

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.
Financial Statements
Year Ended December 31, 2022

HARRIS RYAN

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

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Year Ended December 31, 2022

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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, 2022, 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, 2022, 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.

Maris Ryan Professional Corporation

St. John's, Newfoundland and Labrador
September 7, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Financial Position

December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 408,053	\$ 367,914
Term deposits	97,704	96,442
Accounts receivable (<i>Note 3</i>)	601,262	775,647
Prepaid expenses	34,605	-
	1,141,624	1,240,003
PROPERTY, PLANT AND EQUIPMENT (<i>Note 4</i>)	2,963,763	3,077,190
	\$ 4,105,387	\$ 4,317,193
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (<i>Note 6</i>)	\$ 376,753	\$ 280,025
Callable debt due in one year (<i>Note 7</i>)	118,713	118,713
Current portion of obligations under capital lease (<i>Note 8</i>)	5,005	4,813
Deferred income (<i>Note 9</i>)	594,631	612,882
	1,095,102	1,016,433
Callable debt due thereafter (<i>Note 7</i>)	2,394,670	2,513,383
	3,489,772	3,529,816
OBLIGATIONS UNDER CAPITAL LEASE (<i>Note 8</i>)	7,421	12,113
	3,497,193	3,541,929
NET ASSETS	608,194	775,264
	\$ 4,105,387	\$ 4,317,193

ON BEHALF OF THE BOARD

Director

Director

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Changes in Net Assets

Year Ended December 31, 2022

	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 775,264	\$ 627,638
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(167,070)	147,626
NET ASSETS - END OF YEAR	\$ 608,194	\$ 775,264

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Revenues and Expenditures

Year Ended December 31, 2022

	2022	2021
REVENUES		
Meetings and Events (<i>Schedule 2</i>)	\$ 568,191	\$ 480,910
Membership assessments	471,630	472,370
Rental	204,466	206,884
Projects (<i>Schedule 1</i>)	160,570	379,518
Sponsorship	127,768	126,655
Miscellaneous	12,954	112
Administrative fees	7,840	2,088
Food first commission	1,350	2,290
	1,554,769	1,670,827
EXPENSES		
Salaries and wages	721,934	712,592
Meetings and Events (<i>Schedule 2</i>)	306,025	320,052
Interest on long term debt	125,198	84,483
Amortization	119,674	127,553
Professional fees	103,076	50,169
Projects (<i>Schedule 1</i>)	90,188	256,789
Travel	71,408	12,471
Office	51,241	34,166
Membership services	49,296	16,538
Repairs and maintenance	36,413	29,492
Business taxes, licenses and memberships	36,390	21,625
Insurance	12,067	11,932
Interest and bank charges	4,028	19,397
Communications	2,112	2,066
Scholarships	2,000	3,000
Business development	1,619	449
Interest on obligations under capital lease	1,147	1,147
Training	834	-
President's honorarium	12,000	8,000
	1,746,650	1,711,921
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(191,881)	(41,094)
OTHER INCOME		
Interest income	1,262	678
Commission income	-	531
CEWS income	23,549	177,511
Small Business Assistance Program	-	10,000
	24,811	188,720
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (167,070)	\$ 147,626

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Statement of Cash Flows

Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (167,070)	\$ 147,626
Item not affecting cash:		
Amortization of property, plant and equipment	<u>119,674</u>	127,553
	<u>(47,396)</u>	275,179
Changes in non-cash working capital:		
Accounts receivable	174,385	101,658
Accounts payable	96,727	(292,234)
Deferred income	(18,251)	(80,769)
Prepaid expenses	(34,605)	-
	<u>218,256</u>	(271,345)
Cash flow from operating activities	<u>170,860</u>	3,834
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(6,246)</u>	(6,005)
FINANCING ACTIVITIES		
Proceeds from callable debt financing	-	449,000
Repayment of callable debt	(118,713)	(111,735)
Repayment of obligations under capital lease	(4,500)	(4,500)
Cash flow from (used by) financing activities	<u>(123,213)</u>	332,765
INCREASE IN CASH FLOW	<u>41,401</u>	330,594
Cash - beginning of year	<u>464,356</u>	133,762
CASH - END OF YEAR	\$ 505,757	\$ 464,356
CASH CONSISTS OF:		
Cash	\$ 408,053	\$ 367,914
Term deposits	97,704	96,442
	<u>\$ 505,757</u>	<u>\$ 464,356</u>

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022

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

	2022	2021
Trade receivable	\$ 445,891	\$ 581,668
Public service bodies rebate	47,291	32,509
MAMP	93,243	54,392
MSCNL	14,837	14,837
Sponsorships	-	22,524
WIL	-	44,750
ACOA	-	24,967
	<hr/> \$ 601,262	<hr/> \$ 775,647

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2022

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings	2,843,150	463,111	2,380,039	2,479,207
Equipment	53,725	26,029	27,696	27,593
Computer equipment	96,329	94,337	1,992	2,845
Furniture and fixtures	160,934	106,898	54,036	67,545
	\$ 3,654,138	\$ 690,375	\$ 2,963,763	\$ 3,077,190

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

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Equipment	\$ 23,862	\$ 10,117	\$ 13,745	\$ 17,181

5. CREDIT FACILITY

The Association has an operating line of credit in the amount of \$100,000 of which \$nil (2021 - \$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

	2022	2021
Trade payable	\$ 234,731	\$ 147,700
PMA membership fees	58,265	58,434
MUN engineering payable	-	31,653
Vacation pay payable	11,811	17,096
Employee deductions	15,103	9,748
Accrued liabilities	24,583	5,999
HST payable	5,629	3,743
WCB Payable	-	3,431
Staff social fund	1,631	2,221
Food first	25,000	-
	\$ 376,753	\$ 280,025

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2022

7. CALLABLE DEBT

	2022	2021
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 \$2,880,039. Loan is callable on demand.	\$ 2,094,096	\$ 2,193,000
CIBC loan bearing interest at 7.45% per annum, repayable in monthly blended payments of \$1,651. 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 \$2,880,039. Loan is callable on demand.	419,287	439,096
Principal due in one year	2,513,383	2,632,096
	(118,713)	(118,713)
	\$ 2,394,670	\$ 2,513,383

Principal repayment terms are approximately:

2023	\$ 118,713
2024	118,713
2025	118,713
2026	118,713
2027	118,713
Thereafter	<u>1,919,818</u>
	\$ 2,513,383

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, 2022**

8. OBLIGATIONS UNDER CAPITAL LEASE

	2022	2021
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.	\$ 12,426	\$ 16,926
Amounts payable within one year	<u>(5,005)</u>	<u>(4,813)</u>
	\$ 7,421	\$ 12,113

Future minimum capital lease payments are approximately:

2023	\$ 5,243
2024	5,243
2025	<u>2,622</u>
Total minimum lease payments	13,108
Less: amount representing interest at 4.08%	<u>(682)</u>
	\$ 12,426

9. DEFERRED INCOME

	2021 Balance	Income	Expenses	2022 Balance
Membership fees	\$ 470,521	\$ 468,649	\$ 470,521	\$ 468,649
NEAR	106,802	-	-	106,802
WIL	35,559	-	35,559	-
RANLab	-	19,180	-	19,180
	\$ 612,882	\$ 487,829	\$ 506,080	\$ 594,631

MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

Notes to Financial Statements

Year Ended December 31, 2022

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, 2022.

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, 2022**

	2022	2021
REVENUES		
MAMP	\$ 62,162	\$ 54,392
MUN engineering	1,150	134,780
Make your mark	18,000	35,000
Regional recovery project	-	60,155
WIL project	79,258	89,441
Welcoming communities	-	5,750
	160,570	379,518
EXPENSES		
MAMP	77,703	68,046
MUN engineering	-	102,272
Make your mark	5,761	33,483
Regional recovery project	-	46,739
WIL project	6,616	499
Welcoming communities	108	5,750
	\$ 90,188	\$ 256,789

Projects that Municipalities Newfoundland and Labrador Inc. perform often have funding components which are based on time spent on the project by staff of the organization. The 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, 2022**

	2022	2021
REVENUES		
Convention	\$ 367,900	\$ 337,590
Municipal budgeting seminar	70,100	1,340
Municipal elections	116	28,443
Municipal symposium	128,075	111,000
Regional meetings	150	-
Women in leadership	1,850	2,537
	568,191	480,910
EXPENSES		
Convention	222,802	253,940
Municipal elections	-	20,314
Municipal symposium	81,017	36,725
Premier's forum	-	4,558
UMC	2,050	-
Women in leadership	156	4,515
	\$ 306,025	\$ 320,052