

HALIFAX CHAMBER OF COMMERCE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**HALIFAX CHAMBER OF COMMERCE
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DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
Halifax Chamber of Commerce

Opinion

We have audited the financial statements of **Halifax Chamber of Commerce** ("the Chamber"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chamber as at December 31, 2018, and results of its 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 report. We are independent of the Chamber in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 Chamber'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 Chamber or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Chamber'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 these 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 Chamber'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 Chamber's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Chamber 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.

We 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.

Dartmouth, Nova Scotia
March 21, 2019



Chartered Professional Accountants
Licensed Public Accountants

**HALIFAX CHAMBER OF COMMERCE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	2018	2017
	\$	\$
REVENUES		
Memberships	888,756	858,885
Events	1,063,085	732,933
Insurance commissions	395,991	356,723
Grow HALIFAX	81,063	86,132
Certificates of origin	49,533	41,031
Other	<u>27,154</u>	<u>27,520</u>
	<u>2,505,582</u>	<u>2,103,224</u>
OPERATING EXPENSES		
Amortization of capital assets	54,446	53,369
Chamber business	35,937	35,294
Dues and fees	15,867	14,400
Events	535,883	354,049
Government relations	2,026	1,511
Grow HALIFAX	41,133	33,318
Insurance	4,500	4,474
Interest and bank charges	36,786	23,587
Internet service	3,466	3,145
Marketing and promotion	119,153	156,381
Office	31,714	22,786
Postage and courier	6,263	5,109
Professional development	15,863	14,212
Professional fees	10,671	11,818
Rent (Note 5)	147,091	138,904
Repairs and maintenance	25,117	21,862
Salaries and benefits	1,243,885	1,195,800
Telephone	14,979	13,223
Travel	<u>25,180</u>	<u>7,730</u>
	<u>2,369,960</u>	<u>2,110,972</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>135,622</u>	<u>(7,748)</u>
OTHER ITEMS		
Unrealized loss on investments	(33,245)	(4,312)
Investment income	14,767	26,142
Realized gain on sale of investments	1,278	2,340
Investment management fees	<u>(3,250)</u>	<u>(2,879)</u>
	<u>(20,450)</u>	<u>21,291</u>
EXCESS OF REVENUES OVER EXPENSES	<u>115,172</u>	<u>13,543</u>

**HALIFAX CHAMBER OF COMMERCE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	Invested in Capital Assets (Note 10) \$	Unrestricted \$	Total 2018 \$	Total 2017 \$
NET ASSETS - beginning of year	153,263	567,653	720,916	707,373
Excess (deficiency) of revenues over expenses	(54,446)	169,618	115,172	13,543
Acquisition of capital assets	<u>75,864</u>	<u>(75,864)</u>	<u>-</u>	<u>-</u>
NET ASSETS - end of year	<u><u>174,681</u></u>	<u><u>661,407</u></u>	<u><u>836,088</u></u>	<u><u>720,916</u></u>

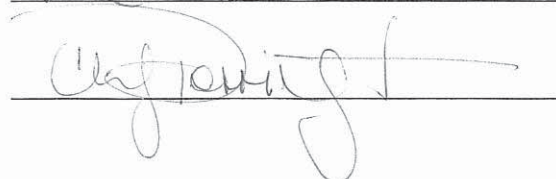
**HALIFAX CHAMBER OF COMMERCE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

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	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash	280,058	293,097
Accounts receivable (Note 3)	439,355	391,864
Current portion of note receivable	19,635	19,635
Prepays	2,266	12,010
Investments (Note 4)	<u>559,369</u>	<u>478,183</u>
	1,300,683	1,194,789
NOTE RECEIVABLE (Note 5)	58,944	78,579
CAPITAL ASSETS (Note 6)	<u>174,681</u>	<u>153,263</u>
	<u>1,534,308</u>	<u>1,426,631</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	262,869	212,930
Deferred revenue (Note 8)	356,772	394,571
Current portion of deferred leasehold incentive	<u>19,635</u>	<u>19,635</u>
	639,276	627,136
DEFERRED LEASEHOLD INCENTIVE (Note 5)	<u>58,944</u>	<u>78,579</u>
	<u>698,220</u>	<u>705,715</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 10)	174,681	153,263
UNRESTRICTED	<u>661,407</u>	<u>567,653</u>
	836,088	720,916
	<u>1,534,308</u>	<u>1,426,631</u>
COMMITMENT (Note 5)		

Approved by the Board

 Director

 Director

HALIFAX CHAMBER OF COMMERCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	2018	2017
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenues over expenses	115,172	13,543
Items not affecting cash		
Amortization of capital assets	54,446	53,369
Amortization of deferred leasehold incentive	(19,635)	(19,643)
Unrealized loss on investments	33,245	4,312
Realized gain on sale of investments	(1,278)	(2,340)
	<u>181,950</u>	49,241
Changes in non-cash working capital items		
Accounts receivable	(47,491)	(24,306)
Prepays	9,744	(9,786)
Accounts payable and accrued liabilities	49,939	(26,482)
Deferred revenue	(37,799)	<u>104,411</u>
	<u>156,343</u>	<u>93,078</u>
INVESTING		
Acquisition of investments	(268,653)	(175,480)
Proceeds on disposal of investments	155,500	203,152
Note receivable	19,635	19,643
Acquisition of capital assets	(75,864)	(19,614)
	<u>(169,382)</u>	<u>27,701</u>
CHANGE IN CASH	(13,039)	120,779
CASH - beginning of year	<u>293,097</u>	<u>172,318</u>
CASH - end of year	<u><u>280,058</u></u>	<u><u>293,097</u></u>

1. OPERATIONS

Halifax Chamber of Commerce ("the Chamber") is a not-for-profit organization representing the Halifax business community. It was incorporated on June 29, 1995 under the Federal Boards of Trade Act. The mission of the Halifax Chamber of Commerce is to support growth of business by providing a voice for business, providing services to businesses, which help them grow and prosper, and helping businesses contribute to a self-reliant community. The Chamber is a not-for-profit organization under Section 149.1(1) of the Income Tax Act and as such is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

General Fund

The General Fund is used for the Chamber's day-to-day ongoing activities. This fund includes the assets, liabilities, revenues and expenses other than those related to the Capital Asset Fund.

Capital Asset Fund

The Capital Asset Fund is used to account for capital assets, including their purchase, amortization and disposal.

Cash

Cash consists of cash on hand and balances held with a financial institution and an investment broker.

Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and methods over their estimated useful lives as follows:

Computer equipment	3 years	Straight-line
Equipment	20%	Diminishing balance
Furniture and fixtures	25%	Diminishing balance
Leasehold improvements	Term of Lease	Straight-line
Signs	Term of Lease	Straight-line
Website and software	3 years	Straight-line

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (continued)

One half year's amortization is taken in the year of acquisition.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. An impairment is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Deferred leasehold incentive

The leasehold incentive is being amortized against rent expense over the term of the lease.

Revenue recognition

Revenue is recognized when goods have been delivered or services have been rendered, and when payment for the good or service can be reasonably assumed. Earned revenue is derived from membership, events, insurance commissions, certificates of origin and other sources.

Contributed goods and services

Contributed goods and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Chamber's operations and would otherwise have been purchased.

The Chamber benefits from donated services in the form of volunteer time for various programs and objectives of the Chamber. Due to the difficulty of determining their fair value, any contributed services are not recognized in these financial statements.

Financial instruments

Measurement of financial instruments

The Chamber initially measures its financial assets and financial liabilities at fair value.

The Chamber subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are measured at fair market value. Changes to fair market value are recognized in the excess of revenues over expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial assets measured at amortized cost include cash, accounts receivable and note receivable.

Financial assets measured at fair value include investments.

The value of the investments in mutual funds reflects the Chamber's aggregate interest in the net asset value of the mutual funds. The mutual funds' third-party administrator reports net asset values on a per share basis.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the excess of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the excess of revenues over expenses.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for doubtful accounts receivable, useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Trade receivables	110,200	98,525
Events and other	122,603	95,997
Memberships	218,482	202,890
Allowance for doubtful accounts	(11,930)	(5,548)
	439,355	391,864

**HALIFAX CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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4. INVESTMENTS

Investments consist of treasury bills and mutual funds which are measured at fair market value with a book value of \$478,321 (2017 - \$363,450). The change in the investment account during the year is a result of the following:

	2018	2017
	\$	\$
Investments, beginning of year	478,183	507,827
Investment income	14,767	26,142
Realized gain on sale of investments	1,278	2,340
Unrealized loss on investments	(33,245)	(4,312)
Management and administration fees	(3,257)	(3,198)
Transfer from operations	50,000	-
Change in investment cash balance	<u>51,643</u>	<u>(50,616)</u>
Investments, end of year	<u><u>559,369</u></u>	<u><u>478,183</u></u>

5. COMMITMENT

On December 1, 2015, the Chamber moved from its previous office location at 656 Windmill Road, Dartmouth to 32 Akerley Boulevard, Dartmouth. At that time, the Chamber entered into a long-term operating lease of the premises, expiring November 30, 2025. The landlord agreed to reimburse the Chamber for \$137,500 of leasehold improvements through a multi-year rental incentive. This is presented in the statement of financial position as both a note receivable and deferred leasehold incentive.

The minimum lease payments for each of the next five years are as follows:

	Annual Rent	Incentive	Net Rent
	\$	\$	\$
2019	164,450	19,635	144,815
2020	165,367	19,635	145,732
2021	175,450	19,635	155,815
2022	175,450	19,635	155,815
2023	175,450	19,635	155,815

**HALIFAX CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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6. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net 2018 \$	Net 2017 \$
Computer equipment	190,505	173,292	17,213	14,554
Equipment	28,941	26,544	2,397	8,733
Furniture and fixtures	384,070	362,176	21,894	24,846
Leasehold improvements	109,118	43,647	65,471	76,383
Signs	32,823	9,295	23,528	20,974
Website and software	<u>206,734</u>	<u>162,556</u>	<u>44,178</u>	<u>7,773</u>
	<u>952,191</u>	<u>777,510</u>	<u>174,681</u>	<u>153,263</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Trade payables	45,921	15,060
Accrued liabilities	161,410	140,708
Government remittances	<u>55,538</u>	<u>57,162</u>
	<u>262,869</u>	<u>212,930</u>

8. DEFERRED REVENUE

	2018 \$	2017 \$
Deferred revenue consists of:		
Memberships	208,021	205,075
Events	148,751	153,651
Grow HALIFAX	<u>-</u>	<u>35,845</u>
	<u>356,772</u>	<u>394,571</u>

	2018 \$	2017 \$
Changes in deferred revenue are as follows:		
Balance, beginning of year	394,571	290,160
Amount recognized as revenue	(394,571)	(290,160)
Amounts received related to future periods	<u>356,772</u>	<u>394,571</u>
Balance, end of year	<u>356,772</u>	<u>394,571</u>

**HALIFAX CHAMBER OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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9. OPERATING LINE OF CREDIT

The Chamber has an operating line of credit authorized in the amount of \$80,000, secured by a first ranking security interest in all personal property of the Chamber, bearing interest at prime rate plus 2.25% per annum. At December 31, 2018, the balance on the operating line of credit was \$NIL (2017 - \$NIL).

10. INVESTED IN CAPITAL ASSETS

	2018	2017
	\$	\$
Balance, beginning of year	153,263	187,018
Amortization	(54,446)	(53,369)
Acquisition of capital assets	<u>75,864</u>	<u>19,614</u>
Balance, end of year	<u>174,681</u>	<u>153,263</u>

11. FINANCIAL INSTRUMENTS

The Chamber is exposed to various risks through its financial instruments. The following analysis provides a measure of the Chamber's risk exposure and concentrations at December 31, 2018.

It is management's opinion that the Chamber is not exposed to significant currency or interest rate risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Chamber to concentrations of credit risk consist of cash, accounts receivable, and note receivable. The Chamber deposits its cash in reputable financial institutions and therefore believes the risk of loss to be remote. The Chamber is exposed to credit risk from accounts receivable. The Chamber believes this credit risk is minimized as the Chamber has a large and diverse customer base. A provision for impairment of accounts receivable is established when there is objective evidence that the Chamber will not be able to collect all amounts due.

11. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Chamber will encounter difficulty in meeting obligations associated with financial liabilities. The Chamber is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Chamber is mainly exposed to other price risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Chamber is exposed to other price risk from its investments.

12. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.