+654
Total number of servers	1,200	1,268	+68
Total calls to Service Desk	121,186	146,507	+25,321
Total incidents reported	95,346	118,153	+22,807
Total incidents resolved	87,711	113,667	+25,956

Notes:

- The number of net new workstations installed during the year was 177. In addition, the number of existing desktops and laptops increased by 477 units – identified using automated tools.
- The number of servers increased by 68 during the year, due to the implementation of numerous small clinical systems, and the rollout of larger projects like the pharmaceutical supply chain project.
- Our call volume increased due to better service desk availability and demand for support related to significant projects.
- A Process Improvement Project focused on Incident Management has resulted in improvements leading to a significant decrease in resolution times. The percentage of incidents resolved within the same month has increased four points to 96%.



2.2.2 CLINICAL ENGINEERING

Health care professionals use a wide array of diagnostic and therapeutic medical equipment in their day-to-day work. This equipment can be very complex and costly.

Clinical Engineering works with customers to plan for and evaluate new and existing health care technologies. We inspect and maintain equipment and we ensure the technology used complies with all applicable regulations. We also support the investigation of incidents related to medical equipment and participate actively in the training and education of technical and medical personnel regarding its use. Finally, we help determine when equipment has reached end-of-life status, and take a significant role in the decommissioning process.

Statistics at a glance	2012-2013	2013-2014	Change
Total number of work orders	64,251	62,691	-1,560
Total number of preventive maintenance service orders	20,051	21,154	+1,103
Total number of completed actions following alerts about equipment	1,560	1,007	-553

Notes:

- The decrease in the total number of work orders was due to a reduction in corrective work required to support equipment. Corrective work decreased from 53% documented time in 2012/13 to 51% documented time in 2013-2014. During this time there was a net reduction of 390 pieces of inventoried equipment.
- The reduced corrective actions, along with the 2013-2014 implementation of standardized maintenance scheduling, allowed CE to complete 1,103 more preventative maintenance service orders than in the previous year.
- The number of alerts handled varies from year to year, as they are dependent on the quantity of equipment in service, and the details of the published alert.

2.2.3 SUPPLY CHAIN

On a day-to-day basis, a wide variety of equipment, supplies and services are used in the delivery of health care to New Brunswickers.

Supply Chain supports health care professionals by ensuring the right goods and services are available at the right time and place. We are responsible for sourcing, procurement, storage, delivery and distribution of all equipment, supplies and services for the health system throughout New Brunswick. Supply Chain includes the following: strategic sourcing, purchasing, inventory management/stores, shipping and receiving, distribution, motor services, print shops and mail rooms.

Statistics at a glance	2012-2013	2013-2014	Change
Total number of purchase orders	130,915	123,714	-7,201
Total dollar value of purchase orders	\$275,700,075	\$280,698,785	+\$4,998,710
Total number of contracts	1,452	1,462	+10
Total number of RFPs/tenders	82	100	+18

Notes:

- The reduction in the number of purchase orders is largely as a result of the effort to increase the number of order lines per purchase order.
- The total dollar value of purchase orders reported in 2012/13 has been corrected in this table as a result of a calculation error related to pharmaceutical purchases. Pharmaceutical purchases are not administered by FacilicorpNB and as such have been removed from the total value of purchase orders.
- During the year the organization prepared and issued 58 Requests For Proposals, 15 Requests For Information and 27 Requests For Quotes.



2.2.4 LAUNDRY

New Brunswick's many health system facilities require a wide variety of clean and/or sterile linens on a daily basis.

Laundry provides complete laundry service (including pick-up of soiled and delivery of clean items) for our customers throughout the province. This also includes the provision of specialized products and services such as surgical gowns, drapes, scrubs, incontinence care products and customized surgical packs.

Statistics at a glance	2012-2013	2013-2014	Change
Total poundage of laundry processed	22,416,307	23,091,408	+675,101
Total number of customers	58	75	+17

Notes:

- The increase in both clients and poundage comes as a result of a number of New Brunswick nursing homes transitioning their laundry operations to us during the fiscal year.

2.3 OFFICIAL LANGUAGES ACT

FacilicorpNB provides quality services to its customers in their official choice of language. The Human Resources Department is responsible for coordinating the Official Languages policy for our organization. FacilicorpNB actively updates its language profiles as business lines are added to the organization or as internal re-organizations warrant.

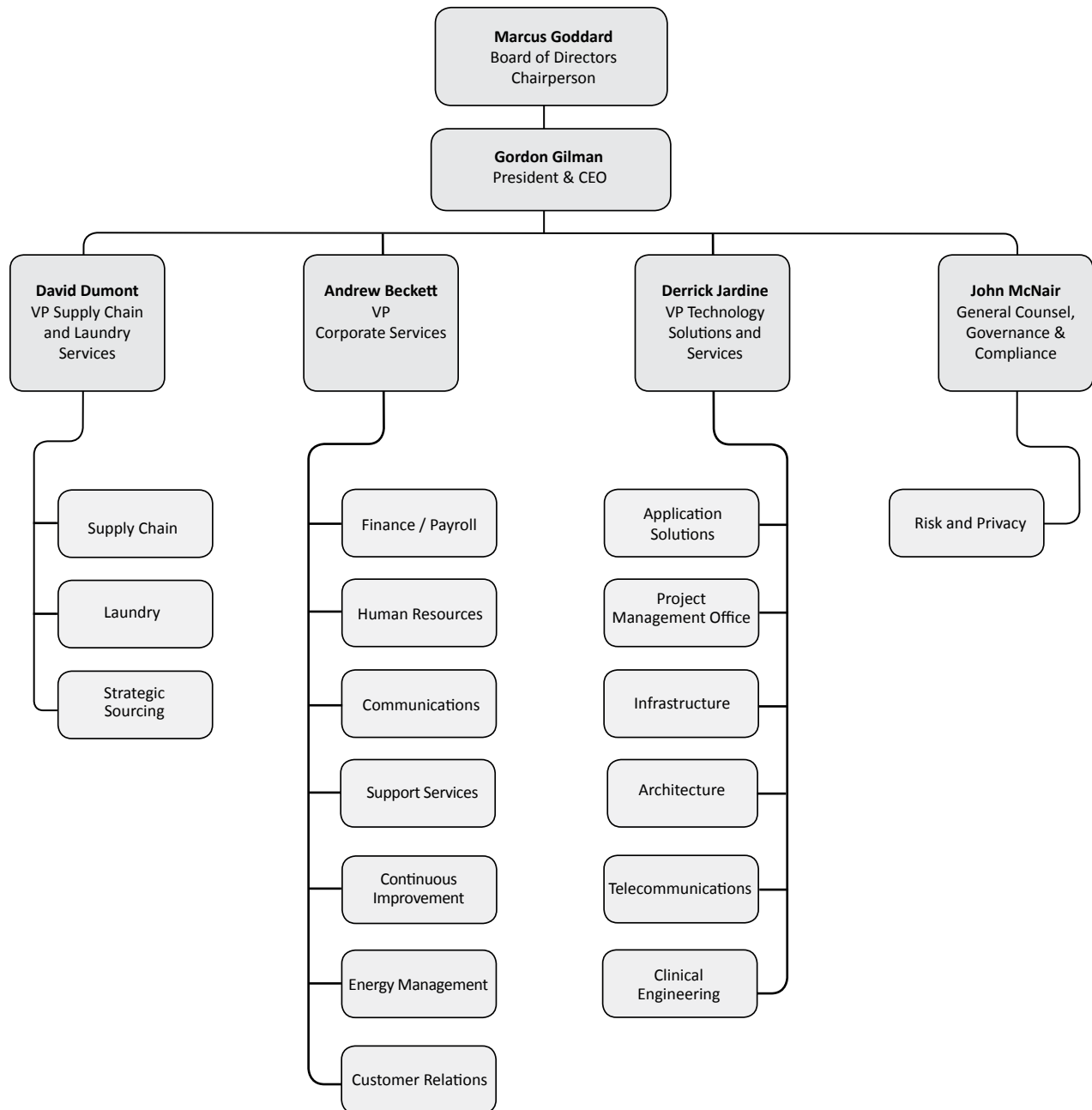
FacilicorpNB received written notice on February 26, 2014 from the New Brunswick Commissioner of Official Languages (the "Commissioner") of a complaint related to the Request for Proposal for New Brunswick Health System Benchmarking Services issued in 2012. We have officially responded to the Commissioner and are awaiting the completion of the Commissioner's investigation.

2.4 PUBLIC INTEREST DISCLOSURE ACT

FacilicorpNB has policies and processes designed to manage public interest disclosures as required by the *Public Interest Disclosure Act* (New Brunswick). In 2013-2014, no claims or disclosures of wrongdoing were made or received.



2.5 ORGANIZATIONAL CHART - AS AT MARCH 31, 2014



3.0 REPORT ON PERFORMANCE

Our 2013-2016 Strategic Plan identifies a series of desired outcomes, and organizes them into six drivers of change:

- From a **customer** perspective, we will move from variable service levels to high quality, consistent service levels.
- From a **service** perspective, we will expand our services to include new offerings and new customers.
- From a **results** perspective, we will move from a cost-savings focus to a long-term value focus.
- From an **operations** perspective, we will replace stand-alone processes with harmonized processes.
- From an **employee** perspective, we will foster a stronger sense of pride and belonging.
- From a **resource** perspective, we will shift focus to allow strategy to shape budget – instead of the other way around.

The following sections outline our activities and accomplishments related to these drivers of change, over the past year.

3.1 KEY PERFORMANCE INDICATORS

DRIVER	MEASURE	TARGET	MEASUREMENT FREQUENCY	2013-14 RESULTS
Customer	Corporate customer satisfaction survey	90% satisfaction	Annual	IT&T: 89% CE: 93% SC: 87% Laundry: 64%
Service	Revenue from new and existing customers	\$900,000	Monthly	\$989,449
Results	Total value of system savings and efficiencies resulting from our activities	\$2,890,000	Monthly	\$2,838,124
Results	Value of performance improvement projects	\$200,000	Quarterly	\$0
Operations	Completion rate of work plan items	90%	Quarterly	On track.
Employee	HR engagement survey	60%	Every two years	34%
Employee	Employee attendance	9.5 sick days	Monthly	11.18 days
Resource	Net budget vs. projected net expenditures	\$0.00 variance	Monthly	\$1,355,043 positive variance
Resource	Revenue per employee	\$8,100 per employee	Monthly	\$9,195 per employee



3.2 DRIVERS OF CHANGE

3.2.1 Customers

Desired Outcome

We will move from variable service levels to high quality, consistent service levels.

Actions Taken

Corporate Customer Satisfaction Survey

In 2013 we reviewed the way we gather customer satisfaction information. The review process resulted in a recommendation that we adopt a more targeted approach for gathering this information, surveying a smaller number of recent users of our services. We anticipate this approach will result in observations and recommendations that are more actionable, thus improving service delivery.

Our 2013 Customer Satisfaction Survey, conducted by Ipsos between December 12, 2013, and January 6, 2014, was distributed to 527 customers in both RHAs and to our external laundry clients. A total of 157 responses were received. The responses indicated a majority of customers are satisfied with the level of service they receive. Eighty-four percent (84%) of respondents indicated they were either completely or mostly satisfied. Satisfaction levels by Business Line were: IT&T – 89%; Clinical Engineering – 93%; Supply Chain – 87%; and Laundry – 64%.

An analysis of the survey responses identified a number of areas for improvement that could have an impact on future customer satisfaction scores. Improvement areas included decision-making and consultation in the procurement process, response time for order fulfillment, and order accuracy/completeness.

> Next steps

Based on the findings of this Customer Satisfaction survey, we have identified a number of action items that will begin the process of addressing areas of concern identified.

Microsoft Windows 7 Implementation

In 2013, Microsoft formally advised us that as of April 8, 2014, they would no longer be supporting the Windows XP operating system. This meant they would discontinue providing security patches and as a result, any computer using that operating system would be exposed to significant virus-related risk.

In May 2013, FacilicorpNB launched a Microsoft Windows 7 implementation project, designed to ensure technical support from the manufacturer is maintained and to take advantage of new functionality.

The Infrastructure Operations team, with support from supplemental resources, remotely deployed the necessary software to all workstations. The team then followed up with a visit to each user throughout the province, to customize the implementation.

As part of the implementation project, our Application Solutions team worked closely with each software vendor to ensure compatibility with the new operating system. A number of clinical applications needed to be upgraded to ensure compatibility with the new operating system, and nearly 2,000 desktops and laptops were acquired to replace workstations that were too old to be upgraded.

Deployment of replacement desktops and laptops began in November 2013 with a dedicated team of 40 staff. By year-end (before the April 8, 2014 cut-off date), we had successfully upgraded the majority of the 12,500 desktops and laptops in the health system.

> Next steps

All remaining devices not capable of being upgraded at this time have received security mitigation software in the interim, and will be upgraded in the next 12 months – as the clinical applications for which they are used are updated by various concurrent projects.



Access Management

A Lean Six Sigma approach was used to develop a standardized process for access management, which includes all activities related to granting system access privileges to authorized users in the health system. Once implemented, the new process will improve the user experience, reduce compliance risk and use resources more effectively. A pilot project was conducted at the Moncton Hospital to evaluate and validate the key design features and benefits of the process, and establish the next steps.

In addition to the process development initiative, organizational changes were made within the Applications Branch to support the creation of a provincial Access Management team, which will be instrumental to the initiative's success.

> Next Steps

Plans are underway to present the finalized process elements and high-level implementation plans to the RHAs and begin deployment across all areas and zones.

IT Provincial Service Desk implementation and process standardization initiatives

The IT Provincial Service Desk project continued to expand its services this year, now offering 24/7 bilingual services to users. Three more regions were transitioned, bringing the total number of zones/areas serviced to six out of eight.

The project provides consistent, round-the-clock service to all users, which was not available in the past. The resulting efficiencies have led to a reduction in effort, freeing up resources for other support-related process improvement initiatives, such as the Incident Management Process – which has already resulted in significant reductions in both resolution time and the incident backlog.

> Next steps

Complete transition of the remaining two zones by March 2015.

New joint intranet improvements

The second phase of the Common Healthcare Intranet Portal began in June 2013. The goal of this phase was to migrate content and applications from the previous zone-based intranets and shared network folders to the new organization-based intranets for Horizon Health Network (Skyline), Vitalité Health Network (Boulevard), and FacilicorpNB (Rendezvous).

Priorities for the migration phase included the removal of unnecessary material, improvements to user experience (by enabling access to all content from one location), and an expansion of the number of content owners and administrators trained to manage and develop content for their respective intranets.

The project uses a combination of common standards, processes and educational materials to support the addition of these new areas and resources.

> Next steps

All content will be migrated by June 2014, at which time we will begin the decommissioning process for the previous zone-based intranets. A Joint Intranet Governance Committee, with representation from all three organizations, will continue to provide oversight for the ongoing evolution of the intranets and to outline yearly work plan priorities.



3.2.2 Services

Desired Outcome

We will expand our services to include new offerings and new customers.

Action Taken

New nursing home clients – Laundry

Our Strategic Plan places a priority on expanding our services and attracting new customers. During the past fiscal year, we welcomed 17 new nursing home clients as laundry customers – bringing the total nursing home laundry customer count to 35. This increase in customers is an important part of the continuing effort to ensure the long-term financial stability of New Brunswick nursing homes and to support the fiscal sustainability of the Province. It is estimated that the Province of New Brunswick will save \$600,000 annually as a result of this initiative.

> Next steps

We anticipate seven additional nursing home customers will join our laundry client list in 2014/15.

New nursing home clients – Procurement

In fiscal 2013-2014 we introduced procurement services to our nursing home clients, in an effort to reduce their costs, streamline processes and take advantage of economies of scale.

We worked with both the Department of Social Development and the New Brunswick Association of Nursing Homes to explore service delivery, contract management and group purchasing options that would best serve the needs of the province's long-term care sector. After reviewing a variety of different options, the decision was made to offer nursing homes the option to join Medbuy (our national group purchasing organization) as Associate Members through the FacilicorpNB membership. To date, 39 of 62 public nursing homes have signed up, representing 67% of beds in the province.

> Next steps

We will continue to work with new nursing home clients, introducing them to Medbuy and supporting them as they move through the associate membership application process.

Energy Management

In 2013-2014 we hired a Manager responsible for developing an integrated energy management strategy for the New Brunswick health system, with the goal of reducing both energy consumption and operational costs. Through this initiative, the RHAs will receive support in the identification, prioritization, and execution of energy savings initiatives.

Actions taken during the year included:

- Benchmarking of existing energy costs in 21 facilities.
- Energy Management Plan development for three facilities.
- Installation of Energy Management Information Systems in two health care facilities.
- Collaborative efforts with the newly established Horizon Energy Network resulted in \$712,000 in energy cost avoidance this fiscal year. This represents a 6% reduction in energy spend overall for four facilities.
- Completion of energy efficiency upgrades at three health care facilities with a total investment of \$76,000, and an estimated annualized savings of approximately \$103,000.



> Next steps

In the coming year we will continue to work with facility management personnel in both RHAs to identify and implement additional energy management projects. Energy cost information and existing Energy Management Plans will be updated, and Energy Management Plans will be developed for two additional facilities. We also plan to design and launch an employee energy awareness/engagement initiative at one facility.

Provincial scheduling, time and attendance solution

In cooperation with the RHAs, we are continuing to work on the provincial implementation of the Kronos Workforce Central solution, which will eventually be deployed throughout the health system, touching more than 20,000 employees. The integrated time and attendance and employee scheduling solution will help standardize, automate and simplify employee scheduling, time-tracking, and attendance management on an organization-wide basis.

A key milestone this past fiscal was the completion of the implementation phase of the time and attendance management module for the Vitalité Health Network.

In October 2013, Horizon Health Network began its own implementation project by embarking on the Staff Scheduling Transformation Initiative. The result will be a standardized and consistent approach to the management of scheduling functions with a regional implementation of the staff scheduling module for all Horizon Health Network employees. The planning phase for this initiative was completed in March 2014.

> Next steps

Implementation will continue throughout the next fiscal year. Going forward into 2014/15, the provincial time and attendance module solution will be deployed across the Horizon Health Network and FacilicorpNB.

Common dictation/transcription/voice recognition solution

The health system in New Brunswick relies on multiple systems to support dictation and transcription functions. Because many of the existing tools used for these purposes required application upgrades or near-term replacement, an RFP was issued to seek a new solution. In fall 2013, a contract for a province-wide solution was awarded to Lanier Health Care Canada (Lanier HCC).

The Dictation/Transcription/Voice Recognition Project will implement a single solution that will enable both the Horizon and Vitalité Health Networks to perform dictation, transcription and voice recognition for clinical reports in both French and English.

A project team with members from Vitalité and Horizon Health Networks, FacilicorpNB, and Lanier HCC has been created to ensure the project's success. Work on business requirements and implementation planning for this important project began in January 2014.

> Next steps

The next fiscal year will see the design, build and implementation of the system within both the Horizon and Vitalité Health Networks. The rollout will include employees and physicians from Laboratory, Health Records and Diagnostic Imaging, who will utilize this new provincial solution.



Pharmaceutical Supply Chain Project

In 2011, an opportunity to streamline the province's pharmaceutical supply chain practices was identified. A request for proposals was issued, and McKesson Canada was selected to support the implementation of a new supply chain model designed to decrease costs and promote patient safety through the introduction of industry-leading automation.

When completed, the Pharmaceutical Supply Chain Project will establish a single-source distribution model that will enable both the Horizon Health Network and the Vitalité Health Network to automate, move and track pharmaceuticals from the time of purchase through traditional distribution channels to selected patient-care areas.

FacilicorpNB is providing overall project management for the deployment of the new automated solution, support for the deployment of new hardware and software systems, and first-response maintenance support.

> Next steps

Implementation is expected to be completed in all zones and areas by December 2015.

Joint Solution RFP - Provincial Support Services Management Solution

In its 2013-2014 health budget, the Government of New Brunswick announced its intention to sign a long-term partnership agreement with a private sector company for the management of food, cleaning and patient portering services within each of the hospitals in the Vitalité Health Network and Horizon Health Network.

The Joint Solution RFP process is a multi-staged approach designed to identify and select a successful supplier to work strategically with the RHAs to jointly develop a solution and subsequent final contract for the delivery of same. Through the introduction of new technologies and innovative management practices, operational improvements and savings are anticipated through standardization, planning coordination and improvements to operational efficiency.

FacilicorpNB is responsible for managing the RFP process and acts as chair of the RFP steering committee, which is comprised of members from both RHAs (the "Project Team").

At this stage of the RFP process, the best and final offers received from three suppliers have been evaluated and scored. As part of that evaluation and scoring process, the Project Team has participated in site visits to supplier locations that included tours of specific production sites and hospitals; and evaluations of patient food offerings and tastings. A top-ranked supplier has been identified through this process.

> Next steps

Various stages of approval have necessarily been built into the Joint Solution RFP process. At this stage, we are awaiting approval and authorization from the RHAs and the Department of Health, which will allow the Project Team to proceed to the final stage and begin the negotiation of a final contract with the top-ranked supplier. Following completion of that negotiation process, the draft contract will be presented to both RHAs and the Department of Health for final review and approval.

3.2.3 Results

Desired Outcome

We will move from a cost-savings focus to a long-term value focus.

Action Taken

Supply Chain renewal initiative

In January 2013, FacilicorpNB developed a plan for the renewal of Supply Chain management, with a focus on sourcing and logistics – a process that will standardize and improve levels of service province wide.

The first step of the plan introduced a new interim leadership structure reflecting a provincially focused operation.

Ongoing initiatives will involve the adoption of leading Supply Chain practices including a category management delivery model – a transition that will take three years to complete.

The implementation of the category management model offers a variety of operational and client-focused benefits. It will:

- create and build a centre of expertise for a category
- allow for a consistent client experience
- provide a main point of contact for customers and suppliers
- increase contract compliance
- improve business intelligence

The first area scheduled to complete this transition is that of the laboratory operations of the RHAs.

> Next steps

Over the next three years category management will continue to be rolled out. The objective is to have 35% of spending managed under the category management model by March 2015, 60% by March 2016 and 100% by March 2017.

KIRA 2013 award

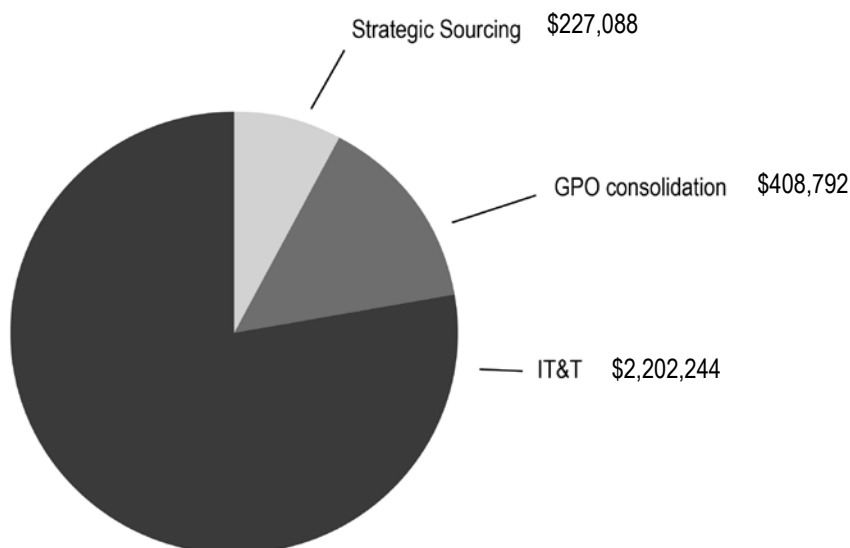
FacilicorpNB, along with the Horizon Health Network, the Vitalité Health Network, and the Department of Health, were honoured during the 15th KIRA awards ceremony, winning the Technological Advancement/Innovation (public) award for work done related to the “One Patient, One Record” Electronic Health Record (EHR) project.

The EHR initiative provides health professionals with one-window access to a wide variety of clinically relevant patient information. The system supports clinical decision making, improves patient safety and the delivery of care, and improves the quality of health information through standardization.



Savings generation

Annual savings for 2013-14 totaled \$2,838,124.



In addition we reduced annual operating costs by \$2,033,000 in response to the Government's Health Renewal Strategy. These reductions were achieved through reductions of staff in all service areas and elimination of third-party maintenance contracts.

Investments

During the fiscal year 2013/2014 we reinvested \$2,801,588 as follows:

Information Technology:

- Infrastructure consolidation: \$663,462
This reinvestment was used to upgrade system servers.
- PC Refresh: \$510,953
- This reinvestment was used to upgrade computers and laptops across the health system. All desktops and laptops are being brought up to a common standard and then replaced according to a regular life-cycle schedule.
- Integration Engine Consolidation: \$199,500
This reinvestment was used to fund ongoing work associated with the consolidation of eight integration engines into one provincial platform. Integration engines are IT tools used to ensure various systems in the health system are able to exchange information.
- New software tools: \$109,165
New software was acquired that allows us to extract information from the Meditech Systems and load it into a SQL repository. This is a building block for our Business Intelligence strategy and allows for faster turnaround to generate reports

Laundry:

- Carts: \$558,436
This reinvestment was used to purchase carts for transporting clean linen to nursing units in hospitals. Additional carts were required due to the consolidation of laundry operations.
- Containers: \$760,071
- This reinvestment was used to purchase containers for the storage of disposable OR linen. Funding for the purchase of these containers was provided by Horizon Health Network and recorded in revenue in the previous fiscal period.



3.2.4 Operations

Desired Outcome

We will replace stand-alone processes with harmonized processes.

Action Taken

Laundry consolidation

In response to the Province's Health Renewal process, we identified an opportunity to lower laundry operation costs by reducing the number of laundry operations in the province from 8 to 4. The consolidation process was planned in two phases, with Phase 1 focused on the closure of the laundry operations at the Moncton Hospital and the Tracadie-Sheila Hospital, and Phase 2 focused on the closure of the laundry operations at the Dr. Georges-L.-Dumont University Hospital Centre and Chaleur Regional Hospital in Bathurst. In conjunction with the laundry consolidation process, the Horizon Health Network decided to introduce disposable OR linens in all of its facilities.

Phase 1 of the laundry consolidation process was completed in the current fiscal period. The laundry operation at the Moncton Hospital was closed and moved to the Saint John Laundry. The laundry operation at the Tracadie-Sheila Hospital was closed and moved to the Campbellton Regional Hospital.

> Next steps

Work will continue on improving productivity at all laundry facilities. Phase 2 of the laundry consolidation process will be completed once additional space is made available in Saint John and Campbellton.

Process improvement

In June 2013, employees were given the opportunity to apply for training as Process Improvement Facilitators using the Lean Six Sigma methodology. This methodology has been used by an extensive number of private and public sector organizations to redesign existing business operations to accomplish significant improvements in operational efficiency and customer focus.

We received 47 applications and subsequently selected 12 employees to receive the training. These individuals have been trained in a variety of tools and techniques to facilitate operational-level process improvements.

As part of their training, participants must facilitate a process improvement initiative. Through this work they are already helping us make important changes that will enhance our overall effectiveness and our ability to provide exceptional customer service.

> Next steps

Process improvement training and all associated projects will be completed by June 30, 2014. Based on the results and experience gained, a business case is being developed to support the establishment of a full-time process improvement function within the organization.

Risk management

As part of our ongoing risk management process, the key risks associated with our operations are monitored on an ongoing basis, using a Risk Register document. The Risk Register contains an assessment of each risk and provides for the implementation of appropriate mitigation strategies.

The Risk Register is a standing item on the agenda for each meeting of the Board of Directors and the Audit and Finance Committee, as well as the quarterly meetings attended by the Senior Leadership Team. The review process with the Board helps determine if risks are properly identified and whether the outlined mitigation strategies remain appropriate or need to be adjusted.



Privacy

In some circumstances, we deal with both personal information and personal health information. Maintaining the privacy of this information is a responsibility that is taken very seriously.

As a result, we have developed, adopted and implemented the following policies:

- Corporate Privacy Policy
- Confidentiality Policy
- Privacy Breach Policy
- Privacy Impact Assessment Policy
- Confidential Information Sharing Policy

These policies are designed to ensure we fully meet our obligations under the Personal Health Information Privacy and Access Act (New Brunswick) and the Right to Information and Protection of Privacy Act (New Brunswick).

Staff reductions

As part of the Government's Health Renewal Strategy we undertook a review of staffing levels in all business lines and in our general administration functions. As a result of this review, 22 positions were eliminated through a combination of layoffs and attrition. In early April 2013 we launched a reorganization of our leadership and administrative structure.

Included in the staffing reductions was the elimination of 11 management positions. Our Executive Management Team decreased from seven to four – including the CEO and three vice presidents.

Staff reductions have resulted in annualized savings in excess of \$1.3 million.



3.2.5 Employees

Desired Outcome

We will foster a sense of pride and belonging.

Action Taken

Talent management system/New career center

In 2012 the RHAs and FacilicorpNB acquired iTacit, a bilingual talent management system that will help us better manage human resources information and processes across the health system. The initial implementation phases are focused on job postings and online training.

In 2013 the Vitalité and Horizon Health Networks, along with FacilicorpNB, worked on a collaborative project to implement the system's recruitment module. Processes, structures and workflows were redesigned to improve the way recruitment requests and job postings are processed, decrease delays, streamline processes, increase transparency and improve productivity.

FacilicorpNB was first to go-live with the new common recruitment module, followed by Horizon and Vitalité Health Network in October and November 2013 respectively.

Internal competitions are now posted in the Career Centre available through the common health intranet system. The public also has access to all health system external job postings on a similar on-line Career Centre now available through the FacilicorpNB and the RHA websites. Both employees and the public can apply for jobs directly through these sites.

> Next steps

2014/15 will see the implementation of iTacit's Learning Management System, allowing health system employees to take on-line training, and managers to track the training and development records of their employees.

Provincial and local recognition ceremonies

We held our 3rd annual Provincial Recognition Gala on November 19, celebrating both recently retired employees, and employees with 25, 30, and 35 years of service. Approximately 70 employees were recognized for their efforts as well as their career milestones.



Training and development

During the year, we invested \$447,000 in Training and Development for our employees. This does not include the cost of staff time related to attendance at various training sessions. Some of our major training initiatives included:

- 12 employees are completing Lean Six Sigma training at the Black Belt level. The course consists of four one-week training sessions followed by a written exam and an applied project.
- 11 employees are participating in French language training provided by the Université de Moncton. The course consists of weekly virtual sessions with a professor, and the learning activities include video, audio, case scenarios, and recording tools.
- Five employees completed the Public Service Management Program in 2013-2014. The program is offered by the University of New Brunswick College of Extended Learning and Université de Moncton's Continuing Education department. Students attending this program learn about change management, financial management, performance management, communication, and more.
- As part of our annual Leaders' Conference we provided a half-day workshop that introduced the "coach approach" style to all managers. This approach is designed to allow managers to become aware of their coaching capabilities and thereby gain a more effective and better understanding of how to use coaching with their teams and within their branch of the organization.
- 20 employees attended a one-day continuous improvement session focused on identification and reduction of waste in the workplace.
- 90 managers attended a one-day session focused on Attendance Management.
- 32 of our Clinical Engineering Technicians and Managers took part in the Atlantic Canada Clinical Engineering Society's Annual Conference. The conference was hosted by FacilicorpNB Clinical Engineering in 2013 and included three days of valuable educational sessions and insightful seminars.
- Clinical Engineering staff participated in approximately 35 training programs related to medical equipment in use throughout the health system.

Attendance management program

Along with other government Departments and Agencies, we are working with employees to reduce sick leave utilization and improve attendance at work. The Provincial Government has set a goal of saving \$20 million through a 20% reduction of sick leave utilization within Parts I, II and III, by March 31, 2015.

Our Attendance Management Program is focused on active case management, manager training and standardized absenteeism reporting. The first step in launching the Attendance Management Program within our organization was a training offered in Winter 2014 – providing guidelines, procedures and tools on how to address absenteeism. All FacilicorpNB managers and supervisors took part in this training.

Our organizational absenteeism rate will continue to be reported and the data will be reviewed to ensure progress.

> Next steps

Details of the Attendance Management Program will be communicated to all staff and monitoring tools will be used to provide managers with timely information on attendance statistics. Managers will use this information to have discussions with staff regarding attendance.



Employee engagement survey results

In 2013, we participated in the Aon Hewitt National Best Employer Survey for the third time. The results of the survey showed a reduction in employee engagement from 42% to 34%. The survey participation rate amongst employees also declined from 62% to 44%.

These results are of significant concern to us, because the delivery of high-quality, consistent service relies on having an engaged workforce. The survey results were reviewed to identify action areas where we could address employee concerns. The areas identified included: career opportunities, learning and development, performance management, employer reputation and resources.

> Next steps

Action plans are being developed for each of the areas identified.

Performance management

Our Performance Management system is a tool used to encourage open discussion with employees regarding their performance, and to provide them with ongoing feedback and coaching.

By capturing the completion rate, we can identify the number of employees who are getting feedback and recognition regarding their performance.

In fiscal year 2013-2014, we achieved an 85% completion rate. Our goal is to achieve a 100% completion rate each and every year.



3.2.6 Resources

Desired Outcome

We will shift focus to allow strategy to shape budget instead of the other way around.

Action Taken

New balanced scorecard implementation

During the 2013-2014 fiscal period, we continued to implement the Balanced Scorecard methodology to track and report on operational performance. The Balanced Scorecard approach, which is also being utilized throughout Government, is a performance management tool that aligns grassroots operational activities with long-term corporate objectives, strategy and governance. Utilization of the Balanced Scorecard will enable us to:

- improve communication of organizational strategy
- improve performance management at all levels
- reduce duplication of effort through better planning
- take timely corrective action regarding off-schedule performance
- improve efficiency and productivity

> Next steps

2014-2015 will see greater emphasis placed on reviewing operational performance measures and work plan progress during regular management meetings.

Budget process

In fiscal 2013-2014 we completed a review of our budget preparation process, with the goal of ensuring the process supports the decision-making required to achieve our strategic objectives. The review resulted in new timelines being established for the preparation of work plans and budget targets. Work plans are now aligned with strategic objectives, and resources are allocated to initiatives supporting the achievement of these objectives.

Performance Excellence Process

Over the past three years, the Government of New Brunswick has undertaken a broad-based operational review. This renewal effort is designed to ensure that Government is able to provide both appropriate and affordable services to the citizens of New Brunswick in a sustainable manner. One of the objectives of this renewal is to develop and implement a sustainable management system with a focus on articulating strategy, aligning performance processes and metrics, developing leaders and driving a culture of continuous improvement, which will ultimately be cascaded through the organization.

FacilicorpNB joined the Performance Excellence Process in June of 2013. Since that time our executive management team has received formal training in the Excellence process. We have reviewed our strategic plan to ensure it aligns with the Department of Health's plans and the Province's Strategic objectives. A number of planning tools, including a Calendar of Commitments, are being developed in collaboration with the Department of Health and the RHAs to enable alignment of decision making within the health system.

> Next steps

We will continue to work with the Department of Health and the RHAs to ensure coordinated planning processes.

4.0 MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended March 31, 2014

The following provides a summary of FacilicorpNB's operating results for the year ended March 31, 2014. This review should be read in conjunction with our financial statements and their accompanying notes.

FacilicorpNB's operational staff maintains the accounting and internal control systems required to provide reasonable assurance that our financial information is complete, reliable and accurate, and that our assets are adequately protected. FacilicorpNB's Board of Directors, through its Audit and Finance Committee, has an oversight role regarding the integrity of the reported information.

OVERVIEW OF 2013-2014 FINANCIAL RESULTS

As part of the Provincial Government's health renewal program the organization was provided with a three-year target for base budget funding and staff reduction. In order to meet on-going operational budget requirements it was determined that service level expenditures had to be reduced by approximately \$2.7 million for the 2013-14 fiscal period. To ensure that the expenditure reduction was sustainable all business lines were asked to identify staff positions that could be eliminated with the least impact on service delivery to our customers.

The final budget approved by the organization's Board of Directors and Government included plans to reduce staffing by 79 full-time positions. Twenty-two positions were eliminated in early April, 2013, as part of a reorganization of the organization's management structure. These reductions were achieved through a combination of attrition, layoffs and elimination of vacant positions. The remaining 59 staff positions targeted for elimination are in our Laundry operations. These reductions will be achieved through the closure of 4 of the organization's 8 laundry facilities. Two laundry facilities in Moncton as well as the facilities in Tracadie-Sheila and Bathurst are being closed.

The organization's 2013-14 budget provided for a deficit of \$735,735. The budgeted deficit was a result of \$900,000 budgeted investment for containers required as part of Horizon Health Network's transition to disposable OR Linen for which funding was received and recognized in the previous fiscal period.

It was recognized that meeting the budget targets was going to be a significant challenge and accordingly all service areas were asked to limit any discretionary spending throughout the year.

As a result of these continued efforts throughout the 2013-2014 fiscal period, the organization generated a surplus available for investment of \$3,420,896. This surplus was approximately \$1.3 million over the approved budget for the year.

During the year, investments were made in information technology upgrades and laundry operations totaling \$2,801,588.

The overall surplus for the year was \$619,308, which is \$1,355,043 over the budgeted target.

More detail on budget variations is provided in the following commentary.



REVENUE

Overall, the organization's revenues for the year were \$95,850,928 which was \$2,523,930 greater than budget.

The total funding received from the Department of Health was \$82,094,881, which was \$1,026,151 greater than budget. The variance is largely attributable to a budgeted reduction in funding of \$1.3 million associated with discontinuing processing of reusable OR linen which did not occur. Horizon Health Network's move to disposable OR linen did not take place as planned in early 2013; it is now expected to be completed by September of 2014.

Rebates and recoveries revenue was \$10,500,405, which is \$1,852,568 greater than budget. Deferred rebate revenue of \$600,000 from a supplier contract was recognized in the year as all conditions of the contract had been met. GPO related rebate revenue was approximately \$600,000 higher than anticipated due to receiving \$300,000 greater than the amount estimated and accrued for the final quarter of the last fiscal period and higher purchase volumes throughout the year. The organization also received \$200,000 from the Department of Social Development to support work being done with nursing homes in the province.

Revenue from savings initiatives was \$635,880 which is \$144,120 less than budget. Savings achieved through strategic sourcing activities were less than budget.

Revenue from nursing home clients and other NB Agencies for laundry services was \$2,583,099 which was \$176,209 less than budget. This shortfall is due to the timing of when new nursing home customers were added and to decreased volumes being processed from some homes as a result of efforts made to improve utilization of laundry in these facilities.

EXPENSES

Operating expenses for the year totaled \$92,430,032 which was \$1,236,391 greater than budgeted.

Total spending in the IT&T Division was \$1,012,749 less than budgeted. Personnel costs were \$1,085,754 less than budget as a result of vacant staff positions and travel costs being lower than anticipated.

Laundry expenses were \$2,367,462 greater than budgeted. A significant portion of this variance is related to the on-going cost of processing OR Linen at a cost of approximately \$1,100,000. This cost is offset by additional revenue that will be realized due to the delay in transitioning to disposable OR Linen as was noted above in the revenue analysis. The remaining negative variance is largely due to four factors:

- a. \$740,000 in additional wage and linen expenses due to the timing of closure of laundry facilities and lower than budgeted productivity levels.
- b. \$157,000 as a result of unbudgeted costs for cart covers and bags to support the laundry consolidation process.
- c. \$141,000 over-expenditure in fleet costs due to short-term leasing costs and higher than anticipated fuel costs.
- d. \$100,000 in additional linen expenses to support new nursing home clients.

Supply Chain expenses were in line with budget estimates.



Clinical Engineering expenses were \$239,350 less than budgeted. This was as a result of lower personnel costs. Salaries and benefits were less than budget due to vacancies, the technical staff complement was at lower pay classifications than anticipated and travel expenses were less than budget.

Administration expenses were \$192,353 less than budgeted. Personnel costs were less than budgeted by \$88,916 as a result of temporary vacancies, professional fees were \$58,638 less than budget and software expenses were \$39,948 less than budget.

Group Purchasing and strategic sourcing expenses were \$300,994 greater than budget. The organization is a member of a national group purchasing organization (GPO) that administers purchasing of a variety of products on behalf of its members. The GPO collects volume rebates from suppliers and allocates to members on the basis of purchase volumes. The GPO retains a portion of the rebate revenue as a management fee to cover the costs of its operations. The management fee for the current fiscal period was \$361,323 greater than budget as a result of higher purchase volumes.

INVESTMENTS

Total investments for the year were \$2,801,588 which was \$67,504 less than budgeted. Actual costs for IT projects were \$17,000 less than budget. Costs for purchasing of carts and containers for laundry operations were \$50,000 less than budget.

RISKS

Like any other organization, FacilicorpNB is susceptible to risks that, if unmitigated, could lead to significant financial and operational consequences. As part of a systematic approach to risk management, we have evaluated the key risks associated with the organization's business. We have also considered and implemented appropriate mitigation strategies and systems to address these risks. The risks that are of highest concern for the organization are described below.

Information Systems & Technology:

At the time of assuming responsibility for the provision of information system and technology services, it was found that more than 30% of health care system devices were more than five years old, and at risk of operational failure. Timely refresh of all devices is a priority but full funding is not currently available to achieve this end. Detailed refresh plans have been developed and this area is a priority for investment as savings are generated.

Preventative Maintenance:

The addition of net new medical equipment by both Regional Health Authorities requires service and support from our Clinical Engineering division. No new staffing has been added to meet increased service demands, and as a result some preventative maintenance work is being delayed. A detailed review of service requirements has been developed and work is now underway on implementing a plan to bring the preventive maintenance schedule up to date for high-priority equipment. Discussions are also underway with the RHAs to look at ways to meet ongoing operational requirements.



FUTURE OUTLOOK

Given the Province's financial challenges, adherence to financial targets and continuous improvement will remain high priorities. In the upcoming year, we will be focused on delivering the financial results expected by the Provincial Government. Significant attention will be given to the on-going consolidation of laundry operations in the province. Work plans have been updated to help ensure results are achieved. These plans will be closely monitored to track progress toward the achievement of targets.

As part of the organization's Strategic Plan, there will be a continued emphasis on customer service, continuous improvement and accountability. The Balanced Scorecard methodology is being utilized to focus our actions and monitor progress towards the achievement of our organizational objectives. In addition, we will continue our commitment to building cooperative and collaborative relationships with the Regional Health Authorities.



5.0 FINANCIAL STATEMENTS AND NOTES

Consolidated Financial Statements of

FacilicorpNB Ltd./Ltée

March 31, 2014





Deloitte LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

Independent Auditor's Report

To the Shareholder of FacilicorpNB Ltd./Ltée

We have audited the accompanying consolidated financial statements of FacilicorpNB Ltd./Ltée, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of financial activities, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditor's 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 auditor considers 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 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 FacilicorpNB Ltd./Ltée as at March 31, 2014 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
June 24, 2014




FacilicorpNB Ltd./Ltée

Consolidated statement of financial position
as at March 31, 2014

	<u>2014</u>	<u>2013</u>
Financial assets		
Cash and cash equivalents	\$ 1,674,711	\$ 4,774,120
Accounts receivable and advances (Note 3)	15,117,596	14,771,523
Total financial assets	<u>16,792,307</u>	<u>19,545,643</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	13,611,727	16,201,343
Employee future benefits (Note 7)	3,133,465	3,079,888
Other liabilities (Note 8)	314,992	1,247,353
Total liabilities	<u>17,060,184</u>	<u>20,528,584</u>
Net debt	<u>(267,877)</u>	<u>(982,941)</u>
Non-financial assets		
Capital assets (Note 4)	6,673,535	6,731,260
Inventory of supplies	-	201,353
Prepaid expenses	2,963,621	2,800,299
Total non-financial assets	<u>9,637,156</u>	<u>9,732,912</u>
Accumulated surplus (Note 9)	<u>\$ 9,369,279</u>	<u>\$ 8,749,971</u>

Commitments (Note 20)

APPROVED BY THE BOARD



Director



Director



FacilicorpNB Ltd./Ltée

Consolidated statement of financial activities

for the year ended March 31, 2014

	Budget	2014	2013
	(unaudited)		
Revenue			
Department of Health (Note 10)	\$ 81,068,730	\$ 82,094,881	\$ 78,879,236
Rebates and recoveries	8,647,837	10,500,405	7,970,687
Savings initiatives	780,000	635,880	2,225,255
Laundry	2,759,308	2,583,099	1,593,650
Investment income	-	36,663	38,271
Amortization of deferred capital contributions	71,123	-	337,835
Total revenues	93,326,998	95,850,928	91,044,934
Expenses			
Information technology and telecommunications (Note 11)	49,981,947	48,969,198	46,390,676
Laundry (Note 12)	14,782,014	17,149,476	15,602,579
Supply chain (Note 13)	11,687,124	11,699,511	11,191,828
Clinical engineering (Note 14)	8,827,963	8,588,613	8,323,966
Administration (Note 15)	3,842,749	3,650,396	3,554,026
Group purchasing and strategic sourcing (Note 16)	2,071,844	2,372,838	2,190,944
Total service cost	91,193,641	92,430,032	87,254,019
Surplus available for investment	2,133,357	3,420,896	3,790,915
Investments (Note 17)			
Information technology	1,500,000	1,483,081	1,101,663
Laundry	1,369,092	1,318,507	-
Total investments	2,869,092	2,801,588	1,101,663
Annual (deficit) surplus	(735,735)	619,308	2,689,252
Accumulated surplus, beginning of year	8,749,971	8,749,971	6,060,719
Accumulated surplus, end of year	\$ 8,014,236	\$ 9,369,279	\$ 8,749,971



FacilicorpNB Ltd./Ltée

Consolidated statement of changes in net debt
for the year ended March 31, 2014

	Budget	2014	2013
	(unaudited)		
Net debt, beginning of year	\$ (982,941)	\$ (982,941)	\$ (409,377)
Changes in year			
Annual (deficit) surplus	(735,735)	619,308	2,689,252
Acquisition of capital assets	(2,789,815)	(1,699,372)	(4,551,915)
Inventory of supplies	-	201,353	(31,447)
Amortization	1,890,510	1,757,097	1,043,097
Net change in prepaid expenses	-	(163,322)	277,449
(Increase) decrease in net debt	(1,635,040)	715,064	(573,564)
Net debt, end of year	\$ (2,617,981)	\$ (267,877)	\$ (982,941)

FacilicorpNB Ltd./Ltée

Consolidated statement of cash flows
for the year ended March 31, 2014

	2014	2013
Operating activities		
Annual surplus	\$ 619,308	\$ 2,689,252
Non cash items:		
Amortization of tangible capital assets	1,757,097	1,043,097
Amortization of deferred capital contributions	-	(337,835)
Employee future benefits	53,577	275,836
Change in non-cash working capital balances related to operations:		
Accounts receivable and advances	(346,073)	(7,040,120)
Inventory of supplies	201,353	(31,447)
Prepaid expenses	(163,322)	277,449
Accounts payable and accrued liabilities	(2,589,616)	3,866,442
Other liabilities	(932,361)	388,888
	(1,400,037)	1,131,562
Capital transactions		
Acquisition of capital assets	(1,699,372)	(4,551,915)
Decrease in cash and cash equivalents during the year	(3,099,409)	(3,420,353)
Cash and cash equivalents, beginning of year	4,774,120	8,194,473
Cash and cash equivalents, end of year	\$ 1,674,711	\$ 4,774,120



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

1. Description of business

FacilicorpNB Ltd./Ltée (the "Corporation" or "FacilicorpNB") was incorporated and commenced operations in April 2008. The sole shareholder of the Corporation is the Province of New Brunswick (the "Province"). A sole shareholder declaration governs the operations of the Corporation. The business purpose of the Corporation is to establish service efficiencies to reduce the cost of non-clinical services related to the delivery of healthcare in the Province and to reinvest the realized savings in the implementation of leading edge enabling technologies to enhance service efficiencies. The business of the Corporation is limited to providing non-clinical services to Regional Health Authorities (the "RHAs") and their agencies, the Department of Health and its agencies and provincially funded long-term care facilities (the "Healthcare Service Providers") with respect to systems that support the direct delivery of healthcare services within the Province and to assuming the ownership of the associated physical resources and responsibility for the associated human resources of the Healthcare Service Providers necessary to provide these services. Funding for the Corporation is provided by the New Brunswick Department of Health.

In May 2011, FacilicorpNB was assigned responsibility by the Province of New Brunswick for coordinating the effort required to adopt a single group purchasing organization ("GPO"), to secure substantial savings on numerous products, including medical and pharmaceutical supplies. Effective January 31, 2012, FacilicorpNB became the sole shareholder of Contract Management Services Limited, which is a New Brunswick based GPO designed to achieve discounted pricing by leveraging collective buying power and standardizing product use. CMSL financial statements are consolidated with FacilicorpNB.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal period that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal period that the events giving rise to the expenses are incurred, resources are consumed and measurable. Through the accrual basis of accounting, expenses include non-cash items such as the amortization of tangible capital assets.

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the Corporation and its wholly owned subsidiary Contract Management Services Limited. All inter-departmental and inter-entity accounts and transactions between these entities are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid temporary money market instruments with original maturity dates of three months or less. Bank borrowings require the approval of the Province, and are considered to be financing activities.



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

2. Significant accounting policies (continued)

Prepaid expenses

Expenditures determined to have future benefit are recorded as prepaid expenses at the end of the fiscal period and subsequently recorded as an expense in the future period or periods to which the benefit applies. Prepaid expenses consist primarily of information technology licenses and maintenance and support contracts.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their characteristics, the purpose for which the financial instruments were acquired or issued, and the how they are evaluated or managed.

Equity securities and derivatives quoted in an active market are required to be subsequently measured at fair value with changes recognized in the statement of remeasurement gains and losses. Currently, FacilicorpNB does not hold any equity securities or derivative positions traded in an active market.

All other financial assets and financial liabilities, including cash and cash equivalents, accounts receivable, accounts payable, and other liabilities are subsequently measured at cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Capital assets

Capital assets are recorded at cost, which includes the costs directly related to the acquisition, design, construction, development, betterment or improvement of capital assets. Betterments or improvements, that increase or prolong the service life or capacity of the capital assets, are capitalized.

Equipment purchased or constructed, other than for first time equipping of facilities, are capitalized if the cost exceeds \$100,000 and the estimated useful life exceeds one year.

Repairs and maintenance costs are recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Leasehold improvements	Life of lease	- straight-line method
Building	20 years	- straight line method
Paving	25 years	- straight line method
Computer equipment	5 years	- straight line method
Laundry equipment	15 years	- straight line method



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

2. Significant accounting policies (continued)

Funding and revenues

Funding is provided by the Province in accordance with budget arrangements established by the Department of Health. 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 financial activities as the stipulation liabilities are settled. Grants approved but not received at the end of an accounting period are accrued. Operating grants are recorded as revenue in the period to which they relate.

Revenues from savings initiatives are generated from the negotiation and agreement of province wide contracts that reduce the costs of goods and services provided to the RHAs. Savings initiatives revenues are recorded as revenue in the period to which they relate. Savings revenues calculations are subject to approval by the RHAs and the Department of Health.

Revenue from laundry operations is recognized when persuasive evidence of an arrangement exists, delivery of the laundry has occurred, the price is fixed or determinable and collection is reasonably assured.

Rebate and recovery revenue is recorded on an accrual basis.

Employee future benefits

Pension plan

Employees of the Corporation are members of the Province of New Brunswick Public Service Superannuation Plan. This plan provides pension benefits and other post-retirement benefits upon retirement and is the responsibility of the Province. Contributions made by the Corporation during the year totaled \$2,626,726 (2013 - \$2,364,118).

Sick pay

Employees of the Corporation are entitled to sick pay benefits which accumulate but do not vest. FacilicorpNB recognizes the liability in the period in which the employee renders service.

Retirement allowance

Employees with continuous service of five or more years are entitled to receive a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 25 weeks of pay upon retirement or as specified by collective agreements. Funding of these retirement allowances is the responsibility of the Province. Accordingly, no liability for these allowances has been recorded in these financial statements, with the exception of the amounts noted in the following paragraph.

Prior to the amalgamation date of December 31, 2009, Fundy Linen Service Inc. (Fundy Linen) employee retirement allowances were funded by Fundy Linen. The total estimated retirement allowance payable at December 31, 2009 has been recognized as a liability. Future funding of these benefits post amalgamation is the responsibility of the Province.



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

2. Significant accounting policies (continued)

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas of significant estimate include the useful lives of capital assets, the obligation for sick pay and retirement allowances and rebate accrual.

3. Accounts receivable and advances

	<u>2014</u>	<u>2013</u>
Department of Health	\$ 11,205,927	\$ 8,932,061
Accounts receivable	2,948,122	4,596,203
HST receivable	935,455	1,223,462
Advances to employees	28,092	19,797
	<u>\$ 15,117,596</u>	<u>\$ 14,771,523</u>

Funding for the Corporation's services is provided by the Province. The amount due from the Department of Health consists principally of outstanding budget transfers less funds advanced to the Corporation during the year.

4. Capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	
			<u>2014</u>	<u>2013</u>
Land	\$ 66,540	\$ -	\$ 66,540	\$ 66,540
Paving	76,863	51,608	25,255	27,220
Building	3,612,786	3,100,788	511,998	465,304
Equipment	15,539,295	9,674,863	5,864,432	5,892,228
Leasehold improvements	620,713	415,403	205,310	279,968
	<u>\$ 19,916,197</u>	<u>\$ 13,242,662</u>	<u>\$ 6,673,535</u>	<u>\$ 6,731,260</u>

5. Bank facility

During the year, the Corporation negotiated an authorized line of credit of \$1,500,000 with a Canadian chartered bank, which bears interest at the bank's prime rate less 0.25%. As at March 31, 2014 no amounts were drawn on the line of credit.



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

6. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 5,388,756	\$ 6,524,848
Accrued vacation	3,235,735	3,130,011
Accrued payroll	2,316,729	2,724,470
Accrued liabilities	1,761,744	3,014,202
Due to RHAs	908,763	807,812
	<u>\$ 13,611,727</u>	<u>\$ 16,201,343</u>

7. Employee future benefits

Employee future benefits consist of a sick pay obligation and a retirement allowance for certain laundry and linen employees:

	<u>2014</u>	<u>2013</u>
Sick pay obligation	\$ 2,896,500	\$ 2,685,500
Retiring allowance	236,965	394,388
	<u>\$ 3,133,465</u>	<u>\$ 3,079,888</u>

Sick pay

FacilicorpNB employees accumulate sick leave at varying amounts per month based on the employee group. Unused hours can be carried forward for future paid leave and employees can accumulate a maximum of 1,800 hours. An actuarial estimate for this future liability has been completed and forms the basis for the estimated liability reported in these financial statements.

Significant economic and demographic assumptions used in the actuarial valuation are:

Discount rate:	3.81%
Salary growth rate:	3% per annum
Expected average remaining service life:	11 years

	<u>2014</u>	<u>2013</u>
Accrued sick pay obligation	\$ 2,976,000	\$ 2,870,000
Unamortized actuarial loss	(79,500)	(184,500)
Total accrued benefit obligation for sick pay	<u>\$ 2,896,500</u>	<u>\$ 2,685,500</u>

The total expenses related to the accrued obligation for other compensated balances include the following components:

	<u>2014</u>	<u>2013</u>
Current period benefit costs	\$ 427,000	\$ 409,000
Amortization of actuarial loss	17,000	14,000
Interest expense	99,000	94,000
Total expenses related to the obligation	<u>\$ 543,000</u>	<u>\$ 517,000</u>



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

8. Other liabilities

	<u>2014</u>	<u>2013</u>
Deferred project revenue	\$ 276,656	\$ 595,076
Future rent benefit	38,336	52,277
Deferred savings initiative revenue	-	600,000
	<u>\$ 314,992</u>	<u>\$ 1,247,353</u>

9. Accumulated surplus

The terms of the sole shareholder declaration require the Corporation, if requested by the Minister of Finance of the Province of New Brunswick, to return the surplus or any portion of the surplus or retained earnings or any portion of retained earnings.

10. Budget figures

The annual budget is approved by the Board of Directors and the Department of Health. During the year the Province approved budget adjustments for in year operational changes.

The total funding budget consists of the following:

Initial operations budget	\$ 72,938,781
In year adjustments	9,156,100
Department of Health funding	<u>\$ 82,094,881</u>

11. Information technology and telecommunications

	<u>Budget</u>	<u>Actual</u>	
	<u>(Unaudited)</u>	<u>2014</u>	<u>2013</u>
Expenses			
Personnel	\$ 25,402,155	\$ 24,316,401	\$ 21,044,332
Operations and administration			
Equipment and supplies	16,083,392	15,854,308	15,337,042
Software, licenses and data charges	5,111,939	5,569,865	7,026,592
Amortization	1,542,355	1,398,207	675,525
Professional fees	1,095,956	1,056,914	1,560,146
Telecom	412,691	487,135	409,040
Office	253,591	271,523	301,158
Delivery	4,968	11,468	31,107
Occupancy costs	74,900	3,377	5,734
Total operations and administration	<u>24,579,792</u>	<u>24,652,797</u>	<u>25,346,344</u>
Total information technology and telecommunications	<u>\$ 49,981,947</u>	<u>\$ 48,969,198</u>	<u>\$ 46,390,676</u>



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

12. Laundry

	Budget	Actual	
	(Unaudited)	2014	2013
Expenses			
Personnel	\$ 9,728,206	\$ 11,020,648	\$ 10,551,526
Operations and administration			
Equipment and supplies	2,997,384	3,928,932	3,271,955
Utilities	795,873	777,909	601,362
Delivery	620,197	761,307	562,538
Amortization	270,655	284,232	292,914
Occupancy costs	290,784	274,379	222,003
Office	35,695	46,108	43,898
Telecom	25,220	31,764	33,406
Software, licenses and data charges	18,000	22,404	20,550
Professional fees	-	1,793	2,427
Total operations and administration	5,053,808	6,128,828	5,051,053
Total laundry	\$ 14,782,014	\$ 17,149,476	\$ 15,602,579

13. Supply chain

	Budget	Actual	
	(Unaudited)	2014	2013
Expenses			
Personnel	\$ 11,100,965	\$ 11,190,145	\$ 10,766,143
Operations and administration			
Delivery costs	200,790	178,765	180,021
Equipment and supplies	177,958	166,567	81,202
Telecom	92,266	70,221	78,287
Office	86,145	58,702	69,729
Occupancy costs	29,000	28,211	16,446
Professional fees	-	6,900	-
Total operations and administration	586,159	509,366	425,685
Total supply chain	\$ 11,687,124	\$ 11,699,511	\$ 11,191,828



FacilicorpNB Ltd./LtéeNotes to the consolidated financial statements
year ended March 31, 2014**14. Clinical engineering**

	Budget	Actual	
	(Unaudited)	2014	2013
Expenses			
Personnel	\$ 8,472,038	\$ 8,199,086	\$ 7,945,581
Operations and administration			
Equipment and supplies	142,050	239,637	191,013
Telecom	69,000	72,293	74,373
Professional fees	63,950	41,406	30,764
Office	79,725	27,478	76,491
Occupancy costs	200	8,607	4,173
Software, licenses and data charges	1,000	106	1,571
Total operations and administration	355,925	389,527	378,385
Total clinical engineering	\$ 8,827,963	\$ 8,588,613	\$ 8,323,966

15. Administration

	Budget	Actual	
	(Unaudited)	2014	2013
Expenses			
Personnel	\$ 3,004,966	\$ 2,916,050	\$ 2,867,798
Operations and administration			
Professional fees	293,200	234,562	253,059
Occupancy costs	209,765	205,164	198,954
Office expense	147,659	124,446	94,732
Amortization	77,500	74,658	74,658
Telecom	39,700	60,205	46,894
Equipment and supplies	16,909	22,219	13,941
Software, licenses and data charges	53,050	13,092	3,990
Total operations and administration	837,783	734,346	686,228
Total administration	\$ 3,842,749	\$ 3,650,396	\$ 3,554,026



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

16. Group purchasing and strategic sourcing

	Budget	Actual	
	(Unaudited)	2014	2013
Expenses			
Personnel	\$ 884,912	\$ 809,876	\$ 879,324
Operations and administration			
Management fees	950,000	1,311,323	1,228,236
Occupancy costs	104,800	115,186	83,450
Professional fees (recovery)	85,242	86,317	(20,980)
Office	22,150	29,656	2,712
Telecom	14,500	14,154	12,421
Software, licenses and data charges	4,740	4,930	-
Equipment and supplies	5,500	1,396	5,781
Total operations and administration	1,186,932	1,562,962	1,311,620
Total group purchasing and strategic sourcing	\$ 2,071,844	\$ 2,372,838	\$ 2,190,944

17. Investments

In accordance with the Corporation's sole shareholder declaration, any surplus or retained earnings of the Corporation shall be retained to first fund the implementation of operational efficiencies for the Corporation and then to fund the development or enhancement of information systems supporting clinical and non-clinical services or enable operational efficiencies within the health care system.

Proposed investments are presented to the Corporation's Board of Directors as part of the annual budget process.



FacilicorpNB Ltd./Ltée

Notes to the consolidated financial statements
year ended March 31, 2014

18. Financial risk management

The Corporation's activities are exposed to a variety of financial risks, which include credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Corporation's financial performance. The risk management is carried out through financial management practices in conjunction with the overall Corporation's governance.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. Credit exposure is limited as the majority of counterparties are related parties within the Government of New Brunswick or chartered banks with high credit ratings monitored by national credit rating agencies.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations associated with financial liabilities. The Corporation's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Corporation also manages liquidity risk by continuously monitoring actual and budgeted cash flows. Also, the Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as large transactions. The amounts of contractual undiscounted cash flows associated with accounts payable, accrued liabilities, and other liabilities are all due within one year.

19. Related parties

Province of New Brunswick

During the year the Province provided the Corporation funding of \$85,005,100 (2013 - \$81,414,159).

20. Commitments

The Corporation has commitments under operating leases related to technology, office space and vehicles. In July of 2013 the Corporation entered into a ten year agreement with McKesson Canada for the delivery of an integrated pharmaceutical supply chain for the Province. The supply chain fee is recovered from the two Regional Health Authorities based on the percentage of overall pharmaceutical sales.

Minimum payments for these commitments are estimated as follows:

Year ending	Technology	Pharmaceutical supply chain	Office space	Vehicles	Total
March 31,					
2015	\$ 12,057,000	\$ 2,492,800	\$ 251,600	\$ 63,500	\$ 14,864,900
2016	10,015,600	2,998,000	251,600	18,800	13,284,000
2017	9,083,300	3,046,000	207,600	7,000	12,343,900
2018	233,900	3,104,500	75,600	-	3,414,000
2019	194,400	3,164,200	18,900	-	3,377,500
Thereafter	-	14,217,700	-	-	14,217,700
	\$ 31,584,200	\$ 29,023,200	\$ 805,300	\$ 89,300	\$ 61,502,000



FacilicorpNB Ltd./Ltée
Notes to the consolidated financial statements
year ended March 31, 2014

21. Comparative figures


Certain comparative figures presented in the financial statements have been reclassified to conform to the current year's presentation.

Rebates and recoveries revenue and group purchasing and strategic sourcing expense for the year ended March 31, 2013 have increased by \$1,228,236 for the reclassification of management fees paid to Medbuy.

A vendor loyalty payment of \$1,601,509 for the year ended March 31, 2013 has been reclassified from savings initiatives revenue to rebates and recoveries revenue.







FacilicorpNB
1 Germain Street, Suite 902
Saint John NB
E2L 4V1
Canada

Contact us:
www.FacilicorpNB.ca
Tel: 506-663-2500
Toll-free: 1-888-480-4404
Email: info@FacilicorpNB.ca
Facebook: www.facebook.com/FacilicorpNB
Twitter: www.twitter.com/FacilicorpNB
LinkedIn: www.linkedin.com/company/FacilicorpNB