



*Service New Brunswick*  
*Services Nouveau-Brunswick*

**Financial Statements**

**March 31, 2001**

# **Service New Brunswick**

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## Service New Brunswick

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### MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

It is the responsibility of the Board to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. Upon the recommendation of the Audit Committee, these financial statements are approved by the Board of the Corporation.



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Robert W. Gamble, CMA, FCMA  
President



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Carol Macdonald, CA  
Vice President Finance and Administration

Fredericton, N B Canada  
June 1, 2001

# Service New Brunswick

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## AUDITORS' REPORT

To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 2001 and the statements of income and changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Canada.

The financial statements for the preceding year were audited by other Chartered Accountants.

Saint John, N B Canada  
June 1, 2001

*Ernst & Young LLP*

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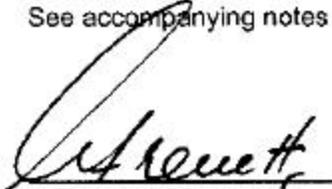
Ernst & Young, LLP  
Chartered Accountants

# Service New Brunswick

## BALANCE SHEET As at March 31, 2001

	2000/01	1999/00
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 7,776,658	\$ 6,233,822
Accounts receivable (Note 4)	1,672,128	1,784,714
Prepaid expenses	217,936	85,035
	<u>9,666,722</u>	<u>8,103,571</u>
<b>LONG TERM ASSETS</b>		
Accounts receivable (Note 4)	440,570	738,677
Equipment and leasehold improvements (Note 5)	4,786,678	5,431,729
Intangible assets (Notes 3 and 5)	11,850,709	9,608,347
	<u>17,077,957</u>	<u>15,778,753</u>
	<b>\$26,744,679</b>	<b>\$23,882,324</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,892,165	\$ 4,873,309
Deferred revenue	93,382	121,126
Deferred liability (Note 6)	-	1,198,970
Land Titles Assurance (Note 7)	21,015	-
	<u>6,006,562</u>	<u>6,193,405</u>
<b>EQUITY</b>	<b>20,738,117</b>	<b>17,688,919</b>
	<b>\$26,744,679</b>	<b>\$23,882,324</b>

Commitments Note 8  
See accompanying notes

  
J. Raymond Frenette  
Chairman

  
Robert W. Gamble  
President

## Service New Brunswick

### STATEMENT OF INCOME AND CHANGES IN EQUITY

For the year ended March 31, 2001

	2000/01	1999/00
<b>REVENUES</b>		
Provincial services	\$ 27,260,864	\$ 24,572,600
Municipal services	5,940,092	5,771,034
Government assistance (Note 9)	149,237	525,000
Registry and mapping	8,408,142	7,541,481
Service transactions	214,088	201,878
Software sales	17,860	521,850
Other	153,043	246,896
Interest	742,196	620,863
	<b>42,885,522</b>	<b>40,001,599</b>
<b>EXPENSES</b>		
Personnel services	\$ 23,959,205	\$ 23,222,965
Professional services	1,837,509	4,155,450
Space and equipment services	3,669,082	3,293,816
Amortization	3,657,539	2,982,289
Communications and computer services	3,579,532	2,151,002
Travel and meetings	921,654	924,675
Materials and supplies	801,909	779,306
Furniture and equipment (Note 3)	805,877	-
Other	604,017	449,590
	<b>39,836,324</b>	<b>37,959,093</b>
<b>NET INCOME</b>	<b>\$ 3,049,198</b>	<b>\$ 2,042,506</b>
<b>OPENING EQUITY</b>	<b>17,688,919</b>	<b>15,646,413</b>
<b>ENDING EQUITY</b>	<b>\$20,738,117</b>	<b>\$17,688,919</b>

See accompanying notes

## Service New Brunswick

### STATEMENT OF CASH FLOWS For the year ended March 31, 2001

	2000/01	1999/00
<b>Cash and cash equivalents provided by (used in):</b>		
<b>Operations:</b>		
Net income	\$ 3,049,198	\$ 2,042,506
Items not involving cash:		
Amortization	3,657,539	2,982,289
Change in non-cash working capital	(207,158)	306,705
	<b>6,499,579</b>	<b>5,331,500</b>
<b>Financing:</b>		
Decrease in deferred liability	-	(372,947)
Decrease (increase) in long term accounts receivable	298,107	(127,782)
	<b>298,107</b>	<b>(500,729)</b>
<b>Investments:</b>		
Additions to equipment and leasehold improvements	(1,275,644)	(2,888,376)
Additions to intangible assets	(3,979,206)	(3,875,386)
	<b>(5,254,850)</b>	<b>(6,763,762)</b>
<b>Increase (decrease) in cash</b>	<b>1,542,836</b>	<b>(1,932,991)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,233,822</b>	<b>8,166,813</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$7,776,658</b>	<b>\$ 6,233,822</b>

See accompanying notes

# Service New Brunswick

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## NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2001

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### 1. SERVICE NEW BRUNSWICK

Service New Brunswick is a Crown Corporation established under the *Service New Brunswick Act*. Its mission is:

- making government services more accessible; and
- being stewards for authoritative information.

### 2. ACCOUNTING POLICIES

#### General

The Corporation follows generally accepted accounting principles (GAAP).

#### Temporary Investments

Temporary investments are recorded at the lower of cost and market value. The carrying value of the Corporation's financial instruments approximate fair market value because of their short-term maturity and normal credit terms.

#### Capital Assets

Investments in information systems and databases and in physical assets having a value of \$2,000 or greater are capitalized and written off to income in accordance with the amortization policy.

#### Amortization

Amortization is computed on a straight-line basis on original cost with rates as follows:

Databases and system development	10 years
Furniture and equipment	10 years
Leasehold improvements	10 years
Vehicles	5 years
Computers and software	4 years

#### Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles 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 periods. Actual results could differ from those estimates.

## Service New Brunswick

### 3. CHANGES IN ACCOUNTING POLICIES

In previous years, the Corporation did not apply a value limit to capitalized assets. During this year, the accounting policy was amended to expense individual assets with a value of less than \$2,000. An amount of \$805,877 has been expensed for furniture and equipment with values of less than \$2,000 in the current year.

In previous years, the Corporation capitalized and amortized all investments in information systems and databases in the year they were incurred. During the current year, the accounting policy was amended to capitalize investments to work in process and commence amortization when the assets are put in to use.

There have been no adjustments applied retroactively for either change.

### 4. ACCOUNTS RECEIVABLE

	Year Ended 2001	Year Ended 2000
<b>Current:</b>		
• Trade	\$ 463,531	\$ 383,524
• Software sales	288,818	323,359
• HST Rebate	420,086	608,036
• Related Entities	284,804	260,229
• Employees	128,144	131,428
• Interest receivable	86,745	78,138
	<u>\$ 1,672,128</u>	<u>\$ 1,784,714</u>
<b>Long Term:</b>		
• Software sales	\$ 440,570	\$ 738,677

The repayment terms for long term software sales are based on monthly transaction volumes with a discounted interest rate applied.

The Corporation's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of organizations on normal credit terms.

### 5. CAPITAL ASSETS

	Year Ended 2001			Year Ended 2000
	Cost	Accumulated Amortization	Net	Net
<b>Equipment and Leasehold Improvements</b>				
Computers and software	\$ 6,452,905	\$ 3,396,201	\$ 3,056,704	\$ 3,952,836
Furniture and equipment	1,690,916	837,731	853,185	942,558
Leasehold improvements	1,516,427	649,567	866,860	522,638
Vehicles	18,604	8,675	9,929	13,697
	<u>\$ 9,678,852</u>	<u>\$ 4,892,174</u>	<u>\$ 4,786,678</u>	<u>\$ 5,431,729</u>
<b>Intangible Assets</b>				
System development	\$ 14,137,322	\$ 4,655,530	\$ 9,481,792	\$ 9,374,067
Databases	1,018,040	893,116	124,924	234,280
Work in Process	2,243,993	-	2,243,993	-
	<u>\$ 17,399,355</u>	<u>\$ 5,548,646</u>	<u>\$ 11,850,709</u>	<u>\$ 9,608,347</u>

## Service New Brunswick

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### 6. DEFERRED LIABILITY

The Corporation entered into an agreement in 1995 to pay \$2,300,000 to the developer of one of its major systems over a five-year period ending November 2000. Payments were made based on transaction volumes with all outstanding amounts payable by the ending date.

### 7. LAND TITLES ASSURANCE

Under the *Land Titles Act*, the Province guarantees title to real property registered under Land Titles. The Corporation has established the Land Titles Assurance Fund to provide for potential claims respecting indemnification pursuant to the *Land Titles Act*.

### 8. LEASE COMMITMENTS

The following are future minimum payments for leased premises and equipment for the years ended:

2002	\$ 2,807,787
2003	2,574,075
2004	2,041,912
2005	1,979,169
2006	1,504,473
	<u>\$ 10,907,416</u>

### 9. GOVERNMENT ASSISTANCE

The Corporation received assistance in the year ended March 31, 2001 from the Official Languages Program towards the implementation of the Corporation's bilingual on-line services and from Service Canada for the co-establishment of two federal Access sites. In the year ended March 31, 2000, the Official Languages Program provided assistance for the Unlimited Service to New Brunswick initiative and the Regional Development Corporation assisted with PLANET. Both related revenue and expenses are included in these statements.

	Year Ended 2001	Year Ended 2000
Official Languages Program	\$ 80,000	\$ 25,000
Service Canada	69,237	-
Regional Development Corporation	-	500,000
	<u>\$ 149,237</u>	<u>\$ 525,000</u>

### 10. COMPARATIVE FIGURES

Certain 2000 comparative figures have been restated to conform to minor reclassifications in the financial statement presentation adopted for 2001.