

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Financial Statements

Year Ended March 31, 2009

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Index to Financial Statements

Year Ended March 31, 2009

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	2
Statement of Financial Position	4
Statement of Cash Flow	5
Notes to Financial Statements	6 - 12
Administrative expenses (<i>Schedule 1</i>)	13



Hunter Belgrave Adamson

CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

AUDITORS' REPORT

To the Directors of Nova Scotia Health Research Foundation

We have audited the statement of financial position of Nova Scotia Health Research Foundation as at March 31, 2009 and the statements of revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The grants payable and externally funded grants payable are recorded at cost on the statement of financial position. This is a departure from Canadian generally accepted accounting principles. As stated in note 5, Canadian generally accepted accounting principles require that all financial liabilities, except for derivatives and financial instruments classified as held for trading, should be recorded at amortized cost using the effective interest rate method.

In our opinion, except that the grants payable have been recorded at stated cost, instead of revaluing to amortized cost using the effective interest rate method, as described in the preceding paragraph, these financial statements present fairly, in all material respects the financial position of the company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Dartmouth, Nova Scotia
May 13, 2009

Hunter Belgrave Adamson
AC HUNTER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Revenues and Expenditures

Year Ended March 31, 2009

	2009	%	2008	%
REVENUE				
Grant - Province of Nova Scotia	\$ 5,616,000	77.95	\$ 6,407,000	82.71
Externally funded project funding (Note 8)	740,441	10.28	756,017	9.76
Grant refunds	633,641	8.79	307,578	3.97
Investment income	170,397	2.37	239,182	3.09
Program sponsorships	26,016	0.36	25,037	0.32
Other	18,301	0.25	9,400	0.12
Workshop Funding	-	-	2,374	0.03
	7,204,796	100.00	7,746,588	100.00
PROGRAM EXPENDITURES				
Biomedical research grants	1,901,167	26.39	1,987,853	25.66
Policy, services and outcomes research grants	1,545,231	21.45	2,035,164	26.27
Externally funded projects (Note 8)	740,441	10.28	756,017	9.76
Matching grants (Note 10)	694,944	9.65	603,368	7.79
Capacity building programs and workshops	448,621	6.23	401,193	5.18
Program salaries	409,468	5.68	345,438	4.46
Common CV project	173,745	2.41	119,553	1.54
Communications, public awareness and research findings	79,607	1.10	122,109	1.58
Peer review of grant applications	60,811	0.84	58,132	0.75
Knowledge translation	51,713	0.72	64,756	0.84
Capacity program - Health Policy Research Centre (Note 11)	-	-	500,000	6.45
Special events (Note 12)	8,758	0.12	-	-
	6,114,506	84.87	6,993,583	90.28
EXCESS OF REVENUE OVER PROGRAM EXPENDITURES	1,090,290	15.13	753,005	9.72
ADMINISTRATIVE EXPENDITURES				
(Schedule 1)	863,933	11.99	809,143	10.46
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	226,357	3.14	(56,138)	(0.74)
OTHER INCOME				
Loss on disposal of assets	(640)	(0.01)	-	-
Unrealized gain (loss) on investments (Note 5)	(559,173)	(7.76)	(282,778)	(3.65)
	(559,813)	(7.77)	(282,778)	(3.65)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (333,456)	(4.63)	\$ (338,916)	(4.39)

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Changes in Net Assets

Year Ended March 31, 2009

	Invested in Property, Plant and Equipment	Unrestricted	2009	2008
NET ASSETS - BEGINNING OF YEAR	\$ 127,506	\$ 990,135	\$ 1,117,641	\$ 1,078,182
Adjustment on implementation of financial instrument accounting standards (note 5)	-	-	-	378,375
Restated net assets - beginning of year	127,506	990,135	1,117,641	1,456,557
Excess of revenue over expenditures	-	(333,456)	(333,456)	(338,916)
Net change in investment in property, plant and equipment				
depreciation	(31,322)	31,322	-	-
acquisition of property, plant and equipment	19,265	(19,265)	-	-
NET ASSETS - END OF YEAR	\$ 115,449	\$ 668,736	\$ 784,185	\$ 1,117,641

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 335,620	\$ 433,380
Marketable securities (Note 6)	5,455,271	4,832,215
Accounts receivable	805,409	430,726
Interest receivable	33,661	19,721
Prepaid expenses	14,118	13,366
	6,644,079	5,729,408
PROPERTY, PLANT AND EQUIPMENT (Note 7)	114,808	127,506
	\$ 6,758,887	\$ 5,856,914
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 282,017	\$ 62,688
Deferred revenue (Note 9)	130,393	310,010
Grants payable - current portion	2,981,822	2,754,549
Externally funded grants payable - current portion (Note 8)	737,872	334,637
	4,132,104	3,461,884
GRANTS PAYABLE	1,366,413	1,027,208
EXTERNALLY FUNDED GRANTS PAYABLE (Note 8)	476,185	250,181
	5,974,702	4,739,273
NET ASSETS		
Invested in property, plant and equipment	115,449	127,506
Unrestricted	668,736	990,135
	784,185	1,117,641
	\$ 6,758,887	\$ 5,856,914

COMMITMENTS (Notes 10, 15)

ON BEHALF OF THE BOARD

Director

Director

AC Hunter Belgrave Adamson

Chartered Accountants

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Cash Flow

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Deficiency of revenue over administrative expenses	\$ (333,456)	\$ (338,916)
Items not affecting cash:		
Amortization of property, plant and equipment	31,322	31,500
Loss on disposal of assets	640	-
	(301,494)	(307,416)
Changes in non-cash working capital:		
Accounts receivable	(374,683)	428,362
Marketable securities net of fair value adjustment	(623,056)	(488,343)
Interest receivable	(13,940)	43,319
Prepaid expenses	(752)	(12,262)
Accounts payable	219,330	(27,712)
Deferred revenue	(179,617)	(449,990)
Grants payable - current portion	227,273	304,692
Externally funded grants payable - current portion	403,235	334,637
Grants payable	339,205	245,344
Externally funded grants payable	226,004	250,181
	222,999	628,228
Cash flow from (used by) operating activities	(78,495)	320,812
INVESTING ACTIVITY		
Purchase of equipment	(19,265)	(37,811)
INCREASE (DECREASE) IN CASH FLOW	(97,760)	283,001
Cash - beginning of year	433,380	150,379
CASH - END OF YEAR	\$ 335,620	\$ 433,380

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22), was given Royal Assent on December 3, 1998, and became effective on January 1, 2000. As stated in the Act, the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health outcome research, health public policy research and medical research.

These financial statements include only the assets, liabilities, revenues and expenditures of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income includes dividends and interest income, and realized and unrealized gains and losses. Unrealized gains and losses on held-for-trading financial assets are recognized as revenue in the statement of operations, deferred, or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. There is no restricted investment income and unrestricted investment income is recognized as revenue when earned.

HST recovery

As a registered charity, the Foundation is entitled to a rebate of 50% of the HST paid on eligible expenses. The practice of the Foundation is to record expenditures net of refundable HST.

Accounting estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

(continues)

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

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

Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments, accounts payable and grants payable. With the exception of grants payable, the Foundation's financial instruments are classified and accounted for in accordance with CICA Handbook Section 3855 - Financial Instruments: Recognition and Measurement as "financial instruments held for trading" as follows:

Equity investments and term deposits which are held-for-trading are carried at fair value.

Grants payable are recorded at cost. This is a departure from GAAP, which requires the financial liabilities be recorded at amortized cost using the effective interest rate method.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

When available, fair value is determined by reference to bid price at the end of the year in an active market. When the bid price is not available, or the market for a financial instrument is not active, fair value has been determined by reference to published price quotations and to the fair value of other financial instruments which bear similar risks and returns.

The Foundation is subject to market risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

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

Investments

Marketable securities are carried at fair market value and consist of cash and cash equivalents, fixed income investments and investments in mutual funds.

Property, plant and equipment

Equipment and furniture	20%	declining balance method
Computer	30%	declining balance method
Leasehold improvements	10 years	straight-line method

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

3. DISTRIBUTION OF FUNDING

The annual provincial grant made to the Foundation is provided from funds appropriated by the Nova Scotia legislature. The distribution of the funding is outlined in the Health Research Foundation Regulations, as amended by Cabinet on August 5, 2005. The Regulations specify that funding shall be distributed in accordance with the objects of the Foundation as follows:

- a) 30% shall be spent on medical research;
- b) 10% shall be spent on health-outcome research;
- c) 10% shall be spent on health-services research;
- d) 10% shall be spent on health public-policy research;
- e) a minimum of 20% may be spent on any or all of the following:
 - (i) innovative health research programming and capacity development,
 - (ii) increasing the public knowledge and awareness of the Foundation,
 - (iii) communicating research findings,
 - (iv) targeting health research priorities; and
- f) a maximum of 20% may be spent on administering the Foundation.

If in any of the categories a) through d), less than the total money allocated is spent, the remaining portion shall be reallocated to one of the remaining categories a) through d) in a manner determined by the Board.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Consistent with similar not-for-profit organizations, Nova Scotia Health Research Foundation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As a part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Foundation's exposure.

5. CHANGES TO ACCOUNTING STANDARDS - FINANCIAL INSTRUMENTS

Effective April 1, 2007, Nova Scotia Health Research Foundation adopted the following new or revised accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- all financial assets be measured at fair value, with some exceptions for loans and investments that are classified as held-to-maturity.
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their amortized cost.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship

Section 3861, Financial Instruments – Disclosure and Presentation, which replaced Section 3860 and provided additional presentation and disclosure requirements in relation to the issuance of Section 3855. The majority of these standards were previously contained Section 3860.

As the changes to accounting policies required by these new Sections have been adopted prospectively, prior period financial statements have not been restated and the following adjustments were made to the opening balances:

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

6. MARKETABLE SECURITIES

The Foundation has an investment policy in place which restricts the types of investments it can hold. The Foundation is not permitted to invest in unsecured instruments or non-interest bearing accounts. The Foundation is not permitted to invest directly in mortgages, equities, real estate, foreign investments, and derivative securities. The Foundation is permitted to invest in mutual funds that hold these classes of investments.

As at year end the Foundation's investments consisted of cash, fixed income investments, and mutual funds. As at March 31, 2009 the total market value of the investments was \$5,455,271 (2008 - \$4,832,215) and the book value of the investments was \$5,918,847 (2008 - \$4,736,618).

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2009 Net book value
Equipment and furniture	\$ 91,116	\$ 47,718	\$ 43,398
Computer	97,769	67,208	30,561
Leasehold improvements	76,718	35,869	40,849
	\$ 265,603	\$ 150,795	\$ 114,808

	Cost	Accumulated amortization	2008 Net book value
Equipment and furniture	\$ 76,709	\$ 39,593	\$ 37,116
Computer	94,433	54,825	39,608
Leasehold improvements	76,586	25,804	50,782
	\$ 247,728	\$ 120,222	\$ 127,506

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

8. EXTERNALLY FUNDED GRANTS PAYABLE

The Foundation received funding from the Nova Scotia Department of Health Promotion and Protection to undertake the administration of the Comprehensive Gambling Treatment Demonstration Projects. Nova Scotia Department of Health Promotion and Protection shall fund the Projects by paying the Foundation the sum of \$1,500,000 to be applied in accordance with the Projects' budgets. Under the terms of the funding agreement, any amounts that remain unspent at the conclusion of the Projects must be returned to the Province.

The Agreement is in effect from September 1, 2007 to March 31, 2011, or such later date as the grants administered under the Projects are completed. For the year ended March 31, 2007, the Foundation was allocated \$750,000 in funding for the initial Project, which was included in accounts receivable and deferred income, and received subsequent to year end. For the year ended March 31, 2008, the Foundation committed \$749,990 for the initial Project and corresponding revenue and expense was recorded during the year. As of year end, \$251,308 of this funding was disbursed and the remaining \$498,682 has been recorded as externally funded grants payable.

For the year ended March 31, 2009, a total of \$750,000 was received from the Nova Scotia Department of Health Promotion and Protection for the second project, bringing the total funds received for the two projects to \$1,500,000. The Foundation committed \$715,375 for the second project and corresponding revenue and expense was recorded during the year. As of year end, no funding was disbursed and \$715,375 has been recorded as externally funded grants payable. The remaining \$34,635 is due to requested amounts being lower than funding available and recorded as unearned revenue as stated by funding agreement.

	2009	2008	Total
Grants awarded	\$ 715,375	\$ 749,990	\$ 1,465,365
Less: Funds issued	-	(251,308)	(251,308)
	715,375	498,682	1,214,057
Less balance payable within one year	(239,190)	(498,682)	(737,872)
	\$ 476,185	\$ -	\$ 476,185

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

9. DEFERRED REVENUE

In compliance with the deferral method of accounting for contributions as disclosed in note 2, the Foundation has recorded \$130,393 in deferred revenues as detailed below:

Of the \$1,500,000 received from the Department of Health Promotion and Protection as described in note 8, a total of \$34,635 has not yet been awarded. The balance is held as deferred revenue until additional projects are awarded funding, or the Agreement is terminated. If all funds has not been awarded at time of completion of project, all unawarded funds will be returned to the Department of Promotion and Protection.

The Foundation received funding from the Department of Community Services to work together with The Strategy for Children and Youth to improve the evaluation, research and knowledge translation activities related to the strategy. The Department of Community Services shall fund the project by paying the foundation \$93,000 to be applied according to the project's objectives. As of March 31, 2009, a total of \$7,242 was expensed and recognized as revenues. The undisbursed balance of \$85,758 is held by the Foundation until expenses are incurred.

An additional \$10,000 was received from external organizations during the year ended March 31, 2007 for a specific project that has not yet been undertaken. These amounts are included in deferred income and will be recorded as revenue as the related project expenses are incurred.

An additional \$25,066 (2008 - \$6,027) was received from an external organization and was fully disbursed during the year.

10. REGIONAL PARTNERSHIP PROGRAM COMMITMENT

The Foundation partners with the Canadian Institutes of Health Research (CIHR) and various third parties as part of the Regional Partnership Program to provide funding for approved grants. The funding formula for this partnership is: 50% CIHR, 25% NSHRF and 25% Other. Therefore, the Foundation's approval of RPP matching expense grants is subject to the approval of both the CIHR and the other party.

For the year end March 31, 2009, CIHR has received its required funding and the names of successful applicants were publicly announced. All grants have been recognized as an expense in the current fiscal year by the Foundation based on their portion of funding committed.

11. HEALTH POLICY RESEARCH CENTRE

Dalhousie University and the Foundation have agreed to work together to develop a proposal to establish a Health Policy Research Centre. The intention is to create a partnership that will bring about informed public policy decision making that is research based, and that will benefit Nova Scotians.

During the year ended March 31, 2008 the Foundation received additional grant funding from the Province of Nova Scotia and disbursed the specified amount of \$500,000 to Dalhousie University. The Foundation and Dalhousie University agreed to work together to complete objectives related to the Health Policy Research Centre that are specified in an agreement that ends March 31, 2009. In 2009, the agreement was extended until March 31, 2010. The Foundation is not required to provide any additional funds as a result of the extension.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2009

12. SPECIAL EVENTS

The Foundation facilitated the 7th Annual Canadian Cochrane Symposium in March 2009 which is an event associated with the Canadian Cochrane Network and Centre, an independent not-for-profit centre who contribute to systemic reviews of treatments used in health care. The event brought together health researchers, health policy decision makers, clinicians and consumers to learn about the latest methodology in systemic reviews and strategies and their incorporation into decision-making processes.

The income from the event totaled \$97,864, and consisted primarily of registration fees, sponsorships and expense reimbursements. The expense for the event has been presented net of related revenues.

13. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

14. ECONOMIC DEPENDENCE

The Province of Nova Scotia provides the Foundation with funding necessary to provide grant support. The Foundation's ability to issue research grants is currently dependant on receiving adequate funding from the Province of Nova Scotia.

15. LEASE COMMITMENTS

The company leases office space under an operating lease arrangement. Minimum lease payments are as follows:

2010	\$ 132,898
2011	132,898
2012	132,898
2013	99,674
	<u>\$ 498,368</u>

16. PENSION OBLIGATIONS

The Foundation participates in a defined benefit pension plan sponsored and administered by the Nova Scotia Association of Health Organizations (NSAHO), a multi-employer plan available to all its members. Contributions are made to the pension fund by employees based on 5.95% or 7.95% and by the Foundation based on 7.24% or 9.24% of pensionable earnings, depending on income level. Effective for the 2010 fiscal year, the NSAHO has changed the contribution rates to 7.0666% or 9.2555% for employees and 8.4961% or 10.6806% for the Foundation. In the year, the Foundation contributed \$60,954 (2008 - \$57,325) to the pension.

An actuarial valuation for funding purposes was performed at July 1, 2008 by Mercer Human Resource Consulting. At this time, the fund was fully funded. The Foundation has no additional obligations to the pension plan beyond their ongoing contribution requirements as described in the preceding paragraph.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION**Administrative expenses***(Schedule 1)***Year Ended March 31, 2009**

	2009	%	2008	%
Wages and benefits	\$ 509,910	7.08	\$ 466,005	6.02
Rent	123,503	1.71	128,282	1.66
Consulting fees	50,343	0.70	49,687	0.64
Travel and meetings	46,844	0.65	30,897	0.40
Professional development	34,040	0.47	9,847	0.13
Amortization	31,322	0.43	31,500	0.41
Office supplies	26,824	0.37	25,679	0.33
Telephone, fax and website maintenance	22,017	0.31	27,046	0.35
Meeting costs	6,265	0.09	13,943	0.18
Networking and promotion	5,888	0.08	14,677	0.19
Miscellaneous	5,608	0.08	-	-
Insurance	1,369	0.02	1,369	0.02
Printing and promotional materials	-	-	10,211	0.13
	\$ 863,933	11.99	\$ 809,143	10.46