

Nova Scotia Association of Health Organizations (Health and Other Benefits Fund)

Financial statements
March 31, 2020



Independent auditor's report

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020, and its financial performance and its cash flows for the year 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 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 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 financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 25, 2020

Ernst + Young LLP

Chartered Professional Accountants



**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Statement of financial position

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash held for operating activities	15,052,087	9,346,754
Accounts receivable and prepaid expenses	6,248,639	4,129,809
Due to NSAHO Waiver of Life Premium Fund <i>[note 6]</i>	38,841	—
Capital assets	87,500	93,750
Deposits		
Held by insurers	18,630,174	13,875,152
Cash held for premiums	1,401,991	1,378,035
	<u>20,032,165</u>	<u>15,253,187</u>
	<u>41,459,232</u>	<u>28,823,500</u>
Liabilities and net assets available for benefits		
Current		
Accounts payable	1,003,773	1,138,809
Accrued liabilities	16,708,655	8,765,673
Deferred revenue	2,299,668	2,271,803
Total current liabilities	<u>20,012,096</u>	<u>12,176,285</u>
Due to NSAHO Waiver of Life Premium Fund <i>[note 6]</i>	—	81,574
Due to NSAHO Association Fund <i>[note 6]</i>	126,860	289,603
Due to NSHA	2,667,110	2,667,110
Total liabilities	<u>22,806,066</u>	<u>15,214,572</u>
Net assets available for benefits		
Restricted surplus <i>[note 4]</i>	4,745,179	4,745,179
Unrestricted net assets available for benefits	13,907,987	8,863,749
Total net assets available for benefits	<u>18,653,166</u>	<u>13,608,928</u>
	<u>41,459,232</u>	<u>28,823,500</u>

See accompanying notes

On behalf of the Board:

Director

Director

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Statement of operations

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Premium income	103,317,599	89,144,391
Contract income	11,714	51,353
Surplus for the year from the issuer <i>[note 5]</i>	4,778,977	3,387,715
Administrative charges	1,728,326	1,573,627
	109,836,616	94,157,086
Expenses		
Payment to providers	103,317,599	89,144,391
Operating	1,457,068	1,250,523
External services	17,711	67,310
	104,792,378	90,462,224
Surplus of revenue over expenses for the year	5,044,238	3,694,862

See accompanying notes

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Statement of changes in net assets

Year ended March 31

	2020		2019	
	Unrestricted	Internally restricted for other purposes	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	8,863,749	4,745,179	13,608,928	9,914,066
Surplus of revenue over expenses for the year	5,044,238	—	5,044,238	3,694,862
Balance, end of year	13,907,987	4,745,179	18,653,166	13,608,928

See accompanying notes

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Surplus of revenue over expenses for the year	5,044,238	3,694,862
Amortization of capital assets	6,250	—
Changes in non-cash working capital balances related to operations		
Increase in accounts receivable and prepaid expenses	(2,118,830)	(264,403)
Increase in deposits held by insurers	(4,755,022)	(6,045,097)
(Decrease) increase in accounts payable	(135,036)	1,077,846
Increase in accrued liabilities	7,942,982	2,670,074
Increase in deferred revenue	27,865	127,665
Increase in due to NSHA	—	2,667,110
(Decrease) increase in due to NSAHO Waiver of Life Premium Fund	(120,415)	35,471
Decrease in due to NSAHO Association Fund	(162,743)	(8,903)
Cash provided by operating activities	5,729,289	3,954,625
Net increase in cash during the year	5,729,289	3,954,625
Cash, beginning of year	10,724,789	6,770,164
Cash, end of year	16,454,078	10,724,789
Cash held for operating activities	15,052,087	9,346,754
Cash held for premiums	1,401,991	1,378,035
Cash, end of year	16,454,078	10,724,789

See accompanying notes

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Notes to financial statements

March 31, 2020

1. Description of the Fund

The Nova Scotia Association of Health Organizations [the “Association” or the “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. One of the Association’s responsibilities is the delivery and administration of various employee benefit plans [the “Plans”] for the employees and families of its member institutions. The assets, liabilities and operating results of the Plans are recorded in the Health and Other Benefits Fund [the “Fund”].

The following description of the Plans is a summary only, effective March 31, 2020. Changes to the Plans subsequent to that date are not reflected in this description.

General

Multi-employer plan: The Fund is used to administer the following types of insurance: life, health, dental, travel, optional accidental death and dismemberment, critical illness and optional life. An administrative allowance to cover administrative costs incurred to deliver these benefits is built into the premium rates [exclusive of travel]. Member organizations can choose from the menu of benefits available. Once benefit plans have been chosen by an organization, employees can also select benefits with the exception of dental, which, once chosen by an organization, is mandatory for all employees.

Health and dental coverage is self-insured [Administrative Services Only] and benefits are provided by Manulife Financial. Although this contract is self-insured, there is an individual large amount pooling provision to limit claims.

Life, Travel, Optional Accidental Death and Dismemberment, Optional Life and Critical Illness are all insured plans.

Central Zone: The Association entered into an agreement with Nova Scotia Health Authority [“NSHA”] relating to the benefits for the NSHA Central Zone.

Health and dental coverage is self-insured [Administrative Services Only] and benefits are provided by Great West Life. Although this contract is self-insured, there is an individual large amount pooling provision to limit claims.

Life, Travel, basic accidental death and dismemberment, optional Accidental Death and Dismemberment, and optional life are all insured plans.

Individual large amount pooling

Multi-employer plan: Individual large amount pooling protects the Plans against claims from any one individual exceeding \$100,000 in a year. The amounts in excess of \$100,000 are insured and not charged against the Plans.

Central Zone: Individual large amount pooling protects the Plans against claims from any one individual exceeding \$30,000 in a year. The amounts in excess of \$30,000 are insured and not charged against the Plans.

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Notes to financial statements

March 31, 2020

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity independent of the employers and Plan members. These financial statements are prepared to assist Plan members and others in reviewing the activities of the Fund for the fiscal year, but do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

The following is a summary of the significant accounting policies followed by management of the Fund in the preparation of these financial statements:

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 year. Actual results could differ from these estimates.

Revenue recognition

Premium income is billed monthly and recorded as revenue in the 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.

Cash

Consists of cash on hand and bank balances held with financial institutions.

Capital assets

Capital assets held primarily for use in the operations of the Plans are measured at cost less accumulated depreciation or amortization and any impairment loss.

Capital assets as at year-end, relate to payments made for the benefit administration

Allocation of expenditures

Expenditures of a shareable nature 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. Office supplies, equipment rental, long-distance telephone services and internet are allocated to each support service and program based on estimated usage.

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Notes to financial statements

March 31, 2020

3. Financial instruments

Financial instruments, including accounts receivable and accounts payable, 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. Due to the long-term nature of the Fund's health and other benefits obligation and the related cash flows, asset mix decisions reflect the cash requirements of the Fund. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations of the Fund.

4. Restricted surplus

Multi-employer

An amount equal to one month's claims is restricted from the general surplus from the health and dental plans. The restricted surplus as at March 31, 2020 amounts to \$4,745,179 [2019 – \$4,745,179] and is held in reserve to pay any outstanding claims in the event of policy termination.

**Nova Scotia Association of Health Organizations
(Health and Other Benefits Fund)**

Notes to financial statements

March 31, 2020

5. Surplus for the year from the issuer

	2020	2019
	\$	\$
Multi-employer plan		
Billed premiums	60,713,076	58,351,832
Add:		
Interest earned on cash flow	104,886	76,239
Less:		
Paid claims	56,783,288	54,351,205
Administrative services only charges	1,322,325	1,278,217
Individual large amount pooling	421,227	203,540
Other withdrawals	1,972	8,412
Taxes	16,899	10,641
Surplus for the year from the issuer	<u>2,272,251</u>	<u>2,576,056</u>
Central zone		
Premium income	31,918,691	22,366,368
Premium adjustment	1,050,241	313,255
Less:		
Paid claims	27,813,773	20,172,023
Administrative services only charges	866,172	631,056
Individual large amount pooling	1,774,667	1,059,007
Taxes	7,594	5,878
Surplus for the year from the issuer	<u>2,506,726</u>	<u>811,659</u>
Total surplus for the year from the issuer	<u>4,778,977</u>	<u>3,387,715</u>

6. Related party balances

The amounts due to NSAHO Waiver of Life Premium Fund and NSAHO Association Fund are unsecured, non-interest bearing and have no set terms of repayment.