

Finance PEI

ANNUAL REPORT

FY 2020

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Minister's Message



THE HONOURABLE ANTOINETTE PERRY

Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations requiring the Annual Report to be issued by September 30, 2020, I am pleased to present to you the Annual Report of Finance PEI for the fiscal year ending March 31, 2020.

Sincerely Yours,

A handwritten signature in black ink, which appears to read "Matthew Mackay". The signature is written in a cursive style with a long, sweeping tail.

HON. MATTHEW MACKAY

Minister of Economic Growth, Tourism and Culture

Message from Chairperson

TO THE HONOURABLE MATTHEW MACKAY

*Minister of Economic Growth, Tourism and Culture
Prince Edward Island*

Dear Minister,

I take pleasure in presenting you with the Annual Report for the fiscal year ending March 31, 2020.

This Annual Report is being presented pursuant to the Finance PEI Act.

Sincerely Yours,



CORA LEE DUNBAR

Chairperson, Board of Directors – Finance PEI

Message from Chief Executive Officer

TO THE HONOURABLE MATTHEW MACKAY

*Minister of Economic Growth, Tourism and Culture
Prince Edward Island*

Dear Minister,

I present to you the Annual Report for the fiscal year ending March 31, 2020.

This Annual Report is being presented pursuant to the Finance PEI Act.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "Jamie Aiken". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

JAMIE AIKEN, CPA, CA

Chief Executive Officer

Government Entity Overview

Finance PEI is a crown corporation under the Ministry of Economic Growth, Tourism and Culture and, along with its subsidiary companies, is the lead financing and strategic infrastructure agency for the Province of Prince Edward Island

The directives of Finance PEI include: *to source, manage and supply financial capital and infrastructure for strategic business opportunities; balance risk with economic return; work collaboratively with traditional financial institutions and government agencies; and operate as a professional lender.*

MISSION

Finance PEI has three divisions, each of which has their respective focus:

COMMERCIAL AND RESOURCE LENDING

To provide financial assistance through loans in support of economic development to support enterprises who demonstrate reasonable viability, and are maintaining or expanding economic development.

DEVELOPMENTAL LENDING

To provide loan financing and strategic investment, in support of businesses that create, maintain, or expand priority sectors with emphasis on businesses involved in exporting to domestic and international markets, import replacement, and value-added processing.

STRATEGIC INITIATIVES AND PROPERTIES

To promote the establishment of new business opportunities and encourages the expansion of existing businesses through the provision of readily accessible infrastructure, including business parks, land and buildings.

MANDATE

The Corporation operates under the following mandated objectives:

- To provide leadership in the support and implementation of the government's development strategy;
- To operate as a responsible, professional lender providing prudent and necessary assistance to firms and individuals pursuing the economic development objectives of government;
- To provide loans and credit assistance to PEI enterprises to maintain or expand development activity on PEI;
- To provide loans and credit assistance to sectors of the PEI economy identified by the government as being strategic importance for economic development;
- To assist in the planning and implementation of economic development projects sponsored by the government.

Finance PEI provides term and working capital financing to eligible borrowers in many priority sectors on PEI, including small business, manufacturing and processing, agriculture, information and communication technology, bioscience, aerospace, tourism, fisheries and aquaculture, and renewable energy.

Finance PEI's priorities include businesses involved in exporting to domestic and international markets, import replacement, and value-added processing. Small and medium sized businesses are the key generators that drive PEI's economy and access to financial capital is critical for those businesses to prosper and grow to their full potential.

Finance PEI administers a number of specific programs that include:

- Farmland Financing Program
- Cattle Loan Program
- Fishers Low Interest Loan Program
- Micro-Loan Program
- Entrepreneur Loan Program
- Down Payment Assistance Program
- Energy Efficiency Loan Program

SUBSEQUENT EVENTS

Since January 31, 2020, the outbreak of COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

On March 16, 2020, the Government of Prince Edward Island declared a State of Health Emergency to enable government to manage threats to public health posed by the COVID-19 Pandemic, including the requirement that businesses deemed non-essential be closed to the public.

In recognition of the disruption this would cause to the normal routine of Islanders and businesses, the Provincial Government, in conjunction with the Federal Government, undertook to provide economic and business supports to mitigate the resulting financial hardship.

The Province's COVID-19 Business Supports include the following programs, which are administered by Finance PEI, in whole or in part:

EMERGENCY WORKING CAPITAL LOAN PROGRAM

In March 2020, the Government of Prince Edward Island committed \$10 million to this program, which provides emergency working capital financing to assist PEI's small businesses during the unprecedented economic disruption to business caused by the Covid-19 pandemic. This program provides loans to assist qualifying companies maintain business operations during these difficult times, and to be better positioned for recovery post-COVID-19.

Eligible applicants can access a working capital loan of up to \$100,000 with a fixed interest rate of 4% per annum, to assist applicants with fixed operating costs (including payroll, rent, utilities, etc). The loan is repayable over 6 years, with principal and interest payments deferred for a minimum of 12 months.

TOURISM ASSISTANCE LOAN PROGRAM

Established through a partnership of Finance PEI and Tourism PEI, this program supports PEI Tourism Operators through repayable loans, to qualified applicants. Interest payments on loans approved through this program qualify for interest relief from Tourism PEI for a

period of 18 months with Finance PEI offering principal deferrals to match the same 18 month period.

Eligible applicants can access financing up to a maximum loan amount of \$1 million, repayable over a maximum of 20 years, with a 5-year term at a fixed interest rate of 4%.

The Government of Prince Edward Island has committed up to \$50 million under this program, which will accept applications until December 31, 2020.

TOURISM INTEREST RELIEF PROGRAM

A joint initiative of Finance PEI and Tourism PEI, the Tourism Interest Relief Program provides a non-repayable contribution to Island tourism operators to provide relief with term debt interest costs. To qualify, the tourism operator must demonstrate either a minimum 30% decrease in tourism related revenues from operations located in Prince Edward Island compared to the same month in the prior year; or the operation had no tourism revenue. The Government of Prince Edward Island has committed up to \$10 million for this program, with the eligible application period being from April 1, 2020 through to September 1, 2021.

FISHERIES EMERGENCY LOAN PROGRAM

The Fisheries Emergency Loan provides a loan of up to \$25,000 (based on the cumulative ownership of businesses under common control as defined by the Canadian Income Tax Act), and is available to all PEI Fishers. The loan can be utilized to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service and may not be used to fund any payments or expenses such as loan prepayment/refinancing of existing indebtedness, payments of dividends and/or distributions and increases in management compensation.

Approved loans will have the opportunity to defer principal payment for a maximum of 18 months from the date of the first disbursement, and the PEI Department of Fisheries and Communities will pay the first 18 months' interest payments, commencing at the date of first disbursement, to a cumulative maximum of \$2.4 million.

FISHERIES INTEREST RELIEF PROGRAM

Fisheries Interest Relief Program is being administered by Finance PEI on behalf of the Department of Fisheries and Communities, where the Department of Fisheries and Communities will reimburse interest expense incurred to a maximum of 12 months that is owing or owed by PEI fish harvesters for existing term debt (lines of credit are excluded) with their financial institutions.

The total obligation of the Government of Prince Edward Island under the Fisheries Interest Relief program will not exceed \$12.5 million.

COMMERCIAL RENT DEFERRAL PROGRAM

In April 2020, the Province established an indemnity pool of up to \$1.5 million under this program, which provides a limited indemnity to participating landlords for actual losses incurred as a result of entering into a Rent Deferral Agreement with qualified business tenants that have been directly impacted by COVID-19 related Directives and/or Orders, pursuant to the *Public Health Act*.

This program provided a framework for impacted business tenants to work with their landlord to restructure those lease obligations that would normally be due between April 1 and June 30, 2020, by spreading the payment of those deferred rents over the remainder of their lease term, or other mutually agreed future period.

If a tenant defaults on that Rent Deferral Agreement before June 30, 2021, and the landlord has undertaken commercially reasonable measures to collect the deferred rent, the landlord can potentially make a claim against the program for that portion of the actual deferred rent that remains unpaid, to a maximum of \$15k/tenant, or \$50K/landlord.

KEY INDICATORS

On an annual basis, Finance PEI commissions the services of economists from the accounting firm Grant Thornton, to prepare a statistical analysis that estimates the economic impact of firms supported by the loan portfolio administered by Finance PEI.

The economic impact model, based on Statistic's Canada Input-Output (I-O) tables, estimates the combined output of gross domestic product, employment, employment income, and consumer spending, as well as a broader set of data showing the collective impact these firms have on the Island economy.

Some key findings for the most recent period available¹, are noted below:

- Collectively, the firms assisted by Finance PEI, generated sales of \$1.65 billion in 2016, which supported \$972 million worth of GDP, and \$526 million in labour income on the Island, and over 13,000 jobs.
- The economic activity generated by these firms resulted in an estimated \$106 million in tax revenue to provincial and local governments.
- The labour income generated by the firms led to an estimated \$390 million in consumer spending; \$59 million on food, \$99 million on shelter, \$83 million on transportation, \$26 million on healthcare and personal services, \$29 million of recreation and \$12 million on gifts and charitable donations.
- Supported firms significantly contributed to the Province achieving the fastest growth in the country, between 2013 and 2017, in the following areas:
 - 28.9% increase in the value of industrial production;
 - 30% increase in total manufacturing employment;
 - 51% increase in the value of international exports, with the following sectors leading the way:
 - Seafood production (up 45%);
 - Engine, turbine and related manufacturing (up 146%);
 - Aerospace product and parts manufacturing (up 100%);
 - Pharmaceutical & medicine manufacturing (up 116%)

¹Source: Grant Thornton, LLP. (December 2018). *The Fiscal 2016 Economic Impact of Finance PEI and Island Investment Development Inc. Supported Firms.*

SUMMARY OF THE STRATEGIC PLAN AND FUTURE DIRECTION

Finance PEI will continue to provide leadership in the support and implementation of the government's development strategy; operate as a responsible, professional lender providing prudent and necessary assistance to firms and individuals pursuing the economic development objectives of government.

HIGHLIGHTS AND ACCOMPLISHMENTS

Finance PEI's loan portfolio totaled \$228 million as of March 31, 2020, providing financial services to over 1,200 Island businesses and residents. This represents an increase of 12.2% over the previous period.

Sector observations include:

- Loans to the Fisheries and Aquaculture sector businesses totaled \$107.3 million, up 13.4% over 2019. Loans to this sector accounts for approximately 47% of the total portfolio value and 60% of its business clientele.
- The Agriculture loan portfolio increased by 6.6% during 2020, to \$32.6 million, supporting a variety of farming operations, including arable, pastoral and mixed farming.
- Tourism related loans totaled \$21.7 million at fiscal end, reflecting a 16.6% increase over the previous period. The portfolio supports 49 operators with both capital and working capital financing to assist clients with season start-up costs, acquisition, renovation and expansions to their tourism related businesses.
- While manufacturing and processing loans remained relatively unchanged at \$29.3 million, the more diverse Small Business sector loan portfolio increased by 22.3% over 2019, bringing that segment of the portfolio to \$36.9 million, and supporting the financing needs of over 150 small businesses.
- Finance PEI's portfolio includes loan programs developed to support housing availability and energy efficiency initiatives of the Provincial Government. At March 31, 2020, loans under those programs totaled:
 - \$703,246 under the Down Payment Assistance Program, helping 93 modest income households purchase their first home; and,
 - \$597,137 under the Energy Efficiency Loan Program, helping 149 households to upgrade the energy efficiency of their homes.

Board of Directors

Cora Lee Dunbar | Chairperson
General and Small Business

Erin McGrath-Gaudet
Deputy Minister | Department of Economic Growth, Tourism, and
Culture

Cindy Harris
Secretary | Treasury Board

Jamie Aiken
Chief Executive Officer | Finance PEI

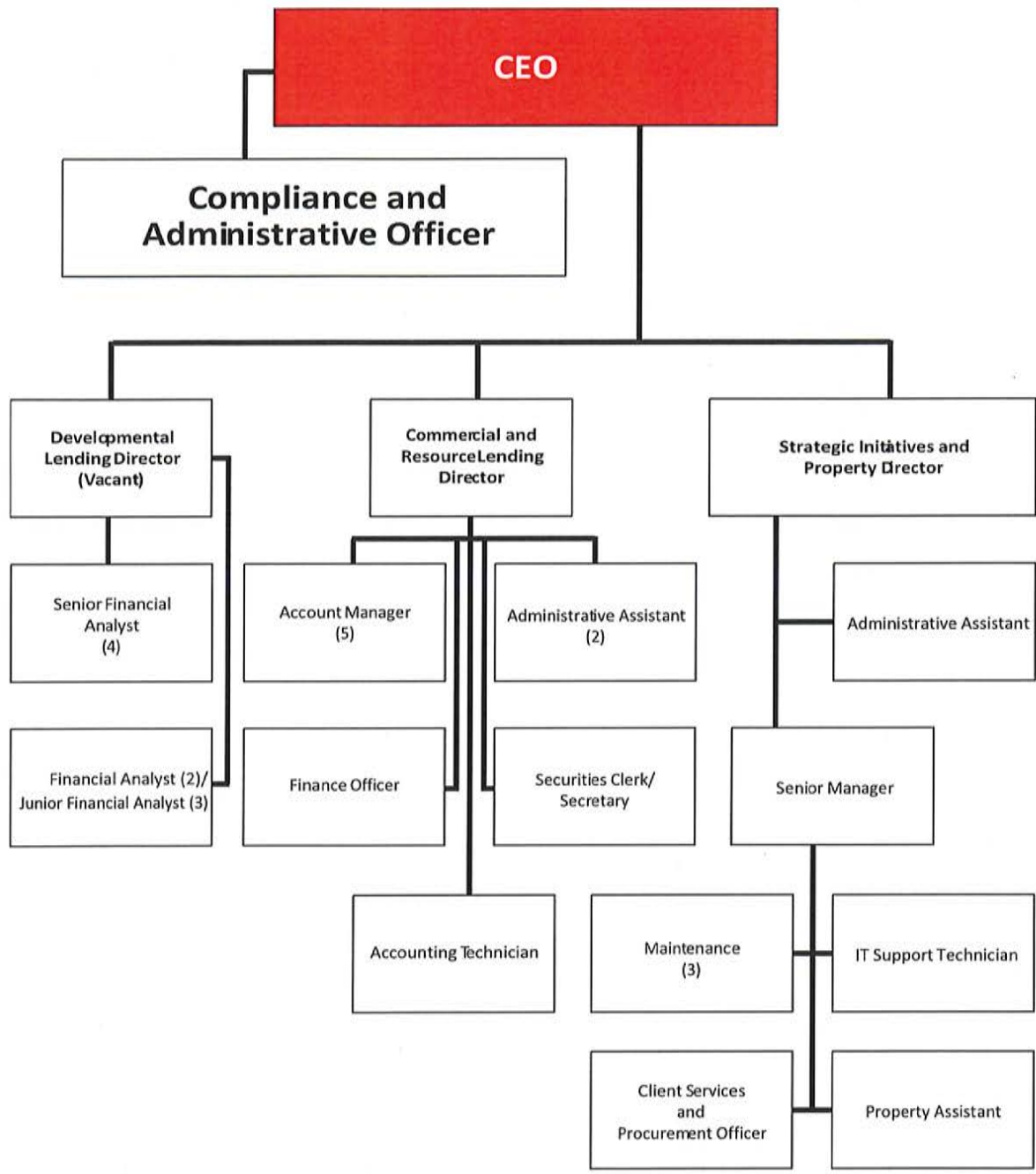
Muncey Harris
Agriculture

Ricky Sanderson
Agriculture

Harold Publicover
Fisheries

Brian Annear
Tourism

Organizational Structure



Finance PEI

Consolidated Financial Statements
March 31, 2020

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Finance PEI on matters of financial reporting and internal controls. Management provides the Board with internal consolidated financial statements on a monthly basis and externally audited consolidated financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Finance PEI



Jamie Aiken, CPA, CA
Chief Executive Officer of Finance PEI



July 21, 2020

Independent Auditor's Report

To the Board of Directors of Finance PEI

Opinion

We have audited the accompanying consolidated financial statements of Finance PEI, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, accumulated surplus, changes in net financial assets (debt) 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Finance PEI as at March 31, 2020, and the consolidated results of its operations and its cash flows 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Finance PEI 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 Finance PEI'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 Finance PEI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Finance PEI'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 Finance PEI'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 Finance PEI'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 Finance PEI 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Finance PEI

Consolidated Statement of Financial Position As at March 31, 2020

	2020	2019
	\$	\$
Assets		
Financial assets		
Cash	18,837,195	2,290,792
Accounts receivable (notes 2 and 11)	666,061	725,447
Loans receivable (note 3)	196,823,415	177,145,723
Advances to related company (note 11)	39,292	39,292
Due from the Province of Prince Edward Island (note 11)	11,163,650	11,163,650
Investment in private companies (note 4)	-	139,813
	<u>227,529,613</u>	<u>191,504,717</u>
Liabilities		
Accounts payable and accrued liabilities (note 11)	2,159,722	1,744,307
Deferred revenue	1,202,092	1,270,821
Advances from related companies (note 11)	19,003,442	14,830,066
Short-term notes payable (note 5)	42,505,122	12,195,122
Long-term debt (note 6)	153,155,059	152,840,920
	<u>218,025,437</u>	<u>182,881,236</u>
Net financial assets	<u>9,504,176</u>	<u>8,623,481</u>
Contingent liabilities (note 9)		
Commitments (note 10)		
Non-financial assets		
Prepaid expenses	97,904	86,134
Net investment in lease (note 7)	593,538	620,249
Foreclosed properties (note 8)	285,664	277,902
Property holdings (notes 6 and 11) (Schedule 2)	28,147,802	28,811,242
	<u>29,124,908</u>	<u>29,795,527</u>
Accumulated surplus	<u>38,629,084</u>	<u>38,419,008</u>

Approved by the Board of Directors

Director

Director

Finance PEI

Consolidated Statement of Accumulated Surplus For the year ended March 31, 2020

	2020	2019
	\$	\$
Accumulated surplus - Beginning of year	38,419,008	29,396,578
Operating surplus	<u>210,076</u>	<u>9,022,430</u>
Accumulated surplus - End of year	<u>38,629,084</u>	<u>38,419,008</u>

Finance PEI

Consolidated Statement of Operations For the year ended March 31, 2020

	Budget (Unaudited) \$	Actual 2020 \$	Actual 2019 \$
Revenue			
Interest from borrowers	9,250,000	10,352,541	9,576,461
Interest from deposits	32,200	24,419	29,116
Property operations (note 11)	4,275,000	4,900,283	4,381,243
Post-receivership income	-	-	13,282
Management fees (note 11)	500,000	497,826	500,000
Grant income	-	133,424	-
Gain on sale of property holdings	-	887,722	366,135
Miscellaneous	125,000	197,605	241,899
	<u>14,182,200</u>	<u>16,993,820</u>	<u>15,108,136</u>
Expenses (notes 6 and 11) (Schedule 1)			
Administration	717,700	818,200	817,502
Lending operations	5,116,500	5,741,848	5,613,242
Property operations	4,702,500	5,231,400	5,014,089
Provision for (recovery of) possible losses	1,500,000	4,992,296	(5,359,127)
	<u>12,036,700</u>	<u>16,783,744</u>	<u>6,085,706</u>
Operating surplus	<u>2,145,500</u>	<u>210,076</u>	<u>9,022,430</u>

Finance PEI

Consolidated Statement of Changes in Net Financial Assets (Debt) For the year ended March 31, 2020

	2020 \$	2019 \$
Annual surplus	210,076	9,022,430
Acquisition of property holdings	(1,062,607)	(868,520)
Amortization of property holdings	1,618,846	1,496,041
Gain on disposal of property holdings	(887,722)	(366,135)
Proceeds on disposal of property holdings	994,923	1,413,600
Increase in provision on foreclosed properties	-	44,800
Additions to foreclosed properties	(7,762)	(9,975)
	655,678	1,709,811
Decrease (increase) in prepaid expenses	(11,770)	25,214
Decrease in net investment in lease	26,711	25,804
	670,619	1,760,829
Increase in financial assets	880,695	10,783,259
Net financial assets (debt) - Beginning of year	8,623,481	(2,159,778)
Net financial asset - End of year	9,504,176	8,623,481

Finance PEI

Consolidated Statement of Cash Flows For the year ended March 31, 2020

	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Operating surplus	210,076	9,022,430
Items not affecting cash		
Amortization	1,618,846	1,496,041
Change in net investment in lease	26,711	25,804
Provision for (recovery of) possible losses	4,990,320	(5,359,127)
Gain on disposal of property holdings	(887,722)	(366,135)
	<u>5,958,231</u>	<u>4,819,013</u>
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	76,786	(117,278)
Decrease (increase) in prepaid expenses	(11,770)	25,214
Increase in accounts payable and accrued liabilities	415,415	157,569
Increase (decrease) in deferred revenue	(68,728)	7,928
	<u>6,369,934</u>	<u>4,892,446</u>
Financing activities		
Increase in advances from related companies	4,173,376	251,649
Increase in short-term notes payable	30,750,000	-
Repayment of short-term notes payable	(440,000)	(7,500,020)
Increase in long-term debt	16,450,000	25,600,000
Repayment on long-term debt	(16,135,861)	(21,526,442)
	<u>34,797,515</u>	<u>(3,174,813)</u>
Investing activities		
Increase in loans receivable	(24,785,600)	(1,632,743)
Decrease in advances to related companies	-	123,858
Additions to and purchases of property holdings	(1,062,607)	(868,520)
Reductions and proceeds on disposal of property holdings	994,923	1,413,600
Additions to foreclosed properties	(7,762)	(9,975)
Payments received on investment in private companies	240,000	200,000
	<u>(24,621,046)</u>	<u>(773,780)</u>
Change in cash	16,546,403	943,853
Cash - Beginning of year	<u>2,290,792</u>	<u>1,346,939</u>
Cash - End of year	<u>18,837,195</u>	<u>2,290,792</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements:

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, Atlantic Technology Centre Inc., P.E.I. Infrastructure Inc. and 100417 P.E.I. Inc., all having March 31, 2020 year ends.

b) Cash

Cash is comprised of cash on hand and cash in banks and is recorded at cost.

c) Accounts receivable

Accounts receivable arise from tenant rents, trade sales, staff advance and Harmonized Sales Tax receivable. An allowance for doubtful accounts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

d) Loans receivable

Loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Allowances for possible losses are calculated on loans receivable as outlined in note 1i).

e) Due from Province of Prince Edward Island

The amount due from Province of Prince Edward Island is funding receivable related to the allowance for possible credit losses.

f) Investments in private companies

Investment in private companies, except for two preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% was charged to development programs when the funds were invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The two investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in lending operations expense.

It is not practical within the constraints of timeliness and cost to determine the fair market value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments is based on expected future cash flows.

g) Net investment in lease

Net investment in lease represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option for leases with a deferred purchase option.

h) Property holdings, foreclosed properties and amortization

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value. Property holdings are amortized using the straight-line method at the following annual rates:

Land improvements	10%
Leasehold improvements	7%
Buildings	14 - 30 years
Equipment	20%, 33% and 100%

Proceeds on the sale of land included in industrial sites is recorded as a reduction in the carrying value of the asset.

ii) Foreclosed properties

Foreclosed properties are carried at the lower of cost of the impaired asset prior to realization of the related security and the underlying estimated realizable value of the security.

Reductions from the carrying value of the impaired asset to estimated realizable value is recorded as a provision for possible losses.

iii) Estimated realizable value

Estimated realizable value for land and buildings held for resale or under lease purchase options and industrial site buildings, is its property tax assessed value. Estimated realizable value for industrial sites is the expected proceeds on resale. Estimated realizable value for the test cells is the net cost to construct the assets supported by payments under a long-term lease agreement. If property and equipment carrying value should exceed estimated realizable value, additional amortization or a writedown is provided.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

i) Deferred revenue

Contributions received and not expended on land purchases and grants to finance infrastructure costs and contributions to occupants of the Biocommons park are recorded as deferred revenue.

j) Allowance for possible losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses of financial position items including guarantees. The allowance is deducted from the applicable asset on the statement of financial position, except for guarantees. The allowance for guarantees is included in accounts payable and accrued liabilities.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions for loans receivable, accounts receivable, investments in private companies and foreclosed properties total \$17,638,044 (2019 - \$18,318,008).

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio accounts receivable, investments and advances, foreclosed properties and property holdings and guarantees on an ongoing basis to assess whether an allowance is required.

A variety of methods are used to determine the amount expected to be recovered from accounts receivable, loans receivable, investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of \$19,529,051 (2019 - \$13,881,263) includes accumulated allowances for losses which are prudential in nature and are not specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

k) Employee pension plan

The Corporation's staff are members of the Province of Prince Edward Island pension plan. The pension plan obligation is a liability of the Province and not Finance PEI and no liability for these costs has been accrued by the Corporation at March 31, 2020.

l) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

m) Revenue recognition

Interest on loans from borrowers is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Revenue from property operations are recorded when collection is reasonably assured and all other significant conditions of service are met.

Revenue from service fees, post-receivership income, management fees and miscellaneous income are recorded when earned and collection is reasonably assured.

Government contributions and interest from deposits are recorded in the period earned.

n) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue 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 on the amounts can be determined.

o) Financial instruments

(a) Measurement of financial instruments

Finance PEI's financial instruments consist of cash, accounts receivable, loans receivable, advances to company, due from Province of Prince Edward Island, investment in private companies, accounts payable and accrued liabilities, short-term notes payable, long-term debt and advances from related companies.

The company initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The company subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net earnings. The write-down reflects the difference between the carrying amount and the higher of:

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

- i) The present value of the cash flows expected to be generated by the asset or group of assets;
- ii) The amount that could be realized by selling the asset or group of assets;
- iii) The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net earnings up to the amount of the previously recognized impairment.

p) Management estimates and judgments

The presentation of financial statements in conformity with Canadian public sector standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from the following estimates:

- The amount recorded regarding the allowance for possible credit losses is subject to management's assessment of the performance of the company's loans receivable, investments and accounts receivable as well as the valuation of the assets placed as security;
- The amount recorded for amortization of property holdings on the statement of operations is subject to management's assessment of the estimated useful life of the company's property holdings;
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur; and
- Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at March 31, 2020. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2020

2 Accounts receivable

	2020 \$	2019 \$
Trade accounts receivable	1,003,458	909,629
HST receivable	136,311	76,978
Other	368,011	595,983
	<u>1,507,780</u>	<u>1,582,590</u>
Allowance for possible losses	(841,719)	(857,143)
	<u>666,061</u>	<u>725,447</u>
<i>Continuity of allowance for possible losses</i>		
Beginning of year	857,143	790,958
Add: provision recorded	(15,424)	66,185
	<u>841,719</u>	<u>857,143</u>

3 Loans receivable

	2020			2019	
	Total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
Working capital loans					
Agriculture	2,466,018	1,400,000	1,056,843	9,175	750,283
Tourism	2,424,067	168,267	-	2,255,800	1,942,698
Manufacturing and processing	2,976,328	186,284	270,695	2,519,349	1,902,193
Fisheries	2,352,903	-	-	2,352,903	1,731,737
Small business	5,424,512	466,027	613,921	4,344,564	2,438,515
	<u>15,643,828</u>	<u>2,220,578</u>	<u>1,941,459</u>	<u>11,481,791</u>	<u>8,765,426</u>
Long-term loans					
Agriculture	30,201,888	3,389,615	3,659,720	23,152,553	19,920,146
Tourism	19,336,490	2,886,000	376,967	16,073,523	15,786,437
Manufacturing and processing	26,337,078	1,651,325	2,091,126	22,594,627	23,025,258
Fisheries and aquaculture	104,959,788	7,675,000	1,373,119	95,911,669	86,282,065
Small business	31,553,391	1,706,533	2,276,333	27,570,525	23,319,664
Shipbuilding/Shipping	10,000	-	10,000	-	-
Eco energy	38,727	-	-	38,727	46,727
	<u>212,437,362</u>	<u>17,308,473</u>	<u>9,787,265</u>	<u>185,341,624</u>	<u>168,380,297</u>
	<u>228,081,190</u>	<u>19,529,051</u>	<u>11,728,724</u>	<u>196,823,415</u>	<u>177,145,723</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

Working capital loans are repayable over various terms to a maximum of 5 years with interest rates ranging from 4.95% to 8.45%.

Long-term loans are repayable over various terms to a maximum of 10 years with interest rates ranging from 4.00% to 9.25%.

Security for working capital loans and long-term loans consists of promissory notes, land, building, inventory and personal guarantees from the borrowers.

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	26,172,364	31,422,669
Add: Provision recorded during year	5,770,982	4,272,569
Less: Recoveries during year	(663,071)	(9,522,874)
Less: Loans written off	(22,500)	-
	<hr/>	<hr/>
Allowance for possible losses - End of year	31,257,775	26,172,364

4 Investment in private companies

	2020	2019
	\$	\$
Investment in private companies		
Small Business and Venture Capital Equity Program investments	438,910	438,910
Less: Allowance for possible losses	(438,910)	(438,910)
	<hr/>	<hr/>
	-	-
Investment in preferred shares of private companies	142,812	382,812
Less: Allowance for possible losses	(142,812)	(242,999)
	<hr/>	<hr/>
	-	139,813
	<hr/>	<hr/>
	-	139,813

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	681,909	801,721
Less: Recovery during the year	(100,187)	(119,812)
	<hr/>	<hr/>
Allowance for possible losses - End of year	581,722	681,909

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

5 Short-term notes payable

	2020	2019
	\$	\$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	35,506,640	5,196,640
	<u>42,505,122</u>	<u>12,195,122</u>

The demand notes payable to Island Investment Development Inc. includes a \$15,000,000 available operating line of credit with an outstanding balance at March 31, 2020 of \$6,998,482 (2019 - \$6,998,482).

The demand note to Island Investment Development Inc. is secured by a promissory note for \$15,000,000 and a revolving credit agreement. The demand notes to Province of Prince Edward Island are unsecured.

Interest paid by Finance PEI is included in the expenditure category to which it relates. Included is interest for 2020 in the amount of \$504,459 (2019 - \$352,136).

Demand notes payable are issued by the Province of Prince Edward Island and Island Investment Development Inc. with interest set monthly based on the Province's short-term lending rate in existence at the first day of the month. These notes are renewed on an ongoing basis with interest payable monthly.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

6 Long-term debt

	2020	2019
	\$	\$
4.00% note payable to Island Investment Development Inc., no specific repayment terms	556,846	556,846
4.00% note payable to Island Investment Development Inc., no specific repayment terms	1,430,499	1,430,499
4.00% note payable to Island Investment Development Inc., due April 2018, repayable \$8,165 monthly including principal and interest	977,127	1,034,945
2.31% note payable to Province of Prince Edward Island, due August 22, 2023, repayable in \$260,127 quarterly payments including principal and interest	2,520,521	3,488,785
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	4,362,753	5,135,014
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	399,171	470,797
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in \$32,366 quarterly payments including principal and interest	1,180,256	1,270,653
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	3,588,971	3,808,411
3.03% note payable to Province of Prince Edward Island, due November 30, 2023, repayable in \$189,252 quarterly payments including principal and interest	2,673,883	3,337,261
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2019 and 2024	135,265,032	132,307,709
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	200,000	-
	<u>153,155,059</u>	<u>152,840,920</u>

Island Investment Development Inc. is a provincial Crown corporation. The repayment terms of the \$556,846 and \$1,430,499 loans are to be determined at a future date.

The 6.01% and 5.54% notes payable are secured by a general security agreement covering certain property holdings with a net book value of nil.

All other notes payable are unsecured.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

	\$
Year ending March 31, 2021	19,085,621
2022	39,418,162
2023	33,963,764
2024	24,638,378
2025	32,320,171

Interest paid by Finance PEI and its subsidiaries in the amount of \$3,575,252 (2019 - \$3,688,355) is included in the expenditure category to which it relates.

7 Net investment in lease

Net investment in lease representing the purchase option receivable from a lessee, due December 2035.

The net investment in this lease is recorded at the net present value of the total lease payments using a discount rate of 3.75%, calculated as follows:

	2020	2019
	\$	\$
Total of lease payments to be received to December 2035	800,030	850,030
Less: Portion representing interest at 3.75%	<u>(206,492)</u>	<u>(229,781)</u>
Net present value of net investment in lease	<u>593,538</u>	<u>620,249</u>

8 Foreclosed properties

	2020	2019
	\$	\$
Foreclosed projects - land, buildings and equipment held for resale	4,952,171	4,944,409
Less: Allowance for possible losses	<u>(4,666,507)</u>	<u>(4,666,507)</u>
	<u>285,664</u>	<u>277,902</u>

Finance PEI

Notes to Consolidated Financial Statements
March 31, 2020

Continuity of allowance for possible losses

	2020	2019
	\$	\$
Allowance for possible losses - Beginning of year	4,666,507	5,999,582
Add: Provision recorded during the year	-	44,800
Less: Write-offs during the year	-	(1,377,875)
Allowance for possible losses - End of year	<u>4,666,507</u>	<u>4,666,507</u>

9 Contingent liabilities

A counterclaim has been commenced against the Corporation in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of this counterclaim. The counterclaim has been ongoing since 1996.

10 Commitments

Loans approved but not disbursed at March 31, 2020 total \$21,961,511 (2019 - \$6,534,022).

11 Related party account balances and transactions

Related parties

The related companies are provincial Crown corporations or subsidiaries of provincial Crown corporations.

Statement of Financial Position

	2020	2019
	\$	\$
<i>Advances to related company:</i>		
Biocommons Development Inc.	<u>39,292</u>	<u>39,292</u>
<i>Advances from related companies:</i>		
Innovation PEI	11,065,496	11,153,660
Island Investment Development Inc.	5,818,648	1,156,172
Prince Edward Island Century 2000 Fund Inc.	<u>2,119,298</u>	<u>2,520,234</u>
	<u>19,003,442</u>	<u>14,830,066</u>

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

The advances to/from related companies and due from the Province of Prince Edward Island, are non-interest bearing and have no specific terms of repayment. Innovation PEI and Island Investment Development Inc. are provincial Crown corporations. Prince Edward Island Century 2000 Fund Inc. is a subsidiary of a provincial Crown corporation. Biocommons Development Inc. is a non-profit company with a similar Board of Directors as P.E.I. Infrastructure Inc.'s Board of Directors.

Included in accounts receivable, accounts payable and accrued liabilities are the following amounts due from/due to related parties:

	2020	2019
	\$	\$
Accounts receivable:		
Due from Province of Prince Edward Island	157,019	94,714
Due from related companies	32,605	200,000
Accounts payable and accrued liabilities:		
Due to Province of Prince Edward Island	302,915	168,513
Due to related companies	748,160	750,864

Property holdings

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Statement of operations

Included in property operations revenue is \$793,589 (2019 - \$553,696) from related parties.

During the year, management fees of \$497,826 (2019 - \$500,000) were received from Island Investment Development Inc., a provincial Crown corporation.

Included in expenditures is \$3,296,918 (2019 - \$3,408,549) in interest paid to Province of Prince Edward Island and \$154,519 (2019 - \$160,720) in interest paid to Island Investment Development Inc., a provincial Crown corporation.

The above transactions were recorded in the normal course of operations and measured at exchange amounts.

Other

The Corporation rents land for the annual amount of \$2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

Slemon Park Corporation is a wholly-owned subsidiary of Island Investment Development Inc.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

12 Financial risk management objectives and policies

Finance PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Finance PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's loans receivable.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The company's maximum exposure to credit risk at the reporting date was:

	2020	2019
	\$	\$
Cash	18,837,195	2,290,792
Accounts receivable	666,061	725,447
Loans receivable	196,823,415	177,145,723
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,163,650	11,163,650
Investment in private companies	-	139,813
	<u>227,529,613</u>	<u>191,504,717</u>

(i) Loans receivable

For the loans receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital assets such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

Credit is approved by staff and the company's Board of Directors with loans in excess of \$1 million requiring approval by Treasury Board and loans in excess of \$2.5 million requiring approval by Executive Council. The company factors the financial strength of each borrower, the security available, their position in industry and past payment history when assessing all potential loans.

A loan is considered past due when a party has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired:

	0 - 60 days \$	60 - 120 days \$	+120 days \$	Total \$
As at:				
March 31, 2020	1,123,391	682,340	4,023,800	5,829,531
March 31, 2019	297,698	442,701	6,689,864	7,430,263

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities, advances from related companies, notes payable and mortgages as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Under 1 year \$	Between 1 - 5 years \$	Over 5 years \$	2020 Total \$
Accounts payable and accrued liabilities	2,159,722	-	-	2,159,722
Advances from related companies	19,003,442	-	-	19,003,442
Short-term notes payable	42,505,122	-	-	42,505,122
Long-term debt	19,085,621	130,340,475	3,728,963	153,155,059
	<hr/>	<hr/>	<hr/>	<hr/>
	82,753,907	130,340,475	3,728,963	216,823,345

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

	Under 1 year \$	Between 1 - 5 years \$	Over 5 years \$	2019 Total \$
Accounts payable and accrued liabilities	1,744,307	-	-	1,744,307
Advances from related companies	14,830,066	-	-	14,830,066
Short-term notes payable	12,195,122	-	-	12,195,122
Long-term debt	17,966,766	129,867,398	5,006,756	152,840,920
	46,736,261	129,867,398	5,006,756	181,610,415

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

i) 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. For the Corporation, mismatches in the balances of assets, liabilities and off-statement of financial position financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Corporation manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

The following table provides the potential impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Corporation's management initiatives.

	Net interest income change \$	Interest expense change \$
Impact of		
1% increase in interest rates	63,241	512,885
1% decrease in interest rates	(63,241)	(512,885)

Finance PEI

Notes to Consolidated Financial Statements

March 31, 2020

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management

The primary objective of Finance PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Finance PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Finance PEI

Consolidated Schedule of Expenses by Type
For the year ended March 31, 2020

Schedule 1

	2020						
	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
Expenses							
Administration	323,048	424,916	-	-	-	70,236	818,200
Lending operations	1,444,988	-	-	249,293	4,047,567	-	5,741,848
Property operations	423,057	126,239	3,101,351	-	32,144	1,548,609	5,231,400
Provision for possible losses	-	-	1,976	4,990,320	-	-	4,992,296
	2,191,093	551,155	3,103,327	5,239,613	4,079,711	1,618,845	16,783,744

	2019						
	Salaries Benefits	Operating Goods & Services	Property Operations	Lending Operations	Interest Expense	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
Expenses							
Administration	335,170	413,987	-	-	-	68,345	817,502
Lending operations	1,299,089	-	-	311,996	4,002,157	-	5,613,242
Property operations	516,602	123,418	2,908,038	-	38,335	1,427,696	5,014,089
Provision for possible losses	-	-	16,559	(5,375,686)	-	-	(5,359,127)
	2,150,861	537,405	2,924,597	(5,063,690)	4,040,492	1,496,041	6,085,706

Finance PEI

Schedule of Property Holdings

As at and for the year ended March 31, 2020

Schedule 2

	Cost					Accumulated amortization			2020	
	Beginning \$	Additions \$	Disposals \$	Disposals/Ending \$	Disposals/Ending \$	Beginning \$	Amortization \$	Disposals/adjustments \$	Ending \$	Net book value \$
General										
Land	981,500	-	-	981,500	-	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	-	-	-	-	44,765	-
Building	3,328,098	-	-	3,328,098	-	1,390,884	128,516	-	1,519,400	1,808,698
	4,354,363	-	-	4,354,363	-	1,435,649	128,516	-	1,564,165	2,790,198
Property holdings held for resale										
Land	1,705,171	-	-	1,705,171	-	-	-	-	-	1,705,171
Buildings	1,212,434	-	-	1,212,434	-	288,251	48,497	-	336,748	875,686
	2,917,605	-	-	2,917,605	-	288,251	48,497	-	336,748	2,580,857
Industrial Sites										
Land	3,109,976	29,687	-	3,139,663	-	-	-	-	-	3,139,663
Land improvements	2,789,802	133,424	-	2,923,226	-	2,750,684	12,628	-	2,763,312	159,914
Leasehold improvements	1,001,339	-	-	1,001,339	-	437,495	70,094	-	507,589	493,750
Building	30,835,989	852,801	(183,496)	31,505,294	-	11,379,277	1,263,031	(76,295)	12,566,013	18,939,281
Equipment	7,286,878	46,695	-	7,333,573	-	7,193,354	96,080	-	7,289,434	44,139
	45,023,984	1,062,607	(183,496)	45,903,095	-	21,760,810	1,441,833	(76,295)	23,126,348	22,776,747
	52,295,952	1,062,607	(183,496)	53,175,063	-	23,484,710	1,618,846	(76,295)	25,027,261	28,147,802

Finance PEI

Schedule of Property Holdings

As at and for the year ended April 01, 2019

Schedule 2

	Cost						Accumulated amortization			2019
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	Disposals \$	Ending \$	Net book value \$	
General										
Land	981,500	-	-	981,500	-	-	-	-	981,500	
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-	
Building	3,275,679	52,419	-	3,328,098	1,264,248	126,636	-	1,390,884	1,937,214	
	4,301,944	52,419	-	4,354,363	1,309,013	126,636	-	1,435,649	2,918,714	
Property holdings held for resale										
Land	1,584,302	120,869	-	1,705,171	-	-	-	-	1,705,171	
Buildings	1,200,000	12,434	-	1,212,434	240,000	48,251	-	288,251	924,183	
	2,784,302	133,303	-	2,917,605	240,000	48,251	-	288,251	2,629,354	
Industrial Sites										
Land	4,104,442	52,999	(1,047,465)	3,109,976	-	-	-	-	3,109,976	
Land improvements	2,789,802	-	-	2,789,802	2,745,255	5,429	-	2,750,684	39,118	
Leasehold improvements	1,001,339	-	-	1,001,339	367,401	70,094	-	437,495	563,844	
Building	30,296,556	539,433	-	30,835,989	10,161,681	1,217,596	-	11,379,277	19,456,712	
Equipment	7,196,512	90,366	-	7,286,878	7,165,319	28,035	-	7,193,354	93,524	
	45,388,651	682,798	(1,047,465)	45,023,984	20,439,656	1,321,154	-	21,760,810	23,263,174	
Test cell	4,937,000	-	(4,937,000)	-	3,552,818	-	(3,552,818)	-	-	
	57,411,897	868,520	(5,984,465)	52,295,952	25,541,487	1,496,041	(3,552,818)	23,484,710	28,811,242	

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