

# Halifax Regional Business and Community Economic Development Association

## Financial statements

March 31, 2023



## 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, 2023, 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, 2023, 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.



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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.

Halifax, Canada  
July 13, 2023

*Ernst & Young LLP*

Chartered Professional Accountants



# Halifax Regional Business and Community Economic Development Association

## Balance sheet

As at March 31

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	3,089,147	3,984,718
Accounts receivable [notes 5 and 8]	782,542	439,219
Prepaid expenses	93,974	170,942
<b>Total current assets</b>	<b>3,965,663</b>	<b>4,594,879</b>
Capital assets, net [note 4]	303,772	346,185
	<b>4,269,435</b>	<b>4,941,064</b>
<b>Liabilities and partnership equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	688,327	1,086,372
Harmonized Sales Tax payable, net	101,680	30,473
Deferred contract revenue	1,594,363	2,197,213
<b>Total current liabilities</b>	<b>2,384,370</b>	<b>3,314,058</b>
Commitment [note 6]		
<b>Partnership equity</b>		
Partnership equity invested in capital assets – restricted	303,772	346,185
Partnership equity – restricted	432,650	312,650
Partnership equity – unrestricted	1,148,643	968,171
<b>Total partnership equity</b>	<b>1,885,065</b>	<b>1,627,006</b>
	<b>4,269,435</b>	<b>4,941,064</b>

See accompanying notes

On behalf of the Board:



Director  
Cory Bell  
Chair, Board of Directors



Director  
Carrie Cussons  
Chair, Audit and Risk Committee

# Halifax Regional Business and Community Economic Development Association

## Statement of revenue, expenses and partnership equity

Year ended March 31

	2023	2022
	\$	\$
<b>Revenue</b>		
Halifax Regional Municipality <i>[note 3]</i>	2,486,268	2,281,456
Private sector investment		
Cash	652,698	608,296
Goods and services in-kind <i>[note 2]</i>	214,760	277,326
Other income	13,252	—
	880,710	885,622
Project funding <i>[note 7]</i>	2,052,549	2,402,991
Interest revenue	86,731	10,842
	5,506,258	5,580,911
<b>Expenses</b>		
Salaries and benefits		
Salaries and benefits	2,901,464	2,746,057
Recovery of salaries and benefits through projects	(1,444,571)	(1,474,660)
Innovation and Sell Halifax	845,329	1,043,739
Labour market development	847,532	968,987
Build Back Better	770,670	496,833
Organizational effectiveness		
Rent, taxes and insurance	321,443	321,884
Information and technology	116,746	82,392
Amortization of capital assets	62,181	63,525
Office supplies	57,299	62,264
Professional development	46,063	34,567
Team relations and planning	21,488	32,292
Professional fees	27,011	29,684
Bank charges	8,717	12,577
Board meetings and notices	22,511	11,376
Directors' and officers' liability insurance	5,590	4,590
Recovery of operational costs through projects	(143,093)	(171,664)
Community development	396,040	281,268
COVID-19 recovery	5,325	273,064
Promote Halifax		
Advertising and stakeholder relations	167,986	185,186
Digital strategy	42,123	29,654
State of the Economy – Conference/Index	94,844	110,230
Economic Growth Plan	41,724	74,603
Consider Canada Cities Alliance	18,908	12,000
International partnerships	14,869	11,637
	5,248,199	5,242,085
<b>Excess of revenue over expenses for the year</b>	<b>258,059</b>	<b>338,826</b>
Partnership equity, beginning of year	1,627,006	1,288,180
<b>Partnership equity, end of year</b>	<b>1,885,065</b>	<b>1,627,006</b>

See accompanying notes

## Halifax Regional Business and Community Economic Development Association

### Statement of cash flows

Year ended March 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	258,059	338,826
Add item not affecting cash		
Amortization of capital assets	62,181	63,525
Changes in non-cash working capital balance related to operations		
(Increase) decrease in accounts receivable	(343,323)	259,852
Decrease (Increase) in prepaid expenses	76,968	(92,962)
(Decrease) increase in accounts payable and accrued liabilities	(398,045)	103,612
Increase (decrease) in Harmonized Sales Tax payable, net	71,207	(35,760)
(Decrease) increase in deferred contract revenue	(602,850)	789,415
<b>Cash (used in) provided by operating activities</b>	<b>(875,803)</b>	<b>1,426,508</b>
<b>Investing activities</b>		
Acquisition of capital assets	(19,768)	(38,742)
Decrease in term loan	—	(120,061)
<b>Cash used in investing activities</b>	<b>(19,768)</b>	<b>(158,803)</b>
<b>Net (decrease) increase in cash during the year</b>	<b>(895,571)</b>	<b>1,267,705</b>
Cash, beginning of year	3,984,718	2,717,013
<b>Cash, end of year</b>	<b>3,089,147</b>	<b>3,984,718</b>

*See accompanying notes*

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

**Statement of partnership equity [fund balances]**

Year ended March 31

	2023			2022	
	Unrestricted	Restricted	Invested in capital assets- Restricted	Total	Total
	fund	fund	fund		
	\$	\$	\$	\$	\$
<b>Partnership equity, beginning of year</b>	968,171	312,650	346,185	1,627,006	1,288,180
Excess of revenue over expenses for the year	258,059	—	—	258,059	338,826
Net invested in capital assets	42,413	—	(42,413)	—	—
Transfer to contingency reserve	(120,000)	120,000	—	—	—
<b>Partnership equity, end of year</b>	<b>1,148,643</b>	<b>432,650</b>	<b>303,772</b>	<b>1,885,065</b>	<b>1,627,006</b>

*See accompanying notes*

# Halifax Regional Business and Community Economic Development Association

## Notes to financial statements

March 31, 2023

### 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*, "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, 2023

In-kind revenue for the year ended March 31, 2023, totaling \$214,760 [2022 – \$277,326], is offset in the expense categories as follows:

	2023	2022
	\$	\$
Advertising and stakeholder relations	58,916	104,192
Labour market development	84,319	85,778
COVID-19 recovery	—	19,142
Community development	21,306	13,510
Professional development	9,475	4,870
Other	40,744	49,834
	<u>214,760</u>	<u>277,326</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.

#### Government assistance

Government assistance is recorded as a direct increase in revenues and as a reduction of the net book value of capital assets and, where applicable, is amortized on the same basis as the related capital assets are depreciated. Government assistance is accrued to the extent there is reasonable assurance the Association has complied and will continue to comply with the applicable conditions.

#### 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.

## Halifax Regional Business and Community Economic Development Association

### Notes to financial statements

March 31, 2023

#### Change in accounting policy

Effective January 1, 2022, the Company adopted the amendments to Section 3400, Revenue, of Part II of the CPA Canada Handbook – Accounting, ["Section 3400" or the "standard"] issued by the Canadian Accounting Standards Board.

The amended standard provides additional guidance on determining whether an arrangement consists of a group of contracts or a single contract, and accounting for revenue under the percentage of completion method. The amended standard also provides indicators to consider in determining whether revenue should be reported gross or net, criteria to use in determining when to recognize revenue for a bill and hold arrangement and disclosure requirements for contracts in progress at the end of the reporting period accounted for using the percentage of completion method.

Management does not believe that the new standard materially impacts the amounts and disclosures made in these financial statements.

#### 3. Economic dependence

The Association's operations are funded through investments from several public-sector organizations. The agreement with HRM accounted for 45% of total revenue in the current year [2022 – 41%].

#### 4. Capital assets

Capital assets, consist of the following:

	2023		2022	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and fixtures	350,804	277,866	350,804	259,632
Computer equipment	519,662	462,496	499,895	442,232
Leasehold improvements	266,422	92,754	266,422	69,072
	1,136,888	833,116	1,117,121	770,936
Less accumulated amortization	833,116		770,936	
<b>Capital assets, net</b>	<b>303,772</b>		<b>346,185</b>	

#### 5. Credit facilities

The Association has 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, 2023, the Association has drawn an amount of \$nil [2022 – \$nil].

## Halifax Regional Business and Community Economic Development Association

### Notes to financial statements

March 31, 2023

#### 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 \$2,811,976.

#### 7. Project funding

	2023	2022
	\$	\$
Atlantic Canada Opportunities Agency	40,819	244,353
Immigration, Refugees and Citizenship Canada	297,715	255,113
Dalhousie University	455,651	563,435
Nova Scotia Department of Economic Development	652,405	550,963
Nova Scotia Department of Labour, Skills and Immigration	370,883	580,513
Other	235,076	208,614
	<u>2,052,549</u>	<u>2,402,991</u>

#### 8. Financial instruments and risk management

##### 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, 2023, an allowance for doubtful accounts of \$40,250 [2022 – \$27,412] 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.

