

Financial Statements

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

March 31, 2008 and 2007

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## AUDITORS' REPORT

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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, 2008 and 2007 and the statements of revenue, expenses and partnership equity and cash flows for the twelve months ended March 31, 2008 and one month ended March 31, 2007. 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, 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, 2008 and 2007 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Halifax, Canada  
May 22, 2008

Chartered Accountants

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 **ERNST & YOUNG**

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

**BALANCE SHEETS**

As at March 31

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	<b>300</b>	1,805
Accounts receivable	<b>621,614</b>	712,690
HST receivable, net	<b>118,792</b>	96,900
Prepaid expenses	<b>46,196</b>	100,293
<b>Total current assets</b>	<b>786,902</b>	911,688
Capital assets, net <i>[note 5]</i>	<b>110,017</b>	129,245
	<b>896,919</b>	1,040,933
<b>LIABILITIES AND PARTNERSHIP EQUITY</b>		
<b>Current</b>		
Bank indebtedness <i>[note 6]</i>	<b>247,337</b>	36,968
Accounts payable	<b>625,225</b>	525,895
Deferred contract revenue	<b>15,000</b>	293,750
<b>Total current liabilities</b>	<b>887,562</b>	856,613
<b>Partnership equity</b>		
Partnership equity invested in capital assets	<b>110,017</b>	129,245
Partnership (deficiency) equity <i>[note 8]</i>	<b>(100,660)</b>	55,075
<b>Total partnership equity</b>	<b>9,357</b>	184,320
	<b>896,919</b>	1,040,933

Commitments *[note 9]*

*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**

	Twelve months ended March 31, 2008 \$	One month ended March 31, 2007 \$
<b>REVENUE</b>		
Public sector investment		
Halifax Regional Municipality	1,500,000	97,917
Province of Nova Scotia	300,000	25,000
Atlantic Canada Opportunities Agency	300,000	25,000
Private sector investment		
Cash	555,000	77,250
Near cash	234,126	12,432
In-kind media	144,674	25,320
Event sponsorship and registration	93,917	8,865
Project funding	735,656	111,677
Other	12,085	8,152
	<b>3,875,458</b>	<b>391,613</b>
<b>EXPENSES</b>		
<b>Supercharge our Labour Force</b>		
Labour market development	2,691	—
Labour shortages	384,382	56,017
Immigration	23,050	5,759
Defence and federal presence	18,711	—
<b>Leverage our Creative Community</b>		
HRM's rural areas	169,676	4,226
<b>Create a Gung-Ho Business Climate</b>		
Business retention and expansion	154,310	10,289
Investment attraction	24,136	2,399
Global trade expansion	68,737	19,411
Management skills	6,491	3,677
<b>Capitalize on our Reputation</b>		
Brand strategy	40,937	—
Brand and business confidence	591,773	37,933
<b>Convert Rivalries into Partnerships</b>		
Rural strength	995	464
Regional, national and global partnerships	21,279	3,825
Halifax gateway	55,574	22,981
<b>Organizational Effectiveness</b>		
Organizational and systems improvement plan	91,246	14,701
Corporate relations	49,239	5,147
Consolidation costs [note 8]	464,525	7,547
General office management [note 7]	317,544	22,163
Professional development	75,537	10,208
<b>Salaries and benefits</b>	<b>1,489,588</b>	<b>133,453</b>
	<b>4,050,421</b>	<b>360,200</b>
<b>(Deficiency) excess of revenue over expenses for the period</b>	<b>(174,963)</b>	<b>31,413</b>
Partnership equity, beginning of period	184,320	152,907
<b>Partnership equity, end of period</b>	<b>9,357</b>	<b>184,320</b>

See accompanying notes

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

**STATEMENTS OF CASH FLOWS**

	<b>Twelve months ended March 31, 2008</b>	<b>One month ended March 31, 2007</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenses for the period	(174,963)	31,413
Add non-cash item		
Amortization of capital assets	43,129	2,937
Net change in non-cash working capital balances related to operations	(56,139)	245,084
<b>Cash (used in) provided by operating activities</b>	<b>(187,973)</b>	<b>279,434</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(23,901)	—
<b>Cash used in investing activities</b>	<b>(23,901)</b>	<b>—</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in bank indebtedness	210,369	(279,454)
<b>Cash provided by (used in) financing activities</b>	<b>210,369</b>	<b>(279,454)</b>
<b>Net decrease in cash during the period</b>	<b>(1,505)</b>	<b>(20)</b>
Cash, beginning of period	1,805	1,825
<b>Cash, end of period</b>	<b>300</b>	<b>1,805</b>

*See accompanying notes*

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

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**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. 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**

**Impact of adopting new accounting policies**

Effective March 1, 2007, the Association has adopted the recommendations of CICA 1506 *Accounting Changes*, CICA 3855 *Financial Instruments – Recognition and Measurement* and CICA 3861 *Financial Instruments – Disclosure and Presentation*. The changes in the accounting policies were applied retroactively without restatement in accordance with Canadian generally accepted accounting principles.

*Accounting Changes (CICA 1506)*

CICA 1506 prescribes the criteria for the accounting treatment of and the disclosure requirements for changes in accounting policies. It also covers changes in accounting estimates and correction of errors.

*Financial Instruments – Recognition and Measurement (CICA 3855)*

CICA 3855 prescribes that all financial instruments are to be recorded on the balance sheet at their fair value upon adoption of this policy and on initial recognition of 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 will be measured as follows based on their classification:

**Halifax Regional Business and Community  
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**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**2. ADOPTION OF NEW ACCOUNTING POLICIES (cont'd)**

<b>Asset/Liability</b>	<b>Classification</b>	<b>Measurement</b>
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

As permitted by CICA 3855, the Association's financial assets and liabilities continue to be presented at amortized cost which approximates fair value.

Transaction costs directly attributable to financial instruments classified as other than held for trading are included in the initial carrying value of such instruments and are amortized using EIM.

The Association's policy is to recognize embedded derivatives on the balance sheet, when applicable. Because there are no embedded derivatives at this time, this rule has no impact on the financial statements of the Association.

*Financial Instruments – Disclosure and Presentation (CICA 3861)*

CICA 3861 replaced CICA 3860, which had the same title. CICA 3861 establishes standards for the presentation of financial instruments and non-financial derivatives and identifies all related information that should be disclosed.

The adoption of these recommendations did not have a significant impact on the financial statements.

**Impact of adopting future accounting policies**

The CICA has issued two new standards, CICA 3862 *Financial Instruments – Disclosures* and CICA 3863 *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535 *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate an entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted by the Association effective April 1, 2008, will not impact financial results but will require additional disclosure in the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**3. 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.

**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.

**Halifax Regional Business and Community  
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**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**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 HRM accounted for 30% of total revenue in the current year (2007 - 30%) and was renewed as part of an agreement with the Association.

**5. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2008</b>		<b>2007</b>	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Cost</b>	<b>Accumulated amortization</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture and fixtures	<b>128,970</b>	<b>77,599</b>	128,970	64,756
Computer equipment	<b>371,179</b>	<b>319,501</b>	347,278	290,051
Leasehold improvements	<b>86,990</b>	<b>80,022</b>	86,990	79,186
	<b>587,139</b>	<b>477,122</b>	563,238	433,993
Less: accumulated amortization	<b>477,122</b>		433,993	
	<b>110,017</b>		129,245	

**6. BANK INDEBTEDNESS**

The Association has a \$300,000 operating line of credit, of which \$247,337 has been drawn down as at March 31, 2008 (2007 - \$36,968). Interest is charged at prime plus 0.25%. The Association has pledged the receivables and capital assets as collateral.

**Halifax Regional Business and Community  
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**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**7. GENERAL OFFICE MANAGEMENT**

	<b>Twelve months ended March 31, 2008 \$</b>	<b>One month ended March 31, 2007 \$</b>
Rent and property taxes	<b>157,409</b>	10,353
Printing, supplies, bank charges, insurance, telephone and fax	<b>100,182</b>	6,873
Amortization of capital assets	<b>43,129</b>	2,937
Transportation	<b>16,824</b>	2,000
	<b><u>317,544</u></b>	<u>22,163</u>

**8. PARTNERSHIP DEFICIENCY**

The Partnership deficiency resulted from incurring unfunded costs totaling \$372,072 as follows:

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

**Halifax Regional Business and Community  
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**NOTES TO FINANCIAL STATEMENTS**

March 31, 2008 and 2007

**9. 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 HST, realty taxes and occupancy taxes for the facilities are as follows:

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Facilities	225,861	179,245	179,245	179,245	179,245	942,841
Printers	6,977	6,977	1,163	—	—	15,117
	<u>232,838</u>	<u>186,222</u>	<u>180,408</u>	<u>179,245</u>	<u>179,245</u>	<u>957,958</u>