

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Financial Statements**

**Year Ended March 31, 2018**

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Index to Financial Statements**

**Year Ended March 31, 2018**

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



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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 Canadian accounting standards for not-for-profit organizations, 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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Independent Auditor's Report to the Directors of Nova Scotia Health Research Foundation *(continued)*

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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Readers of the financial statements are directed to note 17 regarding the Foundation's use of the going concern assumption. Our opinion on the financial statements is not modified in respect of this matter.

*AC Hunter Tellier Belgrave Adamson*

Dartmouth, Nova Scotia  
June 4, 2018

AC HUNTER TELLIER BELGRAVE ADAMSON  
CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Statement of Operations**

**Year Ended March 31, 2018**

	Budget 2018	2018	2017
<b>REVENUE</b>			
Grant - Province of Nova Scotia	\$ 4,581,000	\$ 4,981,000	\$ 5,071,000
Other revenue ( <i>Note 10</i> )	1,418,214	1,226,797	1,731,396
Allocation recoveries	62,000	111,555	224,140
Investment income	125,000	91,115	109,757
	6,186,214	6,410,467	7,136,293
<b>PROGRAM EXPENDITURES</b>			
Project grants	2,906,470	2,865,132	2,654,398
Matching grants	582,472	1,036,253	993,135
Program salaries	738,885	699,242	740,843
Program costs	480,000	430,764	381,369
Innovation salaries	139,857	140,662	139,858
Evaluation salaries	119,525	119,588	117,942
Fellowship salaries	87,665	89,211	88,973
REAL Knowledge	91,000	68,464	71,706
Electronic grants management system	85,500	45,726	44,346
Communications, public awareness and research findings	101,200	39,565	34,875
Peer review of grant applications	35,000	30,471	31,253
Program travel	20,250	17,239	23,189
REDI building program	35,000	15,000	663,040
Professional development	4,750	1,998	12,245
	5,427,574	5,599,315	5,997,172
	758,640	811,152	1,139,121
<b>EXPENSES</b> ( <i>Schedule 1</i> )	859,212	742,953	837,116
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>			
	(100,572)	68,199	302,005
<b>OTHER INCOME (EXPENSES)</b>			
Unrealized gain (loss) on investments	-	18,841	161,043
Realized gain (loss) on disposal of investments	-	(39,999)	-
	-	(21,158)	161,043
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>			
	\$ (100,572)	\$ 47,041	\$ 463,048

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Statement of Change in Net Financial Assets**

**Year Ended March 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<b>\$ 913,135</b>	<b>\$ 422,589</b>
Annual surplus	<b>47,041</b>	463,048
Acquisition of tangible capital assets	<b>(12,157)</b>	(20,391)
Amortization of tangible capital assets	<b>36,792</b>	46,205
Net investment in prepaid expenses	<b>(1,494)</b>	1,684
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<b>\$ 983,317</b>	<b>\$ 913,135</b>

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION****Statement of Financial Position****Year Ended March 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 251,324	\$ 287,349
Marketable securities (Note 6)	4,849,637	5,206,219
Accounts receivable	495,035	67,648
Interest receivable	13,882	17,343
HST recoverable	30,544	37,415
Funds held in trust (Note 7)	8,987,539	-
	<b>14,627,961</b>	<b>5,615,974</b>
<b>LIABILITIES</b>		
Accounts payable	107,522	255,896
Deferred revenue (Note 8)	808,487	253,267
Grants payable - current portion	2,584,124	3,388,881
Trust liability (Note 7)	8,987,539	-
	<b>12,487,672</b>	<b>3,898,044</b>
Long term grants payable	1,156,971	804,795
	<b>13,644,643</b>	<b>4,702,839</b>
<b>NET FINANCIAL ASSETS</b>	<b>983,318</b>	<b>913,135</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	6,506	5,012
Capital assets (Note 9)	94,422	119,057
	<b>100,928</b>	<b>124,069</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 1,084,246</b>	<b>\$ 1,037,204</b>

**Commitments (Note 13)****ON BEHALF OF THE BOARD**\_\_\_\_\_  
**Director**\_\_\_\_\_  
**Director**

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION****Statement of Cash Flows****Year Ended March 31, 2018**

	<b>2018</b>	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 47,041	\$ 463,048
Item not affecting cash:		
Amortization of property, plant and equipment	36,792	46,205
	<b>83,833</b>	509,253
Changes in non-cash working capital:		
Accounts receivable	(427,387)	7,459
Interest receivable	3,461	2,741
Accounts payable	(148,374)	(108,411)
Deferred revenue	555,220	(68,785)
Prepaid expenses	(1,494)	1,684
HST recoverable	6,871	5,801
Grants payable - current portion	(804,757)	610,497
Long term grants payable	352,176	(243,008)
	<b>(464,284)</b>	207,978
Cash flow from (used by) operating activities	<b>(380,451)</b>	717,231
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(12,157)	(20,391)
<b>FINANCING ACTIVITY</b>		
Marketable securities	356,582	(698,541)
<b>DECREASE IN CASH FLOW</b>	<b>(36,026)</b>	(1,701)
Cash - beginning of year	287,349	289,050
<b>CASH - END OF YEAR</b>	<b>\$ 251,324</b>	\$ 287,349
<b>CASH CONSISTS OF:</b>		
Cash	\$ 251,324	\$ 287,349



# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2018

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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.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Public Sector Accounting standards.

#### 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, 2018

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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

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### 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.

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# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2018

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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.

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### 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.

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### 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, 2018 the total market value of the investments was \$4,849,637 (2017 - \$5,206,219) and the book value of the investments was \$4,822,528 (2017 - \$5,197,950).

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### 7. AMOUNTS HELD IN TRUST

In March 2017, the Province of Nova Scotia created the Research Nova Scotia Trust (RNST) as a first step toward the creation of Research Nova Scotia and the Research Opportunities Fund (see note 16).

During fiscal year 2018, RNST engaged the Foundation to administer its grant programs and transferred to the Foundation \$16,198,963 less \$1,550,000 of returned grant funding for a net amount of \$14,648,964. The Foundation paid \$5,661,425 to grant recipients per the instructions of the RNST Trustee, and has a remaining balance of \$8,987,539 in cash to fund the remaining grants payable. The Foundation acts in the capacity of funding administrator for these grants from RNST, and as such has not recognized any revenues or expenses with respect to these transactions.

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**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

8. DEFERRED REVENUE

In compliance with the deferral method of accounting for contributions as disclosed in note 2, the Foundation has recorded \$808,487 (2017 - \$253,267) in deferred revenues as detailed below:

	2017	Funds received	Revenue recognized	2018
Strategy for Children and Youth	\$ 100,426	\$ -	\$ (15,594)	\$ <b>84,832</b>
Early Years Centres	16,836	100,000	(116,836)	-
Evaluation Culture Building Project	22,934	-	(22,934)	-
National Alliance of Provincial Health Research Organizations	34,650	131,537	(115,027)	<b>51,160</b>
Mental Health and Addictions Workforce Competency Profile	22,400	-	(17,032)	<b>5,368</b>
Evidence Review Synthesis Centres	54,857	700,000	(535,848)	<b>219,009</b>
Fellowship recovery	1,164	-	-	<b>1,164</b>
Poverty Indicators	-	28,700	(5,740)	<b>22,960</b>
Department of Health & Wellness grant recoveries	-	225,488	-	<b>225,488</b>
Department of Labour & Advanced Education remuneration	-	64,074	(36,620)	<b>27,454</b>
Research Nova Scotia Implementation Funds	-	175,000	(3,948)	<b>171,052</b>
	<b>\$ 253,267</b>	<b>\$ 1,424,799</b>	<b>\$ (869,579)</b>	<b>\$ 808,487</b>

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 Foundation received funding from the Margaret and Wallace McCain Family Foundation to manage, administer, and to support research and evaluation of the Early Years Centres in Nova Scotia. During the 2018 fiscal year, the remaining funds were released to the Foundation.

The Foundation received funding from the Heart and Stroke Foundation of Nova Scotia to manage, administer, and to support the Evaluation Culture Building Project. During the 2018 fiscal year, the CAPTURE collaborative partnership was disbanded and the remaining funds were released to the Foundation.

The Foundation received funding from the National Alliance of Provincial Health Research Organizations (NAPHRO) to coordinate and support the work of the Alliance.

The Foundation received funding from the Department of Health and Wellness to complete work related to the Mental Health and Addictions Workforce Competency Profile in partnership with the Nova Scotia Health Authority.

The Foundation received funding from the Public Health Agency of Canada to fund Evidence Review Synthesis Centres that support the Canadian Task Force on Preventive Health Care guidelines and recommendations.

The Foundation recovered unused funds from a fellowship that will be applied to a future grant competition from the same institution.

The Foundation received funding from the Department of Community Services to fund research into poverty indicators and inventory available programs aimed at reducing poverty.

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

8. DEFERRED REVENUE *(continued)*

The Foundation recovered unused funds from projects completed without utilizing their budget allocation, to be allocated to specific projects identified by the Department of Health & Wellness.

The Foundation received funding from the Department of Labour & Advanced Education to facilitate staffing related to the Nova Scotia Research and Innovation Trust.

The Foundation received funding from the Province of Nova Scotia, to support the start-up and implementation of Research Nova Scotia. See additional information in note 16.

9. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value
Equipment and furniture	\$ 122,007	\$ 104,884	\$ 17,123
Computer hardware and software	229,395	205,503	23,892
Leasehold improvements	106,113	106,113	-
Grant management system	163,252	109,845	53,407
	<b>\$ 620,767</b>	<b>\$ 526,345</b>	<b>\$ 94,422</b>

	Cost	Accumulated amortization	2017 Net book value
Equipment and furniture	\$ 122,007	\$ 100,603	\$ 21,404
Computer hardware and software	225,337	196,134	29,203
Leasehold improvements	106,113	104,123	1,990
Grant management system	155,152	88,692	66,460
	<b>\$ 608,609</b>	<b>\$ 489,552</b>	<b>\$ 119,057</b>

10. OTHER REVENUE

	2018	2017
External Grants and Projects	\$ 896,646	\$ 1,394,947
Evaluation Services Cost Recovery Program	118,395	94,973
NAPHRO Funds	108,490	110,192
REAL Knowledge Program Cost Recovery	103,266	131,284
	<b>\$ 1,226,797</b>	<b>\$ 1,731,396</b>

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.

# NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2018

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### 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.

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### 13. LEASE COMMITMENTS

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

2019	\$	136,703
2020		136,703
2021		136,703
2022		102,527
	\$	<u>512,636</u>

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### 14. PENSION OBLIGATIONS

The Foundation participates in a defined benefit pension plan sponsored and administered by the Health Association Nova Scotia (HANS) 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 \$128,714 (2017 - \$125,792) to the pension.

An actuarial valuation for funding purposes was performed at July 1, 2017 by Mercer. 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.

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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, 2018 the following employees received total compensation in excess of \$100,000.

<u>Section heading</u>		
Krista Connell	\$	179,738
Marilyn MacNeil		119,801
Nancy Carter		100,700
Meredith Campbell		100,700

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### 16. SUBSEQUENT EVENT

The following event occurred subsequent to the fiscal year end:

Bill 104

On April 18, 2018 Bill 104 received Royal Assent in the Nova Scotia Legislature. The legislation establishes Research Nova Scotia Corporation (RNS) as an arms-length entity along with the Research Opportunities Fund. The Government of Nova Scotia and RNS will enter into a transition plan to address the existing commitments of Nova Scotia Research and Innovation Trust and the Nova Scotia Health Research Foundation, both of which will be merged into the new Corporation.

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**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements**

**Year Ended March 31, 2018**

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17. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Foundation will be able to realize its assets and discharge its liabilities in the normal course of business. Bill 104, described in note 16, may result in the wind up of the Foundation in the year ended March 31, 2019.

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18. COMPARATIVE FIGURES

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

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## NOVA SCOTIA HEALTH RESEARCH FOUNDATION

## Expenses

(Schedule 1)

Year Ended March 31, 2018

	Budget 2018	2018	2017
Administrative salaries	\$ 458,812	\$ <b>454,798</b>	\$ 512,549
Rent	145,000	<b>136,801</b>	135,707
Amortization	50,000	<b>36,792</b>	46,205
Professional fees	83,500	<b>36,721</b>	76,119
Professional development	24,500	<b>29,071</b>	3,637
Travel and meetings	56,000	<b>24,680</b>	31,803
Office supplies	24,900	<b>10,587</b>	17,732
Telephone, fax and website maintenance	12,000	<b>8,660</b>	8,266
Insurance	4,500	<b>4,843</b>	5,098
	\$ 859,212	\$ <b>742,953</b>	\$ 837,116