

Financial Statements

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

March 31, 2010

AUDITORS' REPORT

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

We have audited the balance sheet of **Halifax Regional Business and Community Economic Development Association** (the "Association") as at March 31, 2010 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 audit.

Except as explained in the following paragraph, we conducted our audit 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, 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, 2010 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
June 2, 2010

Ernst + Young LLP

Chartered Accountants

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

BALANCE SHEET

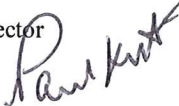
As at March 31

| | 2010 | 2009 |
|---|----------------|----------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 300 | 81,457 |
| Accounts receivable | 587,792 | 458,339 |
| Harmonized Sales Tax receivable, net | 53,658 | 42,402 |
| Prepaid expenses | 15,052 | 15,126 |
| Total current assets | 656,802 | 597,324 |
| Capital assets, net <i>[note 5]</i> | 109,935 | 98,951 |
| | 766,737 | 696,275 |
| LIABILITIES AND PARTNERSHIP EQUITY | | |
| Current | | |
| Bank indebtedness <i>[note 6]</i> | 115,314 | — |
| Accounts payable | 441,988 | 391,092 |
| Deferred contract revenue | 7,500 | 69,060 |
| Total current liabilities | 564,802 | 460,152 |
| Partnership equity | | |
| Partnership equity invested in capital assets | 109,935 | 98,951 |
| Partnership equity | 92,000 | 137,172 |
| Total partnership equity | 201,935 | 236,123 |
| | 766,737 | 696,275 |

Commitments *[note 8]*

See accompanying notes

On behalf of the Board:

Director


Director


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

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

Years ended March 31

| | 2010 | 2009 |
|--|------------------|------------------|
| | \$ | \$ |
| REVENUE [note 4] | | |
| Public sector investment | | |
| Halifax Regional Municipality | 1,400,000 | 1,400,000 |
| Province of Nova Scotia | 165,000 | 150,000 |
| Atlantic Canada Opportunities Agency | 165,000 | 150,000 |
| Private sector investment | | |
| Cash | 521,850 | 617,350 |
| Near cash | 249,945 | 215,885 |
| In-kind media | 322,199 | 376,755 |
| Event sponsorship and registration | 58,932 | 54,522 |
| Project funding | 671,446 | 500,902 |
| Other | 4,480 | 7,350 |
| | <u>3,558,852</u> | <u>3,472,764</u> |
| EXPENSES | | |
| Supercharge our Labour Force | | |
| Labour market development | 2,500 | 4,975 |
| Labour shortages | 233,022 | 134,698 |
| Immigration | 215,681 | 83,326 |
| Leverage our Creative Community | | |
| HRM's rural areas | 151,904 | 152,802 |
| Create a Gung-Ho Business Climate | | |
| Business retention and expansion | 20,780 | 9,898 |
| Investment attraction | 130,211 | 23,664 |
| Management skills | 62,588 | 46,462 |
| Capitalize on our Reputation | | |
| Brand and business confidence | 731,092 | 749,317 |
| Convert Rivalries into Partnerships | | |
| Rural strength | 6,107 | 15,473 |
| Regional, national and global partnerships | 88,192 | 55,409 |
| Halifax gateway | 223,108 | 219,773 |
| Organizational Effectiveness | | |
| Organizational and systems improvement plan | 98,543 | 86,328 |
| Corporate relations [note 10] | 168,991 | 59,520 |
| General office management [note 7] | 299,809 | 328,230 |
| Professional development | 21,307 | 57,074 |
| Salaries and benefits | 1,139,205 | 1,219,049 |
| | <u>3,593,040</u> | <u>3,245,998</u> |
| (Deficiency) excess of revenue over expenses for the year | (34,188) | 226,766 |
| Partnership equity, beginning of year | 236,123 | 9,357 |
| Partnership equity, end of year | <u>201,935</u> | <u>236,123</u> |

See accompanying notes

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

STATEMENT OF CASH FLOWS

Years ended March 31

| | 2010 | 2009 |
|--|------------------|-------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| (Deficiency) excess of revenue over expenses for the year | (34,188) | 226,766 |
| Add item not affecting cash | | |
| Amortization of capital assets | 35,602 | 35,653 |
| Net change in non-cash working capital balances related to operations | (151,299) | 90,662 |
| Cash (used in) provided by operating activities | (149,885) | 353,081 |
| INVESTING ACTIVITIES | | |
| Acquisition of capital assets | (46,586) | (24,587) |
| Cash used in investing activities | (46,586) | (24,587) |
| FINANCING ACTIVITIES | | |
| Increase (decrease) in bank indebtedness | 115,314 | (247,337) |
| Cash provided by (used in) financing activities | 115,314 | (247,337) |
| Net (decrease) increase in cash during the year | (81,157) | 81,157 |
| Cash, beginning of year | 81,457 | 300 |
| Cash, end of year | 300 | 81,457 |
| Supplementary information | | |
| Interest paid | 437 | 3,307 |

See accompanying notes

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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 ("HRM") through the application and integration of principles related to community development, economic development, and community economic development.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2009, the Association has adopted retroactively those revisions to the 4400 Series and certain other sections to amend or improve those parts of the Canadian Institute of Chartered Accountants ("CICA") Handbook related to not-for-profit organizations that impact its financial statements. The revisions adopted include CICA 4400, *Financial Statement Presentation by Not-for-Profit Organizations – Cash Flow Statements, Net Assets Invested in Capital Assets and Reporting of Revenues and Expenses* as well as CICA 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*.

The recommendations in CICA 4400, *Financial Statement Presentation for Not-for-Profit Organizations*, eliminate the requirement to separately disclose the amount of net assets invested in capital assets and suggest that the amounts be included in internally restricted net assets. The Association has determined that the amount of net assets invested in capital assets is internally restricted and therefore continues to present partnership equity invested in capital assets as at April 1, 2008 of \$110,017 and as at April 1, 2009 of \$98,951.

3. 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.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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

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.

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 in the year of acquisition.

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

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 |
| Accounts payable | Other financial liabilities | Amortized cost using EIM |
| Deferred contract revenue | Other financial liabilities | Amortized cost using EIM |

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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

The carrying values 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 2010, the Association's policy that no trading in derivative instruments shall be undertaken.

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.

4. ECONOMIC DEPENDENCE

The Association's operations are funded through investments from several public sector organizations. The agreement with the HRM accounted for 39% of total revenue in the current year (2009 - 41%) and was renewed as part of an agreement with the Association.

5. CAPITAL ASSETS

Capital assets consist of the following:

| | 2010 | | 2009 | |
|-----------------------------------|----------------|-----------------------------------|------------|-----------------------------------|
| | Cost \$ | Accumulated amortization \$ | Cost \$ | Accumulated amortization \$ |
| Furniture and fixtures | 147,008 | 97,896 | 128,970 | 87,873 |
| Computer equipment | 414,604 | 367,121 | 395,766 | 344,044 |
| Leasehold improvements | 96,699 | 83,359 | 86,990 | 80,858 |
| | 658,311 | 548,376 | 611,726 | 512,775 |
| Less: accumulated amortization | 548,376 | | 512,775 | |
| | 109,935 | | 98,951 | |

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

6. BANK INDEBTEDNESS

The Association has a \$300,000 operating line of credit, of which \$40,000 has been drawn down as at March 31, 2010 (2009 - nil). Interest is charged at the bank's prime rate plus 0.25%. The Association has pledged accounts receivable and capital assets as collateral.

7. GENERAL OFFICE MANAGEMENT

| | 2010 \$ | 2009 \$ |
|--|----------------|----------------|
| Rent and property taxes | 178,125 | 204,966 |
| Printing, supplies, bank charges, insurance, telephone, fax and other | 66,418 | 69,911 |
| Amortization of capital assets | 35,602 | 35,653 |
| Transportation | 19,664 | 17,700 |
| | <u>299,809</u> | <u>328,230</u> |

8. LEASE COMMITMENTS

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

| | 2011 \$ | 2012 \$ | 2013 \$ | 2014 \$ | 2015 \$ | Total \$ |
|------------|------------|------------|------------|------------|------------|-------------|
| Facilities | 179,245 | 179,245 | 179,245 | 179,245 | 179,245 | 896,225 |

9. 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, 2010, 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

March 31, 2010

9. CAPITAL MANAGEMENT (CONT'D)

During the year ended March 31, 2009, the Association adopted an Operating Reserve Policy, with the objective of accumulating an operating reserve of \$190,000 by March 31, 2013. Reserves beyond \$100,000 will be invested as the Association's cash flows allow. The objectives of this policy are to minimize the need for working capital borrowing during cash flow interruptions, to meet commitments, obligations and other contingencies, to provide flexibility for new organizational priorities and to generate investment income. As at March 31, 2010, the Association has progressed towards its objective of accumulating an operating reserve of \$190,000 by March 31, 2013.

The Association continues to manage its capital structure and makes adjustments to it in light of changes in economic conditions.

Credit, foreign exchange and interest rate risks

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

10. TRANSITION COSTS

Corporate relations include unbudgeted expenditures totaling \$122,699 (2009 – nil) related to the transition of the Association's President & CEO.

11. COMPARATIVE FIGURES

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

