

Labour Market Information Council



Financial Statements

For the year ended March 31, 2020

Labour Market Information Council
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of the Labour Market Information Council

Opinion

We have audited the financial statements of the Labour Market Information Council (the "Council"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and 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 financial statements present fairly, in all material respects, the financial position of the Labour Market Information Council as at March 31, 2020 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.

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 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 Accounting Standards for Not-for-profit Organizations, 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 Council 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.

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:

- ♦ 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 Council'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 Council'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 Council 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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
September 29, 2020
Ottawa, Ontario

Labour Market Information Council Statement of Financial Position

March 31 2020 2019

Assets

Current

Cash (Note 2)	\$ 429,145	\$ 319,557
Prepaid expenses	90,819	161,707
Accounts receivable	65,047	69,518

585,011 550,782

Restricted cash - contingency reserve (Note 6) 100,392 50,000

Capital assets (Note 3) 75,576 96,902

\$ 760,979 \$ 697,684

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 207,763	\$ 153,226
Deferred contributions - operations (Note 4)	360,391	388,051

568,154 541,277

Deferred contributions related to capital assets (Note 5) 75,576 96,902

Deferred contributions - contingency reserve (Note 6) 100,392 50,000

Deferred lease inducement (Note 7) 16,536 9,234

760,658 697,413

Net assets 321 271

\$ 760,979 \$ 697,684

Approved on behalf of the board:

Cecelia Kachulak Director

Brian Smith Director

Labour Market Information Council

Statement of Operations and Changes in Net Assets

For the year ended March 31	2020	2019
Revenues		
Funding	\$ 2,198,986	\$ 1,876,557
Interest revenue	50	-
	<u>2,199,036</u>	<u>1,876,557</u>
Expenditures		
Accounting and legal	22,804	36,350
Amortization	25,370	18,067
Bank charges and interest	1,899	2,183
Committee operations	59,459	71,670
Communications and advertising	17,049	33,352
Human resources	5,104	6,361
IT infrastructure	53,313	19,887
Insurance	6,599	6,859
LMIC review	37,086	-
Office	11,937	26,627
Professional fees related to Strategic Goals (Note 8)	658,046	347,987
Rent	97,344	93,558
Salaries and wages	1,134,446	1,155,231
Telephone	5,616	4,933
Translation and editing	26,220	26,986
Travel	24,850	18,388
Web design	11,844	8,118
	<u>2,198,986</u>	<u>1,876,557</u>
Excess of revenues over expenditures for the year	50	-
Net assets, beginning of year	<u>271</u>	<u>271</u>
Net assets, end of year	<u>\$ 321</u>	<u>\$ 271</u>

Labour Market Information Council Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from (used in) operating activities		
Excess of revenues over expenditures for the year	\$ 50	\$ -
Adjustments for		
Amortization of capital assets	25,370	18,067
Amortization of deferred contributions related to tangible capital assets (Note 5)	(25,370)	(18,067)
Lease inducements received related to reduced rent benefits (Note 7)	13,907	14,685
Amortization of deferred lease inducement (Note 7)	(6,605)	(5,451)
	7,352	9,234
Change in non-cash working capital items		
Prepaid expenses	70,888	(156,684)
Accounts receivable	4,471	(50,488)
Accounts payable and accrued liabilities	54,537	81,566
Deferred contributions - operations	(27,660)	185,288
Deferred contributions - contingency reserve	50,392	50,000
	159,980	118,916
Cash flows from (used in) investing activity		
Capital asset additions	(4,044)	(106,222)
Cash flows from (used in) financing activity		
Contributions received related to the purchase of capital assets	4,044	106,222
Increase in cash during the year	159,980	118,916
Cash, beginning of year	369,557	250,641
Cash, end of year	\$ 529,537	\$ 369,557
Cash consists of:		
Cash	\$ 429,145	\$ 319,557
Restricted cash - contingency reserve	100,392	50,000
	\$ 529,537	\$ 369,557

Labour Market Information Council

Notes to the Financial Statements

March 31, 2020

1. Significant Accounting Policies

Nature of Organization

The Labour Market Information Council, the "Council", is a not-for-profit entity incorporated in Canada under the Canada Not-for-profit Corporations Act on April 21, 2017. The Council is working to identify pan-Canadian priorities for the collection, analysis and distribution of labour market information. The Council helps ensure better value from existing labour market information investments across Canada and fosters the exploration of new opportunities for collaboration among governments and with stakeholders.

The Council is exempt from income tax.

Basis of Presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant policies.

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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumption are reviewed periodically and as adjustments become necessary, they are reported in the periods in which they become known.

Significant estimates include assumptions used in estimating the useful lives and related amortization of tangible and intangible capital assets and provisions for accrued liabilities.

Financial Instruments

Financial instruments are financial assets or liabilities of the Council where, in general, the Council has the right to receive cash or another financial asset from another party or the Council has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The Council initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions, if any.

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement of financial instruments (continued)

The Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value are recognized in operations. Financial assets and liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

There are no financial assets or financial liabilities measured at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously and it does not exceed original cost. The amount of the reversal is recognized in operations.

Transaction costs

The Council recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset and is provided as follows:

Computer equipment	55%
Furniture and fixtures	20%
IT Server	30%

One-half the normal rate of amortization is recorded in the year of acquisition.

Labour Market Information Council

Notes to the Financial Statements

March 31, 2020

1. Significant Accounting Policies (continued)

Revenue Recognition	The Council follows the deferral method of accounting for contributions. Under this method, contributions restricted for future fiscal year expenses are deferred and are recognized as revenue in the fiscal year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
Deferred Lease Inducement	The lease inducement received relates to reduced rent benefits. The lease inducement has been aggregated with the required lease payments and are amortized to rent expense on a straight-line basis over the term of the lease resulting in a consistent expense over the lease term.

2. Cash

The Council's cash is held at a Canadian chartered bank and earns nominal interest.

3. Capital Assets

	2020			2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer equipment	\$ 19,824	\$ 15,523	\$ 4,301	\$ 9,560	
Furniture and fixtures	75,567	20,692	54,875	65,676	
IT Server	26,940	10,540	16,400	21,666	
	\$ 122,331	\$ 46,755	\$ 75,576	\$ 96,902	

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

4. Deferred Contributions - Operations

Deferred contributions represent unused funding received from FLMM and ESDC which, as a result of external restrictions, are to fund the related expenses to be occurring in a subsequent fiscal year.

	FLMM Funding 2020	ESDC Funding 2020	Total 2020	Total 2019
Balance, beginning of year	\$ 388,051	\$ -	\$ 388,051	\$ 202,763
Received	1,045,956	1,100,000	2,145,956	2,043,778
Recognized	(1,303,811)	(869,805)	(2,173,616)	(1,858,490)
Balance, end of year	<u>\$ 130,196</u>	<u>\$ 230,195</u>	<u>\$ 360,391</u>	<u>\$ 388,051</u>

5. Deferred Contributions Related to Capital Assets

During the year, the Council used a portion of the funding obtained from FLMM to purchase capital assets as permitted on the agreement. The Council used \$4,044 (2019 - \$106,222) of the funding received with respect to this program which is to be deferred and realized over the useful life of the related assets acquired.

	2020	2019
Balance, beginning of year	\$ 96,902	\$ 8,747
Received	4,044	106,222
Recognized	<u>(25,370)</u>	<u>(18,067)</u>
Balance, end of year	<u>\$ 75,576</u>	<u>\$ 96,902</u>

Revenue realized in the year has been included in FLMM funding revenue as set out on the statement of operations.

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

6. Deferred Contributions - Contingency Reserve

Funding

A portion of the funding received from FLMM during the year was restricted to increase the Contingency Reserve. The purpose of the Contingency Reserve is to build and maintain an adequate level of financial resources to cover the costs of the following circumstances, should they occur:

- a) Cover operating expenses in the event of delays in receiving funding;
- b) Recruit a new Executive Director in the unexpected event the Council is required to hire a new Executive Director;
- c) Cover costs of winding down the organization; and
- d) Cover other unanticipated expenses.

The Contingency Reserve was financed with an initial restricted contribution of \$50,000 in the 2019 fiscal year and an additional \$50,000 in the current fiscal year. The Contingency Reserve will be funded at the end of each fiscal year with a budgeted contribution of \$50,000 and any uncommitted funds from that years' budget until the targeted amount of \$300,000 is reached, which represents the Council's estimates of the potential circumstances noted above. The balance of the Contingency Reserve shall not exceed \$300,000.

Funding received in relation to the Contingency Reserve is maintained in a segregated high-interest savings account. Any interest accrued is to remain in the account and accumulate as part of the overall restricted funding of the Contingency Reserve, until the maximum balance has been established.

When the Contingency Reserve has reached the targeted amount, any uncommitted funds that accrue at the end of each fiscal year will be returned or deferred as per the established funding agreements. Interest in the Contingency Reserve account that accrues once the targeted amount is reached will be transferred to the Council's general operating accounts.

At the end of each fiscal year, the Executive Director will submit a report to the Audit Committee to approve the funds to be transferred to the Contingency Reserve. This report will include any requests to access the funds from the Contingency Reserve in the following fiscal year with information on the amounts required for operational commitments that will require short-term financing.

Repayment

The Council will replenish the Contingency Reserve within the same fiscal year equal to the amounts used that pertain to covering operating expenses and other unanticipated costs.

In the event that the Council uses the Contingency Reserve to cover the cost of hiring a new Executive Director, the amount required will be added to the budget for the following fiscal year as a repayment into the Contingency Reserve.

In the event of a wind down, any restricted contributions remaining upon liquidation of the Council's assets, will be returned to the funders.

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

6. Deferred Contributions - Contingency Reserve (continued)

	2020	2019
Balance, beginning of year	\$ 50,000	\$ -
Contributions received during the year	50,000	50,000
Interest income earned	392	-
Balance, end of year	<u>\$ 100,392</u>	<u>\$ 50,000</u>

7. Deferred Lease Inducement

During the 2019 fiscal year, the Council entered into a lease agreement for new office premises. As part of the agreement, the Council received 521 square feet of rent free space in the first year under the lease and will receive 446 square feet of rent free space in the second year of the lease. The total value of the rent free benefit over the two years is approximately \$29,750. Rent expense was recorded for this year at the average monthly rate in order to reflect the economic substance of the incentive. The resulting deferred inducement will be amortized over the 5 year term of the lease as set out below, reducing the rent expense of future periods below the payments required set out in Note 9 to these financial statements.

	2020	2019
Balance, beginning of year	\$ 9,234	\$ -
Lease inducement received in the year	13,907	14,685
Amortization for the year	(6,605)	(5,451)
Balance, end of year	<u>\$ 16,536</u>	<u>\$ 9,234</u>

8. Professional Fees Related to Strategic Goals

The Council incurred the following expenses related to professional fees in order to undertake activities related to its three Strategic Goals of Collect, Analyze and Distribute:

	2020	2019
Collect	\$ 248,424	\$ 156,573
Analyze	148,859	41,872
Distribute	260,763	149,542
	<u>\$ 658,046</u>	<u>\$ 347,987</u>

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

9. Commitments

The Council has an operating lease agreement for its office premises which began May 1, 2018 and ends April 30, 2023. The annual lease payments required for the remainder of the lease term, which includes an estimate for the Council's proportionate share of operating costs and taxes, are as follows:

2021	\$	97,478
2022		98,573
2023		98,573
2024		<u>8,214</u>
	\$	<u>302,838</u>

The Council has an option to extend this lease agreement for an additional five years, under the same terms and conditions of the current lease, with the exception that there will be no additional leasehold improvements and annual rent will be determined at the fair market rent at the time of renewal.

As part of the lease agreement, there is an option to terminate the lease and the estimated termination cost at the end of each fiscal year over the term of the lease is as follows:

2021	\$	10,825
2022		7,788
2023		4,211
2024		337

10. Economic Dependence

The Council receives substantially all of its revenue through two funding agreements of equal amounts with the FLMM and ESDC. The Council's continued operations are dependent on these funding agreements and on satisfying the terms of the agreements.

11. Financial Instruments Risks and Concentrations

The Council is exposed to various risks through its financial instruments. The following analysis provides a measure of the Council's risk exposure and concentrations as at March 31, 2020.

The Council is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

11. Financial Instruments Risks and Concentrations (continued)

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 Council's main credit risks relate to its accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting its obligations associated with financial liabilities. The Council is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and its deferred revenue.

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.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council operates primarily in Canadian currency and thus not exposed to this risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Council has limited exposure to interest rate risk due to its cash.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Council is not exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Council's risk exposures from the prior year.

Labour Market Information Council Notes to the Financial Statements

March 31, 2020

12. Corresponding Amounts

In certain instances, 2019 fiscal year corresponding amounts and financial disclosures presented have been reclassified to conform with the financial statement presentation and financial disclosures adopted for fiscal 2020.

13. Impact of COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Council's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Council's operations.

The extent of the impact of this outbreak and related containment measures on the Council's operations cannot be reliably estimated at this time.
