

MUNICIPAL ASSESSMENT AGENCY INC.

Financial Statements

Year Ended March 31, 2020

POWER & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.
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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Municipal Assessment Agency Inc.

Opinion

We have audited the financial statements of Municipal Assessment Agency Inc. (the Agency), which comprise the statement of financial position as at March 31, 2020, and the statements of revenues and expenditures, 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 Agency as at March 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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 Agency in accordance with 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 PSAS, 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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

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.

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Independent Auditor's Report to the Board of Directors of Municipal Assessment Agency Inc. *(continued)*

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 Agency'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 Agency'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 Agency 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.

Other Matter

The financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements dated June 4, 2019.

St. John's, Newfoundland and Labrador
July 7, 2020

Power & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.

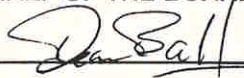
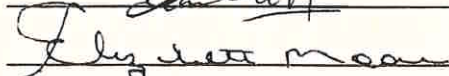
Statement of Financial Position

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 529,065	\$ 549,690
Accounts receivable (Note 3)	191,701	153,549
Prepaid expenses	245,988	223,726
	<u>966,754</u>	926,965
RESERVE FUNDS (Note 4)	2,300,000	2,300,000
TANGIBLE CAPITAL ASSETS (Note 5)	1,124,376	1,058,737
	<u>\$ 4,391,130</u>	<u>\$ 4,285,702</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 396,281	\$ 323,495
Accrued vacation pay (Note 7)	276,317	236,750
Accrued severance pay (Note 7)	-	41,015
Deferred income	4,895	18,213
	<u>677,493</u>	619,473
NET ASSETS		
SHARE CAPITAL	<u>1</u>	<u>1</u>
	1	1
COLLABORATIVE INITIATIVE RESERVE FUND	400,000	400,000
TECHNOLOGY RESERVE FUND	600,000	600,000
OPERATING RESERVE FUND	1,300,000	1,300,000
	<u>2,300,000</u>	<u>2,300,000</u>
UNRESTRICTED FUND	1,413,636	1,366,228
	<u>3,713,637</u>	3,666,229
	<u>\$ 4,391,130</u>	<u>\$ 4,285,702</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

ON BEHALF OF THE BOARD

 Member
 Member

MUNICIPAL ASSESSMENT AGENCY INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2020

	2020	2019
REVENUES		
Assessment services	\$ 5,321,519	\$ 5,452,509
Interest revenue	65,567	60,044
Valuation revenue	53,882	77,882
Municipal training	2,680	2,520
	<u>5,443,648</u>	<u>5,592,955</u>
EXPENSES		
Salaries	3,147,584	2,928,518
Benefits	689,731	654,053
Office and administration (Schedule 1)	487,103	532,348
Information technology	332,308	405,840
Travel	275,970	307,870
Printing and postage	239,596	231,071
Municipal Collaborative Initiative	89,427	20,000
	<u>5,261,719</u>	<u>5,079,700</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	<u>181,929</u>	<u>513,255</u>
Amortization of tangible capital assets	92,597	80,171
Provision for severance and vacation pay	41,924	120,785
	<u>134,521</u>	<u>200,956</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 47,408</u>	<u>\$ 312,299</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Changes in Net Assets

Year Ended March 31, 2020

	Balance, beginning of year April 1, 2019	Excess of revenues over expenses	Transfers	Balance, end of year March 31, 2020
Collaborative Initiative Fund (Note 4)	\$ 400,000	\$ (89,427)	\$ 89,427	\$ 400,000
Technology Fund (Note 4)	600,000	-	-	600,000
Operating Fund (Note 4)	1,300,000	-	-	1,300,000
Unrestricted Fund	1,366,228	136,835	(89,427)	1,413,636
	<u>\$ 3,666,228</u>	<u>\$ 47,408</u>	<u>\$ -</u>	<u>\$ 3,713,636</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 47,408	\$ 312,299
Item not affecting cash:		
Amortization of tangible capital assets	92,597	80,171
	<u>140,005</u>	<u>392,470</u>
Changes in non-cash working capital:		
Accounts receivable	(38,154)	(39,349)
Prepaid expenses	(22,262)	(69,206)
Accounts payable and accrued liabilities	72,788	17,297
Employee receivable	-	(970)
Accrued severance pay	(41,015)	(583,253)
Accrued vacation pay	39,567	38,207
Deferred income	(13,318)	14,508
	<u>(2,394)</u>	<u>(622,766)</u>
Cash flow from (used by) operating activities	<u>137,611</u>	<u>(230,296)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(158,236)</u>	<u>(78,603)</u>
DECREASE IN CASH	<u>(20,625)</u>	<u>(308,899)</u>
Cash - beginning of year	<u>2,849,690</u>	<u>3,158,589</u>
CASH - END OF YEAR	<u>\$ 2,829,065</u>	<u>\$ 2,849,690</u>
CASH CONSISTS OF:		
Cash	\$ 529,065	\$ 549,690
Reserve funds	<u>2,300,000</u>	<u>2,300,000</u>
	<u>\$ 2,829,065</u>	<u>\$ 2,849,690</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2020

NATURE OF OPERATIONS

The Municipal Assessment Agency Inc. (the "Agency") was incorporated April 2, 1997, under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal Affairs and Environment, Government of Newfoundland and Labrador (the "Department").

The Agency has one common share with a par value of \$1.00 issued to the Minister of Municipal Affairs and Environment, Government of Newfoundland and Labrador.

The Agency is a crown corporation and, accordingly is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

The outbreak of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. For the year ended March 31, 2020, the governmental restrictions and measures have not impacted the Agency in a material way to date as its activities have been maintained. Management's estimates and judgments considered the uncertainties and economic implications of the COVID-19 pandemic on the Agency's operations and financial position and did not result in material impacts for the year ended March 31, 2020.

However, at the date of publication of these financial statements, while the Agency has been able to mitigate the short-term impact from the crisis without any significant impact, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Agency's financial results, conditions and cash flows.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared within the framework of Public Sector Accounting Standards which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Agency are as follows:

Cash

Cash includes cash on hand and bank balances.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives using the declining balance method at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%
Buildings	4%

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue for the provision of assessment and valuation services is recognized when the services are rendered.

Accrued severance pay

The Agency has stopped accruing severance to comply with the NAPE collective agreement that came into effect March 31, 2018 stating that there was to be no further accumulation of services for severance. The remaining amount of accrued severance has been paid out as at March 31, 2020.

Accrued vacation pay

Vacation is accrued for employees as entitlement is earned.

Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

Financial instruments

Financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

2. FINANCIAL INSTRUMENTS

The Agency is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Agency's risk exposure and concentration as of March 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Agency is exposed to credit risk in connection with its accounts receivable. The Agency manages its credit risk through ongoing management review of all accounts receivable past due. The Agency reviews its credit risk regularly and it is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting obligations associated with financial liabilities. The Agency is exposed to this risk in respect of its accounts payable and accrued liabilities, accrued vacation pay and operating lease commitments. The risk is mitigated through the Agency's level of current assets exceeding current liabilities.

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 rate risk, interest rate risk and other price risk. The Agency is mainly exposed to currency risk and interest rate risk.

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2. FINANCIAL INSTRUMENTS (continued)

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The agency is exposed to foreign currency exchange risk on cash held in U.S. dollars. The Agency does not use derivative instruments to reduce its exposure to foreign currency risk. As at March 31, 2020, cash balances of \$2,896 (2019 - \$42,424) are shown in US dollars in the company's account and converted into Canadian dollars as at that date for financial statement purposes.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Agency manages exposure through its normal operating and financing activities.

3. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Trade receivables	\$ 120,014	\$ 71,465
HST recoverable	56,636	80,346
Employee receivable	15,051	1,738
	<u>\$ 191,701</u>	<u>\$ 153,549</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2020

4. RESERVE FUNDS

The Agency has internally restricted funds for the following purposes:

Operating Reserve Fund

Board Restricted Operating Reserve Fund was designated at the February 8, 2019 board meeting. The general purpose of the fund is to help ensure the long-term financial stability of the Agency. The fund will be used to offset future budget increases in operating expenses, position the Agency to respond to carrying charges and economic conditions affecting the Agency's financial position, and to meet specific financial requirements in accordance with the Agency's strategic vision and values. Amount of reserved funds as at March 31, 2020 are \$1,300,000 (2019 - \$1,300,000).

Technology Reserve Fund

Board Restricted Technology Reserve Fund was designated at the February 8, 2019 board meeting. The general purpose of the fund is to meet major technology developments in software and hardware enhancing the Agency's vision to meet the property assessment and valuation needs of their clients. The fund will be used to meet major technology system developments, fund special projects and collaborations in information technology and to renew existing information technology infrastructure. Amount of reserve funds at March 31, 2020 are \$600,000 (2019 - \$600,000).

Collaborative Initiative Reserve Fund

Board Restricted Collaborative Initiative Reserve Fund was designated at the February 8, 2019 board meeting. The general purpose of the fund is to foster and encourage collaborative partnerships to develop and implement best practices in providing fair and effective property assessment and valuation. The fund will be used to encourage partnerships with municipalities that support innovation in property assessments and valuations, to support the Agency's participation in the National Collaborative Initiative, and to work with other partners in projects that will further the Agency's objectives. During the year, \$89,427 in funds were released by the Agency. Amount of reserved funds as at March 31, 2020 are \$400,000 (2019 - \$400,000).

The restricted reserve funds are held in the Agency's operating account that bears interest.

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer hardware and software	\$ 466,749	\$ 423,720	\$ 43,029	\$ 18,092
Furniture and equipment	292,379	238,134	54,245	40,959
Integrated assessment system	1,956,369	1,805,812	150,557	95,295
Buildings	1,076,075	407,751	668,324	696,170
Land	208,221	-	208,221	208,221
	\$ 3,999,793	\$ 2,875,417	\$ 1,124,376	\$ 1,058,737

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2020

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Accrued wages payable	\$ 146,403	\$ 107,455
Accounts payable	113,079	104,386
Accrued professional fees	90,129	43,641
Appeal fees	27,575	37,525
Employee expenses payable	13,271	22,884
Other	5,824	7,604
	<u>\$ 396,281</u>	<u>\$ 323,495</u>

7. ACCRUED SEVERANCE AND VACATION PAY

The provision for severance and vacation pay consists of the following:

	<u>2020</u>	<u>2019</u>
Severance pay		
Opening balance	\$ 41,015	\$ 624,268
Severance paid out	(41,856)	(657,262)
Current year expense	841	74,009
Closing balance	<u>-</u>	<u>41,015</u>
Vacation pay		
Opening balance	236,750	198,543
Vacation paid out	(1,516)	(8,569)
Current year expense	41,083	46,776
Closing balance	<u>276,317</u>	<u>236,750</u>

8. COMMITMENTS AND CONTINGENCIES

The Agency has a lease for office space in Corner Brook, Newfoundland and Labrador. The term of the lease is 5 years, starting December 1, 2019 and ending on December 1, 2024. The monthly rental fee is \$4,605. Future minimum lease payments total \$202,614 and include the following payments over the next years: 2021 - \$55,258; 2022 - \$55,258; 2023 - \$55,258; 2024 - \$36,839.

The Agency has a lease for office space in Clarenville, Newfoundland and Labrador. The term of the lease is 3 years, starting November 1, 2018 and ending October 31, 2021 with the option to renew at the same rate for 3 years. The monthly rental fee is \$475. Future minimum lease payments total \$9,205 and include the following payments over the next years: 2021 - \$5,700; 2022 - \$3,325.

The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years starting on February 1, 2020 and ending on January 31, 2023. The monthly rental fee is \$841. Future minimum lease payments total \$28,594 and include the following payments over the next years: 2021 - \$10,092; 2022 - \$10,092; 2023 - \$8,410.

The Agency has a lease for office space in Spaniard's Bay, Newfoundland and Labrador. The term of the lease is 3 years starting December 31, 2018 and ending on November 30, 2021. The monthly rental fee is \$550. Future minimum lease payments total \$11,000 and include the following payments over the next years: 2021 - \$6,600; 2022 - \$4,400.

The Agency has a lease for office space in Conception Bay South, Newfoundland and Labrador. The term of the lease is three years starting July 1, 2019 and ending June 30, 2022. The monthly rental fee is \$450. Future minimum lease payments total \$6,750 and include the following payments over the next years: 2021 - \$5,400; 2022 - \$1,350.

The Agency has prepared valuations which are subject to litigation to which the Agency has been included as a third party defendant. These claims could be considered in the normal course of the Agency's activities. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

9. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform to the current period's presentation. These reclassifications had no effect on the reported results of the Agency.

MUNICIPAL ASSESSMENT AGENCY INC.

Office and Administration
(Schedule 1)

Year Ended March 31, 2020

(Unaudited)

	2020	2019
EXPENSES		
Professional fees	\$ 110,774	\$ 132,193
Premises and equipment	93,320	103,575
Repairs and maintenance	65,575	67,090
Telephone	55,122	65,633
Office supplies	46,433	47,067
Purchased services	45,330	56,143
Utilities	34,606	34,180
Insurance	28,423	27,332
Exchange loss (gain)	3,281	(3,583)
Interest and bank charges	2,944	2,204
Bad debt expense	1,295	514
	<u>\$ 487,103</u>	<u>\$ 532,348</u>