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**NOVA SCOTIA GAMING FOUNDATION  
FINANCIAL STATEMENTS  
MARCH 31, 2009**

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Nova Scotia

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## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and  
To the Minister of Health Promotion and Protection

I have audited the balance sheet of the Nova Scotia Gaming Foundation for the year ended March 31, 2009, and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA  
Auditor General

May 22, 2009  
Halifax, Nova Scotia

**ASSETS**

**Current Assets**

	2009	2008
Cash (Note 3)	\$ 3,453,259	\$ 3,325,675
Accounts receivable (Note 4)	11,026	29,959
Prepaid expenses	403	305
Due from Nova Scotia Gaming Corporation	<u>52,064</u>	<u>55,311</u>
	<u>\$ 3,516,752</u>	<u>\$ 3,411,250</u>

**LIABILITIES AND FUND BALANCE**

**Current Liabilities**

Accounts payable	32,860	\$ 36,717
Grants payable	<u>157,485</u>	<u>189,944</u>
	190,345	226,661

**Long-term Grants Payable (Note 6)**

	<u>62,698</u>	<u>29,802</u>
	<u>253,043</u>	<u>256,463</u>

**Fund Balance**

Unrestricted	1,055,214	979,043
Community Development Account (Note 5)	<u>2,208,495</u>	<u>2,175,744</u>
	<u>3,263,709</u>	<u>3,154,787</u>
	<u>\$ 3,516,752</u>	<u>\$ 3,411,250</u>

Commitments (Note 8)  
Subsequent Event (Note 12)

APPROVED ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
Deputy Minister  
  
\_\_\_\_\_  
Director

(See accompanying notes to financial statements)

**Nova Scotia Gaming Foundation  
Statement of Operations  
For the Year Ended March 31, 2009**



	<b>Unrestricted</b>	<b>Community Development Account</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>Revenues</b>				
Nova Scotia Gaming Corporation	\$ 327,609	\$ -	\$ 327,609	\$ 331,296
VLT retailers	327,609	-	327,609	331,296
Interest	25,356	46,987	72,343	130,045
Conference	-	-	-	23,817
Unused grants	-	<u>32,751</u>	<u>32,751</u>	<u>34,155</u>
	<u>680,574</u>	<u>79,738</u>	<u>760,312</u>	<u>850,609</u>
<b>Expenses (Schedule A)</b>				
Grants (Note 7)	279,131	46,987	326,118	367,809
Salaries and benefits	217,619	-	217,619	199,094
Board and Committee meetings	17,881	-	17,881	11,253
Travel	2,313	-	2,313	3,446
Professional fees	16,268	-	16,268	17,091
Office expenses and rent	30,974	-	30,974	28,403
Conference	37,512	-	37,512	45,133
Research expenses	1,685	-	1,685	-
Amortization of premium	176	-	176	3,448
Adjustment to fair value	844	-	844	-
	<u>604,403</u>	<u>46,987</u>	<u>651,390</u>	<u>675,677</u>
<b>Excess of revenues over expenses</b>	<u>\$ 76,171</u>	<u>\$ 32,751</u>	<u>\$ 108,922</u>	<u>\$ 174,932</u>

(See accompanying notes to financial statements)

**Nova Scotia Gaming Foundation  
Statement of Changes in Fund Balances  
For the Year Ended March 31, 2009**



	<b>Unrestricted</b>	<b>Community Development Account</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>Balance</b> , beginning of year	\$ 979,043	\$ 2,175,744	\$ 3,154,787	\$ 2,973,161
Change in accounting policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,694</u>
	979,043	2,175,744	3,154,787	2,979,855
<b>Excess of revenues over expenses</b>	<u>76,171</u>	<u>32,751</u>	<u>108,922</u>	<u>174,932</u>
<b>Balance</b> , end of year	<u>\$ 1,055,214</u>	<u>\$ 2,208,495</u>	<u>\$ 3,263,709</u>	<u>\$ 3,154,787</u>

(See accompanying notes to financial statements)

**Nova Scotia Gaming Foundation  
Statement of Cash Flows  
For the Year Ended March 31, 2009**

<b>Cash provided by (used in):</b>	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 108,922	\$ 174,932
Change in non-cash operating working capital		
Accounts receivable	18,933	10,834
Prepaid expenses	(98)	(159)
Due from Nova Scotia Gaming Corporation	3,247	(378)
Accounts payable	(3,857)	21,887
Grants payable	<u>(32,459)</u>	<u>(4,009)</u>
	<u>94,688</u>	<u>207,995</u>
<b>Financing activities</b>		
Long-term grants payable	32,896	(53,389)
Adjustment on adoption of Section 3855	<u>-</u>	<u>6,694</u>
	<u>32,896</u>	<u>(46,695)</u>
<b>Increase (decrease) in cash</b>	127,584	156,412
<b>Cash, beginning of year</b>	<u>3,325,675</u>	<u>3,169,263</u>
<b>Cash, end of year</b>	<u>\$ 3,453,259</u>	<u>\$ 3,325,675</u>

(See accompanying notes to financial statements)

## **1. Description of the Foundation**

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the *Gaming Control Act* and the *Provincial Finance Act*. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the *Gaming Control Act*, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

Responsibility for the Foundation rests with the Department of Health Promotion and Protection. The Foundation is governed by a Board of Directors.

## **2. Accounting Policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are described below.

### *Revenue recognition*

The Nova Scotia Gaming Foundation follows the deferral method of accounting for contributions. Interest earned in the Community Development Account (CDA) is recognized as revenue in the year in which the related expenses are incurred. The CDA contributions from unused grant funding are recognized as a direct increase to the restricted CDA fund. Unrestricted contributions and revenues are recognized as revenue when they are received or receivable, if the amount received can be estimated and the collection is reasonably assured.

### *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those reported.

### *Financial instruments*

The Nova Scotia Gaming Foundation's financial instruments consist of cash, accounts receivable, accounts payable, and current and long-term grants payable.

The Foundation is required to classify its financial instruments into one of the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or

**2. Accounting Policies (continued)**

available for sale are subsequently measured at fair value with any change in fair value recorded in the statement of operations and the statement of changes in fund balances, respectively. All other financial instruments are measured at amortized cost using the effective interest method. The Foundation had designated all its financial instruments as held for trading due to their nature and/or short-term maturity. The carrying value of financial instruments approximates fair value.

It is management's opinion that the Nova Scotia Gaming Foundation is not exposed to significant interest rate, currency or credit or liquidity risks arising from these financial instruments.

**3. Cash**

Cash consists of the following:

	2009	2008
Cash – general	\$ 1,198,105	\$ 1,068,430
Community Development Account	<u>2,255,154</u>	<u>2,257,245</u>
	<u>\$ 3,453,259</u>	<u>\$ 3,325,675</u>

**4. Accounts Receivable**

Accounts receivable consist of the following:

	2009	2008
Accounts receivable - HST	\$ 4,835	\$ 5,609
Miscellaneous receivables	85	31
Accounts receivable – unused grants	4,714	15,043
Accrued interest receivable, general bank	493	2,930
Accrued interest receivable, Community Development Fund	<u>899</u>	<u>6,346</u>
<b>Total</b>	<u>\$ 11,026</u>	<u>\$ 29,959</u>

**5. Community Development Account**

Section 8 of the Memorandum of Agreement (MOA) between the Foundation and Department of Health Promotion and Protection (formerly the Office of Health Promotion) requires the creation of a Community Development Account (CDA). Amounts were allocated from within the Foundation's bank account to establish the CDA in 2005-06. The annual interest generated in this account is to be distributed to the District

**5. Community Development Account (continued)**

Health Authorities for provision to Community Health Boards to support problem gambling. As per sections 7.1.1, to 7.1.3 of the MOA, annual grant allocations which are not used must be returned to the Nova Scotia Gaming Foundation and re-invested in the principal of the Community Development Account. The fund balance is not to decrease below its initial level and will be increased annually if the Nova Scotia Gaming Foundation funding streams accrue a surplus.

**6. Long term grants payable**

Long term grants payable consist of grants approved in the current and prior years that are payable in the future through a series of payments. Long term grants payable at March 31, 2008 were valued at amortized cost using an appropriate discount rate. In the current year it was determined that the held for trading classification is more appropriate. The long term grants payable at March 31, 2009 are valued at fair value using an observable market rate. The contractual amount of long term grants payable is \$64,925 (2007 - \$33,048).

**7. Grants**

The Memorandum of Agreement (MOA) dated April 1, 2005 between the Foundation and the Department of Health Promotion and Protection clarifies the types and amounts of grants to be funded by the Foundation. Grants up to the total amount of annual revenue less administrative costs, were disbursed as follows:

	MOA %	2009	Actual %	2008	Actual %
Knowledge development, translation and dissemination and community capacity building in problem gambling	37.5%	\$ 279,131	100%	\$ 119,379	43.0%
District Health Authority directed operational funding	50.0%	-	-	157,784	56.9%
Special funding allocation to the Department of Health Promotion and Protection for addiction-related priorities	12.5%	-	-	-	-
	<b>100%</b>	279,131	<b>100%</b>	277,523	<b>100%</b>
Interest grant payment to Community Health Boards (Note 5)		<u>46,987</u>		<u>90,286</u>	
<b>Total</b>		<b><u>\$ 326,118</u></b>		<b><u>\$ 367,809</u></b>	

**8. Commitments**

As of March 31, 2009 the Foundation had total rental and equipment lease commitments of \$18,703.

2010	\$	15,011
2011	\$	2,015
2012	\$	1,677

**9. Employee Post-Retirement Benefits**

Employees of the Nova Scotia Gaming Foundation participate in the Nova Scotia Association of Health Organization's (NSAHO) Pension Plan. The Plan is a contributory defined benefit pension plan. The Foundation had no liability for employee post-retirement benefits as of March 31, 2009. Costs paid to NSAHO during the year totalled \$ 25,670 (2008 - \$23,236).

**10. Related Party Transactions**

The Foundation is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. Transactions with other provincial entities described in Note 7 were entered into in the normal course of operations.

**11. Effect of Revised Accounting Standards**

The March 31, 2008 financial statements of the Foundation indicated that new accounting standards related to the presentation and disclosure of financial instruments would be adopted in the current year. During the year, the Canadian Institute of Chartered Accountants advised that not for profit entities could delay adoption of these standards for one year, and therefore these will be adopted in the year ended March 31, 2010. The Foundation is currently evaluating the impact of the adoption of these new standards on its financial statements.

**12. Subsequent Event**

A new Memorandum of Agreement between the Foundation and the Department of Health Protection and Promotion was signed in March 2009 and is effective April 1, 2009. Section 10 of the new MOA includes provisions related to the Community Development Account which change the distribution of funds to community health boards. Section 11 notes how the Foundation is to allocate the funding it receives - to research grants, community grants, necessary operational expenses of the Foundation, and other initiatives that support the objectives of the Foundation. There is no longer a requirement to allocate a certain percentage of funding received to various grant recipients. In addition, the new MOA does not include a provision for unused grant amounts to be returned to the CDA.

**Nova Scotia Gaming Foundation**  
**Schedule A – Expenses by Program**  
**March 31, 2009**

	<b>2009 Budget</b>	<b>2009 Actual</b>	<b>2008 Actual</b>
<b>Grant and Funding</b>			
Grants	\$ 778,848	\$ 326,118	\$ 367,809
Honorarium	8,000	5,250	3,000
Wages	28,400	28,205	26,604
Professional Fees	12,000	114	-
Other	-	1,020	3,448
	<u>837,248</u>	<u>360,707</u>	<u>400,861</u>
<b>Community Programming</b>			
Women's Action Retreat	30,000	27,911	-
Wages	34,208	36,761	35,036
Consultation	40,000	634	18,417
Community Capacity Building	25,000	6,054	1,210
Roundtable Stakeholders Event	-	-	23,936
	<u>129,208</u>	<u>71,360</u>	<u>78,599</u>
<b>Internal Capacity</b>			
Board travel	24,000	17,522	9,428
Professional fees	5,000	1,528	-
Wages	20,314	20,277	19,092
	<u>49,314</u>	<u>39,327</u>	<u>28,520</u>
<b>Public Debate Awareness</b>			
Website development and management	5,800	3,424	7,173
Newsletter and other promotional items	10,800	2,436	807
Town hall meetings	4,000	360	229
Tenth anniversary event	3,700	2,912	-
Wages	32,211	32,051	30,480
Advertising and branding	5,000	1,001	-
	<u>61,511</u>	<u>42,184</u>	<u>38,689</u>
<b>Research</b>			
Interprovincial contributions to grants	35,000	-	-
Development work research agenda	15,000	1,685	-
Annual research conference	60,000	-	-
Wages	21,471	21,271	20,158
Research Think Tank	-	-	3,165
	<u>131,471</u>	<u>22,956</u>	<u>23,323</u>
<b>Administration</b>			
Accounting and IT	9,300	11,584	7,279
Consulting fees	10,000	1,385	86
Office operations	33,250	25,490	27,038
Professional development	4,000	1,429	1,320
Travel	4,500	719	1,857
Staff expenses	14,750	987	642
Wages	40,254	42,737	36,563
Benefits	30,900	30,133	26,200
Professional fees	500	392	4,700
	<u>151,954</u>	<u>114,856</u>	<u>105,685</u>
<b>Total expenditures by program</b>	<u>\$ 1,360,706</u>	<u>\$ 651,390</u>	<u>\$ 675,677</u>