

Financial Statements

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

March 31, 2009

AUDITORS' REPORT

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

We have audited the balance sheets of **Halifax Regional Business and Community Economic Development Association** (the "Association") as at March 31, 2009 and the statements of revenue, expenses and partnership equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As is common with many not-for-profit entities, the Association derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of the revenue derived from these sources was limited to accounting for the amounts recorded in the records of the Association, and we were unable to determine whether any adjustments for unrecorded revenue might be necessary to revenue, excess (deficiency) of revenue over expenses and partnership equity.

In our opinion, except for the effect of any adjustments which we might have determined to be necessary had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
May 29, 2009

Ernst & Young LLP

Chartered Accountants

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

BALANCE SHEETS

As at March 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash	81,457	300
Accounts receivable	458,339	621,614
Harmonized Sales Tax receivable, net	42,402	118,792
Prepaid expenses	15,126	46,196
Total current assets	597,324	786,902
Capital assets, net <i>[note 6]</i>	98,951	110,017
	696,275	896,919
LIABILITIES AND PARTNERSHIP EQUITY		
Current		
Bank indebtedness <i>[note 7]</i>	—	247,337
Accounts payable	391,092	625,225
Deferred contract revenue	69,060	15,000
Total current liabilities	460,152	887,562
Partnership equity		
Partnership equity invested in capital assets	98,951	110,017
Partnership equity (deficiency) <i>[note 9]</i>	137,172	(100,660)
Total partnership equity	236,123	9,357
	696,275	896,919
Commitments <i>[note 10]</i>		

See accompanying notes

On behalf of the Board:

Director

Director

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

**STATEMENTS OF REVENUE, EXPENSES
AND PARTNERSHIP EQUITY**

Years ended March 31

	2009	2008
	\$	\$
REVENUE		
Public sector investment		
Halifax Regional Municipality	1,400,000	1,500,000
Province of Nova Scotia	150,000	150,000
Atlantic Canada Opportunities Agency	150,000	150,000
Private sector investment		
Cash	617,350	555,000
Near cash	215,885	234,126
In-kind media	376,755	144,674
Event sponsorship and registration	54,522	93,917
Project funding	500,902	1,035,656
Other	7,350	12,085
	<u>3,472,764</u>	<u>3,875,458</u>
EXPENSES		
Supercharge our Labour Force		
Labour market development	4,975	2,691
Labour shortages	134,698	384,382
Immigration	83,326	23,050
Defence and federal presence	—	18,711
Leverage our Creative Community		
HRM's rural areas	152,802	169,676
Create a Gung-Ho Business Climate		
Business retention and expansion	9,898	32,292
Investment attraction	23,664	24,136
Management skills	46,462	6,491
Capitalize on our Reputation		
Brand strategy	—	40,937
Brand and business confidence	749,317	591,773
Convert Rivalries into Partnerships		
Rural strength	15,473	995
Regional, national and global partnerships	55,409	90,016
Halifax gateway	219,773	55,574
Organizational Effectiveness		
Organizational and systems improvement plan	86,328	91,246
Corporate relations	59,520	49,239
Consolidation costs [note 9]	—	464,525
General office management [note 8]	328,230	359,177
Professional development	57,074	75,537
Salaries and benefits	1,219,049	1,569,973
	<u>3,245,998</u>	<u>4,050,421</u>
Excess (deficiency) of revenue over expenses for the year	226,766	(174,963)
Partnership equity, beginning of year	9,357	184,320
Partnership equity, end of year	<u>236,123</u>	<u>9,357</u>

See accompanying notes

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

STATEMENTS OF CASH FLOWS

Years ended March 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	226,766	(174,963)
Add item not affecting cash		
Amortization of capital assets	35,653	43,129
Net change in non-cash working capital balances related to operations	90,662	(56,139)
Cash provided by (used in) operating activities	353,081	(187,973)
INVESTING ACTIVITIES		
Acquisition of capital assets	(24,587)	(23,901)
Cash used in investing activities	(24,587)	(23,901)
FINANCING ACTIVITIES		
(Decrease) increase in bank indebtedness	(247,337)	210,369
Cash (used in) provided by financing activities	(247,337)	210,369
Net increase (decrease) in cash during the year	81,157	(1,505)
Cash, beginning of year	300	1,805
Cash, end of year	81,457	300

See accompanying notes

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

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 not taxable under the Income Tax Act (Canada). The Association is to be 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 through the application and integration of principles related to community development, economic development, and community economic development.

On February 28, 2007, the operations and net assets of the Halifax Regional Development Agency and the Greater Halifax Economic Development Partnership Association were transferred to the Halifax Regional Business and Community Economic Development Association and the two legacy associations were dissolved as of that date.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Adoption of new and future accounting policies

At the October 15, 2008 meeting, the Accounting Standards Board (“AcSB”) decided that not-for-profit organizations are no longer required to adopt the Canadian Institute of Chartered Accountants (“CICA”) Handbook sections CICA 3862 – *Financial Instruments – Disclosures* and CICA 3863 – *Financial Instruments – Presentation*. The Association has chosen to apply CICA 3861, *Financial Instruments – Disclosure and Presentation*, in place of CICA 3862, *Financial Instruments – Disclosures*, and CICA 3863, *Financial Instruments – Presentation*.

Effective April 1, 2008, the Association adopted CICA 1535 – *Capital Disclosures*, which requires the disclosure of information that enables users of their financial statements to evaluate the entity’s objectives, policies and processes for managing capital.

Effective April 1, 2008 the Association adopted the amendments to CICA 1400 – *General Standards of Financial Statement Presentation* that provides revised guidance on management’s responsibility to assess and disclose the Association’s ability to continue as a going concern. There was no significant impact on these financial statements as a result of adopting CICA 1400.

**Halifax Regional Business and Community
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NOTES TO FINANCIAL STATEMENTS

March 31, 2009

2. ADOPTION OF NEW ACCOUNTING POLICIES (CONT'D)

The CICA has issued revisions to the CICA 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA 1540 – *Cash Flow Statements*, applicable to not-for-profit organizations; and requiring the reporting of revenue and expenses on a gross basis in the statements of revenue, expenses and partnership equity unless not required by other guidance. A new section, CICA 4470 – *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, effective April 1, 2009 for the Association, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption. However, the impact will be limited to reclassification of figures in the financial statements and additional disclosures.

In February 2008, the AcSB amended CICA 1000 – *Financial Statement Concepts*, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Association is examining its current approach to recognizing costs as assets and will implement these standards effective April 1, 2009, retroactively with restatement of the prior year. The impact of implementing these amendments on the Association's financial statements is currently not known.

3. FINANCIAL INSTRUMENTS

All financial instruments are recorded on the balance sheet at their fair value upon initial recognition of the financial instruments. Thereafter, measurement at fair value is required except for financial instruments classified as held-to-maturity investments, loans and receivables or other financial liabilities, which are to be measured at amortized cost using the effective interest method ("EIM"). Subsequent to fair value recognition on March 1, 2007, the adoption date, the financial instruments are measured as follows based on their classification:

Asset/Liability	Classification	Measurement
Cash and bank indebtedness	Held-for-trading	Fair value
Receivables	Loans and receivables	Amortized cost using EIM
Accounts payable	Other financial liabilities	Amortized cost using EIM
Deferred contract revenue	Other financial liabilities	Amortized cost using EIM

**Halifax Regional Business and Community
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NOTES TO FINANCIAL STATEMENTS

March 31, 2009

3. FINANCIAL INSTRUMENTS (CONT'D)

The carrying value of accounts and other receivables, prepaid expenses, bank indebtedness, accounts payable and deferred contract revenue are representative of their fair values due to their relatively short-term period to maturity.

It is, and has been throughout fiscal 2009 and 2008, the Association's policy that no trading in derivatives shall be undertaken.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by management of the Association in the preparation of these financial statements:

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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. Near-cash revenue is the fair market value of products or services provided by investors that the Association would otherwise pay for with cash.

Deferred costs

Deferred production and development costs incurred for programs extending beyond one year are amortized on a straight-line basis over the term of the program.

**Halifax Regional Business and Community
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March 31, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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%

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 Canadian generally accepted accounting principles, 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.

5. ECONOMIC DEPENDENCE

The Association's operations are funded through investments from several public sector organizations. The agreement with the Halifax Regional Municipality ("HRM") accounted for 41% of total revenue in the current year (2008 - 39%) and was renewed as part of an agreement with the Association.

**Halifax Regional Business and Community
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March 31, 2009

6. CAPITAL ASSETS

Capital assets consist of the following:

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Furniture and fixtures	128,970	87,873	128,970	77,599
Computer equipment	395,766	344,044	371,179	319,501
Leasehold improvements	86,990	80,858	86,990	80,022
	611,726	512,775	587,139	477,122
Less: accumulated amortization			477,122	
	512,775		477,122	
	98,951		110,017	

7. BANK INDEBTEDNESS

The Association has a \$300,000 operating line of credit, of which nil has been drawn down as at March 31, 2009 (2008 - \$247,337). Interest is charged at the bank's prime rate plus 0.25%. The Association has pledged the receivables and capital assets as collateral.

8. GENERAL OFFICE MANAGEMENT

	2009	2008
	\$	\$
Rent and property taxes	204,966	157,409
Printing, supplies, bank charges, insurance, telephone, fax and other	69,911	141,815
Amortization of capital assets	35,653	43,129
Transportation	17,700	16,824
	328,230	359,177

**Halifax Regional Business and Community
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NOTES TO FINANCIAL STATEMENTS

March 31, 2009

9. PARTNERSHIP EQUITY (DEFICIENCY)

The cumulative 2008 Partnership equity (deficiency) included unfunded consolidation costs totaling \$372,072 as follows:

	\$
2007 costs	7,547
2008 costs	464,525
2008 funding provided by Halifax Regional Municipality	(100,000)
Unfunded consolidation costs	<u>372,072</u>

No additional costs were incurred in 2009.

10. LEASE COMMITMENTS

The Association leases facilities and printers under leases that expire on July 31, 2016 and February 15, 2011, respectively. The annual lease commitments for the following five years, including Harmonized Sales Tax, realty taxes and occupancy taxes for the facilities are as follows:

	2010	2011	2012	2013	2014	Total
	\$	\$	\$	\$	\$	\$
Facilities	179,245	179,245	179,245	179,245	179,245	896,225
Printers	6,977	1,163	—	—	—	8,140
	<u>186,222</u>	<u>180,408</u>	<u>179,245</u>	<u>179,245</u>	<u>179,245</u>	<u>904,365</u>

11. CAPITAL MANAGEMENT

Risk management objectives

In managing capital, the Association focuses on liquid resources available for operations. The Association's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, the Association has met its objective of having sufficient liquid resources to meet its current obligations.

**Halifax Regional Business and Community
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NOTES TO FINANCIAL STATEMENTS

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11. CAPITAL MANAGEMENT (CONT'D)

The Association continues to manage its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended March 31, 2008 and 2009.

Credit, foreign exchange and interest rate risk

The Association does not hold financial instruments that would materially expose them to either credit, foreign exchange or interest rate risk.

12. COMPARATIVE FIGURES

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