

MUNICIPAL ASSESSMENT AGENCY INC.

Financial Statements

Year Ended March 31, 2022

MUNICIPAL ASSESSMENT AGENCY INC.

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Year Ended March 31, 2022

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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, 2022, 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, 2022, 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.

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:

(continues)

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

- 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 6, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Financial Position

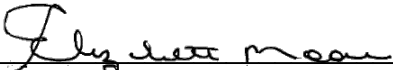
March 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 1,158,509	\$ 615,219
Accounts receivable (Note 3)	103,472	141,619
Prepaid expenses	276,241	188,302
	1,538,222	945,140
RESTRICTED RESERVE CASH (Note 4)	1,700,000	2,000,000
TANGIBLE CAPITAL ASSETS (Note 5)	1,157,979	1,257,324
	\$ 4,396,201	\$ 4,202,464
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 69,347	\$ 144,598
Accrued vacation pay (Note 7)	207,989	318,837
Deferred income	1,808	2,822
	279,144	466,257
NET ASSETS		
SHARE CAPITAL	1	1
RESTRICTED RESERVE FUNDS (Note 8)	2,857,979	3,257,324
UNRESTRICTED FUND	1,259,077	478,882
	4,117,057	3,736,207
	\$ 4,396,201	\$ 4,202,464

COMMITMENTS (Note 9)

CONTINGENCIES (Note 10)

ON BEHALF OF THE BOARD

 Member

 Member

MUNICIPAL ASSESSMENT AGENCY INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2022

	2022	2021
REVENUES		
Assessment services	\$ 5,362,306	\$ 5,351,288
Valuation revenue	55,007	50,665
Interest revenue	28,534	27,618
Other	2,525	12,950
	<u>5,448,372</u>	<u>5,442,521</u>
EXPENSES		
Salaries	2,953,105	3,222,682
Benefits	650,049	689,625
Information technology	472,426	553,298
Office and administration <i>(Schedule 1)</i>	384,180	450,607
Printing and postage	250,400	236,752
Travel	156,167	124,881
Municipal Collaborative Initiative	24,357	24,670
	<u>4,890,684</u>	<u>5,302,515</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	<u>557,688</u>	140,006
Amortization of tangible capital assets	127,551	114,340
Provision for vacation pay	49,287	76,557
	<u>176,838</u>	190,897
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 380,850</u>	\$ (50,891)

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Changes in Net Assets

Year Ended March 31, 2022

	Balance, beginning of year April 1, 2021	Excess (deficiency) of revenues over expenses	Transfers	Balance, end of year March 31, 2022
Collaborative Initiative Fund <i>(Note 4)</i>	\$ 200,000	\$ (24,357)	\$ 24,357	\$ 200,000
Technology Fund <i>(Note 4)</i>	500,000	-	(300,000)	200,000
Operating Fund <i>(Note 4)</i>	1,300,000	-	-	1,300,000
Tangible Capital Assets <i>(Note 4)</i>	1,257,324	(127,551)	28,206	1,157,979
Unrestricted Fund	478,882	532,758	247,437	1,259,077
	<u>\$ 3,736,206</u>	<u>\$ 380,850</u>	<u>\$ -</u>	<u>\$ 4,117,056</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Cash Flows

Year Ended March 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 380,850	\$ (50,891)
Item not affecting cash:		
Amortization of tangible capital assets	<u>127,551</u>	114,340
	<u>508,401</u>	<u>63,449</u>
Changes in non-cash working capital:		
Accounts receivable	38,147	50,082
Accounts payable and accrued liabilities	(75,252)	(251,682)
Deferred income	(1,014)	(2,073)
Prepaid expenses	(87,938)	57,685
Accrued vacation pay	(110,848)	42,520
	<u>(236,905)</u>	<u>(103,468)</u>
Cash flow from (used by) operating activities	<u>271,496</u>	<u>(40,019)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(28,206)</u>	(173,827)
INCREASE (DECREASE) IN CASH FLOW	243,290	(213,846)
Cash - beginning of year	<u>2,615,219</u>	2,829,065
CASH - END OF YEAR	<u>\$ 2,858,509</u>	<u>\$ 2,615,219</u>
CASH CONSISTS OF:		
Cash	\$ 1,158,509	\$ 615,219
Restricted reserve cash	<u>1,700,000</u>	<u>2,000,000</u>
	<u>\$ 2,858,509</u>	<u>\$ 2,615,219</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2022

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 Canadian Public Sector Accounting Standards (PSAS) 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.

Tangible capital assets

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

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%
Buildings	4%
Mobile assessor	20%
Mobile assessor - licenses	5 years (straight line)

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, 2022

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, 2022.

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, 2022, cash balances of \$21,032 (2021 - \$42,982) 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>2022</u>	<u>2021</u>
Trade receivables	\$ 63,294	\$ 77,720
HST recoverable	37,124	63,876
Employee receivable	<u>3,054</u>	<u>23</u>
	<u>\$ 103,472</u>	<u>\$ 141,619</u>

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2022

4. RESTRICTED RESERVE CASH

The Agency has internally restricted funds for the following purposes. Restricted cash is held in the Agency's interest-bearing operating bank account.

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 cash as at March 31, 2022 is \$1,300,000 (2021 - \$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 \$300,000. Amount of reserved cash at March 31, 2022 is \$200,000 (2021 - \$500,000). The board has approved the dissolution of this fund in the 2023 fiscal year.

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 transferred \$24,357 from the unrestricted fund for approved projects. Amount of reserved cash as at March 31, 2022 is \$200,000 (2021 - \$200,000).

Tangible Capital Asset Reserve Fund

Board Restricted Tangible Capital Asset Reserve Fund accounts for the acquisition and amortization of the Agency's property and equipment. The Capital Asset Fund was designated by the board effective April 1, 2020. During the year, the Agency transferred the amount of \$28,206 from the unrestricted fund for the purpose of acquiring capital assets. Amount of this reserve fund as at March 31, 2022 is \$1,157,979 (2021 - \$1,257,324). There is no reserved cash associated with this restricted fund.

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer hardware and software	\$ 56,411	\$ 35,327	\$ 21,084	\$ 30,120
Furniture and equipment	86,869	36,306	50,563	43,396
Integrated assessment system	1,956,369	1,882,596	73,773	105,390
Buildings	1,102,519	461,298	641,221	657,119
Land	208,221	-	208,221	208,221
Mobile assessor	157,982	31,596	126,386	121,252
Mobile assessor - licenses	91,826	55,095	36,731	91,826
	\$ 3,660,197	\$ 2,502,218	\$ 1,157,979	\$ 1,257,324

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2022

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Accrued wages payable	\$ 26,599	\$ 21,152
Accounts payable	18,454	100,185
Employee expenses payable	13,594	3,302
Accrued professional fees	6,850	14,500
Other	2,199	1,884
Appeal fees	1,650	3,575
	<u>\$ 69,346</u>	<u>\$ 144,598</u>

7. ACCRUED VACATION PAY

	<u>2022</u>	<u>2021</u>
Vacation pay		
Opening balance	\$ 318,837	\$ 273,617
Vacation paid out	(160,135)	(31,337)
Current year expense	49,287	76,557
	<u>\$ 207,989</u>	<u>\$ 318,837</u>
Closing balance		

8. RESTRICTED RESERVE FUNDS

	<u>2022</u>	<u>2021</u>
Operating Reserve Fund	\$ 1,300,000	\$ 1,300,000
Technology Reserve Fund	200,000	500,000
Collaborative Initiative Reserve Fund	200,000	200,000
Tangible Capital Asset Reserve Fund	1,157,979	1,257,324
	<u>\$ 2,857,979</u>	<u>\$ 3,257,324</u>

The purposes of the various restricted funds are disclosed in Note 4.

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2022

9. COMMITMENTS

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 \$92,367 and include the following payments over the next two years: 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 December 1, 2021 and ending on November 30, 2024. The monthly rental fee is \$475. Future minimum lease payments total \$9,500 and include the following payments over the next two years: 2023 - \$5,700; 2024 - \$3,800.

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 1, 2021 and ending on November 30, 2024. The monthly rental fee is \$550. Future minimum lease payments total \$11,000 and include the following payments over the next two years: 2023 - \$6,600; 2024 - \$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. This lease will not be renewed.

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 \$135,831 and include the following payments over the next two years: 2023 - \$77,618; 2024 - \$58,213.

The Agency has a one year agreement expiring December 31, 2022 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 \$103,088 and include the following payments over the next year: 2023 - \$103,088.

10. CONTINGENCIES

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

11. 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.

Office and Administration

(Schedule 1)

Year Ended March 31, 2022

	2022	2021
EXPENSES		
Premises and equipment	\$ 89,400	\$ 98,203
Repairs and maintenance	73,002	90,643
Telephone	42,099	74,592
Professional fees	23,613	67,061
Office supplies	46,883	32,709
Utilities	35,548	31,529
Insurance	36,347	29,791
Purchased services	28,960	19,277
Interest and bank charges	4,552	4,077
Exchange loss	3,776	2,725
	<hr/> \$ 384,180	<hr/> \$ 450,607