

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Financial Statements
Year Ended December 31, 2024

HARRIS RYAN



MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
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Year Ended December 31, 2024

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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 "organization"), which comprise the statement of financial position as at December 31, 2024, 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 organization as at December 31, 2024, 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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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:

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

- 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 organization'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 organization'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 organization 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

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Financial Position****December 31, 2024**

	2024	2023
ASSETS		
CURRENT		
Cash	\$ 414,248	\$ 225,046
Term deposits	44,849	100,357
Accounts receivable (Note 3)	941,652	667,316
Prepaid expenses	38,310	13,855
	1,439,059	1,006,574
PROPERTY, PLANT AND EQUIPMENT (Note 4)	2,765,364	2,867,483
	\$ 4,204,423	\$ 3,874,057
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Note 6)	\$ 215,435	\$ 306,350
Callable debt due in one year (Note 7)	74,296	118,713
Current portion of obligations under capital lease (Note 8)	3,426	5,026
Deferred income (Note 9)	1,082,301	621,947
	1,375,458	1,052,036
Callable debt due thereafter (Note 7)	2,227,778	2,275,957
	3,603,236	3,327,993
OBLIGATIONS UNDER CAPITAL LEASE (Note 8)	-	2,900
	3,603,236	3,330,893
NET ASSETS	601,187	543,164
	\$ 4,204,423	\$ 3,874,057

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Changes in Net Assets****Year Ended December 31, 2024**

	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 543,164	\$ 608,194
EXCESS OF REVENUES OVER EXPENSES	58,023	(65,030)
NET ASSETS - END OF YEAR	\$ 601,187	\$ 543,164

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Revenues and Expenditures****Year Ended December 31, 2024**

	2024	2023
REVENUES		
Meetings and Events (<i>Schedule 2</i>)	\$ 660,630	\$ 750,885
Membership assessments	515,339	469,758
Rental	233,976	225,280
Sponsorship	129,829	128,000
Projects (<i>Schedule 1</i>)	221,816	27,834
Administrative fees	34,346	14,365
Miscellaneous	22,593	6,004
Food first commission	382	588
	1,818,911	1,622,714
EXPENSES		
Salaries and wages	696,421	724,174
Bad debts	983	-
Meetings and Events (<i>Schedule 2</i>)	325,601	400,052
Interest on long term debt	165,561	193,989
Amortization	108,722	113,908
Projects (<i>Schedule 1</i>)	225,040	53,228
Professional fees	59,173	46,398
Repairs and maintenance	35,089	34,035
Office	27,827	30,620
Business taxes, licenses and memberships	11,273	24,485
Travel	56,374	23,602
Insurance	13,386	12,870
President's honorarium	12,000	12,000
Interest and bank charges	6,066	8,138
Membership services	12,083	5,749
Scholarships	2,500	2,500
Communications	2,077	2,114
Business development	1,544	1,332
Interest on obligations under capital lease	1,147	1,147
Training	495	56
	1,763,362	1,690,397
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	55,549	(67,683)
OTHER INCOME	2,474	2,653
EXCESS OF REVENUES OVER EXPENSES	\$ 58,023	\$ (65,030)

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Statement of Cash Flows****Year Ended December 31, 2024**

	2024	2023
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 58,023	\$ (65,030)
Item not affecting cash:		
Amortization of property, plant and equipment	108,722	113,908
	166,745	48,878
Changes in non-cash working capital:		
Accounts receivable	(274,336)	(66,054)
Accounts payable	(90,916)	(70,402)
Deferred income	460,354	27,316
Prepaid expenses	(24,455)	20,750
	70,647	(88,390)
Cash flow from (used by) operating activities	237,392	(39,512)
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(6,602)	(17,629)
FINANCING ACTIVITIES		
Proceeds from callable debt financing	1,962,224	-
Repayment of callable debt	(2,054,820)	(118,713)
Repayment of obligations under capital lease	(4,500)	(4,500)
Cash flow used by financing activities	(97,096)	(123,213)
INCREASE (DECREASE) IN CASH FLOW	133,694	(180,354)
Cash - beginning of year	325,403	505,757
CASH - END OF YEAR	\$ 459,097	\$ 325,403
CASH CONSISTS OF:		
Cash	\$ 414,248	\$ 225,046
Term deposits	44,849	100,357
	\$ 459,097	\$ 325,403

See notes to financial statements

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2024

1. DESCRIPTION OF THE ASSOCIATION

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

The organization 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 organization 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, 2024

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

	2024	2023
Trade receivable	\$ 881,023	\$ 620,686
Public service bodies rebate	46,402	31,793
MSCNL	14,837	14,837
Allowance for Doubtful Accounts	(610)	-
	\$ 941,652	\$ 667,316

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings	2,843,150	649,706	2,193,444	2,284,837
Equipment	56,032	36,230	19,802	22,157
Computer equipment	96,329	95,353	976	1,394
Furniture and fixtures	182,858	131,716	51,142	59,095
	\$ 3,678,369	\$ 913,005	\$ 2,765,364	\$ 2,867,483

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

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Equipment	\$ 23,862	\$ 15,066	\$ 8,796	\$ 10,996

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2024

5. CREDIT FACILITY

The Association has an operating line of credit in the amount of \$100,000 of which \$nil (2023 - \$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

	2024	2023
Trade payable	\$ 62,029	\$ 148,611
PMA membership fees	105,908	105,174
Vacation pay payable	13,821	14,947
Employee deductions	17,522	12,604
Accrued liabilities	14,499	23,358
Staff social fund	1,631	1,631
Food first	25	25
	\$ 215,435	\$ 306,350

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2024

7. CALLABLE DEBT

	2024	2023
CIBC loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$8,242 plus accrued interest. The loan was refinanced during the year.	\$ -	\$ 1,995,192
CIBC loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of \$1,651, plus accrued interest. The loan matures on March 7, 2044 and is secured by building located at 79 Mews Place, St. John's NL which has a carrying value of \$2,693,444. The loan is callable on demand.	379,669	399,478
CIBC loan bearing interest at 6.13% per annum, repayable in monthly blended payments of \$14,262. The loan matures on April 7, 2026 and is secured by building located at 79 Mews Place, St. John's NL which has a carrying value of \$2,693,444. The loan is callable on demand.	1,922,405	-
	2,302,074	2,394,670
Principal due in one year	(74,296)	(118,713)
	\$ 2,227,778	\$ 2,275,957

Principal repayment terms are approximately:

2025	\$ 74,296
2026	1,887,727
2027	19,809
2028	19,809
2029	19,809
Thereafter	280,624
	\$ 2,302,074

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, 2024

8. OBLIGATIONS UNDER CAPITAL LEASE

	2024	2023
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.	\$ 3,426	\$ 7,926
Amounts payable within one year	(3,426)	(5,026)
	\$ -	\$ 2,900

Future minimum capital lease payments are approximately:

Total minimum lease payments	\$ 3,492
Less: amount representing interest at 4.08%	(66)
	<u>\$ 3,426</u>

9. DEFERRED INCOME

	2023 Balance	Income	Expenses	2024 Balance
Membership fees	\$ 515,145	\$ 919,252	\$ 895,479	\$ 538,918
NEAR	106,802	-	-	106,802
Our Creative Home	-	200,000	56,662	143,338
Bookkeeping project	-	100,000	9,764	90,236
ACOA RIE Project 225784	-	138,875	35,868	103,007
Tomorrows Towns	-	100,000	-	100,000
	\$ 621,947	\$ 1,458,127	\$ 997,773	\$ 1,082,301

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2024

10. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of December 31, 2024.

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization 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 organization manages exposure through its normal operating and financing activities. The organization 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 organization is not exposed to significant other price risks arising from these financial instruments.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures
Projects****(Schedule 1)****Year Ended December 31, 2024**

	2024	2023
REVENUES		
MAMP	\$ 1,123	\$ 471
Make your mark	2,700	8,182
RanLab	-	19,181
Our Creative Home	56,661	-
Bookkeeping project	9,764	-
Emergency preparedness	16,100	-
Housing project	132,627	-
Economic development	2,841	-
	221,816	27,834
EXPENSES		
MAMP	461	524
Make your mark	4,548	4,586
RanLab	-	48,000
Our Creative Home	49,510	-
Bookkeeping project	11,610	-
Emergency preparedness	905	-
Welcoming communities	-	118
Housing project	155,263	-
Economic development	2,743	-
	\$ 225,040	\$ 53,228

Projects that Municipalities Newfoundland and Labrador Inc. perform often have funding components which are based on administrative time spent on the project by staff of the organization. The administrative staffing costs associated with these projects has not been reclassified from salaries and wages to the individual projects.

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**Schedule of Revenues and Expenditures****Meetings and Events****(Schedule 2)****Year Ended December 31, 2024**

	2024	2023
REVENUES		
Convention	\$ 478,482	\$ 587,914
Municipal budgeting seminar	-	7,750
Municipal elections	-	333
Municipal symposium	145,413	145,388
Regional meetings	36,735	-
Premier's forum	-	6,500
Women in leadership	-	3,000
	660,630	750,885
EXPENSES		
Convention	256,243	306,558
Municipal symposium	67,312	86,873
Regional meetings	50	6,478
Tidy towns	268	-
UMC	1,728	143
	\$ 325,601	\$ 400,052