

Halifax Regional Business and Community Economic Development Association

Financial statements

March 31, 2020



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, 2020, 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, 2020, 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
October 7, 2020

Chartered Professional Accountants



Halifax Regional Business and Community Economic Development Association

Statement of revenue, expenses and partnership equity

Year ended March 31

	2020 \$	2019 \$
Revenue		
Halifax Regional Municipality	1,920,289	1,733,407
Private sector investment		
Cash	390,748	452,948
Goods and services in-kind [note 2]	234,618	368,226
Event sponsorship and registration	—	102,192
	625,366	923,366
Project funding [note 7]	2,863,769	2,901,279
Interest revenue	47,691	37,205
	5,457,115	5,595,257
Expenses		
Amortization of capital assets	58,636	24,643
Community development	21,113	15,814
Consider Canada Cities Alliance	13,317	17,343
Halifax Gateway investment	10,475	77,844
International partnerships	47,772	82,901
Innovation	1,938,082	1,442,112
Labour market development	1,077,920	1,550,583
Promote Halifax		
Advertising and stakeholder relations	230,359	278,738
Digital Strategy	51,624	15,451
Organizational effectiveness		
Bank charges	19,688	8,731
Board meetings and notices	8,554	3,734
Directors' and officers' liability insurance	4,357	4,060
Information and technology	110,360	49,529
Office supplies	76,199	87,323
Professional development	47,514	50,461
Professional fees	30,384	30,207
Rent, taxes and insurance	382,985	227,307
Team relations and planning	42,615	50,257
Recovery of operational costs through projects	(113,858)	(120,673)
Salaries and benefits		
Salaries and benefits	3,090,293	2,922,422
Recovery of salaries and benefits through projects	(1,693,003)	(1,350,762)
State of the Economy - Conference/Index	92,240	87,052
	5,547,625	5,555,076
Excess of revenue over expenses for the year	(90,510)	40,181
Partnership equity, beginning of year	536,655	496,474
Partnership equity, end of year	446,145	536,655

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Balance sheet

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	2,657,816	3,498,314
Accounts receivable	555,845	582,994
Harmonized Sales Tax receivable, net	—	2,574
Prepaid expenses	38,589	95,042
Total current assets	3,252,250	4,178,923
Capital assets [note 4]		
Capital work in progress	—	245,220
Capital assets, net	421,495	88,083
	3,673,745	4,512,226
Liabilities and partnership equity		
Current		
Accounts payable	613,602	746,155
Term loan [note 5]	27,083	—
Harmonized Sales Tax payable, net	135,054	—
Deferred contract revenue	2,331,193	3,229,416
Total current liabilities	3,106,932	3,975,571
Term loan [note 5]	120,668	—
Total liabilities	3,227,600	3,975,571
Commitment [note 6]		
Partnership equity		
Partnership equity invested in capital assets	421,495	333,303
Partnership equity	24,650	203,352
Total partnership equity	446,145	536,655
	3,673,745	4,512,226

See accompanying notes

On behalf of the Board:


Director

Monica Foster
Chair, Audit and Risk Committee


Director

Ron L'Esperance
Chair, Board of Directors

Halifax Regional Business and Community Economic Development Association

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	(90,510)	40,181
Add item not affecting cash		
Amortization of capital assets	58,636	24,643
Net change in non-cash working capital items		
Decrease in accounts receivable	27,150	631,440
Decrease (increase) in prepaid expenses	56,453	(41,143)
(Decrease) increase in accounts payable and accrued liabilities	(132,553)	119,596
Increase (decrease) in Harmonized Sales Tax payable, net	137,628	(107,400)
(Decrease) in deferred contract revenue	(898,223)	(189,675)
Cash (used in) provided by operating activities	(841,419)	477,642
Investing activities		
Acquisition of capital assets	(146,830)	(30,938)
Increase in term loan	147,751	—
Cash provided by (used in) investing activities	921	(30,938)
Net increase in cash during the year	(840,498)	446,704
Cash, beginning of year	3,498,314	3,051,610
Cash, end of year	2,657,816	3,498,314

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2020

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, 2020 totaling \$234,618 [2019 – \$368,226] is offset in the expense categories as follows:

	2020 \$	2019 \$
Advertising and stakeholder relations	133,854	140,761
Labour market development and game changer program	33,131	122,983
State of the Economy - Conference/Index	12,245	31,553
Professional development	15,000	19,424
Other	40,388	53,505
	<u>234,618</u>	<u>368,226</u>

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2020

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 35% of total revenue in the current year [2019 – 31%].

4. Capital assets

Unamortized capital work in progress of nil [2019 – \$245,220] includes costs for leasehold improvements of the Association's new facility [see note 6].

Capital assets, net consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and fixtures	343,649	211,254	233,416	191,935
Computer equipment	565,188	520,802	549,795	503,193
Leasehold improvements	266,422	21,708	96,699	96,699
	1,175,259	753,764	879,910	791,827
Less accumulated amortization	(753,764)		(791,827)	
	421,495		88,083	

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2020

5. Credit facilities

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, 2020, the Association has drawn an amount of nil [2019 – nil].

The Association has a non-revolving fixed rate term loan with a Canadian chartered bank for \$150,000, bearing interest at a rate of 4.24%. As at March 31, 2020 the balance of this loan is \$147,751 [2019 – nil].

6. Commitment

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. Project funding

	2020 \$	2019 \$
Atlantic Canada Opportunities Agency	118,419	131,109
Immigration, Refugees and Citizenship Canada	242,447	260,982
Dalhousie University	550,094	457,852
Halifax Gateway	59,625	79,500
Nova Scotia Department of Business	1,012,017	766,225
Nova Scotia Department of Energy	19,625	—
Nova Scotia Department of Labour and Advanced Education	653,737	881,679
Nova Scotia Department of Municipal Affairs	—	6,700
Nova Scotia Office of Immigration	59,419	85,109
Other	149,486	232,122
	<u>2,863,769</u>	<u>2,901,279</u>

8. 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, 2020

Credit risk

The Association performs a continuous evaluation of accounts receivable and records an allowance for doubtful accounts as required. As at March 31, 2020, an allowance for doubtful accounts of \$149,500 [2019 – \$34,500] 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 ongoing operations, as compared to its contractual obligations, management assesses the Association's liquidity risk to be low.

9. Comparative information

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

10. Extraordinary Event

Just prior to year-end, the World Health Organization classified the outbreak of COVID-19 as a pandemic. Governments around the world have taken unprecedented actions to curtail the spread of the disease. The situation has caused a high level of uncertainty and volatility in financial markets and has had a significant impact on many businesses and consumers across all sectors. The outcome and timeframe to recovery from the pandemic is unpredictable. Accordingly, we cannot reliably estimate the length and severity of this situation and its impact on the financial results and condition of the Association in future periods.