

FINANCIAL STATEMENTS
For
ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION
For year ended
MARCH 31, 2018

DRAFT
For Discussion Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the Members of

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

We have audited the accompanying financial statements of the Ontario East Economic Development Commission, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario East Economic Development Commission as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
Date to be determined.

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 164,388	\$ 125,840
Contributions and other receivables - note 3	57,754	131,795
Prepaid expenses	<u>41,101</u>	<u>5,024</u>
	\$ <u>263,243</u>	\$ <u>262,659</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 87,147	\$ 29,628
Government remittances payable	17,961	21,260
Deferred revenue - membership dues	<u>10,890</u>	<u>6,045</u>
	115,998	56,933
DEFERRED CONTRIBUTIONS		
Deferred contributions - Industry marketing programs - externally restricted - note 4	<u>134,185</u>	<u>154,071</u>
	250,183	211,004
NET ASSETS		
General operations - unrestricted	<u>13,060</u>	<u>51,655</u>
	\$ <u>263,243</u>	\$ <u>262,659</u>

Approved by the Board:

SHELLEY HIRSTWOOD
President

ANNE LEDUC
Treasurer

(See accompanying notes)

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	2018			2017 Total
	Industry Marketing Programs	General Operations	Total	
Revenue				
Government contributions	\$ 212,599	\$ 600	\$ 213,199	\$ 58,645
Ontario East Municipal Conference - note 4	281,021	-	281,021	274,355
Eastern Ontario Local Food Conference	-	-	-	31,258
Membership dues	129,550	25,945	155,495	146,377
Other	9,064	26,158	35,222	19,494
	<u>632,234</u>	<u>52,703</u>	<u>684,937</u>	<u>530,129</u>
Expenses				
Projects - note 2	550,779	26,103	576,882	409,483
Executive director	25,800	47,032	72,832	73,268
Salaries and wages	22,437	28,952	51,389	45,156
Meetings				
Board/committee	-	1,420	1,420	1,032
General and training	188	8,376	8,564	2,453
Office				
Interest and bank charges	31	1,627	1,658	1,663
Insurance	-	2,718	2,718	4,722
Professional fees	-	21,679	21,679	24,747
Telephone and other	-	6,276	6,276	5,296
	<u>599,235</u>	<u>144,183</u>	<u>743,418</u>	<u>567,820</u>
Net revenue (expense)	32,999	(91,480)	(58,481)	(37,691)
Fund balances at beginning of year	154,071	51,655	205,726	243,417
	187,070	(39,825)	147,245	205,726
Interfund transfer - note 5	(52,885)	52,885	-	-
Fund balances at end of year	<u>\$ 134,185</u>	<u>\$ 13,060</u>	<u>\$ 147,245</u>	<u>\$ 205,726</u>

(See accompanying notes)

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATIONS		
Net expense	\$ (58,481)	\$ (37,691)
Changes in level of:		
Contributions and other receivables	74,041	(47,509)
Prepaid expenses	(36,077)	3,120
Accounts payable and accrued liabilities	57,519	(64,244)
Government remittances payable	(3,299)	12,578
Deferred revenue - membership dues	<u>4,845</u>	<u>(25,660)</u>
INCREASE (DECREASE) IN CASH	38,548	(159,406)
CASH AT BEGINNING OF YEAR	<u>125,840</u>	<u>285,246</u>
CASH AT END OF YEAR	<u>\$ 164,388</u>	<u>\$ 125,840</u>

DRAFT
 For Discussion Purposes Only

(See accompanying notes)

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

1. NATURE OF COMMISSION

The Ontario East Economic Development Commission (the "Commission") is a regional not-for-profit organization formed for the purpose of joint marketing and to establish a collective voice for Eastern Ontario regarding issues affecting economic development. The Commission is incorporated under Part II of the Canada Corporations Act and is a not-for-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

In March 2017, the Commission entered into an agreement with the Federal Government under the Adjudication Committee for ICCI to assist the Commission in attracting, retaining and expanding foreign direct investment and strengthen the economy at the community level. The Federal Government agreed to contribute 50% of the eligible costs, to a maximum of \$33,100, incurred by the Commission from the effective date of January 1, 2017 to December 31, 2017. The project was completed in December 2017 and the Commission recognized revenue of \$32,654 in its 2018 fiscal year-end.

In May 2017, the Commission entered into an agreement with the Federal Government under the Eastern Ontario Development Program ("EODP") through the Northumberland Community Futures Development Corporation whereby the Federal Government would contribute up to 50% of the eligible costs, to a maximum of \$100,000, incurred by the Commission from the effective date of April 3, 2017 until the termination date of October 31, 2018. This funding is to assist the Commission in developing and populating a digital archive of Eastern Ontario by systematically integrating diverse datasets into a centralized, easily accessible, interactive and maintenance friendly platform. The Commission recognized revenue of \$62,953 in its 2018 fiscal year-end.

In July 2017, the Commission entered into an agreement with the Province of Ontario under the Ontario Ministry of Agriculture, Food and Rural Affairs ("OMAFRA") to create a 3D interactive mapping tool to equip businesses with the ability to view geospatial data and virtually see investment opportunities for municipalities and the businesses they serve. The Province agreed to contribute up to 47.66% of the eligible costs, to a maximum of \$100,000, incurred by the Commission from the effective date of July 24, 2017 to June 30, 2020. The Commission recognized revenue of \$30,860 in its 2018 fiscal year-end.

In August 2017, the Commission entered into an agreement with the Province of Ontario under the Ontario Ministry of Advanced Education and Skills Development ("MAESD") to support the development of partnerships and strategies that will identify and address workforce needs among industry employers. The Province agreed to contribute up to a maximum of \$49,817 in eligible costs incurred by the Commission from the effective date of August 1, 2017 to December 12, 2017. The project was completed in December 2017 and the Commission recognized revenue of \$49,817 in its 2018 fiscal year-end.

In February 2018, the Commission entered into an agreement with the Province of Ontario under the Ontario Ministry of Advanced Education and Skills Development ("MAESD") to promote industry and community partnerships, address labour market issues and develop labour market intelligence. The Province agreed to contribute up to a maximum of \$304,915 in eligible costs incurred by the Commission from the effective date of January 25, 2018 to March 31, 2020. The Commission recognized revenue of \$36,915 in its 2018 fiscal year-end.

Finally, in March 2018, the Commission entered into an agreement with the Federal Government under the Adjudication Committee for ICCI to assist the Commission in attracting, retaining and expanding foreign direct investment and strengthen the economy at the community level. The Federal Government agreed to contribute 50% of the eligible costs, to a maximum of \$25,500, incurred by the Commission from the effective date of January 1, 2018 to December 31, 2018. The project was not commenced as of the March 31, 2018 fiscal year-end.

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2018

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

Revenue and expenses for service delivery activities are reported in the General Operations Fund.

Revenue and expenses relating to activities undertaken to encourage business in various industrial sectors to relocate to Eastern Ontario are reported in the Industry Marketing Programs Fund. The following industries are included in the Industry Marketing Programs Fund:

Advanced Manufacturing ("AM"), Innovative Rural Opportunities ("IRO"), Food, Logistics, Tourism and Ontario East Municipal Conference ("OEMC").

Revenue recognition

The Commission 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.

Revenue from conferences, consulting and special events are recognized upon completion of the event.

Membership dues are recognized ratably over the course of the membership year.

Financial instruments

The Commission's cash is initially recognized and subsequently measured at fair value at the financial statement date. All other financial instruments are initially measured at fair value and subsequently measured at amortized cost at the financial statement date.

Capital assets and intangible assets

Capital assets and intangible assets are expensed in the year of purchase. There were no capital assets expensed for 2017 or the 2018 fiscal year-end. During the year, marketing costs of \$182,075 were expensed towards the development of an interactive mapping tool and digital archive. Of this total, \$102,700 was allocated to the AM fund and the remaining \$79,375 was allocated to the Food fund.

Contributed services and materials

It is the policy of the Commission to not record contributed services and materials.

Use of estimates

The preparation of financial statements in conformity 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant management estimates include assumptions used in estimating the allowance for doubtful accounts and accrued liabilities. By their nature, these estimates are subject to uncertainty and the impact on the financial statements of future periods could be material.

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2018

3. FINANCIAL INSTRUMENTS

The Commission is exposed to various risks through its financial instruments. The following analysis provides a measure of the Commission's risk exposure and concentrations at its fiscal year-end date.

The Commission does not use derivative financial instruments to manage its risks.

Credit risk

The Commission is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Commission's maximum exposure to credit risk represents the sum of the carrying value of its cash and contributions and other receivables.

The Commission's cash is deposited with a Canadian chartered bank and as a result, management believes the risk of loss on this item to be remote.

Management reduces the credit risk attributable to its contributions and other receivables by reviewing aging schedules monthly and following up on outstanding amounts. Management believes the full amount of contributions and other receivables recorded at March 31, 2018 are collectable and thus an allowance is not warranted on the amounts due.

The following table presents an analysis of the age of contributions and other receivables:

	<u>2018</u>	<u>2017</u>
Current	\$ 52,422	\$ 130,914
31-60 days past the billing date	-	825
Greater than 90 days past the billing date	<u>5,332</u>	<u>56</u>
	<u>\$ 57,754</u>	<u>\$ 131,795</u>

Liquidity risk

Liquidity risk refers to the adverse consequence that the Commission will encounter difficulty in meeting obligations associated with its financial liabilities.

The Commission manages liquidity risk through its investment policy and cash flow budgeting process.

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2018

3. **FINANCIAL INSTRUMENTS** - Cont'd.

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 is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates relative to the Canadian dollar.

The Commission operates primarily in Canadian dollars and as such, management believes the Commission is not subject to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Commission does not have any financial assets or liabilities which bear interest at a variable rate and as such, management believes the Commission is not subject to significant interest rate risk.

iii) *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.

The Commission does not have any financial instruments that are quoted in an active market and as such, management believes the Commission is not subject to significant other price risk.

Changes in risk

There have been no significant changes in the Commission's risk exposures from the prior year.

ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2018

4. DEFERRED CONTRIBUTIONS

(i) *Industry Marketing Programs*

The following deferred contributions represent restricted Industry Marketing Programs funding received from corporations, governments, government agencies and other organizations that are related to expenses to be incurred in subsequent years.

Changes in the deferred contributions balance is as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 154,071	\$ 202,090
Contributions received in year		
Government	212,599	57,880
Membership dues	129,550	120,133
OEMC	281,021	274,355
Eastern Ontario Local Food Conference	-	31,258
Other	<u>9,064</u>	<u>8,577</u>
	632,234	492,203
Less recognized as revenue	<u>599,235</u>	<u>427,797</u>
	<u>32,999</u>	<u>64,406</u>
Interfund transfer to general operations	<u>(52,885)</u>	<u>(112,425)</u>
Balance at end of year	\$ 134,185	\$ 154,071

(ii) *Ontario East Municipal Conference*

The Ontario East Municipal Conference ("OEMC") is a joint undertaking between the Ontario Ministry of Municipal Affairs and Housing (the "Ministry") and the Commission. During the 2015 fiscal year, a new memorandum of understanding was executed between the Ministry and the Commission whereby full responsibility for the conference has now been assigned to the Commission.

The purpose of the OEMC is to provide a forum for the discussion of current topics relating to provincial legislation and its impact on the municipal sector, economic development issues and tourism activities. The OEMC is held each year in September.

Subsequent to the 2018 fiscal year-end, the Commission was notified that the Ministry will no longer be attending or participating in the OEMC in any capacity.

5. INTERFUND TRANSFERS

During the year, the Board approved the following interfund transfers to general operations:

Fund balances transferred from Industry Marketing Programs		
AM	\$ (9,977)	
Food	<u>(35,008)</u>	(44,985)
Net revenue from OEMC		<u>97,870</u>
Total interfund transfer to general operations		\$ 52,885

6. COMMITMENTS

The Commission leases its office premises under an operating lease which expires in the 2020 fiscal year. Annual minimum payments over the term of the lease will be approximately as follows:

2019	\$ 9,000
2020	2,250

**ONTARIO EAST ECONOMIC DEVELOPMENT COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018**

	2018										2017
	Industry Marketing Programs							Total	General	Total	Total
	AM	IRO	Food	Logistics	Tourism	OEMC	LFC		operations		
Revenue											
Government contributions											
- EODP	\$ 41,097	\$ -	\$ 21,856	\$ -	\$ -	\$ -	\$ -	\$ 62,953	\$ -	\$ 62,953	\$ -
- ICCI	16,027	-	16,027	-	-	-	-	32,054	600	32,654	58,645
- OMAFRA	15,430	-	15,430	-	-	-	-	30,860	-	30,860	-
- MAESD	86,732	-	-	-	-	-	-	86,732	-	86,732	-
Ontario East Municipal Conference - note 4	-	-	-	-	-	281,021	-	281,021	-	281,021	274,355
Eastern Ontario Local Food Conference	-	-	-	-	-	-	-	-	-	-	31,258
Membership dues	31,250	15,000	51,000	18,000	14,300	-	-	129,550	25,945	155,495	146,377
Member participation and other	1,234	-	6,596	1,234	-	-	-	9,064	26,158	35,222	19,494
	<u>191,770</u>	<u>15,000</u>	<u>110,909</u>	<u>19,234</u>	<u>14,300</u>	<u>281,021</u>	<u>-</u>	<u>632,234</u>	<u>52,703</u>	<u>684,937</u>	<u>530,129</u>
Expenses											
Projects											
Consultants - Lead Generation Conference - OEMC	-	-	-	-	-	152,274	-	152,274	3,400	155,674	129,408
Event organization support	-	-	489	-	-	30,256	1,074	31,819	300	32,119	36,113
Event registration and booth fees	18,782	-	38,418	2,951	-	-	-	60,151	-	60,151	51,851
Marketing - note 2	177,710	2,940	84,588	2,740	3,549	60	38	271,625	3,619	275,244	128,512
Member participation	1,243	-	9,719	-	-	-	-	10,962	2,858	13,820	2,611
Office and general	801	-	-	-	-	-	-	801	1,195	1,996	2,294
Outbound trade mission	10,308	-	-	-	-	-	-	10,308	-	10,308	-
Professional development	-	-	-	-	-	-	-	-	61	61	3,473
Postage and courier	-	-	-	-	-	-	-	-	-	-	31
Rent	-	-	-	-	-	-	-	-	8,558	8,558	8,700
Sector base material	3,245	151	151	151	-	-	-	3,698	-	3,698	2,665
Special events	-	-	-	-	-	-	2,332	2,332	1,700	4,032	25,084
Travel	3,274	397	564	397	610	489	1,078	6,809	4,412	11,221	16,835
Web-site	-	-	-	-	-	-	-	-	-	-	950
Sub-totals	215,363	3,488	133,929	6,239	4,159	183,079	4,522	550,779	26,103	576,882	409,483
Executive director	7,000	2,400	7,000	7,000	2,400	-	-	25,800	47,032	72,832	73,268
Salaries and wages	4,263	4,263	4,263	4,263	4,263	-	1,122	22,437	28,952	51,389	45,156
Meetings											
Board/committee	-	-	-	-	-	-	-	-	1,420	1,420	1,032
General and training	147	-	-	-	-	41	-	188	8,376	8,564	2,453
Office											
Interest and bank charges	-	-	-	-	-	31	-	31	1,627	1,658	1,663
Insurance	-	-	-	-	-	-	-	-	2,718	2,718	4,722
Professional fees	-	-	-	-	-	-	-	-	21,679	21,679	24,747
Telephone and other	-	-	-	-	-	-	-	-	6,276	6,276	5,296
	<u>226,773</u>	<u>10,151</u>	<u>145,192</u>	<u>17,502</u>	<u>10,822</u>	<u>183,151</u>	<u>5,644</u>	<u>599,235</u>	<u>144,183</u>	<u>743,418</u>	<u>567,820</u>
Net revenue (expense)	(35,003)	4,849	(34,283)	1,732	3,478	97,870	(5,644)	32,999	(91,480)	(58,481)	(37,691)
Fund balances at beginning of year	61,941	31,686	(725)	3,315	33,750	-	24,104	154,071	51,655	205,726	243,417
	26,938	36,535	(35,008)	5,047	37,228	97,870	18,460	187,070	(39,825)	147,245	205,726
Interfund transfer - note 5	9,977	-	35,008	-	-	(97,870)	-	(52,885)	52,885	-	-
Fund balances at end of year	\$ 36,915	\$ 36,535	\$ -	\$ 5,047	\$ 37,228	\$ -	\$ 18,460	\$ 134,185	\$ 13,060	\$ 147,245	\$ 205,726