

Financial statements

**Halifax Regional Business and Community
Economic Development Association**

March 31, 2017

Independent auditors' report

To the Board of Directors of
Halifax Regional Business and Community Economic Development Association

We have audited the accompanying financial statements of the **Halifax Regional Business and Community Economic Development Association**, which comprise the balance sheet as at March 31, 2017, and the statements of revenue, expenses and partnership equity 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 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.

Auditors' 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 auditors' 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Halifax Regional Business and Community Economic Development Association** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Canada
June 21, 2017

Chartered Professional Accountants
Licensed Public Accountants

**Halifax Regional Business and Community
Economic Development Association**

Statement of revenue, expenses and partnership equity

Years ended March 31

	2017	2016
	\$	\$
REVENUE		
Halifax Regional Municipality	1,666,097	1,633,428
Private sector investment		
Cash	459,643	431,948
Goods and services in-kind <i>[note 2]</i>	407,023	416,132
Event sponsorship and registration	100,463	94,780
	<u>967,129</u>	<u>942,860</u>
Project funding		
Nova Scotia Department of Municipal Affairs	290,000	280,288
Nova Scotia Department of Labour and Advanced Education	306,365	267,010
Halifax Gateway	99,100	—
Halifax Gateway management fees	—	139,186
Other	395,969	344,320
	<u>1,091,434</u>	<u>1,030,804</u>
	<u>3,724,660</u>	<u>3,607,092</u>
EXPENSES		
Amortization of capital assets	22,266	23,504
Business development	89,991	63,322
Community development	9,179	5,448
Consider Canada Alliance	17,668	20,399
Economic Strategy Review and Renewal	61,840	69,871
Game Changer Program	197,634	92,341
Halifax Gateway investment	43,759	68,662
Halifax Gateway management costs	—	139,186
International partnerships	44,967	50,692
Labour market development	541,759	467,532
Promote Halifax		
Advertising and stakeholder relations	213,981	382,424
Events	17,300	22,671
Digital Strategy	64,810	46,466
Multinational awareness and head and regional office program	110,145	113,457
Organizational Effectiveness		
Bank charges	8,839	6,597
Board meetings and notices	4,780	6,654
Directors' and officers' liability insurance	3,935	5,848
Information and technology	61,378	55,739
Office supplies	91,582	80,405
Professional development	43,262	24,425
Professional fees	47,970	36,182
Recruitment	—	63,589
Rent, taxes and insurance	204,248	206,265
Team relations and planning	43,019	32,296
Transportation	9,600	8,840
Recovery of operational costs through projects	(38,610)	(51,292)
Salaries and benefits		
Salaries and benefits	2,019,993	1,872,707
Recovery of salaries and benefits through projects	(481,843)	(501,343)
Sell Halifax	117,325	—
SmartBusiness	46,906	55,128
State of the Economy - Conference/Index	86,860	73,203
	<u>3,704,543</u>	<u>3,541,218</u>
Excess of revenue over expenses for the year	20,117	65,874
Partnership equity, beginning of year	428,176	362,302
Partnership equity, end of year	448,293	428,176

See accompanying notes

**Halifax Regional Business and Community
Economic Development Association**

Balance Sheet

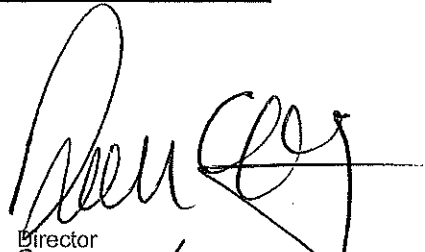
As at March 31

	2017	2016
	\$	\$
ASSETS		
Current		
Cash	152,173	223,631
Accounts receivable	776,523	988,854
Prepaid expenses	47,650	39,714
Total current assets	976,346	1,252,199
Capital assets, net <i>[note 4]</i>	73,171	78,419
	1,049,517	1,330,618
LIABILITIES AND PARTNERSHIP EQUITY		
Current		
Accounts payable	296,830	432,249
Harmonized Sales Tax payable, net	80,227	49,560
Deferred contract revenue	224,167	420,633
Total current liabilities	601,224	902,442
Partnership equity		
Partnership equity invested in capital assets	73,171	78,419
Partnership equity	375,122	349,757
Total partnership equity	448,293	428,176
	1,049,517	1,330,618

Commitments *[note 6]*

On behalf of the Board:


 Director
 Matt Hebb
 Chair


 Director
 Ron L'Esperance
 Vice Chair

**Halifax Regional Business and Community
Economic Development Association**

Statement of cash flows

Years ended March 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	20,117	65,874
Add item not affecting cash		
Amortization of capital assets	22,266	23,504
Net change in non-cash working capital items:		
Decrease (increase) in accounts receivable	212,331	(329,851)
(Increase) decrease in prepaid expenses	(7,936)	6,204
(Decrease) increase in accounts payable and accrued liabilities	(135,419)	4,607
Increase (decrease) in Harmonized Sales Tax payable, net	30,667	(8,833)
(Decrease) increase in deferred contract revenue	(196,466)	122,894
Cash used in operating activities	(54,440)	(115,601)
INVESTING ACTIVITIES		
Acquisition of capital assets	(17,018)	(24,789)
Cash used in investing activities	(17,018)	(24,789)
Net decrease in cash during the year	(71,458)	(140,390)
Cash, beginning of year	223,631	364,021
Cash, end of year	152,173	223,631

See accompanying notes

**Halifax Regional Business and Community
Economic Development Association**

Notes to financial statements

March 31, 2017

1. Nature of Operations

The Halifax Regional Business and Community Economic Development Association [the "Association"] is registered as a Society under the *Nova Scotia Societies Act* and, as such, is non-taxable under the *Income Tax Act* (Canada). The Association is also known as its market facing brand name, Halifax Partnership. The Association is a representative community organization whose primary objective is to work with business, community and government to plan and carry out strategies and action plans that further the economic and social development of the Halifax Regional Municipality ["HRM"] through the application and integration of principles related to community development, economic development, and community economic development.

2. Summary of significant accounting policies

These financial statements were prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles ["GAAP"] for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Certain amounts are received pursuant to legislation or agreement with an external party and may only be used for the stipulated purpose of the resources. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met. Amounts received before the specified criterion has been met are reported as a liability described as deferred revenue.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Goods and services received in-kind

Revenue and offsetting expenses from goods and services received in-kind are recorded at fair market value. Fair market value is determined by the value identified on the invoice or written documentation provided directly by the supplier or the market value of a comparable product or service. In-kind revenue is the fair market value of products or services provided by investors that the Association would otherwise pay for with cash.

**Halifax Regional Business and Community
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Notes to financial statements

March 31, 2017

In-kind revenue for the year ended March 31, 2017 totaling \$407,023 [2016 – \$416,132] is offset in the expense categories as follows:

	2017	2016
	\$	\$
Advertising and stakeholder relations	110,870	282,182
Game Changer Program	100,519	21,422
Recruitment	—	18,696
Events	14,618	13,265
Economic Strategy Review and Renewal	—	11,834
State of the Economy - Conference/Index	31,874	3,480
Sell Halifax	27,933	—
Professional development	32,675	9,577
Other	88,534	55,676
	<u>407,023</u>	<u>416,132</u>

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives using the declining balance method at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%

It is the Association's policy to record a half year of amortization expense in the year of acquisition. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Use of estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Economic dependence

The Association's operations are funded through investments from several public sector organizations. The agreement with the HRM accounted for 45% of total revenue in the current year [2016 – 46%].

**Halifax Regional Business and Community
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Notes to financial statements

March 31, 2017

4. Capital assets

Capital assets consist of the following:

	2017		2016	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Furniture and fixtures	209,622	174,505	200,382	166,881
Computer equipment	511,605	473,551	503,827	458,909
Leasehold improvements	96,699	96,699	96,699	96,699
	817,926	744,755	800,908	722,489
Less: accumulated amortization	744,755		722,489	
	73,171		78,419	

5. Credit facility

The Association has available a \$300,000 operating line of credit, which bears interest at the bank's prime rate plus 2.05%. The Association has pledged accounts receivable and capital assets as collateral. As at March 31, 2017, the Association has drawn an amount of \$nil [2016 – \$nil].

6. Commitments

The Association leases facilities under an operating lease that expires on July 31, 2017. The annual lease commitments until the end of the lease term, including Harmonized Sales Tax, realty taxes and occupancy taxes for the facilities, are as follows:

	\$
2018	<u>64,529</u>

The Association has no commitments extending past fiscal 2018.

7. Financial instruments

Measurement of financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at amortized cost include accounts payable and Harmonized Sales Tax payable.

Risks and uncertainties

The Association is exposed to various risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Association's exposure to these risks.

**Halifax Regional Business and Community
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March 31, 2017

Credit risk

The Association performs a continuous evaluation of accounts receivable and records an allowance for doubtful accounts as required. As at March 31, 2017, an allowance for doubtful accounts of \$32,300 [2016 – \$41,500] was recorded against accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect to its accounts payable and accrued liabilities. Given the Association's currently available liquid resources, from both financial assets and on-going operations, as compared to its contractual obligations, management assesses the Association's liquidity risk to be low.

8. Comparative information

Certain financial information in the statement of revenues, expenses and partnership equity has been adjusted to reflect the current year presentation. There is no impact on the total excess of revenues over expenses for the year.