

## Finance Report

Councillor Amy Coady-Davis

Municipalities Newfoundland and Labrador (MNL) thanks the accounting firm Harris Ryan, as well as MNL board and staff for their exemplary efforts in completing the 2019 audit and development of this report.

### MNL's current financial picture.

In 2018, MNL embarked on a long-term plan that would see the organization become more self-sustainable and financially secure within three to five years. A big part of that plan included a staff re-organization and the purchase of a new building at 79 Mews Place. As a result of the plan's execution, as expected, 2019 was a challenging year financially. Fortunately, MNL was well positioned to push through. MNL's operating deficit for the year was \$173,705, but the organization grew in net assets by almost \$1 million.

### Our organization exists to serve you, our members.

The purchase of 79 Mews Place was a planned investment in MNL's financial sustainability, but also an investment in membership. Once MNL moved to 79 Mews Place, it still had to carry the cost of Torbay Road, including new municipal taxes for a number of months. This was a significant additional burden to the organization in a year where a deficit was already anticipated. The 2019 deficit was worsened however by the delayed sale of 460 Torbay Road. That building did not sell until the fall of 2020. The proceeds went directly toward paying down the new mortgage and to reduce interest charges and principal payments on the new building.

Again, thankfully MNL was well positioned to push through. Our plan is back on track and the benefits will be more than just financial and will be realized in the months and year ahead.

### Setting the course for the future.

Our plan for the new building on Mews Place was always to give MNL significant new lease revenue. The organization's goal was to lease the available space within two years of moving in. In short order, MNL will have all its available office space leased, generating over \$220,000 a year in revenue. That will cover MNL's annual mortgage cost and the vast majority of the operational cost of the building.

Strong financial governance is a top priority for MNL moving forward. Over the last year, the organization has made great improvements in this area, including a greater focus on disciplined spending, implementation of electronic fund transfers, and increased segregation of duties. We will also be reviewing our policy document and by-laws this year which will ensure MNL is positioned well for the future. We have convened a Financial Sustainability Working Group to assist us in that important work.

We anticipate a smaller operating deficit of approximately \$70,000 for 2020. This deficit was caused by the impact of COVID-19 on our operations – in particular a substantial loss event revenue due to public health measures. However, federal covid benefits such as wage subsidies, our own cost saving measures, and the development of new project revenue have lessened the impact.

MNL is now on track for an operational surplus in 2021. This outcome is as a result of sound planning, sticking to a plan, and adjusting our business model where necessary to be more resilient and prepared.



### **The long-term looks positive**

Notwithstanding the operational deficit in 2019, and anticipated deficit in 2020, the Board of Directors is confident that 2021 is the beginning of a positive era for Municipalities Newfoundland and Labrador. All of the planning over the last ten years is coming to fruition, and ultimately MNL is well on its way to being completely self-sustainable and financially secure – a goal we all share and must work toward collectively.