

**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

**Financial Statements**

**Year Ended December 31, 2023**

**HARRIS RYAN**



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

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**Year Ended December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2023, 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, 2023, 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.

*Mavis Ryan Professional Corporation*

St. John's, Newfoundland and Labrador  
October 1, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Financial Position**

**December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 225,046	\$ 408,053
Term deposits	100,357	97,704
Accounts receivable ( <i>Note 3</i> )	667,316	601,262
Prepaid expenses	13,855	34,605
	1,006,574	1,141,624
<b>PROPERTY, PLANT AND EQUIPMENT (<i>Note 4</i>)</b>	<b>2,867,483</b>	2,963,763
	<b>\$ 3,874,057</b>	<b>\$ 4,105,387</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable ( <i>Note 6</i> )	\$ 306,350	\$ 376,753
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> )	5,026	5,005
Deferred income ( <i>Note 9</i> )	621,947	594,631
	1,052,036	1,095,102
Callable debt due thereafter ( <i>Note 7</i> )	2,275,957	2,394,670
	3,327,993	3,489,772
<b>OBLIGATIONS UNDER CAPITAL LEASE (<i>Note 8</i>)</b>	<b>2,900</b>	<b>7,421</b>
	3,330,893	3,497,193
<b>NET ASSETS</b>	<b>543,164</b>	608,194
	<b>\$ 3,874,057</b>	<b>\$ 4,105,387</b>



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 608,194	\$ 775,264
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	(65,030)	(167,070)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 543,164</b>	<b>\$ 608,194</b>

See notes to financial statements



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Revenues and Expenditures**

**Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Meetings and Events ( <i>Schedule 2</i> )	\$ 750,885	\$ 568,191
Membership assessments	469,758	471,630
Rental	225,280	204,466
Sponsorship	128,000	127,768
Projects ( <i>Schedule 1</i> )	27,834	160,570
Administrative fees	14,365	7,840
Miscellaneous	6,004	12,954
Food first commission	588	1,350
	<b>1,622,714</b>	1,554,769
<b>EXPENSES</b>		
Salaries and wages	724,174	721,934
Meetings and Events ( <i>Schedule 2</i> )	400,052	306,025
Interest on long term debt	193,989	125,198
Amortization	113,908	119,674
Projects ( <i>Schedule 1</i> )	53,228	90,188
Professional fees	46,398	103,076
Repairs and maintenance	34,035	36,413
Office	30,620	51,241
Business taxes, licenses and memberships	24,485	36,390
Travel	23,602	71,408
Insurance	12,870	12,067
President's honorarium	12,000	12,000
Interest and bank charges	8,138	4,028
Membership services	5,749	49,296
Scholarships	2,500	2,000
Communications	2,114	2,112
Business development	1,332	1,619
Interest on obligations under capital lease	1,147	1,147
Training	56	834
	<b>1,690,397</b>	1,746,650
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>(67,683)</b>	(191,881)
<b>OTHER INCOME</b>		
Interest income	2,653	1,262
CEWS income	-	23,549
	<b>2,653</b>	24,811
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (65,030)</b>	\$ (167,070)

See notes to financial statements



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.**

**Statement of Cash Flows**

**Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	\$ (65,030)	\$ (167,070)
Item not affecting cash:		
Amortization of property, plant and equipment	<u>113,908</u>	<u>119,674</u>
	<u>48,878</u>	<u>(47,396)</u>
Changes in non-cash working capital:		
Accounts receivable	(66,054)	174,385
Accounts payable	(70,402)	96,727
Deferred income	27,316	(18,251)
Prepaid expenses	20,750	(34,605)
	<u>(88,390)</u>	<u>218,256</u>
<b>Cash flow from (used by) operating activities</b>	<b>(39,512)</b>	<b>170,860</b>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(17,629)	(6,246)
<b>FINANCING ACTIVITIES</b>		
Repayment of callable debt	(118,713)	(118,713)
Repayment of obligations under capital lease	(4,500)	(4,500)
<b>Cash flow used by financing activities</b>	<b>(123,213)</b>	<b>(123,213)</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(180,354)</b>	<b>41,401</b>
<b>Cash - beginning of year</b>	<b>505,757</b>	<b>464,356</b>
<b>CASH - END OF YEAR</b>	<b>\$ 325,403</b>	<b>\$ 505,757</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 225,046	\$ 408,053
Term deposits	100,357	97,704
	<b>\$ 325,403</b>	<b>\$ 505,757</b>

See notes to financial statements



# MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

## Notes to Financial Statements

Year Ended December 31, 2023

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### 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.

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### 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, 2023

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### 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.

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### 3. ACCOUNTS RECEIVABLE

	2023	2022
Trade receivable	\$ 620,686	\$ 445,891
Public service bodies rebate	37,422	47,291
MAMP	-	93,243
MSCNL	14,837	14,837
	<hr/> <b>\$ 672,945</b>	<hr/> <b>\$ 601,262</b>

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### 4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings	2,843,150	558,313	2,284,837	2,380,039
Equipment	53,725	31,568	22,157	27,696
Computer equipment	96,329	94,935	1,394	1,992
Furniture and fixtures	178,563	119,468	59,095	54,036
	<hr/> <b>\$ 3,671,767</b>	<hr/> <b>\$ 804,284</b>	<hr/> <b>\$ 2,867,483</b>	<hr/> <b>\$ 2,963,763</b>

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

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Equipment	\$ 23,862	\$ 12,866	\$ 10,996	\$ 13,745

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# MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

## Notes to Financial Statements

Year Ended December 31, 2023

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### 5. CREDIT FACILITY

The Association has an operating line of credit in the amount of \$100,000 of which \$nil (2022 - \$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.

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### 6. ACCOUNTS PAYABLE

	2023	2022
Trade payable	\$ 148,611	\$ 234,731
PMA membership fees	105,174	58,265
Vacation pay payable	14,947	11,811
Employee deductions	12,604	15,103
Accrued liabilities	23,358	24,583
HST payable	-	5,629
Staff social fund	1,631	1,631
Food first	25	25,000
	<hr/>	<hr/>
	\$ 306,350	\$ 376,753
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# MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

## Notes to Financial Statements

Year Ended December 31, 2023

### 7. CALLABLE DEBT

	2023	2022
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 \$2,784,837. Loan is callable on demand.	\$ 1,995,192	\$ 2,094,096
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 \$2,784,837. Loan is callable on demand.	399,478	419,287
<b>Principal due in one year</b>	<b>2,394,670</b>	<b>2,513,383</b>
	<b>(118,713)</b>	<b>(118,713)</b>
	<b>\$ 2,275,957</b>	<b>\$ 2,394,670</b>

Principal repayment terms are approximately:

2024	\$ 118,713
2025	118,713
2026	118,713
2027	118,713
2028	118,713
Thereafter	<u>1,801,105</u>
	<b><u>\$ 2,394,670</u></b>

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, 2023**

**8. OBLIGATIONS UNDER CAPITAL LEASE**

	<b>2023</b>	<b>2022</b>
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.	\$ 7,926	\$ 12,426
Amounts payable within one year	<u>(5,026)</u>	<u>(5,005)</u>
	<b>\$ 2,900</b>	<b>\$ 7,421</b>

Future minimum capital lease payments are approximately:

2024	\$ 5,243
2025	<u>2,900</u>
	Total minimum lease payments
	8,143
	Less: amount representing interest at 4.08%
	<u>(217)</u>
	<b>\$ 7,926</b>

**9. DEFERRED INCOME**

	2022 Balance	Income	Expenses	2023 Balance
Membership fees	\$ 468,649	\$ 515,145	\$ 468,649	\$ 515,145
NEAR	106,802	-	-	106,802
RANLab	19,180	-	19,180	-
	<b>\$ 594,631</b>	<b>\$ 515,145</b>	<b>\$ 487,829</b>	<b>\$ 621,947</b>



# MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.

## Notes to Financial Statements

Year Ended December 31, 2023

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### 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, 2023.

#### 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.

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**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.****Schedule of Revenues and Expenditures  
Projects**  
**Year Ended December 31, 2023****(Schedule 1)**

	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
MAMP	\$ 471	\$ 62,162
MUN engineering	-	1,150
Make your mark	8,182	18,000
RanLab	19,181	-
WIL project	-	79,258
	<b>27,834</b>	160,570
<b>EXPENSES</b>		
MAMP	524	77,703
Make your mark	4,586	5,761
RanLab	48,000	-
WIL project	-	6,616
Welcoming communities	118	108
	<b>\$ 53,228</b>	\$ 90,188

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.

See notes to financial statements



**MUNICIPALITIES NEWFOUNDLAND AND LABRADOR INC.****Schedule of Revenues and Expenditures****Meetings and Events****(Schedule 2)****Year Ended December 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Convention	\$ 587,914	\$ 367,900
Municipal budgeting seminar	7,750	70,100
Municipal elections	333	116
Municipal symposium	145,388	128,075
Regional meetings	-	150
Premier's forum	6,500	-
Women in leadership	3,000	1,850
	<b>750,885</b>	568,191
<b>EXPENSES</b>		
Convention	306,558	222,802
Municipal symposium	86,873	81,017
Regional meetings	6,478	-
UMC	143	2,050
Women in leadership	-	156
	<b>\$ 400,052</b>	\$ 306,025

See notes to financial statements

