

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Financial Statements

Year Ended March 31, 2011

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Index to Financial Statements

Year Ended March 31, 2011

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 13
Administrative Expenses (<i>Schedule 1</i>)	14



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 Nova Scotia Health Research Foundation

We have audited the accompanying financial statements of Nova Scotia Health Research Foundation, 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 flow 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.

Basis for Qualified Opinion

The grants payable and externally funded grants payable have been recorded at cost on the statement of financial position. This is a departure from Canadian generally accepted accounting principles. As stated in Note 3, 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.

(continues)

Qualified Opinion

In our opinion, except for the fact that the grants payable have been recorded at stated cost instead of at amortized cost using the effective interest rate method as described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Health Research Foundation as at March 31, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Dartmouth, Nova Scotia
May 20, 2011

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Revenues and Expenditures

Year Ended March 31, 2011

	2011	%	2010	%
REVENUE				
Grant - Province of Nova Scotia	\$ 4,930,100	84.43	\$ 4,930,100	83.65
Allocation recoveries	727,036	12.45	599,105	10.16
Investment income	145,561	2.49	238,545	4.05
Other	36,763	0.63	47,016	0.80
Externally funded project funding (Note 8)	-	-	79,165	1.34
	5,839,460	100.00	5,893,931	100.00
PROGRAM EXPENDITURES				
Biomedical research grants	1,424,146	24.39	1,179,376	20.01
Policy, services and outcomes research grants	1,334,412	22.85	1,380,257	23.42
Knowledge translation	737,070	12.62	252,850	4.29
Matching grants (Note 10)	529,394	9.07	640,983	10.88
Program salaries	457,387	7.83	428,347	7.27
Capacity building programs and workshops	369,513	6.33	689,912	11.71
Electronic grants management system	170,530	2.92	305,438	5.18
Mental health and addiction strategy	134,417	2.30	-	-
Decade awards	100,000	1.71	-	-
Communications, public awareness and research findings	93,125	1.59	80,300	1.36
Peer review of grant applications	28,267	0.48	49,758	0.84
Externally funded projects (Note 8)	-	-	35,349	0.60
Special events (Note 12)	(19,526)	(0.33)	7,860	0.13
	5,358,735	91.77	5,050,430	85.69
EXCESS OF REVENUE OVER PROGRAM EXPENDITURES	480,725	8.24	843,501	14.31
ADMINISTRATIVE EXPENDITURES (Schedule 1)	884,684	15.14	839,461	14.24
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(403,959)	(6.90)	4,040	0.07
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	397,181	6.80	548,448	9.31
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (6,778)	(0.10)	\$ 552,488	9.38

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Changes in Net Assets

Year Ended March 31, 2011

	Invested in Property, Plant and Equipment	Unrestricted	2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ 91,260	\$ 1,245,414	\$ 1,336,674	\$ 784,186
Excess of revenue over expenditures	-	(6,778)	(6,778)	552,488
Net change in investment in property, plant and equipment				
depreciation	(27,302)	27,302	-	-
acquisition of property, plant and equipment	23,989	(23,989)	-	-
NET ASSETS - END OF YEAR	\$ 87,947	\$ 1,241,949	\$ 1,329,896	\$ 1,336,674

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Financial Position

March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 217,225	\$ 284,880
Marketable securities <i>(Note 6)</i>	5,773,774	5,337,261
Accounts receivable	104,812	144,589
Interest receivable	19,865	19,507
Prepaid expenses	50,135	67,460
GST/HST receivable	42,959	31,750
	6,208,770	5,885,447
PROPERTY, PLANT AND EQUIPMENT <i>(Note 7)</i>	87,948	91,260
LONG TERM ACCOUNTS RECEIVABLE	-	28,750
	\$ 6,296,718	\$ 6,005,457
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 161,204	\$ 166,001
Deferred revenue <i>(Note 9)</i>	287,890	155,044
Grants payable - current portion	2,129,996	2,544,136
Externally funded grants payable - current portion <i>(Note 8)</i>	558,741	558,741
	3,137,831	3,423,922
GRANTS PAYABLE	1,661,366	1,077,236
EXTERNALLY FUNDED GRANTS PAYABLE <i>(Note 8)</i>	167,625	167,625
	4,966,822	4,668,783
NET ASSETS		
Invested in property, plant and equipment	87,947	91,260
Unrestricted	1,241,949	1,245,414
	1,329,896	1,336,674
	\$ 6,296,718	\$ 6,005,457
COMMITMENTS <i>(Notes 10, 15)</i>		

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements
AC Hunter Tellier Belgrave Adamson
Chartered Accountants

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Cash Flow

Year Ended March 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over administrative expenses	\$ (6,778)	\$ 552,488
Item not affecting cash:		
Amortization of property, plant and equipment	27,302	31,524
	20,524	584,012
Changes in non-cash working capital:		
Accounts receivable	39,777	660,820
Marketable securities net of fair value adjustment	(436,513)	118,010
Interest receivable	(358)	14,154
Loans and notes receivable	28,750	(28,750)
GST/HST receivable	(11,209)	(31,750)
Prepaid expenses	17,325	(53,342)
Accounts payable	(4,798)	(116,014)
Deferred revenue	132,846	24,651
Grants payable - current portion	(414,140)	(437,686)
Externally funded grants payable - current portion	-	(179,131)
Grants payable	584,130	(289,177)
Externally funded grants payable	-	(308,560)
	(64,190)	(626,775)
Cash flow used by operating activities	(43,666)	(42,763)
INVESTING ACTIVITY		
Purchase of equipment	(23,989)	(7,977)
DECREASE IN CASH FLOW	(67,655)	(50,740)
Cash - beginning of year	284,880	335,620
CASH - END OF YEAR	\$ 217,225	\$ 284,880

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

Introduction paragraph for policies without reference to differential reporting

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 loss provisions, expense accruals 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.

Cash

Cash includes cash less outstanding cheques plus outstanding deposits.

Investments

Marketable securities are carried at fair market value and consist of cash and cash equivalents, fixed income investments and investments in mutual funds. All investments are classified as held for trading.

(continues)

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

Grants payable

Grants payable are carried at the contract amount.

Property, plant and equipment

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

3. FINANCIAL INSTRUMENTS

Equity investments and term deposits which are classified as 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 does not enter into hedging activities and does not engage in derivative transactions.

Concentration of Credit Risk

Substantially all of the Company's bank accounts and bank indebtedness are with one financial institution.

Interest Rate Risk

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 floating interest rate on its short-term investments. Management manages its interest rate risk by investing in fixed income marketable securities with varying maturity dates and terms.

Market Price Risk

Market price risk is the risk that the value of a financial instrument might be adversely affected by a change in the stock price of its investment holdings. In seeking to minimize the risks The Foundation is exposed to market price risk primarily through price fluctuations on its short-term investments. Management manages its risk by diversifying its portfolio through a mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

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. 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.

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, 2011 the total market value of the investments was \$5,773,774 (2010 - \$5,337,261) and the book value of the investments was \$5,291,721 (2010 - \$5,252,389).

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value
Equipment and furniture	\$ 96,385	\$ 64,044	\$ 32,341
Computer	114,969	88,875	26,094
Leasehold improvements	86,215	56,702	29,513
	\$ 297,569	\$ 209,621	\$ 87,948

	Cost	Accumulated amortization	2010 Net book value
Equipment and furniture	\$ 92,091	\$ 56,495	\$ 35,596
Computer	104,770	79,877	24,893
Leasehold improvements	76,718	45,947	30,771
	\$ 273,579	\$ 182,319	\$ 91,260

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 funded the Projects by paying the Foundation the sum of \$1,500,000 between 2007 and 2009. 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, \$499,809 of this funding was disbursed and the remaining \$250,181 was 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, \$239,190 has been disbursed and \$476,185 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.

9. DEFERRED REVENUE

In compliance with the deferral method of accounting for contributions as disclosed in note 2, the Foundation has recorded \$162,508 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 Health and Wellness.

The Foundation has 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 has provided funding of \$243,000 since 2009 to be applied according to the project's objectives. As of March 31, 2011, a total of \$125,127 (2010 - \$42,591) was expensed and recognized as revenues. The undisbursed balance of \$117,873 (2010 - \$100,409) is being 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 \$10,000 that had been received in the 2010 fiscal year from an external organization in relation to the 10th Year Anniversary conference was recorded as revenue in the current fiscal 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 funding sources. 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, 2011, 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 had agreed to work together to develop a proposal to establish a Health Policy Research Centre. The intention was to create a partnership that will bring about informed public policy decision making that was research based, and that would 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 ended March 31, 2009. In 2009, the agreement was extended until March 31, 2010.

The agreement was not renewed upon expiration, and unspent funds totalling \$443,379 were returned by Dalhousie University. This recovery has been included in income in the current year.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2011

12. SPECIAL EVENTS

In June 2010, the Foundation partnered with Alberta Innovates Health Solutions, CIHR and Dalhousie University to host the Knowledge Translation Forum (KT-10). The purpose of this international forum was to *share, discuss and strengthen the foundation for advancing the field in research practice relating to knowledge translation.*

	2011
Registration fees	\$ 46,209
Event sponsorships	130,000
	<u>176,209</u>
Event expenses	<u>(156,683)</u>
	<u>\$ 19,526</u>

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:

2012	\$ 124,663
2013	<u>93,497</u>
	<u>\$ 218,160</u>

16. PENSION OBLIGATIONS

The Foundation participates in a defined benefit pension plan sponsored and administered by the Health Association Nova Scotia (HANS) (formerly known as Nova Scotia Association of Health Organizations), a multi-employer plan available to all its members. Contributions are made to the pension fund by employees based on 7.0666% or 9.2555% and by the Foundation based on 8.4961% or 10.6806% of pensionable earnings, depending on income level. Effective for the 2011 fiscal year, the HANS has not changed the contribution rates. In the year, the Foundation contributed \$82,399 (2010 - \$73,111) 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, 2011

	2011	%	2010	%
Wages and benefits	\$ 569,643	9.76	\$ 540,899	9.18
Rent	122,842	2.10	122,049	2.07
Consulting and professional fees	41,611	0.71	38,388	0.65
Office supplies	31,944	0.55	25,691	0.44
Travel and meetings	27,691	0.47	24,393	0.41
Amortization	27,302	0.47	31,524	0.53
Professional development	23,568	0.40	24,019	0.41
Telephone, fax and website maintenance	23,054	0.39	21,811	0.37
Networking and promotion	9,000	0.15	3,772	0.06
Insurance	5,650	0.10	2,320	0.04
Meeting costs	2,379	0.04	4,595	0.08
	\$ 884,684	15.14	\$ 839,461	14.24