

**DRAFT** Financial Statements of

**3PLUS ECONOMIC  
DEVELOPMENT CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of 3plus Economic Development Corporation

## ***Opinion***

We have audited the financial statements of 3plus Economic Development Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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
- 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.

***DRAFT***

Chartered Professional Accountants

Moncton, Canada

March 18, 2020

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Financial Position

**DRAFT**

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 143,587	\$ 187,851
Short-term investments (note 2)	252,435	248,954
Accounts receivable	93,034	58,781
Prepaid expenses	49,825	7,734
	<u>538,881</u>	<u>503,320</u>
Capital assets (note 3)	11,814	23,569
Seed Capital Program (note 4)	864,832	813,573
	<u>\$ 1,415,527</u>	<u>\$ 1,340,462</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 110,278	\$ 61,341
Deferred revenue	86,411	110,712
	<u>196,689</u>	<u>172,053</u>
Net assets:		
Invested in capital assets	11,814	23,569
Externally restricted - Seed Capital Program (note 4)	864,832	813,573
Unrestricted	342,192	331,267
	<u>1,218,838</u>	<u>1,168,409</u>
	<u>\$ 1,415,527</u>	<u>\$ 1,340,462</u>

See accompanying notes to financial statements.

On behalf of the Board:

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# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Operations

**DRAFT**

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
City of Moncton	\$ 403,355	\$ 403,356
Strategic partnership revenue	158,874	211,595
Special projects	156,932	37,500
City of Dieppe	149,101	149,101
Business immigration	118,540	130,706
Seed Capital Funding Program	78,791	76,287
Town of Riverview	78,074	78,074
Interest income	47,934	35,269
Access employment revenue	17,283	22,150
Other income	10,500	3,000
Local events income	-	9,807
	1,219,384	1,156,845
Expenses:		
Administration	348,848	359,125
Workforce recruitment and retention	189,507	114,841
Special projects	157,514	38,981
Marketing and communication	157,272	173,545
Business immigrant mentorship program	128,122	138,995
Seed capital initiative	105,189	140,970
Business intelligence and operations	57,138	83,887
Amortization of capital assets	19,397	19,745
Access employment	5,968	6,152
Investment attraction	-	20,166
Business relations	-	277
	1,168,955	1,096,684
Excess of revenues over expenses	\$ 50,429	\$ 60,161

See accompanying notes to financial statements.

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

**DRAFT**

Year ended December 31, 2019, with comparative information for 2018

	Invested in capital assets	Externally restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ 23,569	\$ 813,573	\$ 331,267	\$ 1,168,409	\$ 1,108,248
Excess (deficiency) of revenues over expenses	(19,397)	51,259	18,567	50,429	60,161
Capital asset expenditures funded by operations	7,642	-	(7,642)	-	-
Balance, end of year	\$ 11,814	\$ 864,832	\$ 342,192	\$ 1,218,838	\$ 1,168,409

See accompanying notes to financial statements.

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Cash Flows

**DRAFT**

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 50,429	\$ 60,161
Item not involving cash:		
Amortization of capital assets	19,397	19,745
	69,826	79,906
Changes in non-cash operating working capital:		
Accounts receivable	(34,253)	(1,145)
Prepaid expenses	(42,091)	(3,377)
Accounts payable and accrued liabilities	48,937	3,016
Deferred revenue	(24,301)	(9,089)
	18,118	69,311
Financing and investing activities:		
Increase in short-term investments	(3,481)	(201)
Purchase of capital assets	(7,642)	(8,424)
Increase in Seed Capital Program assets	(51,259)	(7,966)
	(62,382)	(16,591)
Increase (decrease) in cash	(44,264)	52,720
Cash, beginning of year	187,851	135,131
Cash, end of year	\$ 143,587	\$ 187,851

See accompanying notes to financial statements.



# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

**DRAFT**

Year ended December 31, 2019

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3plus Economic Development Corporation (the "Corporation") is a non-profit organization incorporated under the Province of New Brunswick Companies Act. The mission of the Corporation is to provide leadership to enhance the quality of life and harmonious well being of the people of the Greater Moncton area through sustainable economic development.

## 1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Corporation's significant accounting policies are as follows:

### (a) Investments:

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in investment income for the year.

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (c) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Asset	Rate
Furniture and fixtures	20%
Computer hardware	28 to 55%
Leasehold improvements	10%

### (d) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include government grants and Greater Moncton Strategic Partnership contributions.

Operating grants, special projects funding and strategic partnership funding are recorded as revenue in the period to which the services are provided. Funding received for future periods is recorded as deferred revenue.

Investment income on restricted and unrestricted cash is available for operations and is recognized as revenue when earned.

Revenue from fees, contracts and other services is recognized when the services are provided.

Restricted contributions are recognized as direct increases in net assets.

### (e) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of net income for the period. Government assistance related to capital expenditures is recorded as a reduction of the cost of the related item of capital assets.

### (f) Use of estimates:

The preparation of the financial statements 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 year. Actual results could differ from those estimates.

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2019

## 2. Short-term investments:

	2019		2018	
Guaranteed investment certificates	\$	200,000	\$	200,000
Mutual funds		52,435		48,954
	\$	252,435	\$	248,954

The guaranteed investment certificate has an effective interest rate of 1.787% and matures after one year of purchase on October 16, 2020. Interest is paid on maturity.

## 3. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 97,266	\$ 91,883	\$ 5,383	\$ 8,164
Computer hardware	125,967	119,738	6,229	6,760
Leasehold improvements	113,744	113,542	202	8,645
	\$ 336,977	\$ 325,163	\$ 11,814	\$ 23,569

# 3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2019

## 4. Seed Capital Program:

	2019	2018
Assets:		
Cash	\$ 101,532	\$ 273,545
Loans receivable	874,170	679,474
Other	151	(58)
	975,853	952,961
Less allowance for doubtful loans	(111,021)	(139,388)
Seed Capital Program, end of year	\$ 864,832	\$ 813,573

The Seed Capital Program provides access to capital and counselling/training support for those who are starting, expanding or modernizing a business in Greater Moncton. The Seed Capital Program provides loans to individuals for amounts up to \$25,000 and will be fully repayable, but unsecured, with flexible interest and repayment terms. The loan advances under the program are limited to cash on hand.

## 5. Commitments:

The Corporation is committed to payments under an operating lease for office space until October 2021, with minimum annual rent of \$33,372. Additional rent of approximately \$19,194 per year will be incurred for operating costs.

## 6. Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation deals with credit-worthy counterparties to mitigate the risk of financial loss from defaults.

### (b) Concentration of business risk:

A substantial portion of the Corporation's revenue is derived from Municipalities including the City of Moncton, the City of Dieppe and the Town of Riverview. These municipalities account for 52% (2018 - 55%) of revenues and the loss of these relationships would have a significant effect on the Corporation's operations.