

**Nova Scotia Boatbuilders Association
Financial Statements**

*March 31, 2021
(Unaudited)*

Draft - For Management Only

Nova Scotia Boatbuilders Association Contents

For the year ended March 31, 2021
(Unaudited)

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Draft - For Management Only

Independent Practitioners' Review Engagement Report

To the Members of Nova Scotia Boatbuilders Association:

We have reviewed the accompanying financial statements of Nova Scotia Boatbuilders Association that comprise the statement of financial position as at March 31, 2021, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Nova Scotia Boatbuilders Association as at March 31, 2021, 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.

Dartmouth, Nova Scotia

Chartered Professional Accountants

Nova Scotia Boatbuilders Association

Statement of Financial Position

As at March 31, 2021
(Unaudited)

	Unrestricted Fund	Restricted Fund	Reserve Fund	2021	2020
Assets					
Current					
Cash (Note 4)	792,224	3,166	-	795,390	312,407
Short-term investments (Note 5)	45,429	-	-	45,429	45,254
Accounts receivable	4,690	-	-	4,690	2,300
HST receivable / PSB rebate	11,549	-	-	11,549	6,960
Prepaid expenses	4,859	-	-	4,859	5,809
Due from fund (Note 6)	-	-	1,700	-	-
	858,751	3,166	1,700	861,917	372,730
Long-term investments (Note 7)	-	-	200,238	200,238	201,158
Capital assets (Note 8)	4,862	-	-	4,862	3,229
	863,613	3,166	201,938	1,067,017	577,117
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 9)	29,408	-	-	29,408	17,443
Deferred revenue (Note 10)	645,935	-	-	645,935	159,581
Due to fund (Note 6)	1,700	-	-	-	-
	677,043	-	-	675,343	177,024
Commitment (Note 12)					
COVID-19 (Note 14)					
Net Assets					
Unrestricted	186,570	-	-	186,570	195,228
Externally restricted	-	3,166	-	3,166	3,166
Internally restricted	-	-	201,938	201,938	201,699
	186,570	3,166	201,938	391,674	400,093
	863,613	3,166	201,938	1,067,017	577,117

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Nova Scotia Boatbuilders Association

Statement of Revenues and Expenses in the Unrestricted Fund

For the year ended March 31, 2021
(Unaudited)

	2021	2020
Revenues		
Government assistance (Note 11)	259,133	293,583
In-kind contributions	67,575	76,950
Membership dues	65,900	74,250
Other	43	1,493
	392,651	446,276
Expenses		
Advertising	10,594	31,077
Amortization	2,353	1,123
Bad debts	2,300	2,371
Consulting	25,990	38,436
In-kind expenditures	67,575	76,950
Insurance	3,703	3,512
Interest and bank charges	2,662	2,756
Memberships and subscriptions	42,305	35,172
Office supplies	3,340	1,744
Professional fees	6,762	6,586
Rent	15,775	15,642
Salaries and benefits	212,947	151,640
Telephone	3,650	2,805
Training and education	3,530	15,027
Travel	611	33,428
	404,097	418,269
(Deficiency) excess of revenues over expenses before other items	(11,446)	28,007
Other items		
Interest income	2,715	4,136
Gain on disposal of investments	1,706	92
Unrealized (loss) gain on investments	(1,633)	68
	2,788	4,296
(Deficiency) excess of revenues over expenses	(8,658)	32,303

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Nova Scotia Boatbuilders Association
Statement of Changes in Net Assets

For the year ended March 31, 2021
(Unaudited)

	<i>Unrestricted Fund</i>	<i>Externally Restricted Fund</i>	<i>Reserve Fund</i>	2021	2020
Net assets, beginning of year	195,228	3,166	201,699	400,093	368,581
Interest income	-	-	239	239	1,157
(Deficiency) excess of revenues over expenses	(8,658)	-	-	(8,658)	32,303
Restricted funds disbursed	-	-	-	-	(1,948)
Net assets, end of year	186,570	3,166	201,938	391,674	400,093

Draft - For Management Only

The accompanying notes are an integral part of these financial statements

Nova Scotia Boatbuilders Association

Statement of Cash Flows

For the year ended March 31, 2021

(Unaudited)

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenues over expenses in unrestricted fund	(8,658)	32,303
Amortization	2,353	1,123
Interest income in reserve fund	239	1,157
	(6,066)	34,583
Changes in working capital accounts		
Accounts receivable	(2,390)	3,190
HST receivable / PSB rebate	(4,589)	(2,973)
Prepaid expenses	950	8,101
Accounts payable and accrued liabilities	11,965	(2,990)
Deferred revenue	486,354	118,436
Accrued interest on long-term investments	920	196
	487,144	158,543
Financing		
Disbursements of BBMAP Funds	-	(1,948)
Investing		
Purchase of capital assets	(3,986)	(2,239)
Increase in cash resources	483,158	154,356
Cash resources, beginning of year	357,661	203,305
Cash resources, end of year	840,819	357,661
Cash resources are composed of:		
Cash	795,390	312,407
Short-term investments	45,429	45,254
	840,819	357,661

The accompanying notes are an integral part of these financial statements

Nova Scotia Boatbuilders Association

Notes to the Financial Statements

For the year ended March 31, 2021
(Unaudited)

1. Nature of organization

Nova Scotia Boatbuilders Association (the "Association") is a non-profit organization dedicated to promoting the boat building expertise of Canada's Maritime Provinces.

The Association is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act.

2. Fund accounting

Unrestricted Fund

The Unrestricted Fund accounts for the operations of the Association.

Restricted Fund

This fund consists of the restricted principal portion and activities associated with the Boat Builders' Marketing Assistance Program ("BMAP") (Note 4).

Reserve Fund

The purpose of this fund is to build and maintain an adequate level of net assets to give the Association time to restructure its operations and revenue sources in the event of a significant loss of recurring funding and to provide the Association with flexibility to pursue unexpected but important opportunities.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Short-term investments

Short-term investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Changes in fair value are recorded immediately in the excess of revenues over expenses for the year.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	30-55 %
Equipment	20 %
Signs	20 %

Amortization is calculated at one-half of the normal rate in the year of acquisition; no amortization is recorded in the year of disposal.

Nova Scotia Boatbuilders Association

Notes to the Financial Statements

For the year ended March 31, 2021
(Unaudited)

Impairment of long-lived assets

Long-lived assets consist of capital assets. Capital assets held for use are measured and amortized as described in the applicable accounting policies.

When the Association determines that a long-lived asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenues and expenses. Write-downs are not reversed.

Revenue recognition

The Association uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Unrestricted Fund.

Unrestricted investment income is recognized as revenue in the Unrestricted Fund.

Reserve Fund interest income is recognized as revenue in the Unrestricted Fund.

Membership dues are recognized over the period of the membership.

All revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government assistance

Government assistance is recorded in the financial statements when there is reasonable assurance that the Company has complied with and will continue to comply with, all conditions necessary to obtain the assistance. Advances for expenses that have not yet been incurred are recorded as deferred revenue.

In-kind contributions

The Association recognizes in-kind contributions from members for costs incurred by members towards activities of the Association. The amounts recorded are based on goods or services supplied to the Association at fair market value and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased. The in-kind contributions are included in revenue, with an equal amount included in expenses.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, useful lives of capital assets, certain accrued liabilities and in-kind contributions and expenditures. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future periods could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made any such election during the year.

Nova Scotia Boatbuilders Association

Notes to the Financial Statements

*For the year ended March 31, 2021
(Unaudited)*

The Association subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost. Changes in fair value are recognized in the statement of revenues and expenses.

Financial asset impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the current year excess of revenues over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

4. Cash

Boat Builders' Marketing Assistance Program ("BBMAP")

In May 2011, an amount of \$618,000 was transferred to the Association from Nova Scotia Fisheries and Aquaculture for the continuation of the BBMAP, a program which was initiated for the purposes of promoting export marketing with the boat builders in Nova Scotia. The program reimburses the boat builders up to 75% of their expenses related to export marketing depending on the specific project. The Association maintains the money and may only use the initial funds to disburse for the project. The Association charges application and processing fees and handles all of the administration of processing the application and disbursing the money appropriately. The Association has placed the funds in an interest bearing account and withdraws the money as necessary for disbursements. The fees charged and the interest earned are unrestricted and are maintained by the Association for their operations.

	2021	2020
BBMAP cash and investments are comprised of the following:		
Chequing account	3,932	3,977
High interest cash performance account	56,095	55,939
	60,027	59,916
<hr/>		
Less: Unrestricted portion	(56,861)	(56,750)
Restricted portion	3,166	3,166

Nova Scotia Boatbuilders Association

Notes to the Financial Statements

*For the year ended March 31, 2021
(Unaudited)*

As shown in the table above, the restricted cash for the BBMAP is presented as cash in the Restricted Fund on the statement of financial position at March 31, 2021. The unrestricted portion is presented as cash in the Unrestricted Fund at March 31, 2021.

5. Short-term investments

At March 31, 2021, the short-term investments, which consist of investments in fixed income securities and fixed income funds, have a carrying value of \$44,216 (2020 - \$42,969).

6. Interfund transactions

The balances due between funds are non-interest bearing with no set terms of repayment.

7. Long-term investments

During the year, the Association purchased two \$100,000 cashable guaranteed investment certificates ("GICs") with interest rates ranging from 0.35% to 0.40% per annum maturing September 4, 2021 and March 1, 2022, respectfully. The deposits are classified as long term because the Association has set aside these funds as a reserve for the purpose of protecting the organization and its members from unforeseen future funding shortfalls and provides the Association with flexibility to pursue unexpected but important opportunities.

8. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer equipment	22,750	18,966	3,784	1,881
Equipment	27,623	26,608	1,015	1,269
Signs	2,082	2,019	63	79
	52,455	47,593	4,862	3,229

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$7,501 (2020 - \$6,001).

Nova Scotia Boatbuilders Association

Notes to the Financial Statements

*For the year ended March 31, 2021
(Unaudited)*

10. Deferred revenue

Deferred revenue consists of government assistance and membership dues. Effective April 1, 2019, the Association's membership period runs from April 1 - March 31 to align with its March 31 fiscal year end. Deferred revenue related to government funding will be recognized as revenue when the related funding criteria have been satisfied. Changes in deferred revenue are as follows:

	2021	2020
Balance, beginning of year	159,581	41,145
Membership dues received during the period for next fiscal year	1,200	-
Government assistance received during the period (net of repaid)	744,287	412,019
Less: amount of government assistance recognized as revenue during the period	(259,133)	(293,583)
Balance, end of year	645,935	159,581

11. Government assistance

	2021	2020
Nova Scotia Labour and Advanced Education	102,633	120,941
Nova Scotia Apprenticeship Agency	156,500	172,642
	259,133	293,583

In 2020, the Association was awarded a three year Contribution Agreement for \$377,354 for labour force development activities which was increased by \$156,524 to include an additional project. In the current year the agreement was amended to provide an additional \$100,000 to help address capacity issues for the fiscal year 2021/2022, to ensure the sector can address the activities as originally outlined. The original Contribution Agreement is paid in instalments that may be adjusted by the Nova Scotia government based on quarterly financial and activity reports while the add-on project and additional lump-sum amount received in 2021, were paid through a one-time payment of \$156,524 and \$100,000 respectfully. The term of this funding is from April 1, 2019 to March 31, 2022. The Association received \$204,820 of funds during the year, and recognized revenue of \$102,633 (2020 - \$120,941) related to this grant.

During the year, the Association was awarded a Contribution Agreement, to be paid by a one time payment of \$156,500 to support a project entitled "Training Service". The term of this funding is from April 1, 2020 to March 31, 2021. The Association received \$156,500 of funds during the year, and recognized the full amount, as revenue in the year (2020 - \$175,000).

During the year the Association was awarded a Contribution Agreement, to be paid by a one time payment of \$237,967 to support a project titled "Introductory Training for Composites Fabrication". The term of this funding is from March 31, 2021 to December 31, 2021. The Association received \$237,967 of funds during the year, and recorded the full amount as deferred revenue until the program commences in the upcoming fiscal year.

12. Commitment

The Association rents a premise under a lease agreement which expires on October 31, 2021. The annual rent payments are as follows:

2022	7,859
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Nova Scotia Boatbuilders Association

Notes to the Financial Statements

For the year ended March 31, 2021
(Unaudited)

13. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Association is exposed to interest rate cash flow risk with respect to its interest bearing cash accounts, short-term and long-term investments.

Credit concentration

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 Association's main credit risk relates to its cash, short-term and long-term investments. The Association is exposed to concentration risk on its cash and investments in that 88% (2020 - 78%) of its cash and investments are held with one financial institution. To minimize the credit risk, the Association places cash and investments with high quality financial institutions of Canada.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association's investments in fixed income securities and fixed income funds exposes the Association to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

The Association is exposed to other price risk with respect to its short-term investments.

14. COVID-19

In early March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause disruptions to providing services as a result of the public health restrictions that may be in place.