Halifax Regional Business and Community Economic Development Association

Financial statements

March 31, 2019

Building a better working world

Independent auditor's report

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

Opinion

We have audited the financial statements of The Halifax Regional Business and Community Economic Development Association [the "Association"], which comprise the balance sheet as at March 31, 2019, and the statements of revenue, expenses and partnership equity, 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 Association as at March 31, 2019, 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.

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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Ernst & Young LLP

Halifax, Canada
June 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

Halifax Regional Business and Community Economic Development Association

Balance sheet

As at March 31

	2019	2018
	$	$
Assets		
Current		
Cash	**3 498 314**	3 051 610
Accounts receivable	**582 994**	1 214 434
Harmonized Sales Tax receivable, net	**2 574**	—
Prepaid expenses	**95 042**	53 899
Total current assets	**4 178 924**	4 319 943
Capital asset work in progress *[note 4]*	**245 220**	—
Capital assets, net *[note 4]*	**88 083**	81 789
	4 512 227	4 401 732
Liabilities and partnership equity		
Current		
Accounts payable	**746 155**	381 339
Harmonized Sales Tax payable, net	**—**	104 826
Deferred contract revenue	**3 229 417**	3 419 093
Total current liabilities	**3 975 572**	3 905 258
Commitment *[note 6]*		
Partnership equity		
Partnership equity invested in capital assets	**333 303**	81 789
Partnership equity	**203 352**	414 685
Total partnership equity	**536 655**	496 474
	4 512 227	4 401 732

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Statement of revenue, expenses and partnership equity

Years ended March 31

	2019	2018
	$	$
Revenue		
Halifax Regional Municipality	**1 733 407**	1 699 419
Private sector investment		
Cash	**452 948**	536 393
Goods and services in-kind *[note 2]*	**368 226**	448 808
Event sponsorship and registration	**102 192**	270 891
	923 366	1 256 092
Project funding		
Atlantic Canada Opportunities Agency	**131 109**	58 271
Immigration, Refugees and Citizenship Canada	**260 982**	309 487
Dalhousie University	**457 852**	69 465
Halifax Gateway	**79 500**	79 500
Nova Scotia Department of Business	**766 225**	—
Nova Scotia Department of Labour and Advanced Education	**881 679**	328 704
Nova Scotia Department of Municipal Affairs	**6 700**	290 000
Nova Scotia Office of Immigration	**85 109**	58 271
Other	**232 122**	231 307
	2 901 279	1 425 005
Interest revenue	**37 205**	—
	5 595 257	4 380 516
Expenses		
Amortization of capital assets	**24 643**	22 428
Community development	**15 814**	85 647
Consider Canada Cities Alliance	**17 343**	13 183
Game Changer Program	**90 875**	152 111
Halifax Gateway investment	**77 844**	68 456
International partnerships	**82 901**	129 276
Innovation	**1 442 112**	526 720
Labour market development	**1 459 708**	783 539
Promote Halifax		
Advertising and stakeholder relations	**278 738**	326 859
Digital Strategy	**15 451**	17 498
Organizational effectiveness		
Bank charges	**8 731**	7 210
Board meetings and notices	**3 734**	2 523
Directors' and officers' liability insurance	**4 060**	3 841
Information and technology	**49 529**	28 923
Office supplies	**87 323**	87 082
Professional development	**50 461**	53 812
Professional fees	**30 207**	33 426
Rent, taxes and insurance	**227 307**	205 830
Team relations and planning	**50 257**	40 953
Transportation	**1 600**	9 600
Recovery of operational costs through projects	**(120 673)**	(59 506)
Salaries and benefits		
Salaries and benefits	**2 920 822**	2 357 737
Recovery of salaries and benefits through projects	**(1 350 762)**	(625 909)
State of the Economy - Conference/Index	**87 052**	61 096
	5 555 076	4 332 335
Excess of revenue over expenses for the year	**40 181**	48 181
Partnership equity, beginning of year	**496 474**	448 293
Partnership equity, end of year	**536 655**	496 474

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Statement of cash flows

Years ended March 31

	2019	2018
	$	$
Operating activities		
Excess of revenue over expenses for the year	**40 181**	48 181
Add item not affecting cash		
Amortization of capital assets	**24 643**	22 428
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	**631 440**	(437 911)
Increase in prepaid expenses	**(41 143)**	(6 249)
Increase in accounts payable and accrued liabilities	**119 596**	84 509
(Decrease) increase in Harmonized Sales Tax payable, net	**(107 400)**	24 599
(Decrease) increase in deferred contract revenue	**(189 675)**	3 194 926
Cash provided by operating activities	**477 642**	2 930 483
Investing activities		
Acquisition of capital assets	**(30 938)**	(31 046)
Cash used in investing activities	**(30 938)**	(31 046)
Net increase in cash during the year	**446 704**	2 899 437
Cash, beginning of year	**3 051 610**	152 173
Cash, end of year	**3 498 314**	3 051 610

See accompanying notes

Notes to financial statements

Years ended March 31

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 *CPA 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.

In-kind revenue for the year ended March 31, 2019 totaling $368,226 [2018 – $448,808] is offset in the expense categories as follows:

	2019	**2018**
	$	$
Advertising and stakeholder relations	**140,761**	211,333
Labour market development	**93,468**	—
Game Changer Program	**29,515**	91,250
Events	**—**	21,353
State of the Economy - Conference/Index	**31,553**	4,348
Professional development	**19,424**	27,175
Other	**53,505**	93,349
	368,226	448,808

Notes to financial statements

Years ended March 31

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 31% of total revenue in the current year [2018 – 40%].

4. Capital assets

Unamortized capital work in progress of $245,220 [2018 – nil] includes costs for leasehold improvements of the Association's new facility [see note 6].

Capital assets, net consist of the following:

	2019		2018	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Furniture and fixtures	**233,416**	**191,935**	222,997	182,866
Computer equipment	**549,795**	**503,193**	529,276	487,618
Leasehold improvements	**96,699**	**96,699**	96,699	96,699
	879,910	**791,827**	848,972	767,183
Less accumulated amortization	**(791,827)**		(767,183)	
	88,083		81,789	

Notes to financial statements

Years ended March 31

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, 2019, the Association has drawn an amount of nil [2018 – nil].

6. Commitment

The Association leases facilities under an extended operating lease that expires on April 30, 2019. 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:

	$
2019	23,777

The Association has committed to a facility lease effective May 1, 2019 expiring July 31, 2030. The total lease commitment until the end of the lease term, including Harmonized Sales Tax, realty taxes and occupancy taxes for the facilities, is $3,287,029.

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.

Credit risk

The Association performs a continuous evaluation of accounts receivable and records an allowance for doubtful accounts as required. As at March 31, 2019, an allowance for doubtful accounts of $34,500 [2018 – nil] 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 comparative figures have been reclassified to conform to the presentation adopted in the current year.