

**Northeast Avalon Arena Regional  
Board Inc.  
Financial Statements  
December 31, 2018**

# Northeast Avalon Arena Regional Board Inc.

December 31, 2018

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## Independent Auditors' Report

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To the Board of Directors  
Northeast Avalon Arena Regional Board Inc.

### Opinion

We have audited the financial statements of Northeast Avalon Arena Regional Board Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cashflows 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 Northeast Avalon Arena Regional Board Inc. as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not for profit organizations.

### 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 arena in accordance with the 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 these financial statements in accordance with accounting standards for not for profit organizations, 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 these financial statements, management is responsible for assessing the arena's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the arena or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the arena's financial reporting process.

### Location:

27 Bremigens Blvd.  
Paradise, NL  
A1L 4A2

Ph: (709) 745-1200  
(709) 579-1005  
Fax: (709) 745-1204

### Mailing address:

P.O. Box 447  
Mount Pearl, NL  
A1N 3C4

# Independent Auditors' Report

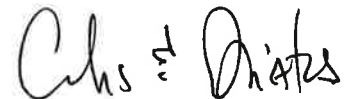
## Auditor's Responsibilities for the Audit of the Financial Statements

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:

- 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 arena'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 arena'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 arena 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.



Chartered Professional Accountants

Paradise, Newfoundland and Labrador  
March 01, 2019

# Northeast Avalon Arena Regional Board Inc.

Statement of Financial Position  
December 31, 2018

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 40,652	\$ 19,118
Accounts receivable (Note 2)	96,003	90,765
Inventory	20,740	13,048
Prepays	6,500	-
	<b>163,895</b>	122,931
Restricted cash	110,127	107,481
Property, plant and equipment (Note 3)	235,298	323,365
	<b>\$ 509,320</b>	\$ 553,777
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 85,778	\$ 41,065
Deferred revenue	3,000	21,019
Severance payable	46,291	39,634
	<b>135,069</b>	101,718
Deferred contributions (Note 5)	132,894	180,476
	<b>267,963</b>	282,194
<b>Net assets (Note 8)</b>	<b>241,357</b>	271,583
	<b>\$ 509,320</b>	\$ 553,777

Approved on Behalf of the Board:

\_\_\_\_\_, Chair

\_\_\_\_\_, Treasurer

The accompanying notes are an integral part of these financial statements.

# Northeast Avalon Arena Regional Board Inc.

## Statement of Operations

For the Year Ended December 31, 2018

	2018	2017
<b>Revenue</b>		
Rental income	\$ 557,709	\$ 495,407
Events revenue	209,373	184,437
Grant - Arena expansion	59,887	148,913
Advertising revenue	33,102	37,804
Other revenue	10,677	3,871
Sale of goods (Note 7)	9,551	36,880
General skate	8,561	9,124
Interest income	2,646	2,596
	<b>891,506</b>	<b>919,032</b>
<b>Operating expenses</b>		
Salaries and wages	362,502	367,822
Heat and light	160,070	149,844
Repairs and maintenance	68,189	62,035
Professional fees	67,255	162,591
Direct costs - events	62,884	64,096
Snow removal	30,294	30,500
Insurance	26,915	23,915
Advertising and promotion	17,122	14,502
Office expenses	12,676	8,661
Telephone	11,616	10,102
Professional development	11,455	1,991
Other operating expenses	9,645	12,352
Interest and bank charges	7,488	7,097
Bad debt expense	7,156	-
Severance	6,658	39,634
Garbage removal	5,381	4,541
Travel expenses	5,013	6,451
	<b>872,319</b>	<b>966,134</b>
<b>Income (loss) from operations</b>	<b>19,187</b>	<b>(47,102)</b>
<b>Depreciation</b>	<b>49,413</b>	<b>48,071</b>
<b>Net loss</b>	<b>\$ (30,226)</b>	<b>\$ (95,173)</b>

The accompanying notes are an integral part of these financial statements.

# Northeast Avalon Arena Regional Board Inc.

Statement of Changes in Net assets  
For the Year Ended December 31, 2018

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	2018	2017
Net assets, beginning of year	\$ 271,583	\$ 366,756
Net loss	(30,226)	(95,173)
<b>Net assets, end of year</b>	<b>\$ 241,357</b>	<b>\$ 271,583</b>

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The accompanying notes are an  
integral part of these financial statements.

# Northeast Avalon Arena Regional Board Inc.

## Statement of Cash Flows

For the Year Ended December 31, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (30,226)	\$ (95,173)
Depreciation	49,413	48,071
	19,187	(47,102)
<b>Changes in other operating activities:</b>		
Accounts receivable	(5,237)	1,277
Inventory	(7,694)	(2,586)
Prepays	(6,500)	-
Accounts payable and accrued liabilities	44,713	(65,272)
Deferred revenue	(18,019)	21,019
Severance payable	6,657	39,634
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>33,107</b>	<b>(53,030)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(8,927)	(42,376)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>24,180</b>	<b>(95,406)</b>
Cash and cash equivalents at beginning of year	126,599	222,005
<b>Cash and cash equivalents at end of year</b>	<b>\$ 150,779</b>	<b>\$ 126,599</b>
Cash and cash equivalents consist of the following:		
Cash	\$ 40,652	\$ 19,118
Restricted cash	110,127	107,481
	\$ 150,779	\$ 126,599

The accompanying notes are an integral part of these financial statements.



# Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## 1. Significant Accounting Policies

### Nature of business

Northeast Avalon Arena Regional Board Inc.(NEAA) is a partnership between the municipalities of Torbay, Logy Bay-Middle Cove-Outer Cove, Pouch Cove and Flatrock (the Partners) to provide a NHL regulation-size ice surface with seating capacity for approximately 1,250 spectators and a walking track. The regional facility includes a heated spectator area, six dressing rooms, offices and equipment room. The arena supports hockey, ice skating and various recreational uses, as well as provides a site to host special events, concerts or trade shows. This asset is not recorded on the books of the NEAA as it is jointly owned by its partners.

NEAA was incorporated under the laws of Newfoundland and Labrador as a not for profit organization and as such is exempt from income tax by virtue of Paragraph 149(1)(l) of the Income Tax Act.

The Board is responsible for the operations of the facility which is owned by the Partners.

### Basis of accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not for profit organizations.

### Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### Property, plant and equipment

Property plant and equipment is recorded at cost. Depreciation is provided for using various methods over the estimated useful lives as follows for the major classes of assets:

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Furniture and equipment	20%
Computers	30%
Shed	4%
Leasehold improvements	5 yr SL

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In the event that facts and circumstances indicate that the arena's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The arena considers that no circumstances exist that would require such an evaluation.

# Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## 1. Significant Accounting Policies

### Fund accounting

The arena follows the restricted fund method of accounting for contributions. Fifty percent of net profit at the end of each fiscal year will be allocated equally between the restricted funds. The arena has the following funds:

#### Unrestricted fund

The unrestricted fund accounts for the arenas administrative and operating activities.

#### Restricted funds

##### *Operating contingency fund*

The operating fund contingency is set up to cover one time emergency operational deficiencies.

##### *Employee severance fund*

Employee severance fund is set up to cover future employee severance obligations.

##### *Deferred maintenance fund*

Deferred maintenance fund is set up to cover future capital expenditures to the envelope of the arena building.

#### Severance pay

The arena has a severance pay plan under which the arena agrees to pay employees with a minimum of seven (7) years of service one weeks salary for each year of service upon termination. Employees discharged for just cause, whose discharge is not overturned through the arbitration process, shall not be entitled to severance pay.

#### Financial instruments

The carrying values of assets and liabilities approximate their fair values. The fair value of assets and liabilities included in the statement of financial position are not considered to be materially different from their carrying value.

#### Revenue recognition

Sales revenue is recognized in accordance with industry practice which is when all the risks and benefits of ownership of products have been transferred to customers.

# Northeast Avalon Arena Regional Board Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2018

### 1. Significant Accounting Policies

#### Deferred contributions

Property, plant and equipment grants are accounted for as deferred grants and are amortized on the same basis as the depreciation of the related asset.

#### Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

### 2. Accounts receivable

Accounts receivable consists of the following:

	2018	2017
Trade accounts receivable	\$ 98,950	\$ 90,265
Land deposit	500	500
	99,450	90,765
Allowance for doubtful accounts	(3,447)	-
	\$ 96,003	\$ 90,765

### 3. Property, plant and equipment

Property, plant and equipment consists of the following:

	Cost	Accumulated Depreciation	2018 Net Book Value	2017 Net Book Value
Furniture and equipment	\$ 540,791	\$ 382,392	\$ 158,399	\$ 189,626
Computers	3,531	3,527	4	9
Leasehold improvements	291,616	240,106	51,510	107,288
Shed	33,091	7,707	25,384	26,442
	\$ 869,029	\$ 633,732	\$ 235,297	\$ 323,365

# Northeast Avalon Arena Regional Board Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2018

### 4. Accounts payable and accrued liabilities

Accounts payable consists of the following:

	2018	2017
Trade	\$ 51,380	\$ 23,785
HST payable	22,298	17,280
Employee deductions payable	12,100	-
	<b>\$ 85,778</b>	<b>\$ 41,065</b>

### 5. Deferred contributions

Deferred Government contributions related to property, plant and equipment include the unamortized portion of the contributions relating to the purchase of property, plant and equipment. The deferred contributions will be recognized as a reduction to depreciation expense on the same basis the property, plant and equipment are depreciated.

	2018	2017
<b>Balance, beginning of year</b>	<b>\$ 180,476</b>	<b>\$ 232,395</b>
Amounts deducted from depreciation	(47,582)	(51,919)
<b>Balance, end of year</b>	<b>\$ 132,894</b>	<b>\$ 180,476</b>

### 6. Risk management

#### Credit risk

Financial instruments which potentially subject the arena to concentrations of credit risk consist of cash equivalents and accounts receivable. The cash equivalents consist mainly of bank deposits and short-term investments. The arena has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The arena has accounts receivable from clients engaged in various industries and are not concentrated in any specific geographic area. These specific industries may be affected by economic factors which may impact accounts receivable. Management does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is limited due to the arena's large client base.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. To manage this risk, the arena maintains a portion of its invested assets in liquid securities.

# Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements  
For the Year Ended December 31, 2018

## 7. Sale of goods

	2018	2017
Canteen	\$ -	\$ 68,624
Bar	29,932	21,706
Vending	3,589	5,285
	33,521	95,615
Cost of goods sold	(23,970)	(58,735)
	\$ 9,551	\$ 36,880

## 8. Net assets

	Unrestricted Fund	Operating Contingency Fund	Deferred Maintenance Fund	Severance Contingency Fund	2018	2017
Fund balance, beginning of year	\$ 182,117	\$ 29,822	\$ 29,822	\$ 29,822	\$ 271,583	\$ 366,756
Net loss	(30,226)	-	-	-	(30,226)	(95,173)
Fund balance, end of year	\$ 151,891	\$ 29,822	\$ 29,822	\$ 29,822	\$ 241,357	\$ 271,583