

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated financial statements
March 31, 2020



Independent auditor's report

To the Members of the
Nova Scotia Association of Health Organizations (Association Fund)

Opinion

We have audited the non-consolidated financial statements of the **Nova Scotia Association of Health Organizations (Association Fund)** [the "Fund"], which comprise the non-consolidated statement of financial position as at March 31, 2020, and the non-consolidated statement of operations, non-consolidated statement of changes in net assets and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Fund as at March 31, 2020, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the non-consolidated financial statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young LLP

Chartered Professional Accountants

Halifax, Canada
June 25, 2020



Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of financial position

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,854,181	2,141,498
Accounts receivable <i>[note 4]</i>	2,509,871	2,010,833
Investment in subsidiary	10	10
Prepaid expenses	179,510	172,074
Total current assets	4,543,572	4,324,415
Capital assets, net <i>[note 5]</i>	1,974,094	1,982,115
Other assets	37,360	61,750
	6,555,026	6,368,280
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	987,688	1,073,739
Deferred revenue	611,968	410,862
Total current liabilities	1,599,656	1,484,601
Retirement allowance liability <i>[note 10]</i>	1,187,993	1,124,137
Total liabilities	2,787,649	2,608,738
Net assets		
Unrestricted	210,496	358,991
Restricted for capital purposes	1,036,337	500,000
Restricted for Igility	300,000	—
Restricted for other purposes <i>[note 7]</i>	232,863	894,519
Invested in capital assets	1,987,681	2,006,032
Total net assets	3,767,377	3,759,542
	6,555,026	6,368,280

Commitment *[note 8]*

See accompanying notes

On behalf of the Board:

Director

Director

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of operations

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Clinical engineering	4,223,276	4,159,100
Labour relations	2,525,006	2,465,543
Membership dues	1,097,100	1,071,562
CCA/DUJ/PLAR/Registry	575,096	548,722
HSPNet	106,926	—
Building	368,233	384,054
Pension services	207,882	185,979
HOPA	13,627	17,553
Rent [note 9]	143,935	141,790
Shared financial services	388,434	163,039
Member and partner engagement	19,429	52,799
Transfers from other reserves	54,864	13,656
	9,723,808	9,203,797
Expenses		
Clinical engineering	4,232,120	4,139,622
Labour relations	2,538,085	2,404,968
CCA/DUJ/PLAR/Registry	575,096	548,722
HSPNet	106,926	—
Communications	—	120,009
Member and partner engagement	1,012,485	776,666
Building	512,168	531,818
Shared financial services	388,434	163,039
HOPA	13,627	17,553
Pension services	207,882	185,979
Dues allocated to group benefit solutions	54,158	112,249
	9,640,981	9,000,625
Excess of revenue over expenses for the year	82,827	203,172

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of changes in net assets

Year ended March 31

	2020					2019	
	Unrestricted \$	Internally restricted for capital purposes \$	Internally restricted for investment in subsidiary \$	Internally restricted for other purposes \$	Invested in capital assets \$	Total \$	Total \$
				[note 7]			
Balance, beginning of year	358,991	500,000	—	894,519	2,006,032	3,759,542	3,570,026
Transfer of funds	(158,991)	453,510	—	(294,519)	—	—	—
	200,000	953,510	—	600,000	2,006,032	3,759,542	3,570,026
Loan to Igility from Restricted assets	—	—	300,000	(300,000)	—	—	—
Excess of revenue over expenses for the year	287,277	—	—	—	(204,450)	82,827	203,172
Payment from other reserves	—	—	—	(67,137)	(10,328)	(77,465)	(13,656)
Remeasurement	2,473	—	—	—	—	2,473	—
Investment in capital assets	(196,427)	—	—	—	196,427	—	—
Internally imposed restrictions	(82,827)	82,827	—	—	—	—	—
Balance, end of year	210,496	1,036,337	300,000	232,863	1,987,681	3,767,377	3,759,542

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	82,827	203,172
Add (deduct) items not Involving cash		
Amortization of capital assets	204,450	223,332
Transfers from other reserves	(77,464)	(13,656)
Change in value of retirement allowance	63,856	38,626
Changes in non-cash working capital		
Net change in non-cash working capital items	(391,422)	(3,260)
Net change in other assets	24,390	(29,594)
Cash provided by operating activities	(93,363)	418,620
Investing activities		
Capital assets acquired	(196,427)	(221,127)
Remeasurement	2,473	—
Investment in subsidiary	—	(10)
Cash used in investing activities	(193,954)	(221,137)
Net decrease during the year	(287,317)	197,483
Cash and cash equivalents, beginning of year	2,141,498	1,944,015
Cash and cash equivalents, end of year	1,854,181	2,141,498

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

1. Nature of the Association

The Nova Scotia Association of Health Organizations [the “Association” or “NSAHO”], operating as Health Association Nova Scotia, is incorporated under a Special Act of the Province of Nova Scotia and operates to assist member institutions in providing quality health care to the community and provides technical support to the member institutions. The Association claims a tax exemption as a not-for-profit organization under subsection 149(1)(l) of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by management of the Association Fund [the “Fund”] of the NSAHO in the preparation of these non-consolidated financial statements.

Basis of presentation

The non-consolidated financial statements of the Fund represent all general activities of the Association with the exception of the activities carried out in the funds and plans noted below, and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

These non-consolidated financial statements also include certain operations of the Association’s Group Benefits Solutions Administration department and the recovery of costs related thereto from the Nova Scotia Association of Health Organizations Pension Plan [“NSAHO Pension Plan”], the Waiver of Life Premium Fund, the Long-Term Disability Plan and the Health and Other Benefits Fund. These funds and plans are reported upon separately.

Investments

During the year, the Association invested in a wholly owned subsidiary, known as Igility. Igility provides services to member and non-member organizations to drive business efficiency through its cloud-based share financial services, business advisory services, clinical engineering services provided to non-members and executive search services. The Association is the sole shareholder of Igility; the association holds 10 shares valued at \$1 per share in this investment. The Association’s investments in subsidiary are accounted for at cost basis through an intercompany shareholder Subsidiary (accounts receivable) account.

Cash and cash equivalents

Short-term investments, which consist of investments with maturities of less than one year, are considered to be cash equivalents and are recorded at cost, which approximates market value.

Revenue recognition

Membership dues are billed semi-annually and recorded as revenue in that year.

Revenue from the provision of services to member institutions is recognized as revenue when the services are provided. Amounts received prior to year-end for services that will be performed in subsequent fiscal years are deferred and recognized when the services are provided.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

Internal restrictions

Upon approval by the Board of Directors, unrestricted net assets may be internally restricted for certain purposes. Such transfers are recorded in the non-consolidated statement of changes in net assets. When the internally restricted funds are spent, these expenditures are recorded in the non-consolidated statement of operations along with a corresponding amount of revenue transferred from internally restricted net assets.

Capital assets

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expenses. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a declining balance basis using the following annual rates:

Building	5%
Office furniture and equipment	10%
Tools and equipment	20%
Computer equipment	30%
Leasehold improvements	10 years

Expenditure allocation

Expenditures of a shareable nature, paid by the Fund, have been allocated to each support service and program on a systematic and rational basis.

In addition, building expenditures are allocated to each support service and program based on their occupied square footage. Amortization is charged to clinical engineering services, labour relations, and building. Office supplies, equipment rental, long-distance telephone services and internet are allocated to each support service and program based on estimated usage.

Employee future benefits

The Fund provides pension and non-pension retirement benefits to its employees, including a retiring allowance, retiree health subsidies, and supplemental employee retirement benefits. Health Association of Nova Scotia ["HANS"] has adopted the funding going concern basis for the purposes of preparing the financial disclosure information, and refers to the actuarial valuation for funding purposes as at July 1, 2017 for the Nova Scotia Health Employees' Pension Plan. The measurement date of the defined benefit plan obligation is as at July 1, 2017 for the pension plan [supplemental employee retirement benefits] and as at March 31, 2018 for the other benefit programs, extrapolated to the Fund's reporting date. The plan cost for the year is recognized in the statement of operations. Remeasurements and other items, which include actuarial gains and losses, are recognized directly in net assets in the statement of financial position rather than in the statement of operations. Remeasurements and other items are not reclassified to the statement of operations in a subsequent period.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

3. Financial instruments

Financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Risk management objectives

In managing capital, the Fund focuses on liquid resources available for operations. The Fund's objective is to have sufficient liquid resources to continue operating despite events with adverse financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2020, the Fund has met its objective of having sufficient liquid resources to meet its current obligations.

The Fund continues to manage its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended March 31, 2020

Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. The Fund is exposed to credit risk with respect to its accounts receivable. The Fund has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and its long-term retirement allowance liability.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

4. Accounts receivable

Accounts receivable consist of the following:

	2020 \$	2019 \$
Third party		
Nova Scotia Department of Health	504,755	504,755
Members and other organizations	679,778	202,853
Other	75,522	5,422
	<u>1,260,055</u>	<u>713,030</u>
Subsidiary		
Igility	<u>300,000</u>	192,547
Related party		
NSAHO Waiver of Life Premium Fund	105,289	59,975
NSAHO Health and Other Benefits Fund	126,860	289,602
NSAHO Long-Term Disability Plan	717,667	755,679
	<u>949,816</u>	<u>1,105,256</u>
	<u>2,509,871</u>	<u>2,010,833</u>

5. Capital assets

Capital assets consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	135,000		135,000	135,000
Building	2,706,521	1,480,179	1,226,342	1,208,873
Leasehold improvements	12,083	875	11,208	7,286
Office furniture and equipment	736,327	580,011	156,316	167,057
Tools and equipment	1,336,787	1,126,544	210,243	204,430
Computer equipment	2,822,513	2,587,528	234,985	259,469
	<u>7,749,231</u>	<u>5,775,137</u>	<u>1,974,094</u>	<u>1,982,115</u>

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2020	2019
	\$	\$
Trade	410,859	754,367
Employee salaries and benefits	375,663	191,133
Other	201,166	128,239
	<u>987,688</u>	<u>1,073,739</u>

7. Net assets internally restricted for other purposes

Net assets internally restricted for other purposes consist of the following:

	2020	2019
	\$	\$
Innovation Fund	222,863	884,519
Communications consulting	10,000	10,000
	<u>232,863</u>	<u>894,519</u>

8. Commitment

The Association is leasing office equipment under an operating lease with a minimum annual lease payment of \$14,558 per year. The current lease agreement ends in fiscal 2022.

9. Related party transactions

Expenses incurred by the Fund during the year, which totaled \$5,752,739 [2019 – \$5,758,198], relate to the NSAHO's Long-Term Disability Plan, Health and Other Benefits Fund and Waiver of Life Premium Fund and have been recovered in full by charges to these entities.

Included in rent revenue is an amount of \$123,259 [2019 – \$107,680] charged to the Nova Scotia Health Employees' Pension Plan. Other charges incurred by the Fund during the year, which totaled \$84,623 [2019 – \$78,299], relate to the Nova Scotia Health Employees' Pension Plan and have been recovered by charges to this entity.

These transactions occur in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to/from related parties are non-interest bearing and have no set terms of repayment.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2020

10. Employee benefit liability

The Association provides a retirement allowance upon retirement of its eligible employees, health subsidies for eligible retirees and supplemental pension benefits for eligible employees. The continuity of the liabilities for the pension and non-pension plans are as follows:

	2020		2019	
	Retiring allowance and retiree health subsidy \$	Supplemental employee retirement benefits \$	Retiring allowance and retiree health subsidy \$	Supplemental employee retirement benefits \$
Liability, beginning of year	774,210	349,927	750,090	335,421
Current service costs	64,555	10,646	65,101	10,020
Interest costs	48,388	21,871	46,881	20,963
Benefits paid	(62,817)	(16,314)	(85,199)	(15,979)
Actuarial loss/gain	(1,963)	(510)	(2,663)	(498)
Liability, end of year	822,373	365,620	774,210	349,927
Total liability, end of year	1,187,993		1,124,137	

The significant actuarial assumptions adopted in measuring the Association's pension and non-pension programs are as follows:

	2020		2019	
	Retiring allowance/ SERP %	Retiree health %	Retiring allowance/ SERP %	Retiree health %
Discount rate	6.25	6.25	6.25	6.25
Rate of compensation increase	3.20	N/A	3.20	N/A