

Halifax Regional Business and Community Economic Development Association

Financial statements
March 31, 2021



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, 2021, 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, 2021, 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.

Halifax, Canada
September 22, 2021

Ernst & Young LLP

Chartered Professional Accountants



Halifax Regional Business and Community Economic Development Association

Balance sheet

As at March 31

	2021	2020
	\$	\$
Assets		
Current		
Cash	2,717,013	2,657,816
Accounts receivable	699,071	555,845
Prepaid expenses	77,980	38,589
Total current assets	3,494,064	3,252,250
Capital assets, net <i>[note 4]</i>	370,968	421,495
	3,865,032	3,673,745
Liabilities and partnership equity		
Current		
Accounts payable and accrued liabilities	982,760	613,602
Current portion of term loan	28,257	27,083
Harmonized Sales Tax payable, net	66,233	135,054
Deferred contract revenue	1,407,798	2,331,193
Total current liabilities	2,485,048	3,106,932
Term loan	91,804	120,668
Total liabilities	2,576,852	3,227,600
Commitment <i>[note 6]</i>		
Partnership equity		
Partnership equity invested in capital assets-restricted	370,968	421,495
Partnership equity-restricted	234,650	24,650
Partnership equity-unrestricted	682,562	—
Total partnership equity	1,288,180	446,145
	3,865,032	3,673,745

See accompanying notes

On behalf of the Board:

Ron L'Esperance

Director

Ron L'Esperance
Chair, Board of Directors
Halifax Partnership

Monica Foster

Director

Monica Foster
Chair, Audit and Risk Committee
Halifax Partnership

Halifax Regional Business and Community Economic Development Association

Statement of revenue, expenses and partnership equity

Year ended March 31

	2021	2020
	\$	\$
Revenue		
Halifax Regional Municipality	2,138,384	1,920,289
Private sector investment		
Cash	589,600	390,748
Goods and services in-kind <i>[note 2]</i>	183,175	234,618
Event sponsorship and registration	5,000	—
	777,775	625,366
Project funding <i>[note 7]</i>	2,602,498	2,863,769
Government subsidy <i>[note 9]</i>	233,733	—
Interest revenue	6,393	47,691
	5,758,783	5,457,115
Expenses		
Salaries and benefits		
Salaries and benefits	2,612,942	3,090,293
Recovery of salaries and benefits through projects	(1,444,450)	(1,693,003)
Innovation	1,825,404	1,938,082
Labour market development	810,029	1,077,920
COVID-19 recovery	295,756	—
Organizational effectiveness		
Rent, taxes and insurance	314,757	382,985
Information and technology	80,981	110,360
Amortization of capital assets	67,314	58,636
Office supplies	54,636	76,198
Professional fees	43,648	30,384
Professional development	37,835	47,514
Team relations and planning	24,502	42,615
Bank charges	16,092	19,688
Board meetings and notices	4,015	8,554
Directors' and officers' liability insurance	4,412	4,357
Recovery of operational costs through projects	(162,284)	(113,858)
State of the Economy-Conference/Index	104,502	92,240
Promote Halifax		
Advertising and stakeholder relations	86,051	230,359
Digital strategy	18,962	51,624
Community development	84,087	21,113
International partnerships	25,557	47,772
Consider Canada Cities Alliance	12,000	13,317
Halifax Gateway investment	—	10,475
	4,916,748	5,547,625
Excess (deficiency) of revenue over expenses for the year	842,035	(90,510)
Partnership equity, beginning of year	446,145	536,655
Partnership equity, end of year	1,288,180	446,145

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Statement of cash flows

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	842,035	(90,510)
Add item not affecting cash		
Amortization of capital assets	67,314	58,636
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(143,226)	27,150
Decrease (increase) in prepaid expenses	(39,391)	56,453
Increase (decrease) in accounts payable and accrued liabilities	369,158	(132,553)
Increase (decrease) in Harmonized Sales Tax payable, net	(68,821)	137,628
Decrease in deferred contract revenue	(923,395)	(898,223)
Cash provided by (used in) operating activities	103,674	(841,419)
Investing activities		
Acquisition of capital assets	(16,787)	(146,830)
Increase (decrease) in term loan	(27,690)	147,751
Cash provided by (used in) investing activities	(44,477)	921
Net increase (decrease) in cash during the year	59,197	(840,498)
Cash, beginning of year	2,657,816	3,498,314
Cash, end of year	2,717,013	2,657,816

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Statement of partnership equity

Year ended March 31

	Operational reserve [unrestricted fund] \$	Contingency reserve [restricted fund] \$	Invested in capital assets [restricted fund] \$	2021 Total \$	2020 Total \$
Partnership equity, beginning of year	—	24,650	421,495	446,145	536,655
Excess of revenue (deficiency) over expenses for the year	842,035	—	—	842,035	(90,510)
Net invested in capital assets	50,527	—	(50,527)	—	—
Transfer to contingency reserve	(210,000)	210,000	—	—	—
Partnership equity, end of year	682,562	234,650	370,968	1,288,180	446,145

See accompanying notes

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2021

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, 2021 totaling \$183,175 [2020 – \$234,618] is offset in the expense categories as follows:

	2021	2020
	\$	\$
Advertising and stakeholder relations	35,815	133,854
Labour market development and game changer program	35,375	33,131
COVID-19 recovery	32,494	—
Professional development	29,525	15,000
Other	49,966	52,633
	<u>183,175</u>	<u>234,618</u>

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

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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 fixed assets and, where applicable, is amortized on the same basis as the related fixed 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.

3. Economic dependence

The Association's operations are funded through investments from several public-sector organizations. The agreement with HRM accounted for 37% of total revenue in the current year [2020 – 35%].

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2021

4. Capital assets

Capital assets, net, consist of the following:

	2021		2020	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Furniture and fixtures	343,649	237,733	343,649	211,254
Computer equipment	581,974	537,954	565,188	520,802
Leasehold improvements	266,422	45,390	266,422	21,708
	1,192,045	821,077	1,175,259	753,764
Less accumulated amortization	821,077		753,764	
	370,968		421,495	

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, 2021, the Association has drawn an amount of nil [2020 – 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, 2021 the balance of this loan is \$120,061 [2020 – \$147,751].

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 \$3,747,571.

Halifax Regional Business and Community Economic Development Association

Notes to financial statements

March 31, 2021

7. Project funding

	2021	2020
	\$	\$
Atlantic Canada Opportunities Agency	214,255	118,419
Immigration, Refugees and Citizenship Canada	259,783	242,447
Dalhousie University	315,073	550,094
Halifax Gateway	—	59,625
Nova Scotia Department of Business	1,146,790	1,012,017
Nova Scotia Department of Energy	1,342	19,625
Nova Scotia Department of Labour and Advanced Education	504,477	653,737
Nova Scotia Office of Immigration	42,193	59,419
Other	118,585	149,486
	<u>2,602,498</u>	<u>2,864,869</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:

Credit risk

The Association performs a continuous evaluation of accounts receivable and records an allowance for doubtful accounts as required. As at March 31, 2021, an allowance for doubtful accounts of \$36,037 [2020 – \$149,500] 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.

Halifax Regional Business and Community Economic Development Association

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9. Government assistance

Due to the outbreak of the coronavirus disease ["COVID-19"], the Government of Canada offered relief programs for qualifying businesses. The Association qualified for the Canada Emergency Wage Subsidy ["CEWS"] program, which provides a subsidy or up to 75% of wages starting from March 15, 2020. During the year, the Association applied for \$218,721 in CEWS.

The Association also qualified for the Canada Emergency Rent Subsidy ["CERS"] program, which provides a rent and mortgage subsidy of up to 65% of eligible expenses. The Association applied for \$15,012 in CERS.

The Association recognized the government assistance in accordance with the Association's accounting policies.

10. COVID-19

In March 2020, 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, the Association 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.