Nova Scotia Federation of Municipalities

Halifax, Nova Scotia

Financial Statements

March 31, 2026

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 - 14

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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 March 31, 2026, 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 March 31, 2026, 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 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Federation'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.

Moore Brewster Hobbs

Berwick, Nova Scotia
November 3, 2026

Chartered Professional Accountants

Nova Scotia Federation of Municipalities

Statement of Financial Position

March 31, 2026

	2026	2025
Assets		
Current		
Cash	$ 2,634,226	$ 1,408,077
Restricted cash	14,914,785	18,579,632
Restricted short term investment - GIC at 2.70%	80,000	-
Accounts receivable	92,259	1,708,707
HST receivable	16,766	-
Roberts' Memorial Fund GIC (note 4)	19,093	18,482
Prepaid expenses	51,087	35,095
	17,808,216	21,749,993
Property and Equipment (note 3)	172,330	13,538
	$ 17,980,546	$ 21,763,531
Liabilities		
Current		
Payables and accruals	$ 2,296,429	$ 2,666,613
Payroll deductions payable	24,098	39,118
HST Payable	-	162,420
Funds held in trust - SCCF	9,156,534	11,987,419
Deferred revenue (note 5)	4,738,063	5,648,378
Deferred lease inducement - current portion (note 7)	37,682	-
	16,252,806	20,503,948
Deferred lease inducement (note 7)	103,625	-
	16,356,431	20,503,948
Net Assets		
Roberts' Memorial Fund (note 4)	19,093	18,482
Unrestricted (page 6)	545,950	283,728
Restricted - General reserve (page 6)	1,020,188	943,835
Investment in property, plant and equip. (page 6)	38,884	13,538
	1,624,115	1,259,583
	$ 17,980,546	$ 21,763,531

Commitments (note 8)

On Behalf of the Board

_____, President _____, Chief Executive Officer

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

Nova Scotia Federation of Municipalities

Statement of Operations

For the Year Ended March 31, 2026

	2026 Actual	2026 Budget (unaudited)	For the Three Months Ending March 31, 2025 Actual
Revenue			
Membership Fees	$ 567,988	$ 567,988	$ 141,997
Events			
Fall Conference			
Registration	180,790	162,050	-
Sponsorships	105,000	70,000	-
Exhibits	42,385	33,400	-
Spring Conference	97,350	75,250	-
	425,525	340,700	-
Programs			
Insurance Program	304,092	200,000	1,869
Wellness Program	204,607	-	-
CANOE Program	41,042	7,000	9,381
Group Benefits & TD Ins.	166,782	125,000	37,802
	716,523	332,000	49,052
Special Projects and Government Programs			
Build Communities Strong Fund Community Stream Administration	14,797	48,333	-
Sustainable Communities Challenge Fund (note 9)	578,472	809,835	146,365
ECC - Coastal Protection	166,337	169,468	35,580
DMA - Flood mapping	206,594	425,300	11,152
DMA - Policy Analyst	67,841	106,887	-
ECC -Policy Advisor	56,716	112,337	-
Code of Conduct	25,860	109,882	18,020
Project administration	286,671	308,565	60,366
	1,403,288	2,090,607	271,483
Other			
Investment Income	51,669	25,000	9,570
Other Income	46,054	12,500	2,261
Lease inducement	32,620	-	-
Transfer from surplus	-	64,473	-
	130,343	101,973	11,831
	3,243,667	3,433,268	474,363
Expenditures			
Administrative			
Salaries, fees and benefits	1,052,140	1,079,736	263,937
Staff travel	11,024	20,000	780
	1,063,164	1,099,736	264,717

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

Nova Scotia Federation of Municipalities

Statement of Operations Continued

For the Year Ended March 31, 2026

	2026 Actual	2026 Budget (unaudited)	For the Three Months Ending March 31, 2025 Actual
Operational			
Audit	11,000	6,500	5,000
Bank charges	3,328	3,000	694
Rent and occupancy	105,259	119,372	16,152
Organizational dues and meetings	22,063	37,500	7,113
Professional fees	16,701	18,600	2,243
Supplies and printing	39,392	24,000	7,453
Communications	4,068	10,000	483
Telephone	3,568	8,000	1,040
Liability and general ins.	10,336	14,000	3,807
	215,715	240,972	43,985
Events			
Fall Conference	139,132	133,800	594
Spring Conference	23,046	42,075	2,151
Seminars	9,462	2,000	-
	171,640	177,875	2,745
Governance			
Board of Directors	48,203	41,050	4,185
Committees	-	1,000	-
	48,203	42,050	4,185
Special Projects			
Build Communities Strong Fund Community Stream Administration	14,797	48,333	-
Sustainable Communities Challenge Fund (note 9)	578,472	809,835	146,365
ECC - Policy Advisor	56,716	112,337	-
ECC - Coastal protection	166,337	169,468	35,580
DMA - Flood mapping	206,594	425,300	11,152
DMA - Policy Analyst	67,841	106,887	-
Code of Conduct	25,860	109,882	18,020
Other	8,693	21,000	850
	1,125,310	1,803,042	211,967
Other			
Amortization	44,996	12,000	3,566
Office move	2,000	-	-
Grant to AMANS	2,500	2,500	-
Ken Simpson Memorial	1,000	1,500	-
Wellness Program	204,607	-	-
	255,103	16,000	3,566
	2,879,135	3,379,675	531,165
Excess (Deficiency) of Revenue over Expenditures	$ 364,532	$ 53,593	$ (56,802)

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 Ended March 31, 2026

	Restricted Reserve	Investment in Capital Assets	Unrestricted Net Assets	Roberts' Memorial Fund	2026 Net Assets	For the Three Months Ending March 31, 2025 Net Assets
Balance, begin. of year	943,835	$ 13,538	$ 283,728	18,482	$ 1,259,583	$ 1,316,385
Transfer to restricted reserve	76,353	-	(76,353)	-	-	-
Purchase of capital assets	-	37,722	(37,722)	-	-	-
Excess (deficiency) of Revenue over Expenditures	-	(12,376)	376,297	611	364,532	(56,802)
Balance, end of year	$ 1,020,188	$ 38,884	$ 545,950	$ 19,093	$ 1,624,115	$ 1,259,583

Restricted Reserve composition:

Event cancellation	$ 73,854
Operational expenses	552,079
Rental - occupancy costs	394,255
	$ 1,020,188

Investment in capital assets composition:

Purchase of Capital Assets	$ 203,788
Funded by leasehold allowance	(166,066)
Net purchase, as shown above	$ 37,722
Amortization of capital assets	$ (44,996)
Amortization of leasehold allowance	32,620
Net amortization, as shown above	$ (12,376)

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

Nova Scotia Federation of Municipalities

Statement of Cash Flow

For the Year Ended March 31, 2026

	2026	For the Three Months Ending March 31, 2025
Cash flow from operating activities:		
Operating surplus for the period	$ 364,532	$ (56,802)
Amortization	44,996	3,566
	409,528	(53,236)
Changes in		
Accounts receivable	1,599,682	(1,314,077)
Deferred lease inducements	141,307	-
Prepaid expense	(15,992)	(9,108)
Payables and accruals	(547,624)	(340,371)
Deferred revenue	(910,315)	1,863,097
Funds held in trust	(2,830,885)	(123,475)
	(2,563,827)	76,066
Total cash flow from operating activities	(2,154,299)	22,830
Cash flow from investing activities:		
Purchase of investments	(99,093)	(156)
Sale of investments	18,482	-
Investment in property, plant and equip.	(203,788)	(4,271)
	(284,399)	(4,427)
Cash (Decrease) Increase	(2,438,698)	18,403
Cash and Equivalents, beginning of year	19,987,709	19,969,306
Cash and Equivalents, end of year	$ 17,549,011	$ 19,987,709
Cash and Equivalents		
Cash	$ 2,634,226	$ 1,408,077
Restricted cash	14,914,785	18,579,632
	$ 17,549,011	$ 19,987,709

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

Nova Scotia Federation of Municipalities

Notes to Financial Statements

March 31, 2026

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. The Federation changed its year end from the calendar year to fiscal April 1 to March 31 effective March 31, 2025.

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 within three months and those that can be readily converted to cash as well as cash in banks.

Restricted cash

The Federation has internally restricted funds of $1,020,188 (2025 - $943,835) for event cancellation, rental occupancy costs and future operations, which is invested in a high interest savings account as of March 31, 2026. Externally restricted cash consists of funds held in trust and deferred revenue.

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. Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

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 capital assets less accumulated amortization and the unamortized leasehold allowance.
- The Robert's Memorial Fund (the Fund) is internally restricted for projects of the Federation (note 4)

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.

Lease inducements

Lease inducements consist of a leasehold improvement allowance and a rent-free period received from the landlord. They are recorded as deferred lease inducements and amortized on a straight-line basis over the term of the lease. The rent-free period is shown as a reduction of rent and occupancy expense. The improvement allowance is amortized to revenue as lease inducement, offsetting the amortization of leasehold improvements.

2. Significant Accounting Policies (continued)

Financial Instruments and risk management

Measurement

The Federation initially measures its financial assets and financial liabilities at fair value, which is normally the transaction price.

The Federation has elected to measure all of its financial assets and financial liabilities at fair value after initial recognition. These include:

- cash and restricted cash;
- guaranteed investment certificates;
- accounts receivable;
- accounts payable and accrued liabilities; and
- funds held in trust.

Changes in fair value are recognized in the statement of operations in the period they occur. Transaction costs are expensed as incurred.

Fair value

Fair value is estimated at a specific point in time, based on relevant market information about the instrument. These estimates involve judgment and uncertainty, so they cannot be determined with precision.

Guaranteed investment certificates are measured at principal plus accrued interest, which approximates fair value because they are held to maturity and earn market rates. Cash, receivables, payables, accrued liabilities and funds held in trust are short-term, so their carrying amounts approximate fair value.

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 obligations as they arise.

Nova Scotia Federation of Municipalities

Notes to Financial Statements

March 31, 2026

3. Property and Equipment

	Rates	2026 Cost	2026 Accumulated Amortization	2026 Net Book Value	2025 Net Book Value
Computer Equip.	30%	$ 74,652	$ 59,784	$ 14,868	$ 6,997
Office Equipment	20%	47,095	27,771	19,324	6,541
Leasehold Improvements - lease term		171,931	33,793	138,138	-
		$ 293,678	$ 121,348	$ 172,330	$ 13,538

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.

	2026	Three Months Ending March 31, 2025
Revenue		
Interest	$ 611	$ 156
Fund balance- Beginning of year	18,482	18,326
Fund balance- End of year	$ 19,093	$ 18,482
Income available for projects		
Income available for projects - Beginning of the year	$ 5,201	$ 5,045
Net increase of fund balance in period	611	156
Income available for projects - End of year	5,812	5,201
Funds not available for projects	13,281	13,281
Total fund balance	$ 19,093	$ 18,482

Invested in RBC GIC at 2.60% interest, matures December 16, 2026 for March 31, 2026 and RBC GIC at 3.40% for March 31, 2025 (matures December 16, 2025).

5. Deferred Revenue

	2026	2025
Deferred revenue, opening balance	$ 5,648,378	$ 3,785,281
Funds received in the period	506,457	2,131,574
Funds earned in the period	(1,416,772)	(268,477)
Deferred revenue, ending balance	$ 4,738,063	$ 5,648,378

The following is a breakdown of deferred revenue by Project:

	2026	2025
Sustainable Communities Challenge Fund (SCCF)	1,820,244	2,398,716
DMA - Flood Mapping	634,961	765,369
DMA - Code of Conduct	61,375	87,235
DMA - Policy Analyst	266,259	334,100
ECC - Coastal Protection Support	230,373	390,173
ECC - Policy Analyst	292,864	344,106
ECC - By Law	1,016,649	1,000,000
Online Modules	48,700	53,200
Build Communities Strong Fund Community stream	180,203	-
Fund Navigator	112,500	202,500
Ken Simpson Memorial	31,482	32,482
WILG Bursary fund	11,180	11,180
Other projects	31,273	29,317
	4,738,063	5,648,378

Deferred revenue other projects consists of revenue received for the Towns Task Force, Carbon Offset, Fire Services, AT Summit and FCM RFP projects.

6. 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.

7. Deferred Lease Inducement

In 2025, the Federation relocated to new premises under its lease with Crombie Developments Limited. The lease term runs to December 31, 2029.
The landlord provided:
a leasehold improvement allowance of $166,066, applied towards the cost of leasehold improvements; and one month of rent-free occupancy, valued at $9,826.
These inducements are being amortized over the 56-month term of the relocated premises, from May 1, 2025 to December 31, 2029.

	2026	2025
Balance, beginning of year	$ -	$ -
Inducements received	175,892	-
Reduction of rental expense	(1,965)	-
Amortization relating to capital	(32,620)	-
Balance, end of year	141,307	-
Less current portion	(37,682)	-
Long-term portion	$ 103,625	$ -

8. Commitments

The minimum annual lease payments under long-term agreement for premises and equipment are as follows:

Year ending	Premises	Equipment	Total
2027	$ 59,400	$ 4,236	$ 63,636
2028	60,200	4,236	64,436
2029	61,000	4,236	65,236
2030	46,200	-	46,200
Total	$ 226,800	$ 12,708	$ 239,508

The term of the premises lease is from January 1, 2025 to December 31, 2029.
The term of the equipment lease is from September 27, 2023 to March 27, 2029.
If the lease is terminated because of the Federation's default or insolvency, the unamortized portion of the leasehold allowance must be repaid to the landlord (see Note 7).

9. Sustainable Communities Challenge Fund

In 2022 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 $28.5 million dollar fund, including the approval and disbursement of funds for applicants. During the year the Federation received $83,986 (three months ending March 31, 2025 - $17,609) from the SCCF for rent, insurance and administration of the SCCF.

	2026	Three Months Ending March 31, 2025
Revenue	$ 578,472	$ 146,365
Expenses		
Salaries and benefits	489,760	122,730
Rent and insurance	33,380	5,139
Information technology	21,163	4,275
Office and supplies	15,476	3,075
Audit	10,000	5,000
Outreach and review committee	5,761	2,637
Other	2,932	3,509
	578,472	146,365
	$ -	$ -

The statement of financial position includes SCCF restricted cash and accrued interest of $13,105,572, funds held in trust of $9,156,534, approved grants payable of $2,114,486 (included in payables and accruals) and deferred contributions of $1,820,244 (Note 5).

10. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation. The comparative period is the three months ended March 31, 2025.