



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Financial Statements
Year Ended December 31, 2020



HARRIS RYAN



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Index to Financial Statements
Year Ended December 31, 2020

	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
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
Schedule of Revenues and Expenditures Meetings and Events (<i>Schedule 1</i>)	14
Schedule of Revenues and Expenditures Projects (<i>Schedule 2</i>)	15

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, 2020, 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, 2020, 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.

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.

(continues)

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

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.

St. John's, Newfoundland and Labrador
October 13, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Financial Position****December 31, 2020**

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 37,998	\$ 173,228
Term deposits	95,764	93,644
Accounts receivable (Note 3)	839,702	888,648
Prepaid expenses	-	1,439
	973,464	1,156,959
PROPERTY, PLANT AND EQUIPMENT (Note 4)	3,198,738	3,651,387
	\$ 4,172,202	\$ 4,808,346
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Note 6)	\$ 572,261	\$ 687,839
Callable debt due in one year (Note 7)	98,904	-
Current portion of obligations under capital lease (Note 8)	4,628	-
Deferred income (Note 9)	693,651	801,355
	1,369,444	1,489,194
Callable debt due thereafter (Note 7)	2,195,926	3,177,000
	3,565,370	4,666,194
OBLIGATIONS UNDER CAPITAL LEASE (Note 8)	16,798	-
	3,582,168	4,666,194
NET ASSETS	590,034	142,152
	\$ 4,172,202	\$ 4,808,346

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, 2020

	2020	2019
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ 142,152	\$ 351,370
Prior period adjustments <i>(Note 12)</i>	-	95,106
As restated	142,152	446,476
EXCESS OF REVENUES OVER EXPENSES	447,882	(304,324)
NET ASSETS - END OF YEAR	\$ 590,034	\$ 142,152

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Revenues and Expenditures

Year Ended December 31, 2020

	2020	2019
REVENUES		
Membership assessments	\$ 470,367	\$ 471,072
Administrative fees	1,507	11,304
Projects (<i>Schedule 2</i>)	331,509	465,706
Meetings and Events (<i>Schedule 1</i>)	221,263	688,008
Rental	214,014	205,566
Sponsorship	125,231	114,853
Food first commission	2,948	1,500
Municipal awareness funding	-	10,000
	1,366,839	1,968,009
EXPENSES		
Salaries and wages	739,143	736,712
Projects (<i>Schedule 2</i>)	299,509	403,283
Amortization	133,496	130,619
Interest on long term debt	110,315	145,048
Professional fees	74,625	46,314
Meetings and Events (<i>Schedule 1</i>)	72,030	463,463
Office	56,976	68,241
Repairs and maintenance	44,046	45,129
Travel	43,110	128,156
Property taxes	40,386	22,001
Bad debts	13,503	17,546
President's honorarium	12,000	13,240
Business taxes, licenses and memberships	9,443	3,369
Interest and bank charges	6,166	25,459
Communications	4,873	2,241
Scholarships	2,000	2,000
Business development	119	9,096
Advertising and promotion	38	294
Training	-	4,328
Membership services	-	7,117
	1,661,778	2,273,656
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(294,939)	(305,647)
OTHER INCOME		
Commission income	32,087	1,013
Interest income	2,308	310
Gain on disposal of property, plant and equipment	452,701	-
Temporary Wage Subsidy	11,000	-
Canada Emergency Wage Subsidy	244,725	-
	742,821	1,323
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 447,882	\$ (304,324)

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 447,882	\$ (304,324)
Items not affecting cash:		
Amortization of property, plant and equipment	133,496	130,619
Gain on disposal of property, plant and equipment	(452,701)	-
	128,677	(173,705)
Changes in non-cash working capital:		
Accounts receivable	48,947	(516,346)
Accounts payable	(115,578)	379,056
Deferred income	(107,704)	463,899
Prepaid expenses	1,439	51,388
	(172,896)	377,997
Cash flow from (used by) operating activities	(44,219)	204,292
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,307)	(494,385)
Proceeds on disposal of property, plant and equipment	806,022	-
Cash flow from (used by) investing activities	795,715	(494,385)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	3,177,000
Repayment of callable debt	(882,170)	-
Repayment of long term debt	-	(2,900,000)
Repayment of obligations under capital lease	(2,436)	-
Cash flow from (used by) financing activities	(884,606)	277,000
DECREASE IN CASH FLOW	(133,110)	(13,093)
Cash - beginning of year	266,872	279,965
CASH - END OF YEAR	\$ 133,762	\$ 266,872

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

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, 2020

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.

3. ACCOUNTS RECEIVABLE

	2020	2019
Trade receivable	\$ 759,337	\$ 629,594
Public service bodies rebate	-	133,831
MAMP	-	107,174
MSCNL	14,837	14,837
Sponsorships	-	3,750
Receivables from employees	1,381	-
Allowance for doubtful accounts	-	(538)
ACOA	58,098	-
RanLab	6,049	-
	\$ 839,702	\$ 888,648

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 600,000
Buildings	2,843,150	260,643	2,582,507	2,939,722
Equipment	41,474	13,738	27,736	6,302
Computer equipment	96,329	92,265	4,064	5,806
Furniture and fixtures	160,934	76,503	84,431	99,557
	\$ 3,641,887	\$ 443,149	\$ 3,198,738	\$ 3,651,387

The following assets included above are held under capital lease Note 8:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 23,862	\$ 2,386	\$ 21,476	\$ -

5. CREDIT FACILITY

The Association has an operating line of credit in the amount of \$100,000 of which \$nil (2019 - \$nil) was used at year end. The facility is secured as outlined in note 7 and bears interest at prime plus 1.00% per annum.

6. ACCOUNTS PAYABLE

	2020	2019
Trade payable	\$ 289,644	\$ 485,432
Food first	-	75,000
PMA membership fees	58,495	56,307
Employee deductions	134,807	50,638
Vacation pay	20,451	14,098
Accrued liabilities	6,000	6,000
Staff social fund	1,379	364
HST payable	2,791	-
MUN engineering payable	52,414	-
Refund liability	6,280	-
	\$ 572,261	\$ 687,839

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

7. CALLABLE DEBT

	2020	2019
CIBC loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$8,242 plus accrued interest. The loan matures on April 7, 2044 and is secured by building located at 79 Mews Place, St. John's NL which has a carrying value of \$3,082,507. Loan is callable on demand.	\$ 2,294,830	\$ 3,177,000
Principal due in one year	<u>(98,904)</u>	-
	<u>\$ 2,195,926</u>	<u>\$ 3,177,000</u>

Principal repayment terms are approximately:

2021	\$ 98,904
2022	98,904
2023	98,904
2024	98,904
2025	98,904
Thereafter	<u>1,800,310</u>
	<u>\$ 2,294,830</u>

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 Borrowing Resolution of Municipalities Newfoundland and Labrador Inc authorizing borrowings.

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

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

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

8. OBLIGATIONS UNDER CAPITAL LEASE

	2020	2019
Steelcase Financial Services Ltd. lease bearing interest at 4.08% per annum, repayable in monthly blended payments of \$437. The lease matures on June 24, 2025.	\$ 21,426	\$ -
Amounts payable within one year	(4,628)	-
	\$ 16,798	\$ -

Future minimum capital lease payments are approximately:

2021	\$ 5,423
2022	5,423
2023	5,423
2024	5,423
2025	1,805
Total minimum lease payments	23,497
Less: amount representing interest at 4.08%	(2,071)
	\$ 21,426

9. DEFERRED INCOME

	2019 Balance	Income	Expenses	2020 Balance
Membership fees	\$ 471,107	\$ 471,630	\$ 471,107	\$ 471,630
Welcoming phase II	207,845	-	92,626	115,219
NEAR	106,802	-	-	106,802
Prepaid sponsorship	10,000	-	10,000	-
RANLab	5,601	113,850	119,451	-
	\$ 801,355	\$ 585,480	\$ 693,184	\$ 693,651

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

10. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of December 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association 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 association has a significant number of members which minimizes concentration of credit risk.

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, obligations under capital leases, contributions to the pension plan, and accounts payable.

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.

11. COMPARATIVE FIGURES

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

12. PRIOR PERIOD 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 \$95,106, and a decrease in prior year accounts payable of \$95,106.

13. SUBSEQUENT EVENTS

Subsequent to year end, in June 2021, the company signed an additional credit facility titled "Term Facility:D" with CIBC in the amount of \$449,000.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2020

14. OTHER MATTERS

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.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the association's operations as at the date of these financial statements.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures****Meetings and Events****(Schedule 1)****Year Ended December 31, 2020**

	2020	2019
REVENUES		
Convention and trade show	\$ 219,393	\$ 522,786
Municipal budgeting seminar	1,870	-
Premier's forum	-	6,834
Women in leadership	-	13,845
Municipal symposium	-	112,263
Regional meetings	-	32,280
	221,263	688,008
EXPENSES		
Convention	68,296	346,512
UMC	3,734	11,192
Regional meetings	-	3,461
Women in leadership	-	13,549
Premier's forum	-	6,389
Strategic planning session	-	14,117
Wastewater meeting	-	13,552
Municipal symposium	-	54,691
	\$ 72,030	\$ 463,463

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures****Projects****(Schedule 2)****Year Ended December 31, 2020**

	2020	2019
REVENUES		
RanLab	\$ 138,000	\$ 194,512
Welcoming communities	92,626	206,676
MUN engineering	74,988	-
Economic development	15,777	-
MAMP	10,118	64,518
	331,509	465,706
EXPENSES		
RanLab	138,000	177,112
Welcoming communities	86,540	169,481
MUN engineering	68,350	-
MAMP	6,619	56,690
	\$ 299,509	\$ 403,283