

Renfrew Innovation Centre

Financial Statements

For the year ended 31 December 2021

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



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& ASSOCIATES
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Town of Renfrew.

Opinion

We have audited the financial statements of the Renfrew Innovation Centre, which comprise the statement of financial position as at 31 December 2021, and the statement of net assets, statement of operations and statement of 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 Renfrew Innovation Centre as at 31 December 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 (ASNFPO).

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 Renfrew Innovation Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter - Comparative Information

The financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 April 2021.

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 ASNFPO, 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 Renfrew Innovation Centre'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 Renfrew Innovation Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Renfrew Innovation Centre's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at *Mackillican's* website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

Mae Killian + Associates

RENFREW, Ontario.
20 December 2022.

Chartered Professional Accountants,
Licensed Public Accountants.

Renfrew Innovation Centre
Statement of Financial Position
As at 31 December 2021
(with 2020 figures for comparison)

		<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Current:			
Cash in bank		\$ 6,757	\$ 253,928
Accounts receivable (Note 4)		127,009	63,259
Prepaid expenses		<u>13,931</u>	<u>12,213</u>
		<u>\$ 147,697</u>	<u>\$ 329,400</u>
Property, plant and equipment:			
	<u>Cost</u>	<u>Accumulated Amortization</u>	
Building	\$ 977,058	\$ 955,198	\$ 21,860
Leaseholds	<u>1,423,357</u>	<u>1,341,328</u>	<u>82,029</u>
	<u>\$ 2,400,415</u>	<u>\$ 2,296,526</u>	<u>\$ 103,889</u>
		<u>\$ 251,586</u>	<u>\$ 699,883</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 75,514	\$ 54,362
Government remittances payable		11,934	8,351
Advances from Renfrew Industrial Commission (Note 5)		<u>19,606</u>	<u>43,532</u>
		\$ 107,054	\$ 106,245
Net assets		<u>144,532</u>	<u>593,638</u>
		<u>\$ 251,586</u>	<u>\$ 699,883</u>

(See accompanying notes)

Renfrew Innovation Centre

Statement of Net Assets

For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	\$ 593,638	\$ 634,943
Dividends paid to Renfrew Industrial Commission		(26,418)
Dividends paid to Town of Renfrew	(417,881)	
Excess (deficiency) of revenue over expenses	<u>(31,225)</u>	<u>(14,887)</u>
Balance at the end of the year	\$ <u><u>144,532</u></u>	\$ <u><u>593,638</u></u>

(See accompanying notes)

Renfrew Innovation Centre
Statement of Operations
For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Rental revenue	\$ 752,016	\$ 751,816
Other income:		
Interest revenue	<u>197</u>	<u>1,715</u>
	<u>\$ 752,213</u>	<u>\$ 753,531</u>
Expenses:		
Accounting and legal	\$ 22,562	\$ 29,080
Amortization	266,594	264,397
Insurance	73,955	71,178
Interest and bank charges	147	987
Management fees	15,040	15,036
Office	3,742	2,593
Property taxes	72,779	77,073
Repairs and maintenance	157,712	115,154
Utilities	<u>170,907</u>	<u>192,920</u>
	<u>\$ 783,438</u>	<u>\$ 768,418</u>
Excess (deficiency) of revenue over expenses for the year	<u>\$ (31,225)</u>	<u>\$ (14,887)</u>

(See accompanying notes)

Renfrew Innovation Centre

Statement of Cash Flows

For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses for the year	\$ (31,225)	\$ (14,887)
Add items which do not involve an outlay of cash:		
- amortization	<u>266,594</u>	<u>264,397</u>
	<u>\$ 235,369</u>	<u>\$ 249,510</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable - trade	\$ (63,750)	\$ (39,100)
- decrease (increase) in prepaid expenses	(1,718)	(1,004)
- increase (decrease) in accounts payable and accrued liabilities	21,152	(13,226)
- increase (decrease) in government remittances payable	<u>3,583</u>	<u>12,507</u>
Cash flows from (used for) operating activities	<u>\$ 194,636</u>	<u>\$ 208,687</u>
Cash flows from (used for) financing activities:		
Amounts paid to the Renfrew Industrial Commission	\$ (23,926)	
Dividends paid to the Renfrew Industrial Commission		\$ (26,418)
Amounts paid to the Town of Renfrew		(57,019)
Dividends paid to the Town of Renfrew	<u>(417,881)</u>	<u> </u>
Cash flows from (used for) financing activities	<u>\$ (441,807)</u>	<u>\$ (83,437)</u>
Cash flows from (used for) investing activities:		
Additions (disposals) to property, plant and equipment:		
- office buildings	\$ <u>-</u>	\$ <u>(17,425)</u>
Cash flows from (used for) investing activities	<u>\$ -</u>	<u>\$ (17,425)</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ (247,171)	\$ 107,825
Cash and cash equivalents at the beginning of the year	<u>253,928</u>	<u>146,103</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 6,757</u></u>	<u><u>\$ 253,928</u></u>

(See accompanying notes)

Renfrew Innovation Centre

Notes to the Financial Statements

For the year ended 31 December 2021

1. NATURE OF BUSINESS

On 12 March 2002, The Corporation of the Town of Renfrew (the "Town") and the Renfrew Industrial Commission (the "Commission") entered into an agreement whereby the Commission would provide funds to assist the Town in the purchase of the former Beloit property located at 1 Innovation Drive in Renfrew, Ontario, to be known as the Renfrew Innovation Centre (the "Centre"). The Town has legal title to the Centre. At the same time, the Commission entered into a ten year lease with the Town subject to certain conditions. The original lease was for a period of March 2002 to February 2012 with this lease extended in August 2011 for an additional ten years to February 2022.

Once the Centre has generated cumulative net income in excess of \$100,000, the Commission is entitled to an annual management fee of 2% of gross rents. The management fee increases to 5% once the initial contributions (both to purchase the Centre and any additional cash advances) by the Town and the Commission are repaid. The agreement also indicates that operating losses are the responsibility of the Commission; however, before any income distributions are made to the Town for the purchase of the Centre, all losses sustained by the Commission from inception are to be fully repaid and thereafter, the Commission is to provide the Town two-thirds of the annual income generated by the property as a repayment of their initial contributions.

The total original investment in the property by the Town and the Commission amounted to \$1,168,920 (Town - \$868,920; Commission - \$300,000). If the property is ever sold, the original amounts advanced by both parties are to be repaid with two-thirds of any excess to be provided to the Town and one-third to the Commission.

On 23 November 2021, the Town agreed in principle with the Commission's proposal to wind up its partnership in the operation of the Centre. The Town acknowledged the receipt of \$52,836 dividend for the building rental profit less \$9,955 for the overage repayment of the dividend that has been in contention from the Commission. The Town also requested the Commission's exit strategy to be completed as expeditiously as possible to allow for a timely and successful transition. On 28 December 2021, the Town received a dividend of \$375,000 for a total dividend of \$417,881 for 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPPO) and include the following significant accounting policies:

a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Use of estimates:

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates include the allowance for doubtful accounts.

Renfrew Innovation Centre
Notes to the Financial Statements
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition:

Rental revenue is recognized on a monthly basis as persuasive evidence of an arrangement exists by means of the lease agreements that outline the terms with each of the Centre's tenants and collectibility is reasonably assured.

Interest income is recorded on an accrual basis.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(e) Financial instruments:

Financial instruments include cash in bank, accounts receivable and accounts payable and accrued liabilities. The carrying amounts reported on the statement of financial position, approximates their fair values, due to the short term maturities of these financial instruments.

(f) Property, plant and equipment:

Property, plant and equipment consist of mainly the leaseholds that are stated at acquisition cost. Property, plant and equipment are amortized on a straight-line basis over the remaining term of the lease.

3. FINANCIAL INSTRUMENTS

Risks and concentrations:

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the organization's risk exposure at the statement of financial position date, 31 December 2021.

Credit risk:

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 organization's main credit risk relates to its accounts receivable. The organization provides credit to its clients in the normal course of its operations.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued 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 risk, interest rate risk and other price risk.

- i. currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.
- ii. interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.
- iii. other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than currency or interest rate).

The organization is not exposed to market risk as it solely transacts in Canadian dollars and its only debt from the Commission are of non-interest bearing.

Renfrew Innovation Centre
Notes to the Financial Statements
For the year ended 31 December 2021

4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Trade	\$ 127,009	\$ 63,259
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 127,009</u>	<u>\$ 63,259</u>

5. ADVANCES FROM RENFREW INDUSTRIAL COMMISSION

During the 2012 fiscal year-end, the Commission provided advances to assist the Centre in funding the leasehold improvements incurred in that year. These advances are comprised of the following:

	<u>2021</u>	<u>2020</u>
Non-interest bearing advances with no set terms of repayments	\$ <u>19,606</u>	\$ <u>43,532</u>

6. RELATED PARTY TRANSACTIONS

The Centre interacts with the Town throughout the year with these related party transactions being in the normal course of business and are measured at their exchange amount.

Included in the utilities on the statement of operations is \$108,887 (2020 - \$108,041) for services paid to the Town for hydro, sewer and water. In addition, all of the realty taxes are paid to the Town.

7. ECONOMIC DEPENDENCE

During the year, the Centre earned rental revenue from two tenants representing 31% and 28% (2020 - 31% and 28%), respectively, of the Centre's total rental revenue.

8. COVID-19

To help contain the spread of the COVID-19 virus and to protect the public, measures have been introduced at various levels of government. The virus and the measures introduced could have a material impact on future operations. The extent of the impact of the COVID-19 virus and the organization's response cannot be reliably estimated at this time.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.