

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Financial Statements

Year Ended March 31, 2015

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

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Year Ended March 31, 2015

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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 financial position as at March 31, 2015, and the statements of operations, change in net financial 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 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.

(continues)

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, 2015 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 9, 2015

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Operations

Year Ended March 31, 2015

	Budget 2015	2015	2014
REVENUE			
Grant - Province of Nova Scotia	\$ 4,671,000	\$ 4,671,000	\$ 4,670,785
Investment income	643,000	680,482	250,556
Other revenue (<i>Note 9</i>)	157,437	257,940	246,928
Allocation recoveries	30,000	95,134	88,426
Workshop funding	5,000	240	9,306
	5,506,437	5,704,796	5,266,001
PROGRAM EXPENDITURES			
Project grants	2,087,600	2,194,617	1,984,423
Program salaries	740,586	747,719	673,474
Matching grants	700,000	665,000	619,984
REAL Knowledge	640,000	321,069	158,176
Communications, public awareness and research findings	226,430	301,741	57,401
Evaluation salaries	221,795	219,376	-
REDI building program	175,000	192,433	292,152
Programs consulting	25,000	101,473	80,745
Electronic grants management system	39,000	50,186	143,282
Peer review of grant applications	33,700	31,431	34,088
Professional development	5,000	21,401	25,291
Program travel	21,000	21,066	15,000
Program costs	-	13,626	12,756
	4,915,111	4,881,138	4,096,772
CONTRIBUTION MARGIN	591,326	823,658	1,169,229
EXPENSES (<i>Schedule 1</i>)	937,985	918,295	1,091,426
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(346,659)	(94,637)	77,803
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	(404,246)	117,599
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (346,659)	\$ (498,883)	\$ 195,402

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Change in Net Financial Assets

Year Ended March 31, 2015

	2015	2014
NET FINANCIAL ASSETS - BEGINNING OF YEAR	\$ 799,227	\$ 673,143
Annual surplus (deficit)	(498,883)	195,402
Acquisition of tangible capital assets	(56,759)	(81,027)
Amortization of tangible capital assets	54,740	53,334
Net investment in prepaid expenses	29,136	(41,625)
Increase (decrease) in net financial assets	327,461	799,227
NET FINANCIAL ASSETS - END OF YEAR	\$ 327,461	\$ 799,227

NOVA SCOTIA HEALTH RESEARCH FOUNDATION**Statement of Financial Position****Year Ended March 31, 2015**

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 328,641	\$ 678,990
Marketable securities <i>(Note 6)</i>	4,875,273	4,146,733
Accounts receivable	52,612	68,471
Interest receivable	25,291	27,596
HST recoverable	37,362	50,502
	5,319,179	4,972,292
LIABILITIES		
Accounts payable	178,640	234,562
Deferred revenue <i>(Note 8)</i>	353,130	254,395
Grants payable - current portion	3,375,682	2,939,145
	3,907,452	3,428,102
Long term grants payable	1,084,266	744,963
	4,991,718	4,173,065
NET FINANCIAL ASSETS	327,461	799,227
NON-FINANCIAL ASSETS		
Prepaid expenses	27,127	56,263
Capital assets <i>(Note 7)</i>	166,390	164,371
	193,517	220,634
ACCUMULATED SURPLUS	\$ 520,978	\$ 1,019,861

Commitments (Note 12)

ON BEHALF OF THE BOARD

Director_____
Director

NOVA SCOTIA HEALTH RESEARCH FOUNDATION**Statement of Cash Flows****Year Ended March 31, 2015**

	2015	2014
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (498,883)	\$ 195,402
Item not affecting cash:		
Amortization of property, plant and equipment	54,740	53,334
	(444,143)	248,736
Changes in non-cash working capital:		
Accounts receivable	15,859	13,097
Marketable securities	(728,540)	47,312
Interest receivable	2,305	(1,252)
Accounts payable	(55,922)	(113,623)
Deferred revenue	98,735	73,877
Prepaid expenses	29,136	(41,625)
HST recoverable	13,140	(9,584)
Grants payable - current portion	436,537	297,103
Long term grants payable	339,303	53,396
	150,553	318,701
Cash flow from (used by) operating activities	(293,590)	567,437
CAPITAL ACTIVITY		
Purchase of property, plant and equipment	(56,759)	(81,028)
INCREASE (DECREASE) IN CASH FLOW	(350,349)	486,409
Cash - beginning of year	678,990	192,581
CASH - END OF YEAR	\$ 328,641	\$ 678,990

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2015

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, 2015

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 the 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, 2015

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 \$4,875,273 (2014 - \$4,146,733) and the book value of the investments was \$4,899,250 (2014 - \$3,766,462).

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2015

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2015 Net book value
Equipment and furniture	\$ 116,767	\$ 89,992	\$ 26,775
Computer hardware and software	220,066	168,770	51,296
Leasehold improvements	106,113	96,164	9,949
Grant management system	113,989	35,619	78,370
	\$ 556,935	\$ 390,545	\$ 166,390

	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
	\$ 500,176	\$ 335,806	\$ 164,370

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2015

8. DEFERRED REVENUE

In compliance with the deferral method of accounting for contributions as disclosed in note 2, the Foundation has recorded \$353,129 (2014 - \$254,395) in deferred revenues as detailed below:

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 has provided funding of \$446,996 since 2009 to be applied according to the project's objectives. As of March 31, 2015, a total of \$313,096 (2014 - \$292,601) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$133,900 (2014 - \$154,395) is being held by the Foundation until expenses are incurred.

The Foundation has 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 March 31, 2015, a total of \$24,295 (2014 - \$0) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$75,705 (2014 - \$100,000) is being held by the Foundation until expenses are incurred.

In the current fiscal year, the Foundation received \$31,307 from the Heart and Stroke Foundation of Nova Scotia to manage and administer the funds for the Evaluation Culture Building Project. As of March 31, 2015, a total of \$8,373 (2014 - \$0) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$22,934 (2014 - \$0) is being held by the Foundation until expenses are incurred.

In the current fiscal year, the Foundation received \$98,131 from the Nova Scotia Provincial Lotteries and Casino Corporation to develop evaluation criteria in consultation with NSPLCC to evaluate a potential market research company. As of March 31, 2015, a total of \$0 (2014 - \$0) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$98,181 (2014 - \$0) is being held by the Foundation until expenses are incurred.

In the current fiscal year, the Foundation received \$130,000 from the National Alliance of Provincial Health Research Organizations (NAPHRO) to coordinate and support the work of the Alliance. As of March 31, 2015, a total of \$108,639 (2014 - \$0) was expensed and a corresponding amount was recognized as revenues. The undisbursed balance of \$21,361 (2014 - \$0) is being held by the Foundation until expenses are incurred.

9. OTHER REVENUE

	2015	2014
Evaluation Services Cost Recovery Program	\$ 83,324	\$ 81,075
NAPHRO Funds	107,591	62,500
Social Responsibility and Gaming Synthesis	-	59,000
The REAL Knowledge Program	28,657	44,353
Workshop services	20,398	-
Peer review services	17,970	-
	\$ 257,940	\$ 246,928

10. 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.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2015

11. 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.

12. LEASE COMMITMENTS

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

2016	\$ 135,773
2017	135,773
2018	<u>135,773</u>
	<u>\$ 407,319</u>

13. 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 \$124,770 (2014 - \$109,604) 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.

14. 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, 2015, Krista Connell, CEO of the Foundation, earned total compensation of \$178,530, including salary and benefits.

15. 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, 2015

	Budget 2015	2015	2014
Wages and salary	\$ 529,000	\$ 524,519	\$ 693,704
Rent	141,935	141,935	145,016
Amortization	38,400	54,740	53,334
Professional development	36,000	52,011	48,638
Consulting fees	67,000	50,300	44,364
Travel and meetings	43,000	35,792	44,225
Telephone, fax and website maintenance	16,500	21,696	16,235
Office supplies	39,550	20,714	24,276
Meeting costs	11,400	6,136	11,146
Insurance	5,200	5,202	5,488
Decade awards	10,000	5,000	5,000
Miscellaneous	-	250	-
	\$ 937,985	\$ 918,295	\$ 1,091,426