

Halifax Regional Business and Community Economic Development Association

Financial statements
March 31, 2018



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, 2018, 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, 2018, 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.

Ernst & Young LLP

Halifax, Canada
September 25, 2018

Chartered Professional Accountants
Licensed Public Accountants



Halifax Regional Business and Community Economic Development Association

Balance Sheet

As at March 31

	2018 \$	2017 \$
Assets		
Current		
Cash	3,051,610	152,173
Accounts receivable	1,214,434	776,523
Prepaid expenses	53,899	47,650
Total current assets	4,319,943	976,346
Capital assets, net <i>[note 4]</i>	81,789	73,171
	4,401,732	1,049,517
Liabilities and partnership equity		
Current		
Accounts payable	381,339	296,830
Harmonized Sales Tax payable, net	104,826	80,227
Deferred contract revenue	3,419,093	224,167
Total current liabilities	3,905,258	601,224
Commitment <i>[note 6]</i>		
Partnership equity		
Partnership equity invested in capital assets	81,789	73,171
Partnership equity	414,685	375,122
Total partnership equity	496,474	448,293
	4,401,732	1,049,517

See accompanying notes

On behalf of the Board:

Director

Director

Halifax Regional Business and Community Economic Development Association

Statement of revenue, expenses and partnership equity

Year ended March 31

	2018	2017
	\$	\$
Revenue		
Halifax Regional Municipality	1,699,419	1,666,097
Private sector investment		
Cash	536,393	459,643
Goods and services in-kind [note 2]	448,808	407,023
Event sponsorship and registration	270,891	100,463
	<u>1,256,092</u>	<u>967,129</u>
Project funding		
Nova Scotia Department of Municipal Affairs	290,000	290,000
Nova Scotia Department of Labour and Advanced Education	328,704	306,365
Halifax Gateway	79,500	99,100
Other	726,801	395,969
	<u>1,425,005</u>	<u>1,091,434</u>
	<u>4,380,516</u>	<u>3,724,660</u>
Expenses		
Amortization of capital assets	22,428	22,266
Business development	29,041	89,991
Community development	85,647	9,179
Consider Canada Alliance	13,183	17,668
Economic Strategy Review and Renewal	—	61,840
Game Changer Program	152,111	197,634
Halifax Gateway investment	68,456	43,759
International partnerships	129,276	44,967
Innovation	69,466	—
Labour market development	783,539	541,759
Promote Halifax	—	
Advertising and stakeholder relations	326,859	231,281
Digital Strategy	17,498	64,810
Organizational Effectiveness		
Bank charges	7,210	8,839
Board meetings and notices	2,523	4,780
Directors' and officers' liability insurance	3,841	3,935
Information and technology	28,923	61,378
Office supplies	87,082	91,582
Professional development	53,812	43,262
Professional fees	33,426	47,970
Recruitment	—	—
Rent, taxes and insurance	205,830	204,248
Team relations and planning	40,953	43,019
Transportation	9,600	9,600
Recovery of operational costs through projects	(59,506)	(38,610)
Salaries and benefits		
Salaries and benefits	2,357,737	2,019,993
Recovery of salaries and benefits through projects	(625,909)	(481,843)
Sell Halifax	386,774	227,470
SmartBusiness	41,439	46,906
State of the Economy - Conference/Index	61,096	86,860
	<u>4,332,335</u>	<u>3,704,543</u>
Excess of revenue over expenses for the year	<u>48,181</u>	<u>20,117</u>
Partnership equity, beginning of year	448,293	428,176
Partnership equity, end of year	<u>496,474</u>	<u>448,293</u>

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Statement of cash flows

Years ended March 31

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	48,181	20,117
Add item not affecting cash		
Amortization of capital assets	22,428	22,266
Net change in non-cash working capital items:		
(Increase) decrease in accounts receivable	(437,911)	212,331
Increase in prepaid expenses	(6,249)	(7,936)
Increase (decrease) in accounts payable and accrued liabilities	84,509	(135,419)
Increase in Harmonized Sales Tax payable, net	24,599	30,667
Increase (decrease) in deferred contract revenue	3,194,926	(196,466)
Cash used in operating activities	2,930,483	(54,440)
Investing activities		
Acquisition of capital assets	(31,046)	(17,018)
Cash used in investing activities	(31,046)	(17,018)
Net decrease in cash during the year	2,899,437	(71,458)
Cash, beginning of year	152,173	223,631
Cash, end of year	3,051,610	152,173

See accompanying notes

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

Notes to financial statements

March 31, 2018

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
Economic Development Association**

Notes to financial statements

March 31, 2018

In-kind revenue for the year ended March 31, 2018 totalling \$359,275 [2017 – \$407,023] is offset in the expense categories as follows:

	2018	2017
	\$	\$
Advertising and stakeholder relations	121,800	110,870
Game Changer Program	91,250	100,519
Events	21,353	14,618
State of the Economy - Conference/Index	4,348	31,874
Sell Halifax	17,000	27,933
Professional development	27,175	32,675
Other	76,349	88,534
	359,275	407,023

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 40% of total revenue in the current year [2017 – 45%].

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

Notes to financial statements

March 31, 2018

4. Capital assets

Capital assets consist of the following:

	2018		2017	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Furniture and fixtures	222,997	182,866	209,622	174,505
Computer equipment	529,276	487,618	511,605	473,551
Leasehold improvements	96,699	96,699	96,699	96,699
	848,972	767,183	817,926	744,755
Less accumulated amortization	767,183		744,755	
	81,789		73,171	

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, 2018, the Association has drawn an amount of nil [2017 – nil].

6. Commitment

The Association leases facilities under an extended operating lease that expires on September 30, 2018. The annual lease commitment until the end of the lease term, including Harmonized Sales Tax, realty taxes and occupancy taxes for the facilities, is as follows:

	\$
2018	94,910

The Association has no commitments extending past fiscal 2019.

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
Economic Development Association**

Notes to financial statements

March 31, 2018

Credit risk

The Association performs a continuous evaluation of accounts receivable and records an allowance for doubtful accounts as required. As at March 31, 2018, an allowance for doubtful accounts of nil [2017 – \$32,300] 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 ongoing 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 revenue, expenses and partnership equity has been adjusted to reflect the current year presentation. There is no impact on the total excess of revenue over expenses for the year.