

**FEDERATION OF PRINCE EDWARD ISLAND  
MUNICIPALITIES INC.**

**Financial Statements**

**March 31, 2019**

FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.

Index to Financial Statements

March 31, 2019

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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Federation of Prince Edward Island Municipalities Inc.

### Opinion

We have audited the financial statements of Federation of Prince Edward Island Municipalities Inc. (the Federation), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, operations 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 Federation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

### 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 those 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 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 relating 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.

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## 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 Federation'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 Federation'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 Federation 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.

*MRSB Chartered Professional Accountants Inc.*

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

October 21, 2019

**FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.**

**Statement of Financial Position**

**March 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 85,520	\$ 70,639
Temporary investments	26,037	88,843
Accounts receivable (Note 4)	12,462	4,441
Prepaid expense	5,482	4,227
	129,501	168,150
Property and equipment (Note 5)	895	629
Long term investments	117,512	52,625
	\$ 247,908	\$ 221,404
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 60,269	\$ 66,749
Deferred revenue (Note 6)	8,100	8,479
Due to PEI Managers' Network	2,070	2,092
	70,439	77,320
Lease commitments (Note 7)		
<b>NET ASSETS</b>		
Unrestricted net assets (Statement 4)	177,469	144,084
	\$ 247,908	\$ 221,404

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

Notes 1 - 10 are an integral part of these financial statements

FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.

Statement of Changes in Net Assets

Year Ended March 31, 2019

	2019	2018
Unrestricted net assets - beginning of year	\$ 144,084	\$ 153,248
Excess (deficiency) of revenues over expenditures - Statement 5	<u>33,385</u>	<u>(9,164)</u>
Unrestricted net assets - end of year	<u>\$ 177,469</u>	<u>\$ 144,084</u>

**FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.**

**Statement of Operations  
Year Ended March 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>Revenues</b>			
Membership dues	\$ 139,180	\$ 139,711	\$ 133,192
Provincial grant	95,000	105,000	95,000
Annual and semi-annual meetings	21,500	24,670	26,616
Training and development	21,500	15,628	-
Interest	2,000	2,662	2,373
Miscellaneous	-	224	243
Legal advice services	500	-	300
Province of PEI - project grants	-	-	10,000
	<u>279,680</u>	<u>287,895</u>	<u>267,724</u>
<b>Expenditures</b>			
Amortization of property and equipment	600	275	264
Annual and semi-annual meetings	20,375	16,056	19,673
Bell award	500	500	-
Dues and fees	2,795	2,625	2,480
Insurance	2,300	2,258	2,208
Interest and bank charges	450	348	359
Legal advice service	500	500	513
Meetings	3,200	2,925	2,863
Miscellaneous	1,000	1,038	1,655
Office	9,850	10,027	9,542
President - per diem	6,000	6,000	6,000
Professional fees	19,849	11,076	25,701
Rent	4,800	4,800	4,800
Training and development	21,500	13,857	265
Travel - in province	5,500	4,495	4,361
Travel - out of province	13,678	8,865	11,757
Wages and wage levies	166,783	168,865	184,447
	<u>279,680</u>	<u>254,510</u>	<u>276,888</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ 33,385</u>	<u>\$ (9,164)</u>

Notes 1 - 10 are an integral part of these financial statements

**FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.**

**Statement of Cash Flows  
Year Ended March 31, 2019**

	2019	2018
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenditures	\$ 33,385	\$ (9,164)
Item not affecting cash:		
Amortization of property and equipment	<u>275</u>	<u>264</u>
	<u>33,660</u>	<u>(8,900)</u>
 Changes in non-cash working capital:		
Temporary investments	62,806	(88,843)
Accounts receivable	(8,021)	4,251
Prepaid expense	(1,255)	452
Accounts payable and accrued liabilities	(6,480)	20,393
Deferred revenue	(379)	(1,541)
Due to PEI Managers' Network	<u>(22)</u>	<u>(10,343)</u>
	<u>46,649</u>	<u>(75,631)</u>
	<u>80,309</u>	<u>(84,531)</u>
 <b>Cash flows from investing activities</b>		
Purchase of property and equipment	(541)	-
Purchase of long term investments	<u>(64,887)</u>	<u>(52,625)</u>
	<u>(65,428)</u>	<u>(52,625)</u>
 <b>Increase (decrease) in cash</b>	14,881	(137,156)
 <b>Cash - beginning of year</b>	<u>70,639</u>	<u>207,795</u>
 <b>Cash - end of year</b>	<u>\$ 85,520</u>	<u>\$ 70,639</u>



FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.

Notes to Financial Statements

Year Ended March 31, 2019

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**1. DESCRIPTION OF BUSINESS**

Federation of Prince Edward Island Municipalities Inc. was incorporated under Part II of the Prince Edward Island Companies Act on October 1, 1987 as a not-for-profit entity. Incorporating in this manner exempts the Federation from income taxes providing ongoing compliance requirements are met.

Federation of Prince Edward Island Municipalities Inc. is a community volunteer organization, the missions of which are:

- to provide and foster effective, efficient and accountable municipal government in Prince Edward Island;
- to represent, as a strong, unified voice the interest of its member municipalities;
- to guide and assist member municipalities in enhancing their overall operation and decision making process; and
- to guide and improve provincial and federal legislation, programs, and policies that reflect and impact upon municipal interests.

**2. BASIS OF PRESENTATION**

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO).

**3. SIGNIFICANT ACCOUNTING POLICIES**

Cash

Cash is comprised of cash on hand and cash in banks.

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of excess of revenues over expenditures. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of excess of revenues over expenditures.

All of the Federation's temporary and long term investments are recorded at amortized cost, as the Federation does not have any investments quoted in an active market.

Accounts receivable

Accounts receivable arise from grants receivable, trade receivables and Harmonized Sales Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

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FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.

Notes to Financial Statements

Year Ended March 31, 2019

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates:

Equipment	20%
Computer hardware	55%

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government assistance for current expenditures is recorded as revenues. During the year, the Federation received \$105,000 (2018 - \$105,000) from the Province of Prince Edward Island of which \$105,000 (2018 - \$95,000) was an operating grant, \$Nil (2018 - \$10,000) was project funding.

Government grants are recorded when there is a reasonable assurance that the Federation has complied with, and will continue to comply with, all the necessary conditions to obtain the grants.

Employee future benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, retiring allowances, and defined contributions to employee benefit plans when it is probable that settlement will be required and they are capable of being measured reliably.

Revenue recognition

The Federation follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenues in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated services and materials

The operations of the Federation depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.

Notes to Financial Statements

Year Ended March 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

When preparing financial statements according to Canadian ASNFPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenditures
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Federation may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets and asset impairments.

Financial instruments

The Federation initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Federation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in excess of revenues over expenditures.

Financial assets measured at amortized cost include cash, investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amount due to PEI Managers' Network.

Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

4. ACCOUNTS RECEIVABLE

	2019	2018
Grants receivable	\$ 10,000	\$ -
HST receivable	1,806	3,985
Trade accounts receivable	656	456
	<u>\$ 12,462</u>	<u>\$ 4,441</u>

**FEDERATION OF PRINCE EDWARD ISLAND MUNICIPALITIES INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2019**

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 6,414	\$ 5,911	\$ 503	\$ 629
Computer hardware	541	149	392	-
	<u>\$ 6,955</u>	<u>\$ 6,060</u>	<u>\$ 895</u>	<u>\$ 629</u>

**6. DEFERRED REVENUE**

	2019	2018
Annual meeting sponsorships	\$ 8,100	\$ 6,800
Annual meeting registrations	-	1,125
Membership dues	-	554
	<u>\$ 8,100</u>	<u>\$ 8,479</u>

**7. LEASE COMMITMENTS**

The Federation has entered into a lease agreement with Xerox Canada Ltd. for the lease of a photocopier. The minimum lease payments due over the next five years are as follows:

2020	\$ 1,376
2021	1,376
2022	1,376
2023	1,376
2024	344

**8. BUDGET FIGURES**

The column presented as Budget 2019 on the Statement of Operations has not been subject to audit or review by the external accountant.

**9. FINANCIAL INSTRUMENTS**

The Federation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and amount due to PEI Managers' Network.

The Federation 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 Federation's risk exposure and concentration as of March 31, 2019.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Federation is exposed to credit risk from members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Federation has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources and accounts payable.

**10. ECONOMIC DEPENDENCE**

The Federation funds its operations with a provincial grant provided by the Government of Prince Edward Island. The Federation's ability to continue to administer its programs and discharge its liabilities is dependent on receipt of this grant.