

Nova Scotia Federation of Municipalities

Financial Statements

December 31, 2022

Contents

	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Operations	4-5
Statement of Changes in Net Assets	6
Statement of Cash Flow	7
Notes to Financial Statements	8 - 13

Morse Brewster Lake

Chartered Professional Accountants

P.O. Box 718
158 Commercial Street
Berwick, NS
B0P 1E0
Tel: (902) 538-8531
Fax: (902) 538-7610
Email: info@mblcpa.ca

Independent Auditor's Report

To the **President and Members** of

Nova Scotia Federation of Municipalities

Our Opinion

We have audited the financial statements of **Nova Scotia Federation of Municipalities**, which comprise the statement of financial position as at December 31, 2022, 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 **Nova Scotia Federation of Municipalities** as at December 31, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Federation 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 qualified audit 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Society's financial reporting process.

Independent Auditor's Report (continued)

Auditor's 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 auditor's 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 Entity's internal control.

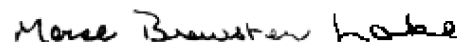
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 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 auditor's 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 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.

Berwick, Nova Scotia
June 23, 2023



Chartered Professional Accountants

Nova Scotia Federation of Municipalities

Statement of Financial Position

December 31, 2022

	<u>2022</u>	<u>2021</u>
Assets		
Current		
Cash	\$ 511,995	\$ 166,139
Short-term deposits NSF (note 9)	14,479,381	575,000
Accounts receivable	359,075	77,849
HST receivable	60,233	-
Roberts' Memorial Fund (note 4)	16,639	16,520
Prepaid expenses	<u>11,870</u>	<u>5,750</u>
	15,439,193	841,258
 Property and Equipment (note 3)	 <u>20,620</u>	 <u>13,587</u>
	<u>\$ 15,459,813</u>	<u>\$ 854,845</u>
Liabilities		
Current		
Payables and accruals	\$ 147,791	\$ 26,780
Payroll deductions payable	46,324	26,282
Funds held in trust - SCCF	12,669,492	-
Deferred revenue (note 7)	1,670,742	77,820
Current portion of long term debt (note 8)	<u>40,000</u>	<u>-</u>
	14,574,349	130,882
 Long Term Debt (note 8)	 <u>-</u>	 <u>40,000</u>
	<u>14,574,349</u>	<u>170,882</u>
Net Assets		
Roberts' Memorial Fund (note 4)	16,638	16,520
Unrestricted (page 6)	447,906	253,556
Restricted - General reserve (page 6)	400,300	400,300
Investment in property, plant and equip. (page 6)	<u>20,620</u>	<u>13,587</u>
	<u>885,464</u>	<u>683,963</u>
	<u>\$ 15,459,813</u>	<u>\$ 854,845</u>

Commitments (note 9)

On Behalf of the Board

Brenda Chisholm-B, President J. Spencer, Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

Nova Scotia Federation of Municipalities

Statement of Operations

Year Ended December 31, 2022

	SCCF (Note 12)	NSFM	2022 Actual	2022 Budget	2021 Actual
Revenue					
Membership Fees	\$ -	\$ 489,907	\$ 489,907	\$ 489,907	\$ 435,210
Events					
Fall Conference					
Registration	-	130,240	130,240	144,850	37,300
Sponsorships	-	62,500	62,500	40,000	27,500
Exhibits	-	22,046	22,046	24,000	4,100
Spring Conference	-	45,800	45,800	64,500	26,275
Seminars & Projects	-	148,818	148,818	6,000	66,584
	<u>-</u>	<u>409,404</u>	<u>409,404</u>	<u>279,350</u>	<u>161,759</u>
Programs					
Insurance Program	-	148,857	148,857	100,000	120,873
Group Benefits & TD Ins.	-	45,805	45,805	35,000	41,051
	<u>-</u>	<u>194,662</u>	<u>194,662</u>	<u>135,000</u>	<u>161,924</u>
Grants and Government Programs					
Canada Community Building					
Fund Administration	-	140,000	140,000	125,000	125,000
Sustainable Communities					
Challenge Fund (note 12)	988,943	-	988,943	-	-
Investment Income	-	10,190	4,500	4,500	3,412
Other Income	-	4,585	4,585	4,900	1,500
Government of Canada	-	-	-	-	20,000
	<u>988,943</u>	<u>154,775</u>	<u>1,143,718</u>	<u>134,400</u>	<u>149,912</u>
Transfer from surplus	-	-	-	54,697	-
	<u>988,943</u>	<u>1,248,748</u>	<u>2,237,691</u>	<u>1,093,354</u>	<u>908,805</u>
Expenditures					
Administrative					
Salaries, fees and benefits	312,036	702,726	1,014,762	711,300	565,145
Staff travel	-	9,598	9,598	20,765	4,644
	<u>312,036</u>	<u>712,324</u>	<u>1,024,360</u>	<u>732,065</u>	<u>569,789</u>
Operational					
Audit	3,000	6,000	9,000	6,500	6,000
Bank charges	298	2,718	3,016	2,000	2,358
Rent and occupancy	15,885	55,981	71,866	60,000	56,973
Organizational dues and meetings	6,979	9,656	16,635	23,000	6,090
Professional fees	569,975	13,356	583,331	14,600	8,864
Sundry	-	2,321	2,321	2,500	639
Supplies and printing	7,743	19,821	27,564	20,000	16,454
Communications	64,400	5,493	69,893	10,000	2,438
Telephone	-	6,375	6,375	9,000	8,279
Liability and general ins.	-	6,964	6,964	8,650	8,299
	<u>668,280</u>	<u>128,685</u>	<u>796,965</u>	<u>156,250</u>	<u>116,394</u>

The accompanying notes are an integral part of these financial statements.

Nova Scotia Federation of Municipalities

Statement of Operations Continued

Year Ended December 31, 2022

	SCCF	NSFM	2022 Actual	2022 Budget	2021 Actual
Events					
Fall Conference	-	99,937	99,937	97,540	11,461
Spring Conference	-	19,285	19,285	25,000	3,000
Seminars	-	776	776	2,000	875
	<u>-</u>	<u>119,998</u>	<u>119,998</u>	<u>124,540</u>	<u>15,336</u>
Governance					
Board of Directors	-	13,875	13,875	56,000	32,173
Committees	-	-	-	5,000	-
	<u>-</u>	<u>13,875</u>	<u>13,875</u>	<u>61,000</u>	<u>32,173</u>
Special Projects					
Mainstreeting	-	6,150	6,150	-	22,550
Software	8,627	-	8,627	-	-
Asset Management	-	1,050	1,050	-	10,605
FOCUS Sessions	-	3,744	3,744	-	-
Restructuring	-	21,777	21,777	-	-
SERMGAR	-	20,666	20,666	-	-
Parity Project	-	1,500	1,500	-	-
Other	-	5,493	5,493	11,500	3,408
	<u>8,627</u>	<u>60,380</u>	<u>69,007</u>	<u>11,500</u>	<u>36,563</u>
Amortization	-	9,485	9,485	4,000	5,527
Grant to AMANS	-	2,500	2,500	2,500	2,501
Ken Simpson Memorial	-	-	-	1,500	5,000
	<u>-</u>	<u>11,985</u>	<u>11,985</u>	<u>8,000</u>	<u>13,028</u>
	<u>988,943</u>	<u>1,047,247</u>	<u>2,036,190</u>	<u>1,093,354</u>	<u>783,283</u>
Excess of Revenue over Expenditures	<u>\$ -</u>	<u>\$ 201,501</u>	<u>\$ 201,501</u>	<u>\$ -</u>	<u>\$ 125,522</u>

The accompanying notes are an integral part of these financial statements.

Nova Scotia Federation of Municipalities

Statement of Changes in Net Assets

For the Year Ending December 31, 2022

	<u>Restricted</u>	<u>Investment in</u>	<u>Unrestricted</u>	<u>Roberts'</u>	<u>2022</u>	<u>2021</u>
	<u>Reserve</u>	<u>Capital Assets</u>	<u>Net Assets</u>	<u>Fund</u>	<u>Net</u>	<u>Net</u>
		\$	\$		\$	\$
Balance, begin. of year	400,300	\$ 13,587	\$ 253,556	16,520	\$ 683,963	\$ 558,441
Transfer to restricted reserve	-	-	-	-		-
Purchase of equipment	-	16,518	(16,518)	-		-
Excess (deficiency) of Revenue over Expenditures	<u>-</u>	<u>(9,485)</u>	<u>210,868</u>	<u>118</u>	<u>201,501</u>	<u>125,522</u>
Balance, end of year	<u>\$ 400,300</u>	<u>\$ 20,620</u>	<u>\$ 447,906</u>	<u>\$ 16,638</u>	<u>\$ 885,464</u>	<u>\$ 683,963</u>

The accompanying notes are an integral part of these financial statements.

Nova Scotia Federation of Municipalities

Statement of Cash Flow

Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Operating surplus for the year	\$ 201,501	\$ 125,522
Amortization	<u>9,485</u>	<u>5,527</u>
	210,986	131,049
Changes in		
Accounts receivable	(341,459)	(32,468)
Inventory	-	-
Prepaid expense	(6,120)	78
Payables and accruals	141,052	(41,054)
Deferred revenue	1,592,922	(19,747)
Funds held in trust	<u>12,669,492</u>	<u>-</u>
	<u>14,055,887</u>	<u>(93,191)</u>
Cash flow from investing activities:		
Purchase of investments	(14,479,499)	(300,460)
Sale of investments	575,000	100,000
Investment in property, plant and equip.	<u>(16,518)</u>	<u>(6,672)</u>
	<u>(13,921,017)</u>	<u>(207,132)</u>
Cash flow from financing activities:		
Long term debt acquired	<u>-</u>	<u>40,000</u>
Cash Decrease	345,856	(129,274)
Cash and Equivalencies, beginning of year	<u>166,139</u>	<u>295,413</u>
Cash and Equivalencies, end of year	<u>\$ 511,995</u>	<u>\$ 166,139</u>

The accompanying notes are an integral part of these financial statements.

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

1. Status and nature of activities

Nova Scotia Federation of Municipalities (formerly The Union of Nova Scotia Municipalities) (the Federation), incorporated under the laws of Nova Scotia, is a not-for-profit organization formed to represent the interest of local governments in Nova Scotia .

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (Part III of the CPA Handbook) (ASNPO) and reflect the following significant accounting policies:.

Cash and cash equivalents

Cash and cash equivalents represent cash and cash equivalents that mature with three months and those that can be readily converted to cash as well as cash in banks.

Internally restricted cash

The Federation has internally restricted funds of \$400,300 (2021 - \$400,003) for event cancellation and future operations, which is invested in a short-term deposit as of December 31, 2022 and 2021.

Property and Equipment

In accordance with ASNPO, the Federation continues capitalizing its property, plant and equipment additions. Amortization of property, plant and equipment is provided on a declining balance method at rate specified in note 3.

Fund Accounting

The accounts are maintained in accordance with principles of fund accounting. This method ensures observance of restrictions, if any, on the use of resources by maintaining separate accounts for each fund. Funds that have limitations placed on their use by internal or external parties are classified as restricted.

The following provide a brief description of each fund group:

- The unrestricted fund is for general operating funds
- The internally restricted fund holds those funds that have been internally restricted by the Federation for a Operation Stabilization reserve (six months of operating costs) and to have an Event Cancellation reserve.
- The investment in capital assets is the balance in capital assets less associated amortization
- The Robert's Memorial Fund (the Fund) is internally restricted for projects of the Federation (note 4)

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

2. Significant Accounting Policies (continued)

Revenue Recognition

Recognition of revenue related to services provided occurs when the amount can be reliably measured, ultimate collection is reasonably assured and performance is complete.

The Federation follows the deferral method of accounting for contributions. Restricted contributions 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.

Management estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

Government Grants

The Federation recognizes government grants when there is reasonable assurance that the grant will be received and that the conditions of the grant will be met. Government grants are recorded within accounts receivable when the grant becomes receivable. The Federation has elected to record the grants, where appropriate, as other revenue. Any grants that become receivable in a period that succeeds when the expenses are incurred are accrued in the period in which they become receivable.

Income taxes

The Federation is a not-for-profit organization under paragraph 149(1)(l) of the Income Tax Act and, accordingly, is not required to pay income taxes.

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

2. Significant Accounting Policies (continued)

Financial Instruments and risk management

Fair Market Value

Fair values estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, short-term deposits, amounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of those instruments.

Concentration of credit risk

Management believes the Federation has no significant credit concentration.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Federation is not exposed to significant interest rate risk

Liquidity risk

Liquidity risk is the risk that the Federation will encounter problems in raising funds to meet its commitments at maturity. The Federation is exposed to liquidity risk through its accounts payable and accrued liabilities. Management believes it has ample working capital to meet those obligation as they arise.

3. Property and Equipment

		2022			2021
	Rates	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Equip.	30%	\$ 56,080	\$ 41,241	\$ 14,839	\$ 5,345
Office Equipment	20%	25,211	20,776	4,435	4,880
Leasehold Improv.	4 Yr	<u>6,050</u>	<u>4,704</u>	<u>1,346</u>	<u>3,362</u>
		<u>\$ 87,341</u>	<u>\$ 66,721</u>	<u>\$ 20,620</u>	<u>\$ 13,587</u>

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

4. Roberts' Memorial Fund

The Fund was established in memory of the late Judge Arthur Roberts, Catherine Rogers and other deceased municipal leaders. It is not registered as a charitable organization for income tax purposes.

The trustees of the Fund are the president, the legal advisor and the financial advisor of the Federation. The decision as to the projects to be underwritten by the Fund is made by the Executive of the Federation. The Fund is intended to assist in furthering the objectives of the Federation. Projects may include municipal research, education, speakers for the conference, etc. Only the income earned by the Fund is available to fund projects. The income available for projects is comprised of the income earned by the Fund since inception, less expenditures made by the Fund on projects.

	<u>2022</u>	<u>2021</u>
Revenue		
Interest	\$ <u>118</u>	\$ <u>87</u>
Fund balance- Beginning of year	<u>16,520</u>	<u>16,433</u>
Fund balance- End of year	\$ <u><u>16,638</u></u>	\$ <u><u>16,520</u></u>
Income available for projects		
Income available for projects - Beginning of the year	\$ 3,895	\$ 3,808
Net increase of fund balance in year	<u>118</u>	<u>87</u>
Income available for projects - End of Year	4,013	3,895
Funds not available for projects	<u>12,625</u>	<u>12,625</u>
Total fund balance	\$ <u><u>16,638</u></u>	\$ <u><u>16,520</u></u>

5. Government Assistance

During the prior year, the Federation received a Canada Emergency Business Account (CEBA) loan. The CEBA loan is for \$60,000 and if repaid by December 31, 2023, \$20,000 of the loan is forgiven by the Government of Canada. \$20,000 of loan forgiveness is included in the prior year other income.

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

7. Deferred Revenue

	<u>2022</u>	<u>2021</u>
Deferred revenue, opening balance	\$ 77,820	\$ 97,567
Funds received in the year	2,623,355	24,259
Funds earned in the year	<u>(1,040,836)</u>	<u>(44,006)</u>
Deferred revenue, ending balance	<u>\$ 1,660,339</u>	<u>\$ 77,820</u>

Deferred revenue consists of revenue received for the WILG Bursary, Ken Simpson Memorial, Towns Task Force, Carbon Offset, Fire Services, AT Summit, FCM RFP and Sustainable Communities Challenge Fund (SCCF) projects that will be used in future years. The SCCF accounts for \$1,512,557 of the deferred revenue.

8. Long Term Debt

	<u>2022</u>	<u>2021</u>
Royal Bank unsecured Covid loan, 0% interest, repayable by December 31, 2023	\$ 40,000	\$ 40,000
Less Current portion	<u>(40,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 40,000</u>

9. Short Term Deposits

	<u>2022</u>	<u>2021</u>
CIBC GIC at 5.25% due September 28, 2023	\$ 13,800,000	\$ -
CIBC GIC at 5.25% due September 28, 2023	100,000	-
RBC GIC at 4.20% due December 7, 2023	579,381	-
RBC GIC at 0.35% due April 28, 2022	-	375,000
RBC GIC at 0.35% due November 16, 2022	<u>-</u>	<u>200,000</u>
	<u>\$ 14,479,381</u>	<u>\$ 575,000</u>

10. Commitments

The minimum annual lease payments under long-term agreement for premises, including common area costs and equipment are as follows:

Year ending	Premises	Equipment	Total
2023	16,933	3,840	20,773
2024	-	3,840	3,840
2025		2,560	2,560

The term of the premises lease is from October 3, 2016 to August 31, 2023

The term of the equipment lease is from September 23, 2019 to August 23, 2025.

Nova Scotia Federation of Municipalities

Notes to Financial Statements

December 31, 2022

11. Capital Management

The Federation defines capital as net assets. Currently, the Federation has no defined target for net assets and operates under the culture of a balanced budget. There are currently no external restrictions on capital for the Federation.

12. Sustainable Communities Challenge Fund

During the year the Federation was awarded the contract with the Province of Nova Scotia to administer the Sustainable Communities Challenge Fund (SCCF). The Fund was established as a goal in the Environmental Goals and Climate Change Reduction Act. The Federation is required to develop a strategic plan, provide organization and management, develop a communications and engagement plan and develop the application process. The Federation will provide ongoing administration of the \$15 million dollar fund, including the approval and disbursement of funds for applicants. During the year the Federation received \$99,672 from the SCCF for rent, insurance and administration of the SCCF. The SCCF project has been shown separately on the statement of operations due to the size of the project.