



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Financial Statements
Year Ended December 31, 2018



HARRIS RYAN



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Index to Financial Statements

Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures	5 - 6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11

INDEPENDENT AUDITOR'S REPORT

To the Members of Municipalities Newfoundland and Labrador Inc.

Opinion

We have audited the financial statements of Municipalities Newfoundland and Labrador Inc. (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, revenues and expenditures 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 accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Members of Municipalities Newfoundland and Labrador Inc.
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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.

Maris Ryan Professional Corporation

St. John's, Newfoundland and Labrador
July 29, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 186,631	\$ 457,683
Term deposits (Note 2)	93,334	67,671
Accounts receivable (Note 3)	306,359	192,516
Prepaid expenses	52,827	13,865
	639,151	731,735
PROPERTY, PLANT AND EQUIPMENT (Note 4)	3,287,622	387,714
	\$ 3,926,773	\$ 1,119,449
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Note 5)	\$ 389,055	\$ 451,498
Callable debt due in one year (Note 7)	2,900,000	135
Deferred income (Note 6)	397,524	282,642
	3,686,579	734,275
NET ASSETS	240,194	385,174
	\$ 3,926,773	\$ 1,119,449

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Changes in Net Assets

Year Ended December 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 385,174	\$ 442,170
DEFICIENCY OF REVENUES OVER EXPENSES	(144,980)	(56,996)
NET ASSETS - END OF YEAR	\$ 240,194	\$ 385,174

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Revenues and Expenditures

Year Ended December 31, 2018

	2018	2017
REVENUES		
Membership assessments	\$ 468,713	\$ 426,285
Convention	351,172	370,182
Administrative fees	137,705	177,078
Municipal leadership forum	100,700	105,810
Welcoming communities funding	85,264	-
Economic development funding	77,262	-
Rental	76,786	55,500
Regional meetings	41,335	44,135
Near funding	32,798	319,693
MAMP funding	26,687	-
Municipal awareness funding	10,000	-
Premier's forum	7,590	7,549
Food first commission	1,500	3,000
Municipal elections	-	76,955
FCM study	-	20,000
Tidy towns	-	30,750
	1,417,512	1,636,937
EXPENSES		
Salaries and wages	592,269	568,725
Convention	151,417	217,949
Travel	121,501	140,464
Economic development	86,587	-
Welcoming communities	84,116	-
Professional fees	77,367	20,152
Office	74,294	54,314
Municipal symposium	68,005	53,158
Amortization	64,329	15,709
Severance expense	55,731	92,456
Regional meetings	33,622	22,433
NEAR plan	32,798	319,693
Repairs and maintenance	29,027	37,459
MAMP expense	18,087	8,600
President's honorarium	13,088	12,351
Interest on long term debt	12,586	194
Membership services	11,130	14,222
Property taxes	8,590	-
Premier's forum	7,590	7,549
Tidy towns	5,232	34,087
Communications	4,320	4,030
Business taxes, licenses and memberships	4,107	2,717
Interest and bank charges	2,419	1,901
Scholarships	2,000	3,000
Advertising and promotion	1,614	35
Professional development	722	1,130
MSCNL expense	606	-
Credit card charges	-	570
Municipal elections	-	59,816

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MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Statement of Revenues and Expenditures (continued)
Year Ended December 31, 2018

	2018	2017
	1,563,154	1,692,714
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(145,642)	(55,777)
OTHER INCOME		
Loss on disposal of property, plant and equipment	-	(1,597)
Interest income	662	378
	662	(1,219)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (144,980)	\$ (56,996)

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (144,980)	\$ (56,996)
Items not affecting cash:		
Amortization of property, plant and equipment	64,329	15,709
Loss on disposal of property, plant and equipment	-	1,597
	(80,651)	(39,690)
Changes in non-cash working capital:		
Accounts receivable	(113,843)	132,970
Accounts payable	(62,444)	354,863
Deferred income	114,882	(252,895)
Prepaid expenses	(38,962)	(8,194)
	(100,367)	226,744
Cash flow from (used by) operating activities	(181,018)	187,054
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,964,236)	(1,343)
Proceeds on disposal of property, plant and equipment	-	100
Cash flow used by investing activities	(2,964,236)	(1,243)
FINANCING ACTIVITIES		
Proceeds from long term financing	2,900,000	-
Repayment of long term debt	(135)	(12,432)
Cash flow from (used by) financing activities	2,899,865	(12,432)
INCREASE (DECREASE) IN CASH FLOW	(245,389)	173,379
Cash - beginning of year	525,354	351,975
CASH - END OF YEAR	\$ 279,965	\$ 525,354

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2018

1. DESCRIPTION OF THE ASSOCIATION

The purpose of MNL is to assist communities in their endeavour to achieve and sustain strong and effective local government, thereby improving the quality of life for all people of this province. The organization has mandated to provide programs and services of common interest to the members; provide a united approach on issues affecting local governance; advance the ambitions and goals of its member communities by developing a shared common vision of the future; effectively serve as local government spokesperson; represent its members in matters affecting them or the welfare of their communities; and to further the establishment of responsible government at the local level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life at the following rates and methods:

Land		non-depreciable
Buildings	4%	declining balance method
Equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The association regularly reviews its Property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of Property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash and accounts receivable

Financial liabilities measured at amortized cost include accounts payable and callable debt

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MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

Municipalities Newfoundland and Labrador Inc. follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to Municipalities Newfoundland and Labrador Inc.'s capital assets and building improvements campaign.

Revenue recognition

Municipalities Newfoundland and Labrador Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Seminar fees are recognized as revenue when the seminars are held.

Callable debt

The association's demand loan is classified as a current liability because the lender has the right to demand repayment within one year.

3. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable	\$ 167,657	\$ 152,786
MAMP Accounts Receivable	86,300	-
Receivable from employee	1,366	-
Harmonized sales tax	51,036	39,730
	\$ 306,359	\$ 192,516

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2018

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 600,000	\$ -	\$ 600,000	\$ 100,000
Buildings	2,975,224	303,259	2,671,965	274,871
Equipment	13,046	8,782	4,264	4,203
Computer equipment	96,329	86,879	9,450	6,211
Furniture and fixtures	46,725	44,782	1,943	2,429
	\$ 3,731,324	\$ 443,702	\$ 3,287,622	\$ 387,714

5. ACCOUNTS PAYABLE

	2018	2017
Accounts payable	\$ 30,768	\$ 163,011
Accrued liabilities	6,000	8,216
Vacation pay	15,441	12,750
Severance	112,344	92,456
PMA membership fees	(275)	2,087
Food first	205,500	147,000
Employee deductions	19,277	25,978
	\$ 389,055	\$ 451,498

6. DEFERRED INCOME

	2018	2017
MNL Membership Fees	\$ 1,133	\$ -
Membership fees	-	55,457
Welcoming communities	-	44,785
NEAR	106,802	139,600
Welcoming Phase II	214,521	-
Deferred economic development	-	30,000
Deferred MAMP Revenue	60,068	-
RANLab	15,000	12,500
Rental income	-	300
	\$ 397,524	\$ 282,642

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2018

7. CALLABLE DEBT

	2018	2017
CIBC loan bearing interest at 4.5% per annum, repayable in monthly blended payments of \$410. The loan matured on January 25, 2018 and was unsecured.	\$ -	\$ 135
CIBC demand loan bearing interest at prime plus 1% per annum, repayable in monthly interest only payments until maturity. The loan matures on June 30, 2019 and is secured by 79 Mews Place, St. John's NL which has a carrying value of \$2,900,000.	2,900,000	-
	2,900,000	135
Amounts payable within one year	(2,900,000)	(135)
	\$ -	\$ -

8. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of members which minimizes concentration of credit risk.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the association is not exposed to significant other price risks arising from these financial instruments.

9. INCOME TAXES

The association is a not-for-profit organization and as such is exempt from tax.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
