

MUNICIPAL ASSESSMENT AGENCY INC.

Financial Statements

Year Ended March 31, 2024

MUNICIPAL ASSESSMENT AGENCY INC.
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Year Ended March 31, 2024

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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, 2024, 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, 2024, 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.

Power & Associates

St. John's, Newfoundland and Labrador
June 7, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Financial Position

March 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 1,709,926	\$ 1,798,253
Accounts receivable (<i>Note 3</i>)	112,216	99,211
Prepaid expenses	<u>301,124</u>	290,425
	2,123,266	2,187,889
RESTRICTED RESERVE CASH (<i>Note 4</i>)	2,000,000	1,500,000
TANGIBLE CAPITAL ASSETS (<i>Note 5</i>)	1,068,016	1,077,203
	<u>5,191,282</u>	\$ 4,765,092
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (<i>Note 6</i>)	\$ 106,629	\$ 168,563
Accrued vacation pay (<i>Note 7</i>)	264,791	241,888
Deferred income	<u>500</u>	20
	371,920	410,471
NET ASSETS		
SHARE CAPITAL	1	1
RESTRICTED RESERVE FUNDS (<i>Note 8</i>)	3,068,016	2,577,203
UNRESTRICTED FUND	1,751,346	1,777,417
	<u>4,819,363</u>	4,354,621
	<u>\$ 5,191,283</u>	\$ 4,765,092
COMMITMENTS (<i>Note 9</i>)		
CONTINGENCIES (<i>Note 10</i>)		

ON BEHALF OF THE BOARD

John Doe _____ Member
Conrad O. _____ Member

MUNICIPAL ASSESSMENT AGENCY INC.
Statement of Revenues and Expenditures
Year Ended March 31, 2024

	2024	2023
REVENUES		
Assessment services	\$ 5,417,038	\$ 5,379,194
Interest revenue	215,171	114,737
Valuation revenue	39,138	41,857
Interest revenue on overdue accounts	<u>3,344</u>	-
	5,674,691	5,535,788
EXPENSES		
Salaries	2,994,607	3,040,885
Benefits	609,762	647,328
Information technology	493,703	466,498
Office and administration <i>(Schedule 1)</i>	441,962	478,075
Printing and postage	263,008	247,821
Travel	258,921	238,670
Municipal Collaborative Initiative	<u>7,670</u>	<u>24,400</u>
	5,069,633	5,143,677
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING		
	605,058	392,111
Amortization of tangible capital assets	107,961	109,055
Provision for vacation pay	<u>32,355</u>	<u>45,492</u>
	140,316	154,547
EXCESS OF REVENUES OVER EXPENSES	\$ 464,742	\$ 237,564

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Changes in Net Assets

Year Ended March 31, 2024

	Balance, beginning of year <u>April 1, 2023</u>	Excess (deficiency) of revenues over expenses	Transfers	Balance, end of year March 31, 2024
Collaborative Initiative Fund <i>(Note 4)</i>	\$ 200,000	\$ (7,670)	\$ 7,670	\$ 200,000
Operating Fund <i>(Note 4)</i>	1,300,000	(24,456)	24,456	1,300,000
Special Operating Fund <i>(Note 4)</i>	-	-	500,000	500,000
Tangible Capital Assets <i>(Note 4)</i>	1,077,203	(107,961)	98,774	1,068,016
Unrestricted Fund	<u>1,777,417</u>	<u>604,829</u>	<u>(630,900)</u>	<u>1,751,346</u>
	\$ 4,354,620	\$ 464,742	\$ -	\$ 4,819,362

MUNICIPAL ASSESSMENT AGENCY INC.

Statement of Cash Flows

Year Ended March 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 464,742	\$ 237,564
Item not affecting cash:		
Amortization of tangible capital assets	<u>107,961</u>	109,055
	<u>572,703</u>	346,619
Changes in non-cash working capital:		
Accounts receivable	(13,005)	4,261
Accounts payable and accrued liabilities	(61,935)	99,217
Deferred income	480	(1,788)
Prepaid expenses	(10,698)	(14,185)
Accrued vacation pay	<u>22,903</u>	33,899
	<u>(62,255)</u>	121,404
Cash flow from operating activities	<u>510,448</u>	468,023
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(98,775)</u>	(28,279)
INCREASE IN CASH FLOW		
Cash - beginning of year	<u>3,298,253</u>	2,858,509
CASH - END OF YEAR	<u>\$ 3,709,926</u>	\$ 3,298,253
CASH CONSISTS OF:		
Cash	\$ 1,709,926	\$ 1,798,253
Restricted reserve cash	<u>2,000,000</u>	1,500,000
	<u>\$ 3,709,926</u>	\$ 3,298,253

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2024

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 and Provincial Affairs, 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 and Provincial Affairs, 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, 2024

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, 2024.

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, 2024, cash balances of \$29,841 (2023 - \$33,788) 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

	2024	2023
Trade receivables	\$ 59,452	\$ 42,898
HST recoverable	52,764	54,462
Employee receivable	-	1,851
	<hr/> \$ 112,216	<hr/> \$ 99,211

MUNICIPAL ASSESSMENT AGENCY INC.

Notes to Financial Statements

Year Ended March 31, 2024

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 changes 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. During the year, the Agency transferred \$24,456 from the unrestricted fund for approved projects. Amount of reserved cash as at March 31, 2024 is \$1,300,000 (2023 - \$1,300,000).

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 transferred \$7,670 from the unrestricted fund for approved projects. Amount of reserved cash as at March 31, 2024 is \$200,000 (2023 - \$200,000).

Special Operating Reserve Fund

Board Restricted Special Operating Reserve Fund was designated on November 22, 2023. The general purpose of the fund is to establish and maintain innovative data collecting practices through geographic information systems. This initiative will enhance the Municipal Assessment Agency's vision to meet the property assessment and valuation needs of clients in the most effective and cost-efficient method. During the year, the Agency transferred the amount of \$500,000 from the unrestricted fund to the special operating reserve fund. Amount of reserved cash as at March 31, 2024 is \$500,000 (2023 - NIL).

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 \$98,774 from the unrestricted fund for the purpose of acquiring capital assets. Amount of this reserve fund as at March 31, 2024 is \$1,068,017 (2023 - \$1,077,203). There is no reserved cash associated with this restricted fund.

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Computer hardware and software	\$ 49,883	\$ 39,552	\$ 10,331	\$ 14,759
Furniture and equipment	88,348	45,091	43,257	47,526
Integrated assessment system	2,049,326	1,934,164	115,162	51,641
Buildings	1,122,936	512,778	610,158	635,581
Land	208,221	-	208,221	208,221
Mobile assessor	157,982	77,095	80,887	101,109
Mobile assessor - licenses	91,825	91,825	-	18,366
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,768,521	\$ 2,700,505	\$ 1,068,016	\$ 1,077,203

MUNICIPAL ASSESSMENT AGENCY INC.**Notes to Financial Statements****Year Ended March 31, 2024****6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2024	2023
Accrued wages payable	\$ 45,754	\$ 43,441
Employee expenses payable	30,236	19,237
Accounts payable	13,350	89,019
Accrued professional fees	12,600	13,200
Appeal fees	3,050	1,325
Other	1,639	2,341
	<u>\$ 106,629</u>	<u>\$ 168,563</u>

7. ACCRUED VACATION PAY

	2024	2023
Vacation pay		
Opening balance	\$ 241,888	\$ 207,989
Vacation paid out	(9,452)	(11,593)
Current year expense	32,355	45,492
Closing balance	<u>\$ 264,791</u>	<u>\$ 241,888</u>

8. RESTRICTED RESERVE FUNDS

	2024	2023
Operating Reserve Fund	\$ 1,300,000	\$ 1,300,000
Tangible Capital Asset Reserve Fund	1,068,016	1,077,203
Special Operating Reserve Fund	500,000	-
Collaborative Initiative Reserve Fund	200,000	200,000
	<u>\$ 3,068,016</u>	<u>\$ 2,577,203</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, 2024

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 \$36,840 and include the following payments over the next year: 2025 - \$36,840.

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 \$3,800 and include the following payments over the next year: 2025 - \$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 \$4,400 and include the following payments over the next year: 2025 - \$4,400.

The Agency has a lease for Neopost Mail/Postage Machines. The term of the lease is 5 years starting August 21, 2021 and ending August 21, 2026. The monthly lease cost is \$480. Future minimum lease payments total \$13,930 and include the following payments over the next years: 2025 - \$5,760; 2026 - \$2,400.

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 \$58,213, and include the following payments over the next year: 2025 - \$58,213.

The Agency has a lease for a temporary office space in St. John's, Newfoundland and Labrador. The term of the lease is 1 year, starting March 1, 2024 and ending February 28, 2025. The monthly rental cost is \$11,160. Future minimum lease payments total \$122,760 and include the following payments over the next year: 2025 - \$122,760.

The Agency has a lease for office space in Grand Falls-Windsor, Newfoundland and Labrador. The term of the lease is 3 years, starting February 1, 2024 and ending January 31, 2027. The monthly rental cost is \$1,875. Future minimum lease payments total \$63,750 and include the following payments over the next years: 2025 - \$22,500; 2026 - \$22,500; 2027 - \$18,750.

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.

MUNICIPAL ASSESSMENT AGENCY INC.**Office and Administration****(Schedule 1)****Year Ended March 31, 2024**

	2024	2023
EXPENSES		
Premises and equipment	\$ 102,666	\$ 74,673
Repairs and maintenance	80,610	107,048
Professional fees	47,413	81,464
Insurance	45,244	39,643
Telephone	41,957	37,221
Office supplies	40,523	55,987
Purchased services	37,342	36,466
Utilities	35,230	34,477
Interest and bank charges	5,918	5,354
Exchange loss	5,059	5,742
	<hr/> \$ 441,962	<hr/> \$ 478,075