

Financial Statements of

**PROVINCE OF NOVA SCOTIA  
INVEST NOVA SCOTIA FUND**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Minister of Business, Province of Nova Scotia

### ***Opinion***

We have audited the financial statements of Invest Nova Scotia Fund (the Entity), which comprise:

- the balance sheet as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of continuity of fund for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of March 31, 2020, and its results of operations, its changes in net financial assets and its continuity of fund for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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 Canadian public sector accounting standards 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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 the 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:

- 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 Entity's internal control.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants

July 29, 2020

Halifax, Canada

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

## Balance Sheet

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Contributions authorized but unadvanced (note 2)	\$ 5,929,149	\$ 9,316,459
Uncommitted balance of fund (note 4)	24,338,405	26,938,405
	<u>\$ 30,267,554</u>	<u>\$36,254,864</u>
<b>Fund Balance</b>		
Authorized funds, net of contributions advanced: Invest Nova Scotia Fund Act	\$30,267,554	\$36,254,864
Subsequent events (note 5)		
	<u>\$30,267,554</u>	<u>\$36,254,864</u>

See accompanying note to financial statements.

On behalf of the Fund:



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# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Contributions advanced	\$ (4,822,581)	\$(2,014,552)
Bad debt expense	(1,141,061)	–
Concessionary interest expense	(23,668)	–
<b>Total expenditures</b>	<b>\$ (5,987,310)</b>	<b>\$(2,014,552)</b>

See accompanying note to financial statements.

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

## Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Change in net financial assets:		
Contributions advanced	\$ (4,846,249)	\$(2,014,552)
Bad debt expense	(1,141,061)	–
Decrease in net financial assets	(5,987,310)	(2,014,552)
Net financial assets, beginning of year	36,254,864	38,269,416
Net financial assets, end of year	\$ 30,267,554	\$36,254,864

See accompanying notes to financial statements.

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

Statement of Continuity of Fund

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Fund balance, beginning of year	\$ 36,254,864	\$38,269,416
Total expenditures	(5,987,310)	(2,014,552)
Fund balance, end of year	\$ 30,267,554	\$36,254,864

See accompanying notes to financial statements.



# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

Notes to Financial Statements

Year ended March 31, 2020

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Invest Nova Scotia Fund (the "Fund") was established by the Invest Nova Board Act on May 1, 2014. The Minister of Finance and Treasury Board effective April 1, 2015 pursuant to Order in Council 2015-125 authorized the transfer of up to \$40,000,000 to the fund. The Fund's purpose is to foster an economic environment to achieve sustained economic development and growth, with economic incentives that have broad benefits across sectors, innovation systems or regions.

The administrative responsibility for the Fund is assigned to the Department of Business (the "Department"). The Fund's accounting and assistance management activities are performed by staff of the Department.

All administrative expense of the Fund are recognized by the Department. The Fund has elected not to recognize these unallocated costs.

## 1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. These financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the Fund. The more significant policies are described below.

### (a) Basis of accounting:

The Fund follows the accrual method of accounting for revenue and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (b) Contributions:

Contributions made by the Fund to recipients are subject to formal agreements and approval by the Minister of the Department. Contributions advanced are recognized as an expense when conditions of the contributions agreements have been met.

### (c) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

### (d) Financial assets:

Contributions authorized but unadvanced and uncommitted balance of the fund are classified as financial assets as they represent commitments from the Province of Nova Scotia to fund commitments of the fund made under existing or future contribution agreements.

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (e) Loans receivable:

Loans receivable and recognized at amortized cost. Loans receivable that contain a substantial difference in interest rates from the Province of Nova Scotia's borrowing rate are measured based on the discount of expected cash flows based on the Province of Nova Scotia's borrowing rate. Any different from the amount advanced and the measured amount is recognized as a grant.

At year-end, the Fund assesses whether there are any indications that the carrying amount of the receivables may be impaired. When there is an indication of impairment, the Fund determines whether there has been a significant adverse change in the expected timing or amount of future cash flows. When the Fund identifies a significant adverse change, it reduces the carrying amount of the receivable to the higher of the amount that could be realized by selling the receivable at the balance sheet date and the present value of the cash flows expected to be generated by holding the receivable.

When the extent of impairment of a previously written down receivable decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

### (f) Statement of cash flows:

A statement of cash flows is not provided since the Fund does not maintain a cash account and disclosures in the balance sheet, statements of operations, net financial assets, and continuity of the funds adequately represent the changes in Fund balances.

### (g) Use of estimates:

The preparation of financial statements 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 year. Significant estimates included in the financial statements relate to the valuation of the financial assets and guarantees. Actual results could differ from those estimates.

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 2. Contributions authorized but unadvanced:

The Fund has committed to contributions to organizations once conditions of their agreements have been met. During the year the following contributions were authorized and advanced:

	2020	2019
Opening balance	\$ 9,316,459	\$ 5,738,011
Contributions authorized	2,600,000	5,593,000
Contributions advanced	(5,987,310)	(2,014,552)
Ending balance	\$ 5,929,149	\$ 9,316,459

Subsequent to March 31, 2020 the Fund advanced \$534,396 under existing contribution agreements.

## 3. Repayable loans:

During the year, the Fund issued a repayable loan to an organization in the amount of \$1,200,000. The loan bears no interest, has a term of three years, and is repayable in eight consecutive quarterly payments of \$150,000 each commencing on the third month following the month in which the final disbursement of the loan occurs. A grant has been recognized for the interest free portion of the debt in the amount of \$23,668 based on an implied interest rate of 1.82% which has been recognized as interest expense. Repayments are expected to begin in fiscal 2021, however a full valuation allowance has been recorded as at March 31, 2020. The Fund will continue to assess the loan for recoverability at the end of each reporting period at a minimum. During the year ended March 31, 2020, the amount disbursed to the organization was \$1,141,061 (2019 - nil).

## 4. Uncommitted balance of Fund:

Pursuant to an Order in Council, the Fund can make contributions of up to \$40,000,000 of which the Fund has committed or advanced a total of \$15,661,595 as at March 31, 2020 (2019 - \$13,061,595).

# PROVINCE OF NOVA SCOTIA INVEST NOVA SCOTIA FUND

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## **5. Subsequent events:**

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, which may also have a direct impact on the Fund's financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect of the Fund is not known at this time.