

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated financial statements
March 31, 2021



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, 2021, 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, 2021, 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.

Halifax, Canada
June 24, 2021

Ernst & Young LLP

Chartered Professional Accountants



Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of financial position

As at March 31

	2021	2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	2,936,090	1,854,181
Accounts receivable <i>[note 4]</i>	1,583,892	2,509,871
Investment in subsidiary	10	10
Prepaid expenses	193,842	179,510
Total current assets	4,713,834	4,543,572
Capital assets, net <i>[note 5]</i>	2,054,572	1,974,094
Other assets	19,387	37,360
	6,787,793	6,555,026
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	834,458	987,688
Deferred revenue	496,297	611,968
Total current liabilities	1,330,755	1,599,656
Retirement allowance liability <i>[note 10]</i>	1,553,353	1,187,993
Total liabilities	2,884,108	2,787,649
Commitment <i>[note 8]</i>		
Net assets		
Unrestricted	200,000	210,496
Restricted for capital purposes	1,197,603	1,036,337
Restricted for Igility	150,000	300,000
Restricted for other purposes <i>[note 7]</i>	300,000	232,863
Invested in capital assets	2,056,082	1,987,681
Total net assets	3,903,685	3,767,377
	6,787,793	6,555,026

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

	2021	2020
	\$	\$
Revenue		
Clinical engineering	4,287,322	4,223,276
Labour relations	2,487,685	2,525,006
Membership dues	1,117,020	1,097,100
NSHEPP recoveries <i>[note 9]</i>	226,696	207,882
HOPA recoveries <i>[note 9]</i>	15,010	13,627
Igility recoveries	1,163,921	388,434
Member and partner engagement	764,157	701,451
Transfers from other reserves	105,149	77,464
	10,166,960	9,234,240
Expenses		
Clinical engineering	3,603,319	3,775,474
Labour relations	2,023,131	2,100,567
Member and partner engagement	1,300,070	1,261,405
Board	12,586	31,605
Building and Facility	232,651	247,516
Executive and Admin	546,094	624,345
Finance	109,425	80,148
Information technology	293,709	343,652
Igility	1,163,921	388,434
HOPA	15,010	13,627
NSHEPP	226,696	207,882
Equity transfer to allocated centres	44,489	22,600
Dues allocated to group benefit solutions	124,163	54,158
	9,695,264	9,151,413
Excess of revenue over expenses for the year	471,696	82,827

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of changes in net assets

Year ended March 31

	2021					2020	
	Unrestricted	Internally restricted for capital purposes	Internally restricted for Igility	Internally restricted for other purposes	Invested in capital assets	Total	Total
	\$	\$	\$	\$	\$	\$	\$
	<i>[note 7]</i>						
Balance, beginning of year	210,496	1,036,337	300,000	232,863	1,987,681	3,767,377	3,759,542
	210,496	1,036,337	300,000	232,863	1,987,681	3,767,377	3,759,542
Loan to Igility from restricted assets						—	—
Excess of revenue over expenses for the year	689,619				(217,923)	471,696	82,827
Payment from other reserves		(93,072)			(12,077)	(105,149)	(77,465)
Remeasurement	(230,239)					(230,239)	2,473
Investment in capital assets/purchases	(262,569)				262,569	—	—
Investment in capital assets [funded by restricted]		(35,832)			35,832	—	—
Internally imposed restrictions	(471,696)			471,696		—	—
Repayment of loan from Igility			(150,000)	150,000		—	—
Rebalancing of equity accounts [Net Asset Policy]	264,389	290,170	—	(554,559)		—	—
Balance, end of year	200,000	1,197,603	150,000	300,000	2,056,082	3,903,685	3,767,377

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Non-consolidated statement of cash flows

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	471,696	82,827
Add (deduct) items not involving cash		
Amortization of capital assets	217,923	204,450
Transfers from other reserves	(105,149)	(77,464)
Change in value of retirement allowance	365,360	63,856
Changes in non-cash working capital		
Net change in non-cash working capital items	642,746	(391,418)
Net change in other assets	17,973	24,386
Cash provided by (used in) operating activities	1,610,549	(93,363)
Investing activities		
Capital assets acquired	(298,401)	(196,427)
Remeasurement	(230,239)	2,473
Cash used in investing activities	(528,640)	(193,954)
Net increase (decrease) in cash during the year	1,081,909	(287,317)
Cash and cash equivalents, beginning of year	1,854,181	2,141,498
Cash and cash equivalents, end of year	2,936,090	1,854,181

See accompanying notes

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2021

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).

The Association has a wholly owned subsidiary, known as Igility. Igility provides services to member and non-member organizations to drive business efficiency through its cloud-based shared financial services, business advisory services, clinical engineering services provided to non-members and executive search services. The Association is the sole shareholder of Igility.

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 are prepared on a going concern basis and 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.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the period. Actual results could differ from these estimates, resulting in material error.

Investment in subsidiary

The Association holds 10 shares valued at \$1 per share in Igility. The Association’s investments in Igility are accounted for at cost basis through an intercompany [accounts receivable] account.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2021

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.

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.

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

Building	5%
Office furniture and equipment	15%
Tools and equipment	20%
Computer equipment	40%
Leasehold improvements	5,10 years

Expenditure allocation

Expenditures of a shareable nature, paid by the Fund, have been allocated to and received from each fund on a systematic and rational basis.

In addition, building expenditures are allocated to and received from other funds 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 fund based on estimated usage. Expense presented on the non-consolidated statement of operations are presented on a post allocation basis.

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2021

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, 2020 for the Nova Scotia Health Employees’ Pension Plan. The measurement date of the defined benefit plan obligation is as at July 1, 2020 for the pension plan [supplemental employee retirement benefits] and as at March 31, 2021 for the other benefit programs, extrapolated to the Fund’s reporting date. The plan cost for the year is recognized in the non-consolidated statement of operations. Remeasurements and other items, which include actuarial gains and losses, are recognized directly in net assets in the non-consolidated statement of financial position rather than in the statement of operations. Remeasurements and other items are not reclassified to the non-consolidated statement of operations in a subsequent period.

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, 2021, 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, 2021.

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, 2021

4. Accounts receivable

Accounts receivable consist of the following:

	2021 \$	2020 \$
Third party		
Nova Scotia Department of Health	75,000	504,755
Members and other organizations	183,762	679,778
Other	144,138	75,522
	<u>402,900</u>	<u>1,260,055</u>
Subsidiary		
Igility	150,000	300,000
Related party		
Igility	64,360	—
NSAHO Waiver of Life Premium Fund	129,876	105,289
NSAHO Health and Other Benefits Fund	364,877	126,860
NSAHO Long-Term Disability Plan	471,879	717,667
	<u>1,030,992</u>	<u>949,816</u>
	<u>1,583,892</u>	<u>2,509,871</u>

5. Capital assets

Capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	135,000	—	135,000	135,000
Building	2,720,271	1,541,687	1,178,584	1,226,342
Leasehold improvements	72,791	10,178	62,613	11,208
Office furniture and equipment	821,152	600,873	220,279	156,316
Tools and equipment	1,411,757	1,171,240	240,517	210,243
Computer equipment	2,886,661	2,669,082	217,579	234,985
	<u>8,047,632</u>	<u>5,993,060</u>	<u>2,054,572</u>	<u>1,974,094</u>

Nova Scotia Association of Health Organizations (Association Fund)

Notes to the non-consolidated financial statements

March 31, 2021

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2021	2020
	\$	\$
Trade	388,379	410,859
Employee salaries and benefits	242,203	375,663
Other	203,876	201,166
	<u>834,458</u>	<u>987,688</u>

7. Net assets internally restricted for other purposes

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

	2021	2020
	\$	\$
Innovation Fund	300,000	222,863
Communications consulting	—	10,000
	<u>300,000</u>	<u>232,863</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 \$6,151,044 [2020 – \$5,752,739], relate to the NSAHO's Long-Term Disability Plan, Health and Other Benefits Fund and Waiver of Life Premium Fund. These amounts have been recovered in full by charges to these entities and do not flow through the non-consolidated statement of operations.

Nova Scotia Health Employees' Pension Plan [NSHEPP] recoveries relate to rent totaling \$122,799 [2020 – \$123,259] and other charges incurred by the Fund totaling \$103,897 [2020 – \$84,623] which have been recovered by charges to this entity.

Igility recoveries relates to operating expenses totaling \$1,163,921 [2020 – \$388,434] which 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, 2021

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:

	2021		2020	
	Retiring allowance and retiree health subsidy \$	Supplemental employee retirement benefits \$	Retiring allowance and retiree health subsidy \$	Supplemental employee retirement benefits \$
Liability, beginning of year	822,373	365,620	774,210	349,927
Current service costs	71,511	11,311	64,555	10,646
Interest costs	51,553	22,852	48,388	21,871
Benefits paid	(5,525)	(16,580)	(62,817)	(16,314)
Actuarial loss (gain)	141,335	88,903	(1,963)	(510)
Liability, end of year	1,081,247	472,106	822,373	365,620
Total liability, end of year	1,553,353		1,187,993	

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

	2021		2020	
	Retiring allowance/ SERP %	Retiree health %	Retiring allowance/ SERP %	Retiree health %
Discount rate	6.25	5.90	6.25	6.25
Rate of compensation increase	3.20	N/A	3.20	N/A

11. Reclassification and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.