

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Financial Statements**

**Year Ended March 31, 2014**

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

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**Year Ended March 31, 2014**

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**INDEPENDENT AUDITOR'S REPORT**

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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 statements of operations, change in net financial assets, financial position, 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 the standards issued by the Public Sector Accounting Board, 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Health Research Foundation as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with the standards issued by the Public Sector Accounting Board.

*AC Hunter Tellier Belgrave Adamson*

Dartmouth, Nova Scotia  
June 6, 2014

AC HUNTER TELLIER BELGRAVE ADAMSON  
CHARTERED ACCOUNTANTS

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Statement of Operations**

**Year Ended March 31, 2014**

	Budget 2014	2014	2013
<b>REVENUE</b>			
Grant - Province of Nova Scotia	\$ 4,627,000	\$ 4,670,785	\$ 4,664,000
Investment income	126,000	250,556	230,294
Other revenue	354,000	184,428	99,157
Allocation recoveries	120,000	88,426	226,297
Workshop funding	-	9,306	28,804
	5,227,000	5,203,501	5,248,552
<b>PROGRAM EXPENDITURES</b>			
Project grants	1,950,000	1,984,423	2,135,350
Program salaries	694,234	673,474	622,164
Matching grants	875,000	619,984	772,625
Capacity building program	210,000	292,152	517,220
Knowledge translation	115,000	158,176	144,048
Electronic grants management system	75,000	143,282	77,607
Communications, public awareness and research findings	104,400	57,401	65,233
Peer review of grant applications	25,000	34,088	33,409
Professional development	1,960	25,291	1,885
Programs consulting	50,000	18,245	39,291
Programs travel	33,500	15,000	11,075
Program costs	4,340	12,756	5,743
	4,138,434	4,034,272	4,425,650
CONTRIBUTION MARGIN	1,088,566	1,169,229	822,902
<b>EXPENSES (Schedule 1)</b>	1,028,122	1,091,426	1,013,359
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	60,444	77,803	(190,457)
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	117,599	2,713
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ 60,444	\$ 195,402	\$ (187,744)

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Statement of Change in Net Financial Assets**

**Year Ended March 31, 2014**

	<b>2014</b>	2013
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<b>\$ 673,143</b>	\$ 904,746
Annual surplus (deficit)	<b>195,402</b>	(187,744)
Acquisition of tangible capital assets	<b>(81,026)</b>	(86,775)
Amortization of tangible capital assets	<b>53,334</b>	42,225
Net investment in prepaid expenses	<b>(41,625)</b>	691
Increase (decrease) in net financial assets	<b>799,228</b>	673,143
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<b>\$ 799,228</b>	\$ 673,143

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION****Statement of Financial Position****Year Ended March 31, 2014**

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash	\$ 678,990	\$ 192,581
Marketable securities (Note 6)	4,146,733	4,194,045
Accounts receivable	68,471	81,568
Interest receivable	27,596	26,344
HST recoverable	50,502	40,918
	<b>4,972,292</b>	<b>4,535,456</b>
<b>LIABILITIES</b>		
Accounts payable	234,561	348,186
Deferred revenue (Note 8)	254,395	180,518
Grants payable - current portion	2,939,145	2,642,042
	<b>3,428,101</b>	<b>3,170,746</b>
Long term grants payable	744,963	691,567
	<b>4,173,064</b>	<b>3,862,313</b>
<b>NET FINANCIAL ASSETS</b>	<b>799,228</b>	<b>673,143</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	56,263	14,638
Capital assets (Note 7)	164,370	136,678
	<b>220,633</b>	<b>151,316</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 1,019,861</b>	<b>\$ 824,459</b>

**Commitments (Notes 12 and 15)****ON BEHALF OF THE BOARD**\_\_\_\_\_  
**Director**\_\_\_\_\_  
**Director**

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION****Statement of Cash Flows****Year Ended March 31, 2014**

	<b>2014</b>	2013
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ <b>195,402</b>	\$ (187,744)
Item not affecting cash:		
Amortization of property, plant and equipment	<b>53,334</b>	42,225
	<b>248,736</b>	(145,519)
Changes in non-cash working capital:		
Accounts receivable	<b>13,097</b>	120,973
Marketable securities	<b>47,312</b>	880,158
Interest receivable	<b>(1,252)</b>	(2,165)
Accounts payable	<b>(113,623)</b>	167,712
Deferred revenue	<b>73,877</b>	(39,267)
Prepaid expenses	<b>(41,625)</b>	690
HST recoverable	<b>(9,584)</b>	3,020
Grants payable - current portion	<b>297,103</b>	119,163
Externally funded grants payable - current portion	<b>-</b>	(608,486)
Long term grants payable	<b>53,396</b>	(652,396)
	<b>318,701</b>	(10,598)
Cash flow from (used by) operating activities	<b>567,437</b>	(156,117)
<b>CAPITAL ACTIVITY</b>		
Purchase of property, plant and equipment	<b>(81,028)</b>	(86,775)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>486,409</b>	(242,892)
Cash - beginning of year	<b>192,581</b>	435,473
<b>CASH - END OF YEAR</b>	<b>\$ 678,990</b>	\$ 192,581



# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2014

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### 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with standards issued by the Public Sector Accounting Board.

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, whereby 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.

Certain amounts are received pursuant to legislation, regulation, or agreement, and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred, services are performed, or when stipulations are met. Similarly, restricted contributions are recognized as revenue in the year in which the related expenses are incurred and the restrictions are satisfied.

Investment income consists of dividends and interest income, and realized and unrealized gains and losses. Unrealized gains and losses 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. Other investment income is reported in the statement of revenues and expenditures.

#### 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 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.

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# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2014

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

#### Investments

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

#### Grants payable

Grants payable are carried at the contract amount. Amounts payable beyond one year from the date of the Statement of Financial Position are classified as long term.

#### Property, plant and equipment

Equipment and furniture	20%	declining balance method
Computer hardware and software	30%	declining balance method
Grant management system	30%	declining balance method
Leasehold improvements	10 years	straight-line method

### 3. FINANCIAL INSTRUMENTS

Equity investments and fixed income securities are carried at fair value.

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 Foundation's bank accounts 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. 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.

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2014

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### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Consistent with similar government 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, 2014 the total market value of the investments was \$4,146,733 (2013 - \$4,194,045) and the book value of the investments was \$3,766,462 (2013 - \$3,931,162).

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements**

**Year Ended March 31, 2014**

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value
Equipment and furniture	\$ 109,403	\$ 84,219	\$ 25,184
Computer hardware and software	212,030	148,507	63,523
Leasehold improvements	106,113	92,185	13,928
Grant management system	72,630	10,895	61,735
	<b>\$ 500,176</b>	<b>\$ 335,806</b>	<b>\$ 164,370</b>

	Cost	Accumulated amortization	2013 Net book value
Equipment and furniture	\$ 118,900	\$ 78,057	\$ 40,843
Computer hardware and software	194,135	122,853	71,282
Leasehold improvements	106,113	81,561	24,552
	<b>\$ 419,148</b>	<b>\$ 282,471</b>	<b>\$ 136,677</b>

8. DEFERRED REVENUE

In compliance with the deferral method of accounting for contributions as disclosed in note 2, the Foundation has recorded \$254,395 (2013 - \$180,518) in deferred revenues as detailed below:

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 \$446,996 since 2009 to be applied according to the project's objectives. As of March 31, 2014, a total of \$292,601 (2013- \$266,478) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$154,395 (2013 - \$180,518) is being held by the Foundation until expenses are incurred.

In the current fiscal year, the Foundation received \$100,000 from the Margaret and Wallace McCain Family Foundation to manage and administer the funds to support research and evaluation of the Early Years Centres in Nova Scotia. As of the end of the current fiscal year none of the funds have been disbursed. This restricted contribution is included in deferred revenue at year end.

9. OTHER REVENUE

	2014	2013
Evaluation Services Cost Recovery Program	\$ 81,075	\$ 19,095
Social Responsibility and Gaming Synthesis	59,000	-
The REAL Knowledge Program	44,353	-
Funding repurposed from deferred revenue	-	59,634
Rental revenue	-	20,428
	<b>\$ 184,428</b>	<b>\$ 99,157</b>

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2014

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### 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, 2014, 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. 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.

### 12. 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.

### 13. LEASE COMMITMENTS

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

2015	\$	128,643
2016		128,643
2017		128,643
2018		128,643
		<u>514,572</u>
	\$	<u>514,572</u>

### 14. 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 7.82% or 10.18% and by the Foundation based on 9.22% or 11.58% of pensionable earnings, depending on income level. In the year, the Foundation contributed \$109,604 (2013 - \$108,921) to the pension.

An actuarial valuation for funding purposes was performed at October 31, 2010 by Mercer Human Resource Consulting. At that 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.

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements**

**Year Ended March 31, 2014**

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15. PUBLIC SECTOR COMPENSATION DISCLOSURES ACT

The Public Sector Compensation Disclosure Act requires the Foundation to disclose the amount of compensation paid to any employee earning in excess of \$100,000 per year. For the fiscal year ended March 31, 2014, Krista Connell, CEO of the Foundation, earned total compensation of \$170,681, including salary and benefits.

16. COMPARATIVE FIGURES

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

## NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Expenses

(Schedule 1)

Year Ended March 31, 2014

	Budget 2014	2014	2013
Wages and salary	\$ 660,802	\$ <b>693,704</b>	\$ 642,327
Rent	146,725	<b>145,016</b>	132,110
Amortization	-	<b>53,334</b>	42,225
Professional development	33,000	<b>48,638</b>	69,694
Consulting fees	25,000	<b>44,364</b>	47,473
Travel and meetings	20,000	<b>44,225</b>	28,836
Office supplies	95,400	<b>24,276</b>	18,134
Telephone, fax and website maintenance	26,000	<b>16,235</b>	16,180
Meeting costs	9,395	<b>11,146</b>	5,705
Insurance	6,000	<b>5,488</b>	5,675
Decade awards	5,000	<b>5,000</b>	5,000
Miscellaneous	800	-	-
	\$ 1,028,122	\$ <b>1,091,426</b>	\$ 1,013,359