

Financial Statements of

**3PLUS ECONOMIC
DEVELOPMENT CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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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, 2020
- 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, 2020, 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.



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- 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 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 represents 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Moncton, Canada

March 31, 2021

3PLUS ECONOMIC DEVELOPMENT CORPORATION

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3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Operating Fund	Impact Fund	2020	2019
Assets				
Current assets:				
Cash	\$ 187,395	\$ 224,708	\$ 412,103	\$ 245,119
Short-term investments (note 2)	254,799	–	254,799	252,435
Accounts receivable	140,272	164	140,436	93,186
Prepaid expenses	13,841	–	13,841	49,825
	596,307	224,872	821,179	640,565
Capital assets (note 3)	12,947	–	12,947	11,814
Impact Loans Program (note 4)	–	650,434	650,434	763,148
	\$ 609,254	\$ 875,306	\$ 1,484,560	\$ 1,415,527

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$ 57,568	\$ –	\$ 57,568	\$ 110,278
Deferred revenue	139,700	–	139,700	86,411
	197,268	–	197,268	196,689

Net Assets:

Externally restricted (note 4)	–	875,306	875,306	864,832
Unrestricted	411,986	–	411,986	354,006
	411,986	875,306	1,287,292	1,218,838

Commitments (note 5)

Impact of COVID-19 (note 7)

	\$ 609,254	\$ 875,306	\$ 1,484,560	\$ 1,415,527
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See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Operating Fund	Impact Fund	2020	2019
Revenues:				
City of Moncton	\$ 403,356	\$ –	\$ 403,356	\$ 403,355
City of Dieppe	149,101	–	149,101	149,101
Town of Riverview	78,074	–	78,074	78,074
Workforce development	158,035	–	158,035	156,932
Driving Force	121,041	–	121,041	158,874
Business immigrant mentorship program	102,100	–	102,100	118,540
Impact Loans Program	71,299	–	71,299	78,791
Interest income	5,298	42,582	47,880	47,934
Marketing and communications	33,143	–	33,143	–
Other income	24,160	–	24,160	10,500
Access employment revenue	7,407	–	7,407	17,283
	<u>1,153,014</u>	<u>42,582</u>	<u>1,195,596</u>	<u>1,219,384</u>
Expenses:				
Administration	347,104	–	347,104	348,848
Workforce development	237,907	–	237,907	347,021
Marketing and communications	206,302	–	206,302	157,272
Impact Loans Program	83,728	32,108	115,836	105,189
Business immigrant mentorship program	102,896	–	102,896	128,122
Driving Force	82,546	–	82,546	–
Entrepreneurship	37,897	–	37,897	5,968
Strategic initiative	37,409	–	37,409	–
Regional Service Model	31,202	–	31,202	57,138
Amortization of capital assets	10,910	–	10,910	19,397
	<u>1,177,901</u>	<u>32,108</u>	<u>1,210,009</u>	<u>1,168,955</u>
Excess (deficiency) of revenues over expenses before the undernoted item	(24,887)	10,474	(14,413)	50,429
Government assistance	82,867	–	82,867	–
Excess of revenues over expenses	\$ 57,980	\$ 10,474	\$ 68,454	\$ 50,429

See accompanying notes to financial statements.

3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

December 31, 2020, with comparative information for 2019

	Operating Fund	Impact Fund	2020	2019
Balance, beginning of year	\$ 354,006	\$ 864,832	\$ 1,218,838	\$ 1,168,409
Excess of revenues over expenses	57,980	10,474	68,454	50,429
	\$ 411,986	\$ 875,306	\$ 1,287,292	\$ 1,218,838

See accompanying notes to financial statements.

3PLUS ECONOMIC DEVELOPMENT CORPORATION

Statement of Cash Flows

December 31, 2020, with comparative information for 2019

	Operating Fund	Impact Fund	2020	2019
Cash provided by (used in):				
Operating activities:				
Excess of revenues over expenses	\$ 57,980	\$ 10,474	\$ 68,454	\$ 50,429
Items not involving cash:				
Amortization	10,910	–	10,910	19,397
Gain on disposal of capital assets	(250)	–	(250)	–
Loan loss provision	–	(16,237)	(16,237)	(28,367)
	68,640	(5,763)	62,877	41,459
Changes in non-cash operating working capital:				
Accounts receivable	(47,238)	(12)	(47,250)	(34,019)
Prepaid expenses	35,984	–	35,984	(42,091)
Accounts payable and accrued liabilities	(52,710)	–	(52,710)	48,494
Deferred revenue	53,289	–	53,289	(24,301)
	57,965	(5,775)	52,190	(10,458)
Financing and investing activities:				
Increase in short-term investments	(2,364)	–	(2,364)	(3,481)
Purchase of capital assets	(12,043)	–	(12,043)	(7,642)
Proceeds on disposal of capital assets	250	–	250	–
Loans issued to clients	–	(175,000)	(175,000)	(482,000)
Loans repaid by clients	–	301,830	301,830	282,555
Recovery of loans written-off in prior periods	–	2,121	2,121	4,749
	(14,157)	128,951	114,794	(205,819)
Increase (decrease) in cash	43,808	123,176	166,984	(216,277)
Cash, beginning of year	143,587	101,532	245,119	461,396
Cash, end of year	\$ 187,395	\$ 224,708	\$ 412,103	\$ 245,119

See accompanying notes to financial statements.

3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2020

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 in Part III of the CPA Canada Handbook.

(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 period, 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)

Year ended December 31, 2020

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:

Assets	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 Driving Force contributions.

Operating grants, special projects funding and Driving Force 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)

Year ended December 31, 2020

2. Short-term investments:

	2020	2019
Guaranteed investment certificate	\$ 254,799	\$ 200,000
Mutual funds	–	52,435
	<u>\$ 254,799</u>	<u>\$ 252,435</u>

The guaranteed investment certificate has an effective interest rate of 0.2% and matures after one year of purchase on October 28, 2021. Interest is paid on maturity.

3. Capital assets:

	2020	2019		
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture and fixtures	\$ 97,447	\$ 94,437	\$ 3,010	\$ 5,383
Computer hardware	133,739	123,802	9,937	6,229
Leasehold improvements	113,744	113,744	–	202
	<u>\$ 344,930</u>	<u>\$ 331,983</u>	<u>\$ 12,947</u>	<u>\$ 11,814</u>

4. Impact Loans Program:

	2020	2019
Loans receivable	\$ 745,219	\$ 874,170
Allowance for doubtful accounts	(94,785)	(111,022)
	<u>\$ 650,434</u>	<u>\$ 763,148</u>

The Impact Loans Program provides access to capital and counselling/training support for those who are starting, expanding or modernizing a business in Greater Moncton. The Impact Loans 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.

3PLUS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 49% (2019 - 52%) of revenues and the loss of these relationships would have a significant effect on the Corporation's operations.

7. Impact of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market and societal impacts in Canada and around the world.

The Corporation incurred payroll expenditures that were eligible for the Canada Emergency Wage Subsidy. This government assistance of \$82,867 is presented separately in the statement of operations.

The current challenging economic climate may lead to adverse changes in the cash flows, revenue streams and/or debt balances, which may also have a direct impact on the operating results and financial position of the business in the future.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business are not known at this time.

8. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's excess of revenue over expenses.