GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Financial Statements

Year Ended March 31, 2012

AC Hunter Tellier Belgrave Adamson
Chartered Accountants

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA
Index to Financial Statements
Year Ended March 31, 2012

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

Hunter Tellier Belgrave Adamson
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

INDEPENDENT AUDITOR'S REPORT

To the Directors of Gambling Awareness Foundation of Nova Scotia

We have audited the accompanying financial statements of Gambling Awareness Foundation of Nova Scotia, which comprise the statement of financial position as at March 31, 2012 and the statements of revenues and expenditures, changes in net assets 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 generally accepted accounting principles, 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 qualified audit opinion.

Basis for Qualified Opinion

The grants payable and externally funded grants payable have been recorded at cost on the statement of financial position. This is a departure from Canadian generally accepted accounting principles. As stated in Note 3, Canadian generaly accepted accounting principles require that all financial liabilities, except for derivatives and financial instruments classified as held for trading, should be recorded at amortized cost using the effective interest rate method.

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Qualified Opinion

In our opinion, except for the fact that the grants payable have been recorded at stated cost instead of at amortized cost using the effective interest rate method as described in the preceeding paragraph, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Health Research Foundation as at March 31, 2012, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

AC Hunter Tellier Belgrave Adamson

Dartmouth, Nova Scotia
June 27, 2012

AC HUNTER TELLIER BELGRAVE ADAMSON
CHARTERED ACCOUNTANTS

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Statement of Revenues and Expenditures

Year Ended March 31, 2012

	2012	2011
REVENUES		
Nova Scotia Gaming Corporation	**$ 579,466**	$ 595,724
Investment income	**89,424**	96,951
Unused grants	**3,647**	6,700
	672,537	699,375
EXPENSES		
Salaries and wages	**297,987**	301,932
Grants *(Note 8)*	**94,223**	266,291
Office	**52,212**	72,172
Research expenses	**49,400**	91,972
Professional fees	**17,242**	18,076
Utilities	**8,411**	24,062
Meetings and conventions	**3,165**	30,073
Travel	**80**	1,901
	522,720	806,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	**149,817**	(107,104)
OTHER INCOME	**11,640**	83,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	**$ 161,457**	$ (23,148)

See notes to financial statements

AC Hunter Tellier Belgrave Adamson

Chartered Accountants

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Statement of Changes in Net Assets

Year Ended March 31, 2012

	Unrestricted Fund	Community Development Account	**2012**	2011
NET ASSETS - BEGINNING OF YEAR	$ 969,961	$ 2,380,846	**$ 3,350,807**	$ 3,373,955
Excess of revenues over expenses *(Note 7)*	157,810	3,647	**161,457**	(23,148)
NET ASSETS - END OF YEAR	$ 1,127,771	$ 2,384,493	**$ 3,512,264**	$ 3,350,807

See notes to financial statements

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Statement of Financial Position

March 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash *(Note 4)*	**$ 448,009**	$ 34,611
Marketable securities *(Note 5)*	**3,511,306**	3,580,226
Accounts receivable *(Note 6)*	**46,535**	44,467
Prepaid expenses	**2,094**	1,600
Due from Nova Scotia Gaming Corporation	**44,895**	45,814
	$ 4,052,839	$ 3,706,718
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**$ 291,554**	$ 66,149
Grants payable	**205,535**	254,990
	497,089	321,139
LONG TERM GRANTS PAYABLE	**43,486**	34,772
	540,575	355,911
FUND BALANCE		
Unrestricted	**1,127,771**	969,961
Community development	**2,384,493**	2,380,846
	3,512,264	3,350,807
	$ 4,052,839	$ 3,706,718

LEASE COMMITMENTS *(Note 9)*

SUBSEQUENT EVENTS

ON BEHALF OF THE BOARD

_____ *Owner*

_____ *Owner*

See notes to financial statements

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Chartered Accountants

GAMBLING AWARENESS FOUNDATION OF NOVA SCOTIA

Statement of Cash Flows

Year Ended March 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	**$ 161,457**	$ (23,148)
Changes in non-cash working capital:		
Accounts receivable	**(2,068)**	5,682
Accounts payable and accrued liabilities	**225,405**	5,282
Prepaid expenses	**(494)**	2,177
Due from Nova Scotia Gaming Corporation	**919**	2,635
Grants payable	**(49,455)**	(5,006)
	174,307	10,770
Cash flow from (used by) operating activities	**335,764**	(12,378)
INVESTING ACTIVITIES		
Marketable securities	**68,920**	(221,789)
Long term grants payable	**8,714**	9,884
Cash flow from (used by) investing activities	**77,634**	(211,905)
INCREASE (DECREASE) IN CASH FLOW	**413,398**	(224,283)
Cash - beginning of year	**34,611**	258,896
CASH - END OF YEAR	**$ 448,009**	$ 34,613

See notes to financial statements

1. DESCRIPTION OF BUSINESS

On March 11, 1998, The Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The Gaming Control Act was amended on July 27, 2010, whereby the name of the Foundation was changed to Gambling Awareness Foundation of Nova Scotia.

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 was transferred from the Nova Scotia Gaming Corporation to the Department of Health Promotion and Protection. The Foundation is governed by a Board of Directors. The objectives of the Foundation and its governance and accountability framework are established in a Memorandum of Agreement (MOA) with the Department. The MOA was last revised in March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Gambling Awareness Nova Scotia 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.

Investment income includes dividends and interest income, and realized and unrealized gains and losses. Unrealized gains and losses on held-for-trading financial assets and liabilities are recognized as revenue in the statements of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. there is no restricted investment income and unrestricted investment income is recognized as revenue when earned.

Cash

Cash includes cash less outstanding cheques plus outstanding deposits.

Capital asssets

In common with many non-profit organizations with average annual revenue in the current and prior year of less than $500,000, expenditures for capital assets are expensed as incurred rather than capitalized and amortized over their useful lives.

Marketable securities

The Foundation's investments are carried at fair value and consist of cash and cash equivalents, fixed income investments, and investments in mutual funds.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 loss provisions, expense accruals, deferred revenue, and revenue. 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.

HST Recovery

As a not-for-profit entity, the Foundation is entitled to a rebate of 50% of the HST paid or eligible expenses. The practice of the Foundation is to record expenditures net of refundable HST.

Grants payable

Grants payable are carried at the contract amount.

3. FINANCIAL INSTRUMENTS

Gambling Awareness Nova Scotia's financial instruments consist of cash, investments, accounts receivable, accounts payable, and current and long-term grants payable. They are classified and accounted for in accordance with CICA Handbook Section 3855 - Financial Instruments: Recognition and Measurement as "financial instruments held for trading" and "held to-maturity investments" as follows:

Equity investments, mutual funds and term deposits which are held-for-trading are carried at fair value.

Long-term debt is recorded at its amortized cost using the effective interest method.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

Long-term grants payable are recorded at the contract amount. This is a departure from Generally Accepted Accounting Principles, which requires that financial liabilites are recorded at amortized cost using the effective interest rate method.

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 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.

Fair Value

The foundation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

When available, fair value of marketable securities is determined by reference to 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 minimizes risk through its investment in guaranteed investment certificates.

Interest Rate

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 interest bearing investments.

4. CASH

Cash consists of the following:

	2012	2011
Petty cash	**$ 198**	$ 192
Cash - gereral	**412,006**	(1,030)
CIBC Community Development Account	**35,805**	35,450
	$ 448,009	$ 34,612

5. INVESTMENTS

Investments consist of the following:

	2012	2011
CIBC Wood Gundy CDA account	**$ 2,561,650**	$ 2,502,575
CIBC Wood Gundy operating account	**949,656**	1,077,651
	$ 3,511,306	$ 3,580,226

6. ACCOUNTS RECEIVABLE

	2012	2011
Accounts receivable consist of the following:		
HST receivable	**$ 6,684**	$ 11,821
Unused grants receivable	**433**	1,993
Accrued interest receivable - operating account	**12,046**	7,472
Accrued interest receivable - CDA account	**27,372**	23,181
	$ 46,535	$ 44,467

7. COMMUNITY DEVELOPMENT ACCOUNT

Section 8 of the previous Memorandum of Agreement (MOA) between the Foundation and the Department of Health Promotion and Protection required 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.

Under the revised MOA, dated March 2009, the interest accrued in the account shall be used to provide grants to community health boards (CHBs) to support problem gambling initiatives. The fund balance is not to decrease below its initial level and will be increased annually if the Gambling Awareness Nova Scotia funding streams accrue a surplus.

	2012
Opening fund balance	**$ 2,380,846**
Investment income recognized in year	**58,360**
Unused grants	**3,647**
Community Health Board Grants awarded in year	**(58,360)**
	$ 2,384,493

8. GRANTS

Section 11.0 of the MOA requires that funds received by the Foundation shall be allocated to research grants and community grants as well as to the necessary operational expenses of the Foundation and other initiatives that support its objectives and strategic priorities. Research and community grants funding shall be according to the objectives of the Foundation as noted in the regulations to the Act, and the MOA. The following grants were approved during the year:

	2012	2011
Research and community	**$ 35,863**	$ 175,482
Interest grant payment to Community Health Boards	**58,360**	90,809
	$ 94,223	$ 266,291

9. COMMITMENTS

As of March 31, 2012 the Foundation had total commitments of $67,888.

Contractual obligation repayment schedule:

2013	$ 27,155
2014	27,155
2015	13,578
	$ 67,888

10. EMPLOYEE POST-RETIREMENT BENEFITS

Employees of the Gambling Awareness Nova Scotia 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, 2012. Costs paid to NSAHO during the year totalled $21,584 (2011 - $37,488).

11. 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 6, were entered into in the normal course of operations.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Consistent with similar not-for-profit organizations, the 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.gs.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the presentation adopted for the current year.