

**St. John's Board of Trade
Financial Statements
For the Year Ended December 31, 2019**

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For the Year Ended December 31, 2019**

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Independent Auditor's Report

**To the members of
St. John's Board of Trade**

Opinion

We have audited the financial statements of St. John's Board of Trade (the "Board"), which comprise the statement of financial position as at December 31, 2019, 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 Board as at December 31, 2019, and its financial performance and 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Board's Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained the Board's Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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.

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 Board'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 Board'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 Board 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.

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
February 4, 2020

**St. John's Board of Trade
Statement of Financial Position**

December 31	2019	2018
Assets		
Current		
Cash	\$ 424,297	\$ 195,321
Accounts receivable (Note 2)	151,773	195,860
Investments (Note 3)	264,409	130,481
Prepaid expenses	24,606	14,737
	865,085	536,399
Long-term investments (Note 3)	137,184	215,278
Capital assets (Note 4)	15,338	9,602
	\$ 1,017,607	\$ 761,279
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 228,965	\$ 88,428
HST payable	132,396	12,600
Deferred revenue (Note 6)	336,353	363,861
	697,714	464,889
Net Assets		
Unrestricted net assets	37,966	20,199
Investments in capital assets	15,338	9,602
Internally restricted (Note 7)	266,589	266,589
	319,893	296,390
	\$ 1,017,607	\$ 761,279

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

**St. John's Board of Trade
Statement of Changes in Net Assets**

For the year ended December 31	Unrestricted net assets	Investments in capital assets	Internally restricted	2019 Total	2018 Total
Balance, beginning of the year	\$ 20,199	\$ 9,602	\$ 266,589	\$ 296,390	\$ 282,529
Excess (deficiency) of revenues over expenses	28,499	(4,996)	-	23,503	13,861
Investment in capital assets	(10,732)	10,732	-	-	-
Balance, end of the year	\$ 37,966	\$ 15,338	\$ 266,589	\$ 319,893	\$ 296,390

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

St. John's Board of Trade Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Board activities (Note 9)	\$ 580,466	\$ 629,914
Membership fees	335,203	344,278
Connector program	301,620	254,016
Grant / subsidy revenue	123,955	113,603
Other revenue	41,144	35,938
Interest income	11,501	8,146
Rental income	8,720	4,253
Certificates of origin	5,910	3,300
	1,408,519	1,393,448
Expenses		
Wages and benefits	500,678	611,970
Connector program	284,379	234,093
Board activities (Note 9)	252,911	248,472
Rental	114,330	106,929
AIPP project	42,692	22,209
Computers and leased equipment	32,893	30,589
Consulting fees	20,100	3,200
Training	18,863	12,158
Professional fees	17,820	15,965
Memberships and licences	14,576	12,610
Interest and bank charges	14,129	15,925
NLWIC program	13,334	-
Travel	10,502	4,916
Luncheons	8,168	7,621
Utilities	7,824	8,135
Office	6,889	8,359
Amortization of capital assets	4,996	7,687
Grant / subsidy	4,933	-
Labrador project	4,879	15,103
Website	3,570	1,017
Miscellaneous	2,881	3,517
Advertising and promotion	1,782	6,390
Postage	1,433	1,561
Bad debts	454	-
Climate smart	-	1,161
	1,385,016	1,379,587
Excess of revenues over expenses	\$ 23,503	\$ 13,861

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

St. John's Board of Trade Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenses	\$ 23,503	\$ 13,861
Items not affecting cash:		
Amortization of capital assets	4,996	7,687
	28,499	21,548
Changes in non-cash working capital:		
Accounts receivable	44,087	(36,270)
Prepaid expenses	(9,869)	(4,557)
Accounts payable and accrued liabilities	140,537	17,562
Deferred contributions	(27,508)	56,464
HST payable (receivable)	119,796	(6,011)
	295,542	48,736
Cash flows used in investing activities		
Purchase of investments	(238,251)	(345,759)
Proceeds on disposal of investments	182,417	267,185
Acquisition of capital assets	(10,732)	(7,873)
	(66,566)	(86,447)
Net increase (decrease) in cash	228,976	(37,711)
Cash, beginning of the year	195,321	233,032
Cash, end of the year	\$ 424,297	\$ 195,321

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

St. John's Board of Trade Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>The Board is a not-for-profit organization incorporated without share capital in July 1970 under the Canadian Board of Trades Act. The Board is principally an advocate for the business community on economic issues and matters of significant to businesses, as well as manages a range of activities to enhance opportunities for members to improve their ability to do business.</p> <p>The Board is registered as a not-for-profit organization with CRA and, as such, is exempt from income taxes under the Income Tax Act.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).</p>
Revenue Recognition	<p>Membership fee revenue is deferred and taken into income evenly over the twelve month term of the membership contract and any unearned portion related to services unperformed is included in deferred revenue. During the year the Board implemented a new tiered membership system. Some elements of revenue are estimated at fair market value and recognized as services are delivered.</p> <p>The Board follows the deferral method of accounting for contributions.</p> <p>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.</p> <p>Sponsorship revenues are deferred and taken into income evenly over the twelve month term of the sponsorship, and any unearned portion is included in deferred revenue.</p> <p>All other revenue is recognized at the time services are provided and collection is reasonably assured.</p>
Government Assistance	<p>Government assistance, presented as grant/subsidy revenue, received during the year for current expenses and revenues is included in the determination of net income for the year. Government assistance related to capital expenditures is shown as a reduction of the cost of such assets.</p>

St. John's Board of Trade Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost less accumulated amortization.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Furniture and equipment	Straight-line	5 years
Computer	Straight-line	3 years

The Board regularly reviews its capital assets to eliminate obsolete items.

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument.

Financial assets are tested for impairment when indicators of impairment exist.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. The estimates used by management include the provisions for impairment of trade accounts receivable, amortization on and the estimated useful lives of capital assets, and the allocation for tiered membership to its various categories.

Contributed Services

Volunteers contribute many hours per year to assist the Board in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

St. John's Board of Trade Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Jointly Controlled Operation

The Board accounts for the operations of a joint arrangement entered into during the year by recognizing its share of the revenues and expenses. Assets and liabilities under the ownership and control of the Board have been reflected in the statement of financial position with the partner interest recorded in accounts payable and accrued liabilities.

2. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Trade accounts receivable	\$ 108,483	\$ 173,914
Grants receivable	43,768	40,156
Accounts Receivable - Obama	13,973	-
Allowance for bad debts	<u>(14,451)</u>	<u>(18,210)</u>
	<u>\$ 151,773</u>	<u>\$ 195,860</u>

**St. John's Board of Trade
Notes to Financial Statements**

December 31, 2019

3. Investments

The carrying amounts of investments are comprised of the following:

	2019	2018
Guaranteed investment certificate, maturing on December 15, 2020 earning interest at 2.00% per annum	\$ 58,893	\$ -
Guaranteed investment certificate, maturing on October 29, 2020 earning interest at 1.72% per annum	56,660	-
Guaranteed investment certificate, maturing on January 28, 2020 earning interest at 2.125% per annum	51,283	-
Guaranteed investment certificate, maturing on January 26, 2020 earning interest at 1.25% per annum	50,308	-
Guaranteed investment certificate, maturing on August 26, 2020 earning interest at 2.25% per annum	47,265	-
Guaranteed investment certificate, matured during the year	-	75,000
Guaranteed investment certificate, matured during the year	-	55,481
Total short-term investments	\$ 264,409	\$ 130,481
Guaranteed investment certificate, maturing on April 10, 2024 earning interest at 4.00% per annum	75,740	-
Guaranteed investment certificate, maturing on February 20, 2021 earning interest at 2.50% per annum	61,444	59,945
Guaranteed investment certificate, maturing on January 28, 2020 interest at 2.13% per annum	-	50,216
Guaranteed investment certificate, maturing on August 26, 2020 earning interest at 2.25% per annum	-	46,224
Guaranteed investment certificate, maturing on December 18, 2020 earning interest at 2.00% per annum	-	58,893
Total long-term investments	\$ 137,184	\$ 215,278
Total investments	\$ 401,593	\$ 345,759

**St. John's Board of Trade
Notes to Financial Statements**

December 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 42,976	\$ 42,957	\$ 42,971	\$ 42,695
Computer	167,373	152,054	156,64	147,320
	210,349	195,011	199,611	190,015
		\$ 15,338		\$ 9,602

5. Bank Indebtedness

The Board has pledged all of its assets as security for a \$10,000 operating line of credit with TD Bank. As at December 31, 2019 the line of credit was unutilized. When utilized, the line of credit bears interest at TD Bank's prime rate plus 2.50%.

6. Deferred Revenue

Connector program revenue, advocacy patron program revenue and other grant/subsidy revenue is restricted by the funder and recognized in the year in which related expenses are incurred. Membership and sponsorship revenues are deferred until performance is met at the end of the twelve-month period.

	2019	2018
Membership revenue	\$ 163,398	\$ 155,359
Connector program revenue	79,965	159,478
Other grant/subsidy revenue	67,390	13,031
Sponsorship revenue	25,600	24,000
Advocacy patron program revenue	-	11,993
	\$ 336,353	\$ 363,861

St. John's Board of Trade Notes to Financial Statements

December 31, 2019

7. Internal Restrictions on Net Assets

The Board's board of directors internally restricted \$278,398 (2018 - \$266,589) of unrestricted net assets to be held as a reserve for future events as identified and approved by the board of directors. These internally restricted amounts are not available without approval of the board of directors.

8. Related Party Transaction

The Board is under common control with various entities by virtue of common directors. During the year, the Board paid \$2,429 (2018 - \$2,196) for professional services performed by a related party. These transactions were carried out in the normal course of operations and are recorded at fair value. At year end, the Board owed \$nil (2018 - \$1,121) to a related party as a result of these transactions.

9. Board Activities

	Revenues	Expenses	2019	2018
Sponsorships	\$ 98,900	\$ -	\$ 98,900	\$ 112,067
Business development summit	88,764	39,012	49,752	87,694
Conversation with Barack Obama	156,515	112,559	43,956	-
Golf tournament	45,864	11,465	34,399	26,443
Business excellence awards	62,573	37,883	24,690	22,753
Luncheons	46,589	22,941	23,648	16,332
Electronic advertising	21,024	-	21,024	8,419
Seminars	42,107	27,255	14,852	17,815
Advocacy patrons	11,992	-	11,992	40,878
Business news	6,067	1,796	4,271	45,949
Trade mission	71	-	71	3,000
Membership directory	-	-	-	92
	\$ 580,466	\$ 252,911	\$ 327,555	\$ 381,442

St. John's Board of Trade Notes to Financial Statements

December 31, 2019

10. Lease commitments

The Board's total obligations for the next two years, under various operating leases for occupied premises, exclusive of realty taxes and other occupancy charges, are as follows:

2020	\$ 84,424
2021	<u>69,890</u>
	<u>\$ 154,314</u>

11. Financial Instruments

The Board's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and investments. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant liquidity or interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Board's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivables.

The risk has decreased from the prior year due to a decrease in accounts receivables during the year.
