


MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Financial Statements
Year Ended December 31, 2019



HARRIS RYAN



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
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Year Ended December 31, 2019

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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, 2019, 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, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNPO).

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 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 ASNPO, 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 related 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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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.



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 173,228	\$ 186,631
Term deposits	93,644	93,334
Accounts receivable (Note 3)	888,648	372,303
Prepaid expenses	1,439	52,827
	1,156,959	705,095
PROPERTY, PLANT AND EQUIPMENT (Note 4)	3,651,387	3,287,622
	\$ 4,808,346	\$ 3,992,717
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Note 5)	\$ 782,945	\$ 403,891
Callable debt due in one year (Note 7)	3,177,000	2,900,000
Deferred income (Note 6)	801,355	337,456
	4,761,300	3,641,347
NET ASSETS	47,046	351,370
	\$ 4,808,346	\$ 3,992,717

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, 2019

	2019	2018
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ 351,370	\$ 385,174
Prior year adjustments (Note 11)	-	94,752
As restated	351,370	479,926
DEFICIENCY OF REVENUES OVER EXPENSES	(304,324)	(128,556)
NET ASSETS - END OF YEAR	\$ 47,046	\$ 351,370

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Revenues and Expenditures**

Year Ended December 31, 2019

	2019	2018
REVENUES		
Schedule of Revenues and Expenditures		
Meetings and Events (<i>Schedule 1</i>)	\$ 688,008	\$ 500,797
Membership assessments	471,072	468,713
Schedule of Revenues and Expenditures		
Projects (<i>Schedule 2</i>)	465,706	238,435
Rental	205,566	76,786
Sponsorship	114,853	114,227
Administrative fees	11,304	22,872
Municipal awareness funding	10,000	10,000
Food first commission	1,500	1,500
	1,968,009	1,433,330
EXPENSES		
Salaries and wages	736,712	648,000
Schedule of Revenues and Expenditures		
Meetings and Events (<i>Schedule 1</i>)	463,463	265,866
Schedule of Revenues and Expenditures		
Projects (<i>Schedule 2</i>)	403,283	221,588
Interest on long term debt	145,048	12,586
Amortization	130,619	64,329
Travel	128,156	121,501
Office	68,241	74,294
Professional fees	46,314	77,367
Repairs and maintenance	45,129	29,027
Interest and bank charges	25,459	2,419
Property taxes	22,001	8,590
Bad debts	17,546	-
President's honorarium	13,240	13,088
Business development	9,096	722
Membership services	7,117	11,130
Training	4,328	-
Business taxes, licenses and memberships	3,369	4,107
Communications	2,241	4,320
Scholarships	2,000	2,000
Advertising and promotion	294	1,614
	2,273,656	1,562,548
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(305,647)	(129,218)
OTHER INCOME		
Other income	1,013	-
Interest income	310	662
	1,323	662
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (304,324)	\$ (128,556)

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Cash Flows****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (304,324)	\$ (128,556)
Item not affecting cash:		
Amortization of property, plant and equipment	130,619	64,329
	(173,705)	(64,227)
Changes in non-cash working capital:		
Accounts receivable	(516,346)	(85,035)
Accounts payable	379,056	(47,608)
Deferred income	463,899	54,814
Prepaid expenses	51,388	(38,962)
	377,997	(116,791)
Cash flow from (used by) operating activities	204,292	(181,018)
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(494,385)	(2,964,236)
FINANCING ACTIVITIES		
Proceeds from long term financing	3,177,000	2,900,000
Repayment of long term debt	(2,900,000)	(135)
Cash flow from financing activities	277,000	2,899,865
DECREASE IN CASH FLOW	(13,093)	(245,389)
Cash - beginning of year	279,965	525,354
CASH - END OF YEAR	\$ 266,872	\$ 279,965

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2019

1. DESCRIPTION OF THE ASSOCIATION

Municipalities Newfoundland and Labrador Inc. (the "association") is a not-for-profit organization incorporated provincially under the Corporations Act of Newfoundland and Labrador. As a registered charity the association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The association operates 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 association 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 or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis 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

(continues)

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2019

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

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

	2019	2018
Accounts receivable	\$ 629,594	\$ 167,656
Public service bodies' rebate	133,831	51,036
MAMP accounts receivable	107,174	137,408
Receivable from MSCNL	14,837	14,836
Sponsorship receivable	3,750	-
Receivable from employees	-	1,367
Allowance for doubtful accounts	(538)	-
	\$ 888,648	\$ 372,303

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Buildings	3,357,505	417,783	2,939,722	2,671,965
Equipment	16,258	9,956	6,302	4,264
Computer equipment	96,329	90,523	5,806	9,450
Furniture and fixtures	155,616	56,059	99,557	1,943
	\$ 4,225,708	\$ 574,321	\$ 3,651,387	\$ 3,287,622

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2019

5. ACCOUNTS PAYABLE

	2019	2018
Accounts payable	\$ 485,432	\$ 30,764
Severance liability	95,106	112,344
Food first	75,000	205,500
PMA membership fees	56,307	(275)
Employee deductions	50,638	34,114
Vacation pay	14,098	15,441
Accrued liabilities	6,000	6,000
Staff social fund	364	3
	\$ 782,945	\$ 403,891

6. DEFERRED INCOME

	2018 Balance	Income	Expenses	2019 Balance
Membership fees	\$ 1,133	\$ 471,107	\$ 1,133	\$ 471,107
Welcoming phase II	214,521	200,000	206,676	207,845
NEAR	106,802	-	-	106,802
Prepaid sponsorship	-	10,000	-	10,000
RANLab	15,000	185,113	194,512	5,601
	-	-	-	-
	\$ 337,456	\$ 866,220	\$ 402,321	\$ 801,355

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2019

7. CALLABLE DEBT

	2019	2018
CIBC loan bearing interest at 4.95% per annum, repayable in monthly blended payments. The loan matured on November 7, 2019 and was secured by 79 Mews Place, St. John's NL.	\$ -	\$ 2,900,000
CIBC loan bearing interest at prime plus 1% per annum, repayable in monthly blended payments of \$11,168. The loan matures on October 7, 2044. See security details below.	3,177,000	-
	3,177,000	2,900,000
Amounts payable within one year	(3,177,000)	(2,900,000)
	\$ -	\$ -

The CIBC loan and credit facilities are secured by:

First security interest in all present and after acquired personal property.

Present and future collateral mortgage for CDN\$ 2,900,000, giving CIBC a first charge over 79 Mew's Place, St. John's, plus acknowledged assignment of fire and other perils insurance, with loss payable to CIBC as first mortgagee

A letter of undertaking not to sell or encumber the property located at 460 Torbay Road, St. John's, without CIBC's prior consent.

A Borrowing Resolution of Municipalities Newfoundland and Labrador Inc authorizing borrowings.

Third Party Legal Opinion from Bank-appointed solicitor Benson Buffett PLC Inc. confirming that the MNL's Articles of Incorporation, Borrowing Resolution, Officers Certificate and By-Laws have been reviewed and that:

1. MNL has the authority to borrow for the subject purchase
 2. MNL's mandate permits their increasing revenues via membership, conventions and provision of other services, & that
 3. CIBC's security is adequate and enforceable
-

8. CREDIT FACILITIES

The company has a demand credit facility with CIBC. The operating line of credit in the amount of \$100,000 bears interest at bank prime plus 1% and is used to finance daily operations. This facility is secured as noted above.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2019

9. 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) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, long-term debt, and accounts payable.

(c) 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.

10. COMPARATIVE FIGURES

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

11. PRIOR YEAR ADJUSTMENTS

Management has identified material misstatements in the prior year financial statements. These misstatements have been accounted for in the comparative figures of these financial statements. The overall effects resulted in an increase in prior year net assets of \$94,572 for 2017. In 2018, the revenue increased by \$16,424, there was a \$60,068 change in deferred revenue which is reflected on the balance sheet.

12. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures****Meetings and Events****(Schedule 1)****Year Ended December 31, 2019**

	2019	2018
REVENUES		
Convention and trade show	\$ 522,786	\$ 351,172
Municipal symposium	112,263	100,700
Regional meetings	32,280	41,335
Women in leadership	13,845	-
Premier's forum	6,834	7,590
	688,008	500,797
EXPENSES		
Convention	346,512	151,417
Municipal symposium	54,691	68,005
Regional meetings	3,461	33,622
Women in leadership	13,549	-
Premier's forum	6,389	7,590
Strategic planning session	14,117	-
Wastewater meeting	13,552	-
UMC	11,192	-
Tidy towns	-	5,232
	\$ 463,463	\$ 265,866

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures
Projects****(Schedule 2)****Year Ended December 31, 2019**

	2019	2018
REVENUES		
Welcoming communities	\$ 206,676	\$ 85,264
RanLab	194,512	-
MAMP	64,518	43,111
Economic development	-	77,262
NEAR	-	32,798
	465,706	238,435
EXPENSES		
Welcoming communities	169,481	84,116
RanLab	177,112	-
MAMP	56,690	18,087
Economic development	-	86,587
NEAR	-	32,798
	\$ 403,283	\$ 221,588