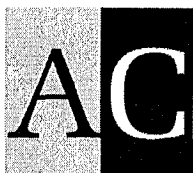

**GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA
FINANCIAL STATEMENTS
MARCH 31, 2011**

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Hunter Tellier Belgrave Adamson

CHARTERED ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Directors of Gambling Awareness Foundation of Nova Scotia

We have audited the accompanying financial statements of Gambling Awareness Foundation of Nova Scotia, which comprise the statement of financial position as at March 31, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gambling Awareness Foundation of Nova Scotia as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

AC Hunter Tellier Belgrave Adamson.

Dartmouth, Nova Scotia
June 21, 2011

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

ASSETS

Current Assets

Cash (Notes 4 and 7)	\$ 34,610	\$ 258,896
Investments (Note 5)	3,580,226	3,358,437
Accounts receivable (Note 6)	44,467	50,149
Prepaid expenses	1,600	3,777
Due from Nova Scotia Gaming Corporation	<u>45,814</u>	<u>48,449</u>

	<u>\$ 3,706,717</u>	<u>\$ 3,719,708</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable and accrued liabilities	66,149	60,869
Grants payable	<u>254,990</u>	<u>259,996</u>
	321,139	320,865

Long-term Grants Payable

	<u>34,772</u>	<u>24,889</u>
	<u>355,911</u>	<u>345,754</u>

Fund Balance

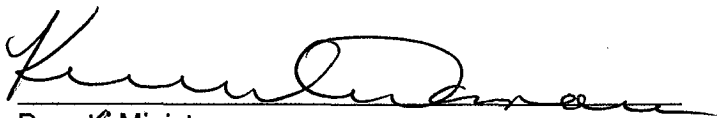
Unrestricted	969,960	1,058,035
Community Development Account (Note 7)	<u>2,380,846</u>	<u>2,315,919</u>
	<u>3,350,806</u>	<u>3,373,954</u>

	<u>\$ 3,706,717</u>	<u>\$ 3,719,708</u>
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Commitments (Note 9)

Subsequent event (Note 14)

APPROVED ON BEHALF OF THE MINISTER OF HEALTH AND WELLNESS


Deputy Minister


Executive Director of Gambling Awareness Foundation of Nova Scotia

(See accompanying notes to financial statements)

Gambling Awareness Foundation of Nova Scotia
Statement of Operations and Changes in Fund Balance
For the Year Ended March 31, 2011

	Unrestricted	Community Development Account	2011 Total	2010 Total
Revenues				
Nova Scotia Gaming Corporation	\$ 297,862	\$ -	\$ 297,862	\$ 315,473
VLT retailers	297,862	-	297,862	315,473
Investment Income	36,179	60,771	96,950	66,581
Miscellaneous	-	-	-	10
Unused grants	-	6,700	6,700	11,448
	<u>631,903</u>	<u>67,471</u>	<u>699,374</u>	<u>708,985</u>
Expenses				
Grants (Note 7)	175,482	90,809	266,291	194,783
Salaries and benefits	301,932	-	301,932	285,940
Board and Committee meetings	30,073	-	30,073	17,188
Travel	1,901	-	1,901	2,975
Professional fees	18,076	-	18,076	14,850
Office expenses and rent	72,172	-	72,172	70,321
Conference expenses	24,062	-	24,062	14,375
Research expenses	91,972	-	91,972	107,446
Amortization of premium	-	-	-	2,227
Adjustment to fair value	-	-	-	-
	<u>715,670</u>	<u>90,809</u>	<u>806,479</u>	<u>710,105</u>
Excess of revenues over expenses	\$ (83,767)	\$ (23,338)	\$ (107,105)	\$ (1,120)
Fund balance, beginning of year	<u>1,058,035</u>	<u>2,315,919</u>	<u>3,373,954</u>	<u>3,263,709</u>
	974,268	2,292,581	3,266,849	3,262,589
Unrealized gain (loss) on investments	<u>(4,308)</u>	<u>88,265</u>	<u>83,957</u>	<u>111,365</u>
Fund balance, end of year	<u>\$ 969,960</u>	<u>\$ 2,380,846</u>	<u>\$ 3,350,806</u>	<u>\$ 3,373,954</u>

(See accompanying notes to financial statements)

Gambling Awareness Foundation of Nova Scotia
Statement of Cash Flows
For the Year Ended March 31, 2011

Cash provided by (used in):	2011	2010
Operating activities		
Excess (deficiency) of revenues over expenses	\$ (107,105)	\$ (1,120)
Unrealized gain (loss) in investments	83,957	111,365
Change in non-cash operating working capital		
Accounts receivable	5,682	(39,123)
Prepaid expenses	2,177	(3,374)
Due from Nova Scotia Gaming Corporation	2,635	3,615
Accounts payable	5,280	28,009
Grants payable	<u>(5,006)</u>	<u>102,511</u>
	<u>(12,380)</u>	<u>201,883</u>
Financing activities		
Investments	(221,789)	(3,358,437)
Long-term grants payable	<u>9,883</u>	<u>(37,809)</u>
	<u>(211,906)</u>	<u>(3,396,246)</u>
Increase (Decrease) in cash	(224,286)	(3,194,363)
Cash, beginning of year	<u>258,896</u>	<u>3,453,259</u>
Cash, end of year	<u><u>\$ 34,610</u></u>	<u><u>\$ 258,896</u></u>

(See accompanying notes to financial statements)

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the *Gaming Control Act* and the *Provincial Finance Act*. The *Gaming Control Act* was amended on July 27, 2010, whereby the name of the Foundation was changed to Gambling Awareness Foundation of Nova Scotia.

The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the *Gaming Control Act*, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are described below.

Revenue recognition

The Gambling Awareness Nova Scotia follows the deferral method of accounting for contributions. Interest earned in the Community Development Account (CDA) is recognized as revenue in the year in which the related expenses are incurred. The CDA contributions from unused grant funding are recognized as a direct increase to the restricted CDA fund. Unrestricted contributions and revenues are recognized as revenue when they are received or receivable, if the amount received can be estimated and the 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 and liabilities are recognized as revenue in the statements 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.

Cash

Cash includes cash less outstanding cheques plus outstanding deposits.

Capital Assets

In common with many non-profit organizations with average annual revenue in the current and prior year of less than \$500,000, expenditures for capital assets are expensed as incurred rather than capitalized and amortized over their useful lives.

2. Accounting Policies (continued)

Marketable securities

Investment income includes dividends and interest income, and realized and unrealized gains and losses. Unrealized gains and losses on held-for-trading financial assets and liabilities are recognized as revenue in the statements 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 income is recognized as revenue when earned.

The Foundation's investments are carried at fair value and consist of cash and cash equivalents, fixed income investments, and investments in mutual funds.

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 loss provisions, expense accruals and revenue deferral. 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.

HST Recovery

As a not-for-profit entity, the Foundation is entitled to a rebate of 50% of the HST paid or eligible expenses. The practice of the Foundation is to record expenditures net of refundable HST.

3. Financial Instruments

The Gambling Awareness Foundation of Nova Scotia's financial instruments consist of cash, investments, and accounts receivable, accounts payable, and current and long-term grants payable. They 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, mutual funds and term deposits which are held-for-trading are carried at fair value.

Long-term debt is recorded at its amortized cost using the effective interest rate method.

Long-term grants payable are recorded at the contract amount. This is a departure from Generally Accepted Accounting Principles, which require that financial liabilities are 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.

3. Financial Instruments (continued)

Fair Value

The Foundation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

When available, fair value of marketable securities 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 minimizes risk through its investment in guaranteed investment certificates.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its interest bearing investments.

4. Cash

Cash consists of the following:

	2011	2010
Cash – general	\$ (840)	\$ 211,898
Community Development Account	<u>35,450</u>	<u>46,998</u>
Total	<u>\$ 34,610</u>	<u>\$ 258,896</u>

5. Investments

Investments consist of the following:

	2011	2010
CIBC Investment - CDA	\$ 2,502,575	\$ 2,361,869
Operating Account	<u>1,077,651</u>	<u>996,568</u>
Total	<u>\$ 3,580,226</u>	<u>\$ 3,358,437</u>

6. Accounts Receivable

Accounts receivable consist of the following:

	2011	2010
Accounts receivable - HST	\$ 11,821	\$ 10,075
Accounts receivable – unused grants	1,993	8,143
Accrued interest receivable, general bank	7,472	7,346
Accrued interest receivable, Community Development Fund	<u>23,181</u>	<u>24,585</u>
Total	<u>\$ 44,467</u>	<u>\$ 50,149</u>

7. Community Development Account

Section 8 of the previous Memorandum of Agreement (MOA) between the Foundation and the former Department of Health Promotion and Protection, now Department of Health and Wellness required the creation of a Community Development Account (CDA). Amounts were allocated from within the Foundation's bank account to establish the CDA in 2005-06.

Under the revised MOA, dated March 2009, the interest accrued in the account shall be used to provide grants to community health boards (CHBs) to support problem gambling initiatives. The fund balance is not to decrease below its initial level and will be increased annually if the Gambling Awareness Foundation of Nova Scotia funding streams accrue a surplus.

8. Grants

Section 11.0 of the MOA requires that funds received by the Foundation shall be allocated to research grants and community grants as well as to the necessary operational expenses of the Foundation and other initiatives that support its objectives and strategic priorities. Research and community grants funding shall be according to the objectives of the Foundation as noted in the regulations to the Act, and the MOA. The following grants were approved during the year:

	2011	2010
Research and community	\$ 175,482	\$ 121,371
Interest grant payment to CHBs	<u>90,809</u>	<u>73,412</u>
Total	<u>\$ 266,291</u>	<u>\$ 194,783</u>

9. Commitments

As of March 31, 2011 the Foundation had total commitments of \$111,398.

2012	\$	43,511
2013	\$	27,155
2014	\$	27,155
2015	\$	13,577

10. Employee Post-Retirement Benefits

Employees of the Gambling Awareness Foundation of Nova Scotia participate in the Health Association Nova Scotia (HANS) Pension Plan. The Plan is a contributory defined benefit pension plan. The Foundation had no liability for employee post-retirement benefits as of March 31, 2011. Costs paid to HANS during the year totalled \$37,488.

11. Related Party Transactions

The Foundation is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. Transactions with other provincial entities described in Note 6, were entered into in the normal course of operations.

12. Fair Value of Financial Assets and Liabilities

The Foundation is exposed to market risk (in the form of interest risk and price risk and credit risk) on its investment portfolio. The Foundation manages these risks through an investment policy which was last amended on March 29, 2010. This policy requires the preservation of capital by investing available cash to earn maximum investment income with minimum risk, and prohibits investing in independent securities such as mortgages, equities, and real estate holdings.

13. Comparative Figures

Some of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

14. Subsequent Event

Subsequent to year end, the Board of Directors of the Foundation was disbanded by the authority of the Minister of Health and Wellness. The new reporting framework of the Foundation has not yet been determined.

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Notes to Financial Statements

Year Ended March 31, 2011

15. SCHEDULE A - EXPENSES BY PROGRAM

	2011 Budget	2011	2010
<u>Grant and Funding</u>			
Grants	\$ 190,000	\$ 251,291	\$ 170,403
Honorarium	8,000	4,000	3,300
Wages	34,396	35,670	40,098
Professional fees	8,000	-	-
Other	-	-	2,227
Software costs	11,500	-	-
	251,896	290,961	216,028
<u>Community Programming</u>			
Women's action retreat	-	-	(16)
Wages	47,658	50,657	43,798
Consultation	5,000	6,277	9,006
Community capacity building	21,000	16,800	3,587
First annual gamble free day blitz	-	985	1,798
Sponsorship of community building	40,000	1,560	876
Annual conference	10,000	-	-
	123,658	76,279	59,049
<u>Internal Capacity and Administration</u>			
Board travel	24,000	28,513	16,312
Professional fees	4,000	523	3,381
Wages	25,194	25,730	23,771
Accounting and IT	8,800	27,209	13,757
Consulting fees	-	330	113
Office operations	55,438	48,545	54,115
Professional development	4,000	4,320	2,404
Travel	4,500	1,901	2,290
Staff expenses	6,500	1,364	1,360
Wages	46,906	46,632	40,641
Benefits	42,136	41,825	39,947
Professional fees	10,000	-	472
	231,474	226,892	198,563
<u>Public Debate Awareness</u>			
Website development and management	4,630	1,410	1,807
Newsletter and other promotional items	8,750	4,720	9,573
Town hall meetings	2,000	-	-
Wages	44,935	62,006	55,104
Advertising and branding	23,280	7,511	1,953
	83,595	75,647	68,437

(continues)

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA**Notes to Financial Statements****Year Ended March 31, 2011****15. SCHEDULE A - EXPENSES BY PROGRAM (continued)**

	2011 Budget	2011	2010
<u>Research</u>			
Interprovincial contributions to grants	15,000	9,000	-
Development work research agenda	5,000	-	4,793
NSGE fellowships for students	25,000	15,000	24,379
Wages	28,474	29,728	36,202
Strategic research funding	160,000	67,972	102,654
Synopsis research project	15,000	15,000	-
	248,474	136,700	168,028
	\$ 939,097	\$ 806,479	\$ 710,105