

# 2021-2022 Annual Report



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## Minister's Message



**OCTOBER 3, 2022**

**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, 2022, I am pleased to present to you the Annual Report of Finance PEI for the fiscal year ending March 31, 2022.

Sincerely Yours,

A handwritten signature in black ink that reads "Bloyce Thompson". The signature is written in a cursive style with a long horizontal stroke extending to the right.

**HON. BLOYCE THOMPSON**

*Minister of Economic Growth, Tourism and Culture*

## Message from Chairperson

**OCTOBER 3, 2022**

**TO THE HONOURABLE BLOYCE THOMPSON**

*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, 2022.

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

**OCTOBER 3, 2022**

**TO THE HONOURABLE BLOYCE THOMPSON**

*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, 2022.

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

Sincerely Yours,



**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.*

### **Vision of Success**

To promote economic and employment growth throughout Prince Edward Island by providing the necessary support for industries and businesses to achieve sustainable financial success.

## 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 of 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 several specific programs, including:

- Farmland Financing Program
- Cattle Loan Program
- Multi-Unit Residential Loan Program
- Micro-Loan Program
- Entrepreneur Loan Program
- Down Payment Assistance Program
- Energy Efficiency Loan Program

In March 2020, in response to the Global COVID-19 pandemic, the Government of Prince Edward Island declared a Public Health of State of Emergency.

To support Prince Edward Island businesses throughout this period of disruption, the Provincial Government introduced several economic and business supports including the following programs, which are administered by Finance PEI, in whole or in part:

## EMERGENCY WORKING CAPITAL LOAN PROGRAM

This program provided loans to assist qualified companies to assist with maintaining business operations during the challenging times of COVID-19.

Eligible applicants could access a working capital loan of up to \$100,000 with a fixed interest rate of 4% per annum, to assist with fixed operating costs (including payroll, rent, utilities, etc.). These loans were repayable over 6 years, with principal and interest payments deferred for the first 12 months after disbursement.

As of March 31, 2022, Finance PEI has provided 155 companies with financing in the amount of \$11,674,670.

## TOURISM ASSISTANCE LOAN PROGRAM

Established through a partnership between Finance PEI and Tourism PEI, this program supported PEI Tourism Operators through repayable loans, to qualified applicants. Interest payments on loans approved through this program qualified 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 could access financing up to a maximum loan amount of \$1 million, repayable over a period of 20 years, with a 5-year term at a fixed interest rate of 4%.

As of March 31, 2022, Finance PEI and Tourism PEI have provided 34 businesses with financing assistance in the amount of \$9,322,112.



## TOURISM INTEREST RELIEF PROGRAM

A joint initiative between Finance PEI and Tourism PEI, the Tourism Interest Relief Program provided a non-repayable contribution to Island tourism operators to provide relief with term debt interest costs. To qualify, the tourism operator had to 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.

As of March 31, 2022, Finance PEI and Tourism PEI have provided 183 businesses with interest relief in the amount of \$6,909,936.

## FISHERIES EMERGENCY LOAN PROGRAM

The Fisheries Emergency Loan provided loans up to \$25,000 (based on the cumulative ownership of businesses under common control as defined by the Canadian Income Tax Act) and was available to all PEI fish harvesters.

Approved loans had deferred principal payments for a maximum of 18 months from the date of the first disbursement, and the PEI Department of Fisheries and Communities agreed to pay the interest portion of the loan for the same 18 month period, to a cumulative maximum of \$2.4 million.

As of March 31, 2022, Finance PEI and the Department of Fisheries and Communities have provided 33 PEI fish harvesters with financing assistance in the amount of \$795,847.

## FISHERIES INTEREST RELIEF PROGRAM

Fisheries Interest Relief Program is administered by Finance PEI in partnership with the Department of Fisheries and Communities, where the Department of Fisheries and Communities reimburses PEI fish harvesters their interest expense incurred for a maximum of 12 months only on existing term debt (lines of credit are excluded) with their financial institutions.

As of March 31, 2022, Finance PEI and the Department of Fisheries and Communities have provided 866 PEI fish harvesters with interest relief in the amount of \$10,278,478.

## HIGHLIGHTS FOR MAJOR INDUSTRIES SUPPORTED BY FINANCE PEI

### ***Agriculture***

Farm cash receipts for 2021 totaled \$568.1 million, a decrease of 1.4 per cent over 2020. This compares to an increase of 14.9 per cent for Canada as a whole. Total crop receipts for PEI totaled \$369.7 million, a decrease of 0.5 per cent. Potato receipts, which made up 63.4 per cent of total crop receipts, decreased 7.1 per cent to total \$234.3 million. Total livestock receipts increased by 9.4 per cent to \$167.0 million, largely due to a 68.1 per cent rise in hog receipts and a 5.4 per cent increase in dairy receipts. Cattle receipts also increased (1.4 per cent) to total \$31.8 million

### ***Exports***

According to Industry Canada, the total value of exported goods grew from \$1.5 billion in 2020 to \$1.7 billion in 2021, an increase of 12.5 per cent. Exports of *seafood products* made up 26.8 per cent of all international exports of goods in 2021. Its value increased from \$252.0 million in 2020 to \$454.3 million in 2021, an increase of 80.3 per cent.

### ***Retail Trade***

Retail sales on Prince Edward Island in 2021 increased for the twelfth consecutive year, with a 19.7 per cent increase. Sales were valued at \$3.0 billion. Notable increases were seen in building material and garden equipment stores, up 25.0 per cent or \$78.9 million.

### ***Fisheries***

The *Department of Fisheries and Communities* estimates that the value of total fish landings in 2021 almost doubled, increasing by 92.9 per cent to \$478.5 million, following a 28.9 per cent drop in 2020. Molluscs and crustaceans remain by far the top species of the Island fishery comprising 97.6 per cent of the total value of all fish landings. Total lobster landings increased by 21.1 per cent in 2021, which along with higher prices, contributed to the total value rising by 123.2 per cent to \$370.9 million. Lobster prices increased to an average of \$7.86/lb in 2021, which was an all-time high.

## ***Tourism***

Tourism was the industry that was most severely impacted by COVID-19, as it bore the brunt of travel restrictions, capacity limits and event cancellations. Spring and summer 2021 saw travel restrictions ease at various stages, however the number of visitors remained well below pre-pandemic levels. The total number of room nights sold at fixed roof accommodations rose by 68.0 per cent in 2021, following a decline of 63.9 per cent in 2020. Occupancy rates at Island accommodations improved to 31.5 per cent from 19.4 per cent in 2020, however still below the 45.6 per cent seen in 2019. Site nights sold at campgrounds increased 26.4 per cent, with the occupancy rate up to 39.2 per cent from 36.0 per cent in 2020

## ***Manufacturing***

Total shipments increased by 15.3 per cent in 2021 to a value of \$2.6 billion, a new all-time high. Prior to the pandemic, manufacturing shipments had increased every year since 2010. Durables good increased 11.5 per cent, while shipments of non-durable goods rose by 17.1 per cent. Employment in the manufacturing sector increased 6.0 per cent over 2020 to reach 7,100 in 2021

## OTHER HIGHLIGHTS AND ACCOMPLISHMENTS

Finance PEI's loan portfolio totaled \$263.3 million as of March 31, 2022, providing financial services to over 1,500 Island businesses and residents. This represents an increase of 5% over the previous period.

Sector observations include:

- Loans to the Fisheries and Aquaculture sector businesses totaled \$118.23 million, up marginally over 2021. Loans to this sector account for approximately 44% of the total portfolio value and 60% of its business clientele.
- Multi-Unit Residential loan portfolio provides a financing program for property developers which will assist in the construction of multi-unit residential developments on PEI. Originated in November 2019, this loan program has provided financing to over 21 new projects creating 231 new rental units on PEI with approved financing in the amount of \$35.7 million dollars.

# FINANCE PEI

- The Agriculture loan portfolio increased by 13% during 2022, to \$42.4 million, supporting a variety of farming operations, including arable, pastoral and mixed farming. It was also introduced in 2022 a new Potato Financing Program in partnership with the Department of Agriculture and Land to assist potato farmers impacted by the suspension of both table and seed stock entering the USA market.
- Tourism related loans totaled \$33.6 million at fiscal end, reflecting a 17% increase over the previous period, mainly due to the new programs implemented during COVID to assist this industry. The portfolio supports 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 have decreased slightly to \$24.3 million from \$25.7 million, the more diverse Small Business sector loan portfolio increased slightly over 2021, bringing that segment of the portfolio to \$43 million, and supporting the financing needs of over 245 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, 2022, loans under those programs totaled:
  - \$1,304,901 under the Down Payment Assistance Program, helping 161 modest income households purchase their first home;
  - \$1,226,754 under the Energy Efficiency Loan Program, helping 325 households to upgrade the energy efficiency of their homes; and,
  - \$410,684, assisting 21 households to purchase solar equipment through the Energy Efficiency Loan Program for Solar Photovoltaic Equipment.

## BOARD OF DIRECTORS

**Cora Lee Dunbar** | Chairperson

**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 (term expired March 22,2022)**

**Harold Publicover**

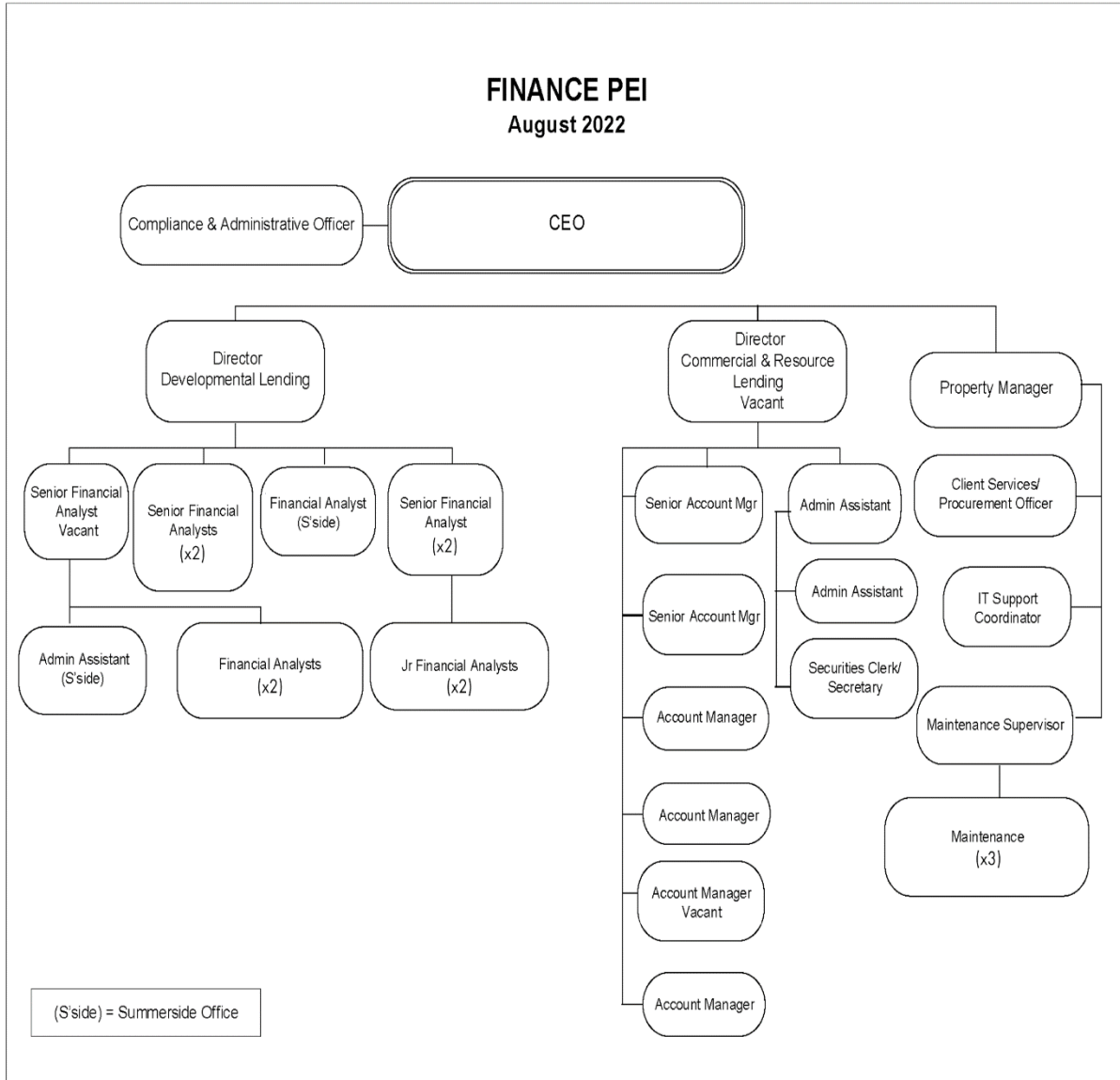
**Ricky Sanderson**

**Jamie Lewis**

**Brian Annear**

# FINANCE PEI

## ORGANIZATIONAL STRUCTURE



## AUDITED FINANCIAL STATEMENTS

# **Finance PEI**

Consolidated Financial Statements  
**March 31, 2022**



## Management's Report

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

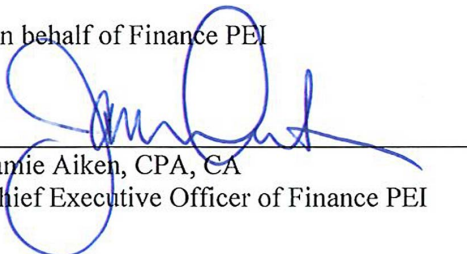
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 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



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

Member of The AC Group of Independent Accounting Firms

June 28, 2022

## **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, 2022, 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, 2022, 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:



Member of The AC Group of Independent Accounting Firms

- 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.

*ArsenaultBestCameronEllis*

**Chartered Professional Accountants**

# Finance PEI

## Consolidated Statement of Financial Position As at March 31, 2022

	2022 \$	2021 \$
<b>Assets</b>		
<b>Financial assets</b>		
Cash	9,013,835	2,965,903
Accounts receivable (notes 2 and 9)	3,083,094	1,611,786
Loans receivable (note 3)	222,809,624	217,387,606
Advances to related company (note 9)	39,292	39,292
Due from the Province of Prince Edward Island (note 9)	11,163,647	11,163,647
	<u>246,109,492</u>	<u>233,168,234</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 9)	2,278,601	2,156,935
Deferred revenue	1,122,141	1,159,098
Advances from related companies (note 9)	26,961,105	24,347,681
Short-term notes payable (note 4)	13,839,660	39,255,122
Long-term debt (note 5)	199,532,713	167,506,031
	<u>243,734,220</u>	<u>234,424,867</u>
<b>Net financial assets (debt)</b>	<u>2,375,272</u>	<u>(1,256,633)</u>
<b>Contingent liabilities</b>		
<b>Commitments</b> (note 8)		
<b>Non-financial assets</b>		
Prepaid expenses	41,716	70,606
Net investment in lease (note 6)	537,013	565,795
Foreclosed properties (note 7)	243,321	277,402
Property holdings (notes 5 and 9) (Schedule 2)	35,913,243	37,429,415
	<u>36,735,293</u>	<u>38,343,218</u>
<b>Accumulated surplus</b>	<u>39,110,565</u>	<u>37,086,585</u>

Approved by the Board of Directors

Director



Director

## Finance PEI

### Consolidated Statement of Accumulated Surplus For the year ended March 31, 2022

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	2022 \$	2021 \$
<b>Accumulated surplus - Beginning of year</b>	37,086,585	38,629,084
Operating surplus (deficit)	<u>2,023,980</u>	<u>(1,542,499)</u>
<b>Accumulated surplus - End of year</b>	<u>39,110,565</u>	<u>37,086,585</u>

# Finance PEI

## Consolidated Statement of Operations For the year ended March 31, 2022

	Budget (Unaudited) \$	Actual 2022 \$	Actual 2021 \$
<b>Revenue</b>			
Interest from borrowers (note 9)	10,075,000	11,561,137	11,417,091
Interest from deposits	26,200	26,216	24,904
Property operations (note 9)	4,550,000	5,459,782	5,014,457
Management fees (note 9)	500,000	500,000	500,000
Grant income	-	34,364	11,125
Gain (loss) on sale of property holdings	-	530,021	(222,001)
Miscellaneous	131,000	120,171	121,271
	<u>15,282,200</u>	<u>18,231,691</u>	<u>16,866,847</u>
<b>Expenses</b> (notes 5 and 9) (Schedule 1)			
Administration	783,200	972,111	1,022,186
Lending operations	6,694,500	6,022,968	5,999,607
Property operations	4,829,900	6,099,699	5,257,582
Provision for possible losses	4,500,000	3,112,933	6,129,971
	<u>16,807,600</u>	<u>16,207,711</u>	<u>18,409,346</u>
<b>Operating surplus (deficit)</b>	<u>(1,525,400)</u>	<u>2,023,980</u>	<u>(1,542,499)</u>

## Finance PEI

### Consolidated Statement of Changes in Net Financial Assets (Debt) For the year ended March 31, 2022

	2022 \$	2021 \$
<b>Operating surplus (deficit)</b>	2,023,980	(1,542,499)
Acquisition of property holdings	(864,450)	(11,991,139)
Amortization of property holdings	2,052,186	1,807,986
Loss (gain) on disposal of property holdings	(530,021)	222,001
Proceeds on disposal of property holdings	858,457	679,539
Transfer of provision to foreclosed properties	-	14,334
Payments received on foreclosed properties	34,673	-
Additions to foreclosed properties	(592)	(6,072)
	1,550,253	(9,273,351)
Decrease in prepaid expenses	28,890	27,298
Decrease in net investment in lease	28,782	27,743
	1,607,925	(9,218,310)
<b>Decrease (increase) in net debt</b>	3,631,905	(10,760,809)
<b>Net financial assets (debt) - Beginning of year</b>	(1,256,633)	9,504,176
<b>Net financial assets (debt) - End of year</b>	2,375,272	(1,256,633)

# Finance PEI

## Consolidated Statement of Cash Flows For the year ended March 31, 2022

	2022	2021
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Operating surplus (deficit)	2,023,980	(1,542,499)
Items not affecting cash		
Amortization	2,052,186	1,807,986
Decrease in net investment in lease	28,782	27,743
Provision for possible losses	3,112,933	6,129,971
Loss (gain) on disposal of property holdings	(530,021)	222,001
	<u>6,687,860</u>	<u>6,645,202</u>
Net change in non-cash working capital items		
Increase in accounts receivable	(1,511,199)	(945,725)
Decrease in prepaid expenses	28,890	27,298
Increase (decrease) in accounts payable and accrued liabilities	121,666	(2,787)
Decrease in deferred revenue	(36,957)	(42,994)
	<u>5,290,260</u>	<u>5,680,994</u>
<b>Financing activities</b>		
Increase in advances from related companies	2,613,424	5,344,238
Increase in short-term notes payable	21,834,538	11,500,000
Repayment of short-term notes payable	(47,250,000)	(14,750,000)
Increase in long-term debt	49,770,642	36,000,000
Repayment on long-term debt	(17,743,960)	(21,649,028)
	<u>9,224,644</u>	<u>16,445,210</u>
<b>Investing activities</b>		
Increase in loans receivable	(8,476,458)	(26,779,824)
Additions to and purchases of property holdings	(864,450)	(11,991,139)
Reductions and proceeds on disposal of property holdings	858,457	679,539
Additions to foreclosed properties	(592)	(6,072)
Disposal of foreclosed properties	(18,602)	-
Payments received on investment in private companies	-	100,000
Payments received on foreclosed properties	34,673	-
	<u>(8,466,972)</u>	<u>(37,997,496)</u>
<b>Change in cash</b>	6,047,932	(15,871,292)
<b>Cash - Beginning of year</b>	<u>2,965,903</u>	<u>18,837,195</u>
<b>Cash - End of year</b>	<u>9,013,835</u>	<u>2,965,903</u>



# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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### 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, 2022 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 by 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 1j).

#### 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) 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.

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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### g) 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 foreclosed properties, land and buildings held for resale and industrial site buildings, is its property tax assessed value. Estimated realizable value for industrial sites is the expected proceeds on resale. If property and equipment carrying value should exceed estimated realizable value, additional amortization or a writedown is provided.

### h) Impairment long-lived assets

The corporation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds is fair value.

#### i) Deferred revenue

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

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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### **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 \$16,395,742 (2021 - \$16,993,432).

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 \$29,686,168 (2021 - \$26,295,250) 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, 2022.

### **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

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### **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 various 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 related 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, 2022

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- 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. 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, 2022. 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, 2022

### 2 Accounts receivable

	2022 \$	2021 \$
Trade accounts receivable	1,037,930	1,530,161
HST receivable	897,826	558,139
Other	2,018,895	355,152
	<hr/>	<hr/>
	3,954,651	2,443,452
Allowance for possible losses	(871,557)	(831,666)
	<hr/>	<hr/>
	3,083,094	1,611,786
	<hr/>	<hr/>
<i>Continuity of allowance for possible losses</i>		
Beginning of year	831,666	841,719
Provision (recovery) during the year	39,891	(10,053)
	<hr/>	<hr/>
	871,557	831,666
	<hr/>	<hr/>

### 3 Loans receivable

				2022	2021
	Total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
<b>Working capital loans</b>					
Agriculture	4,892,368	822,618	1,095,138	2,974,612	294,997
Tourism	12,401,219	1,755,107	-	10,646,112	2,200,970
Manufacturing and processing	3,343,832	364,203	263,820	2,715,809	2,589,063
Fisheries	2,461,968	-	-	2,461,968	2,719,196
Small business	17,560,837	2,696,551	646,857	14,217,429	8,737,359
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	40,660,224	5,638,479	2,005,815	33,015,930	16,541,585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Long-term loans</b>					
Agriculture	26,693,837	4,102,974	3,422,080	19,168,783	27,026,854
Tourism	19,353,030	3,729,698	338,400	15,284,932	18,769,418
Manufacturing and processing	20,703,838	1,794,392	1,835,061	17,074,385	18,948,755
Fisheries and aquaculture	114,814,592	11,044,682	1,302,765	102,467,145	108,262,185
Small business	38,147,611	3,375,943	1,929,223	32,842,445	25,642,725
Residential	2,942,342	-	-	2,942,342	2,177,919
Shipbuilding/Shipping	10,000	-	10,000	-	-
Eco energy	13,662	-	-	13,662	18,165
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	222,678,912	24,047,689	8,837,529	189,793,694	200,846,021
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	263,339,136	29,686,168	10,843,344	222,809,624	217,387,606
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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Working capital loans are repayable over various terms to a maximum of 5 years with interest rates ranging from 3.00% to 6.95%.

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*

	2022	2021
	\$	\$
<b>Allowance for possible losses - Beginning of year</b>	37,475,073	31,257,775
Add: Provision recorded during year	10,597,441	7,270,497
Less: Recoveries during year	(7,543,002)	(1,053,199)
	<hr/>	<hr/>
<b>Allowance for possible losses - End of year</b>	40,529,512	37,475,073
	<hr/>	<hr/>

#### 4 Short-term notes payable

	2022	2021
	\$	\$
Demand note payable to Island Investment Development Inc.	6,998,482	6,998,482
Demand notes payable to Province of Prince Edward Island	6,841,178	32,256,640
	<hr/>	<hr/>
	13,839,660	39,255,122
	<hr/>	<hr/>

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, 2022 of \$6,998,482 (2021 - \$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.

Demand notes payable are issued by Island Investment Development Inc and the Province of Prince Edward Island 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.

Interest paid by Finance PEI on short-term notes payable is included in the expenditure category to which it relates. Included is interest for 2022 in the amount of \$189,887 (2021 - \$222,198).

# Finance PEI

## Notes to Consolidated Financial Statements

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### 5 Long-term debt

	2022 \$	2021 \$
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	860,266	935,373
2.31% note payable to Province of Prince Edward Island, due August 22, 2022, repayable in \$260,127 quarterly payments including principal and interest	515,782	1,529,695
3.03% note payable to Province of Prince Edward Island, due November 30, 2023, repayable in \$189,252 quarterly payments including principal and interest	1,285,516	1,990,176
6.01% note payable, due December 2024, repayable \$88,025 monthly including principal and interest	2,674,025	3,543,381
5.54% note payable, due December 2024, repayable \$7,969 monthly including principal and interest	243,625	323,522
2.03% note payable to Province of Prince Edward Island, due January 31, 2025, repayable \$10,541 quarterly including principal and interest	122,421	161,603
3.46% note payable to Province of Prince Edward Island, due March 31, 2031, repayable in \$32,366 quarterly payments including principal and interest	997,541	1,090,472
3.23% note payable to Province of Prince Edward Island, due June 1, 2032, repayable in \$342,453 annual payments including principal and interest	3,128,596	3,362,442
Notes payable to Province of Prince Edward Island with interest rates from 1.65% to 3.45%, maturing at various dates between 2022 and 2026	146,717,541	144,659,650
2.05% note payable to Province of Prince Edward Island, due September 30, 2036, repayable \$363,474 quarterly including principal and interest	18,143,017	-
2.36% note payable to Province of Prince Edward Island, due February 4, 2037, repayable \$302,544 quarterly including principal and interest	15,250,000	-
2.47% note payable to Province of Prince Edward Island, due October 31, 2040, repayable \$127,028 quarterly including principal and interest	7,607,038	7,922,372
	<u>199,532,713</u>	<u>167,506,031</u>



# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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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.

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, 2023	37,972,634
2024	38,806,493
2025	31,397,948
2026	35,349,562
2027	47,269,033

Interest paid by Finance PEI and its subsidiaries on long-term debt in the amount of \$3,726,070 (2021 - \$3,621,630) is included in the expenditure category to which it relates.

### 6 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:

	2022 \$	2021 \$
Total of lease payments to be received to December 2035	700,030	750,030
Less: Portion representing interest at 3.75%	(163,017)	(184,235)
Net present value of net investment in lease	<u>537,013</u>	<u>565,795</u>

### 7 Foreclosed properties

	2022 \$	2021 \$
Foreclosed projects - land, buildings and equipment held for resale	4,924,162	4,958,243
Less: Allowance for possible losses	(4,680,841)	(4,680,841)
	<u>243,321</u>	<u>277,402</u>

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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### *Continuity of allowance for possible losses*

	2022	2021
	\$	\$
<b>Allowance for possible losses - Beginning of year</b>	4,680,841	4,666,507
Add: Provision recorded during the year	18,602	14,334
Less: Write-offs during the year	(18,602)	-
<b>Allowance for possible losses - End of year</b>	<u>4,680,841</u>	<u>4,680,841</u>

## 8 Commitments

Loans approved but not disbursed at March 31, 2022 total \$22,798,0094 (2021 - \$25,671,514).

## 9 Related party account balances and transactions

### Statement of Financial Position

	2022	2021
	\$	\$
<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	11,150,995	11,151,050
Island Investment Development Inc.	5,706,130	6,044,150
Prince Edward Island Century 2000 Fund Inc.	<u>10,103,980</u>	<u>7,152,481</u>
	<u>26,961,105</u>	<u>24,347,681</u>

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.

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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

	2022	2021
	\$	\$
<b>Accounts receivable:</b>		
Due from Province of Prince Edward Island	359,679	551,646
Due from related companies	92,721	21,699
<b>Accounts payable and accrued liabilities:</b>		
Due to Province of Prince Edward Island	256,077	302,574
Due to related companies	743,955	738,275

### 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 \$830,263 (2021 - \$807,018) from related parties and nil (2021 - \$200,000) in capital grants received from Innovation PEI, a provincial Crown corporation.

During the year, management fees of \$500,000 (2021 - \$500,000) were received from Island Investment Development Inc., a provincial Crown corporation. Included in interest from borrowers revenue is \$146,387 (2021 - \$3,810,715) and nil (2021 - \$214,799) received from the Fisheries Interest Relief Program and Tourism Interest Relief Program, respectively. These programs were funded by the Province of Prince Edward Island.

Included in expenditures is \$3,752,599 (2021 - \$3,543,135) in interest paid to Province of Prince Edward Island and \$55,799 (2021 - \$46,035) 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.

During the year, Finance PEI administered the Fisheries Interest Relief Program on behalf of the Province of Prince Edward Island. The corporation administered \$201,417 (2021 - \$10,077,061) in funds for the program. As the corporation was acting as an agent of the Province of Prince Edward Island, this expenditure is not included as an expense of the corporation.

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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### 10 Contaminated site

On November 23, 2021, one of the properties owned by the corporation was placed on the Province of Prince Edward Island's Contaminated Site Registry, due to the fact that a portion of this property historically contained a dry cleaning business. The presence of chlorinated solvents that exceed regulatory criteria can be found in the deep groundwater aquifer on the property. No liability for remediation of the site has been recognized in these financial statements as there is no basis for a reasonable estimate.

### 11 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, 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:

	2022	2021
	\$	\$
Cash	9,013,835	2,965,903
Accounts receivable	3,083,094	1,611,786
Loans receivable	222,809,624	217,387,606
Advances to related companies	39,292	39,292
Due from the Province of Prince Edward Island	11,163,647	11,163,647
	<u>246,109,492</u>	<u>233,168,234</u>

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

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(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.

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, 2022	265,173	732,466	5,478,628	6,476,267
March 31, 2021	1,123,391	682,340	4,023,800	5,829,531

(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.

# Finance PEI

## Notes to Consolidated Financial Statements

March 31, 2022

	<b>Under 1 year \$</b>	<b>Between 1 - 5 years \$</b>	<b>Over 5 years \$</b>	<b>2022 Total \$</b>
Accounts payable and accrued liabilities	2,278,601	-	-	2,278,601
Advances from related companies	26,961,105	-	-	26,961,105
Short-term notes payable	13,839,660	-	-	13,839,660
Long-term debt	37,972,634	152,823,036	8,737,043	199,532,713
	<u>81,052,000</u>	<u>152,823,036</u>	<u>8,737,043</u>	<u>242,612,079</u>

	<b>Under 1 year \$</b>	<b>Between 1 - 5 years \$</b>	<b>Over 5 years \$</b>	<b>2021 Total \$</b>
Accounts payable and accrued liabilities	2,156,935	-	-	2,156,935
Advances from related companies	24,347,681	-	-	24,347,681
Short-term notes payable	39,255,122	-	-	39,255,122
Long-term debt	36,682,473	121,256,690	9,566,868	167,506,031
	<u>102,442,211</u>	<u>121,256,690</u>	<u>9,566,868</u>	<u>233,265,769</u>

### (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.

# Finance PEI

Notes to Consolidated Financial Statements

March 31, 2022

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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.

	<b>Net interest income change \$</b>	<b>Interest expense change \$</b>
Impact of		
1% increase in interest rates	59,438	138,397
1% decrease in interest rates	(59,438)	(138,397)

(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, 2022

Schedule 1

							2022
	Salaries Benefits \$	Operating Goods & Services \$	Property Operations \$	Lending Operations \$	Interest Expense \$	Amortization \$	Total \$
<b>Expenses</b>							
Administration	397,172	500,965	-	-	-	73,974	972,111
Lending operations	1,877,301	-	-	246,510	3,899,157	-	6,022,968
Property operations	529,832	134,629	3,452,346	-	16,300	1,966,592	6,099,699
Provision for possible losses	-	-	-	3,112,933	-	-	3,112,933
	2,804,305	635,594	3,452,346	3,359,443	3,915,457	2,040,566	16,207,711
							2021
	Salaries Benefits \$	Operating Goods & Services \$	Property Operations \$	Lending Operations \$	Interest Expense \$	Amortization \$	Total \$
<b>Expenses</b>							
Administration	407,936	542,141	-	-	-	72,109	1,022,186
Lending operations	1,686,825	-	-	489,111	3,823,671	-	5,999,607
Property operations	544,518	131,606	2,825,424	-	20,157	1,735,877	5,257,582
Provision for possible losses	-	-	-	6,129,971	-	-	6,129,971
	2,639,279	673,747	2,825,424	6,619,082	3,843,828	1,807,986	18,409,346



# Finance PEI

## Schedule of Property Holdings

As at and for the year ended March 31, 2022

Schedule 2

	Cost				Accumulated amortization				2022
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	Disposals/ adjustments \$	Ending \$	Net book value \$
<b>General</b>									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,421,500	20,706	-	3,442,206	1,649,784	132,666	-	1,782,450	1,659,756
	4,447,765	20,706	-	4,468,471	1,694,549	132,666	-	1,827,215	2,641,256
<b>Property holdings held for resale</b>									
Land	2,155,171	6,750	-	2,161,921	-	-	-	-	2,161,921
Buildings	1,212,434	-	-	1,212,434	385,245	48,497	-	433,742	778,692
	3,367,605	6,750	-	3,374,355	385,245	48,497	-	433,742	2,940,613
<b>Industrial Sites</b>									
Land	2,954,873	97,631	(119,396)	2,933,108	-	-	-	-	2,933,108
Land improvements	3,017,951	34,364	-	3,052,315	2,787,239	30,191	-	2,817,430	234,885
Leasehold improvements	1,024,652	269,221	-	1,293,873	578,499	81,148	-	659,647	634,226
Building	41,895,882	413,744	(358,764)	41,950,862	13,878,389	1,704,059	(149,724)	15,432,724	26,518,138
Equipment	7,384,720	22,034	-	7,406,754	7,340,112	55,625	-	7,395,737	11,017
	56,278,078	836,994	(478,160)	56,636,912	24,584,239	1,871,023	(149,724)	26,305,538	30,331,374
	64,093,448	864,450	(478,160)	64,479,738	26,664,033	2,052,186	(149,724)	28,566,495	35,913,243

# Finance PEI

## Schedule of Property Holdings

As at and for the year ended March 31, 2021

Schedule 2

	Cost				Accumulated amortization				2021
	Beginning \$	Additions \$	Disposals \$	Ending \$	Beginning \$	Amortization \$	Disposals/ adjustments \$	Ending \$	Net book value \$
<b>General</b>									
Land	981,500	-	-	981,500	-	-	-	-	981,500
Land improvements	44,765	-	-	44,765	44,765	-	-	44,765	-
Building	3,328,098	93,402	-	3,421,500	1,519,400	130,384	-	1,649,784	1,771,716
	4,354,363	93,402	-	4,447,765	1,564,165	130,384	-	1,694,549	2,753,216
<b>Property holdings held for resale</b>									
Land	1,705,171	600,000	(150,000)	2,155,171	-	-	-	-	2,155,171
Buildings	1,212,434	-	-	1,212,434	336,748	48,497	-	385,245	827,189
	2,917,605	600,000	(150,000)	3,367,605	336,748	48,497	-	385,245	2,982,360
<b>Industrial Sites</b>									
Land	3,139,663	79,448	(264,238)	2,954,873	-	-	-	-	2,954,873
Land improvements	2,923,226	94,725	-	3,017,951	2,763,312	23,927	-	2,787,239	230,712
Leasehold improvements	1,001,339	23,313	-	1,024,652	507,589	70,910	-	578,499	446,153
Building	31,505,294	11,049,104	(658,516)	41,895,882	12,566,013	1,483,590	(171,214)	13,878,389	28,017,493
Equipment	7,333,573	51,147	-	7,384,720	7,289,434	50,678	-	7,340,112	44,608
	45,903,095	11,297,737	(922,754)	56,278,078	23,126,348	1,629,105	(171,214)	24,584,239	31,693,839
	53,175,063	11,991,139	(1,072,754)	64,093,448	25,027,261	1,807,986	(171,214)	26,664,033	37,429,415

## CONTACT INFORMATION

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