

MUNICIPAL ASSESSMENT AGENCY INC.

Financial Statements

Year Ended March 31, 2021

POWER & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.
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Year Ended March 31, 2021

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POWER & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2021, 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, 2021, 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.

(continues)

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.



St. John's, Newfoundland and Labrador
June 4, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.

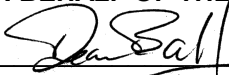
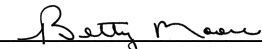
Statement of Financial Position

March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 615,219	\$ 529,065
Accounts receivable (Note 3)	141,619	191,701
Prepaid expenses	188,303	245,988
	<u>945,141</u>	966,754
RESTRICTED RESERVE FUNDS (Note 4)	2,000,000	2,300,000
CAPITAL ASSETS (Note 5)	1,257,323	1,197,837
	<u>\$ 4,202,464</u>	<u>\$ 4,464,591</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 144,598	\$ 396,281
Accrued vacation pay (Note 7)	318,837	276,317
Deferred income	2,822	4,895
	<u>466,257</u>	<u>677,493</u>
NET ASSETS		
SHARE CAPITAL	<u>1</u>	<u>1</u>
	1	1
COLLABORATIVE INITIATIVE RESERVE FUND	200,000	400,000
TECHNOLOGY RESERVE FUND	500,000	600,000
OPERATING RESERVE FUND	1,300,000	1,300,000
TANGIBLE CAPITAL ASSET FUND	1,257,324	-
	<u>3,257,324</u>	<u>2,300,000</u>
UNRESTRICTED	478,882	1,487,097
	<u>3,736,207</u>	<u>3,787,098</u>
	<u>\$ 4,202,464</u>	<u>\$ 4,464,591</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

ON BEHALF OF THE BOARD

 _____ Member
 _____ Member

See notes to financial statements

MUNICIPAL ASSESSMENT AGENCY INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2021

	2021	2020
REVENUES		
Assessment services	\$ 5,351,288	\$ 5,321,519
Valuation revenue	50,665	53,882
Interest revenue	27,618	65,567
Other	12,950	-
Municipal training	-	2,680
	<u>5,442,521</u>	<u>5,443,648</u>
EXPENSES		
Salaries	3,222,682	3,147,584
Information technology	553,298	240,482
Benefits	689,625	689,731
Office and administration (Schedule 1)	450,607	487,103
Printing and postage	236,752	239,596
Travel	124,881	275,970
Municipal Collaborative Initiative	24,670	89,427
	<u>5,302,515</u>	<u>5,169,893</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	<u>140,006</u>	<u>273,755</u>
Amortization of tangible capital assets	114,340	110,962
Provision for vacation pay	76,557	41,924
	<u>190,897</u>	<u>152,886</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>\$ (50,891)</u>	<u>\$ 120,869</u>

See notes to financial statements

MUNICIPAL ASSESSMENT AGENCY INC.
Statement of Changes in Net Assets
Year Ended March 31, 2021

	Balance, beginning of year April 1, 2020 <i>(restated note 10)</i>	Deficiency of revenues over expenses	Transfers	Balance, end of year March 31, 2021
Collaborative Initiative Fund <i>(Note 4)</i>	\$ 400,000	\$ (24,670)	\$ (175,330)	\$ 200,000
Technology Fund <i>(Note 4)</i>	600,000	-	(100,000)	500,000
Operating Fund <i>(Note 4)</i>	1,300,000	-	-	1,300,000
Tangible Capital Assets <i>(Note 4)</i>	-	(114,340)	1,371,664	1,257,324
Unrestricted Fund	1,487,097	88,119	(1,096,334)	478,882
	\$ 3,787,097	\$ (50,891)	\$ -	\$ 3,736,206

See notes to financial statements

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Cash Flows

Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	\$ (50,891)	\$ 120,869
Item not affecting cash:		
Amortization of capital assets	<u>114,340</u>	92,597
	<u>63,449</u>	<u>213,466</u>
Changes in non-cash working capital:		
Accounts receivable	50,082	(38,152)
Accounts payable and accrued liabilities	(251,682)	72,788
Deferred income	(2,073)	(13,318)
Prepaid expenses	57,685	(22,262)
Accrued severance pay	-	(41,015)
Accrued vacation pay	<u>42,520</u>	<u>39,567</u>
	<u>(103,468)</u>	<u>(2,392)</u>
Cash flow (used by) from operating activities	<u>(40,019)</u>	<u>211,074</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(173,827)</u>	(231,699)
DECREASE IN CASH FLOW	(213,846)	(20,625)
Cash - beginning of year	<u>2,829,065</u>	<u>2,849,690</u>
CASH - END OF YEAR	\$ 2,615,219	\$ 2,829,065
CASH CONSISTS OF:		
Cash	\$ 615,219	\$ 529,065
Restricted reserve funds	<u>2,000,000</u>	<u>2,300,000</u>
	\$ 2,615,219	\$ 2,829,065

See notes to financial statements

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

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.

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 balances with the bank.

Capital assets

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%
Mobile assessor	20%

Revenue recognition

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

Interest revenue is recognized as it is earned.

Accrued vacation pay

Vacation is accrued for employees as entitlement is earned.

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.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

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, 2021.

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.

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, 2021, cash balances of \$42,985 (2020 - \$2,896) 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>2021</u>	<u>2020</u>
Trade receivables	\$ 77,720	\$ 120,014
HST recoverable	63,876	56,636
Employee receivable	23	15,051
	<u>\$ 141,619</u>	<u>\$ 191,701</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

4. RESTRICTED 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, 2021 are \$1,300,000 (2020 - \$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. During the year, the Agency reduced the balance by \$100,000. Amount of reserve funds at March 31, 2021 are \$500,000 (2020 - \$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, the Agency reduced the balance by \$200,000. Amount of reserved funds as at March 31, 2021 are \$200,000 (2020 - \$400,000).

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

Tangible Capital Asset Reserve Fund

Board Restricted Tangible Capital Asset Reserve Fund accounts for the acquisition and amortization of the Agency's capital assets. The Capital Asset Fund was designated by the board effective April 1, 2020. The unrestricted fund transferred \$1,197,837 to the Tangible Capital Asset Fund. An amount of \$173,827 was also transferred during the financial year ended March 31, 2021 relating to the acquisition of capital assets.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Computer hardware and software	\$ 56,411	\$ 26,291	\$ 30,120	\$ 43,029
Furniture and equipment	69,262	25,866	43,396	54,245
Integrated assessment system	1,956,369	1,850,979	105,390	150,557
Buildings	1,091,919	434,801	657,118	668,324
Land	208,221	-	208,221	208,221
Mobile assessor	249,808	36,730	213,078	73,461
	\$ 3,631,990	\$ 2,374,667	\$ 1,257,323	\$ 1,197,837

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 100,185	\$ 113,079
Accrued wages payable	21,152	146,403
Accrued professional fees	14,500	90,129
Other	1,884	5,824
Employee expenses payable	3,302	13,271
Appeal fees	3,575	27,575
	<u>\$ 144,598</u>	<u>\$ 396,281</u>

7. ACCRUED VACATION PAY

	<u>2021</u>	<u>2020</u>
Vacation pay		
Opening balance	\$ 273,617	\$ 236,750
Vacation paid out	(31,337)	(1,516)
Current year expense	76,557	41,083
	<u>318,837</u>	<u>276,317</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

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 \$147,895 and include the following payments over the next years: 2022 - \$55,528; 2023 - \$55,528; 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 \$3,325 and include the following payments over the next year: \$3,325.

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 \$4,400 and include the following payments over the next year: 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 \$1,350 and include the following payments over the next year: 2022 - \$1,350.

The Agency has a six year agreement expiring December 31, 2024 with a service provider for their Mobile Assessor application hosting. The remaining minimum annual payments in US dollars total \$213,449 and include the following payments over the next years: 2022 - \$77,618; 2023 - \$77,618; 2024 - \$58,213.

The Agency has a one year agreement expiring December 31, 2021 with a service provider for the provision of annual maintenance, support and hosting for its Integrated Assessment System and licensing fees. The remaining payments in US dollars under this agreement are \$98,179 and include the following payments over the next year: 2022 - \$98,179.

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. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, could have an adverse impact on the Agency's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Agency for future periods, however, the impact could be material.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2021

10. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$73,460 has been made and comparative amounts have been restated to capitalize amounts previously expensed in 2019 related to the Agency's Mobile Assessor project. Previously reported assets and unrestricted net assets were understated. The impact on the financial statements is to increase capital assets by \$73,460 with a corresponding increase to April 1, 2020 unrestricted net assets of the same amount.

MUNICIPAL ASSESSMENT AGENCY INC.

Office and Administration

(Schedule 1)

Year Ended March 31, 2021

	2021	2020
EXPENSES		
Premises and equipment	\$ 98,203	\$ 93,320
Repairs and maintenance	90,643	65,575
Telephone	74,592	55,122
Professional fees	67,061	110,774
Office supplies	32,709	46,433
Utilities	31,529	34,606
Insurance	29,791	28,423
Purchased services	19,275	45,330
Interest and bank charges	4,077	2,944
Exchange loss	2,725	3,281
Bad debt expense	2	1,295
	<u>\$ 450,607</u>	<u>\$ 487,103</u>