

**NEWFOUNDLAND AND LABRADOR
SPORTS CENTRE INC.**

FINANCIAL STATEMENTS

MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Newfoundland and Labrador Sports Centre Inc.

We have audited the financial statements of Newfoundland and Labrador Sports Centre Inc. (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization, therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Canadian 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 the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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:

- 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.

Noseworthy Chapman

Chartered Professional Accountants
St. John's, NL
August 22, 2019

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Operations and Accumulated Surplus Year Ended March 31, 2019

	Budget 2019 (Unaudited)	2019	2018
REVENUES			
Government grants	\$ 415,600	\$ 413,171	\$ 450,284
Rental	240,000	291,228	242,158
Donations	-	1,116	47,538
Interest	1,250	1,528	1,558
Miscellaneous	1,750	766	1,154
	658,600	707,809	742,692
EXPENDITURES			
Advertising and promotion	\$ 900	\$ 541	\$ 136
Amortization	246,142	246,142	246,142
Bad debt	-	759	-
Insurance	6,015	4,495	6,012
Interest and bank charges	175	1,224	3,020
Interest on promissory notes	4,485	9,300	10,078
Memberships	300	204	298
Miscellaneous	3,000	2,501	3,023
Office	5,000	2,805	2,447
Online booking maintenance	2,100	2,024	2,032
Professional fees	5,800	5,875	5,701
Property taxes	2,500	2,230	2,283
Repairs and maintenance	103,032	81,819	74,861
Salaries and wages	356,072	341,577	351,603
Security	900	1,193	1,194
Supplies	24,257	31,734	36,913
Telephone	1,290	745	1,107
Training	400	837	1,363
Utilities	115,000	125,160	111,035
Vehicles	2,000	1,839	1,904
	879,368	863,004	861,152
ANNUAL DEFICIT	\$ (220,768)	\$ (155,195)	\$ (118,460)
Accumulated surplus, beginning of year		7,675,847	7,794,307
Accumulated surplus, end of year		\$ 7,520,652	\$ 7,675,847

Statement of Changes in Net Financial Assets

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Year Ended March 31, 2019

	Budget 2019 (Unaudited)	2019	2018
Annual deficit	\$ (220,768)	\$ (155,195)	\$ (118,460)
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	-	(21,540)
Amortization of tangible capital assets	-	246,142	246,142
	-	246,142	224,602
Change in other non-financial assets			
Net acquisition of prepaid expenses	-	805	(473)
	-	805	(473)
Increase in net financial assets		91,752	105,669
Net financial liabilities, beginning of year		(354,419)	(460,088)
Net financial liabilities, end of year	-	\$ (262,667)	\$ (354,419)

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Cash Flows Year Ended March 31, 2019

	2019	2018
Operating transactions		
Cash receipts from government and customers	\$ 744,486	\$ 840,836
Cash paid to suppliers and employees	(482,479)	(597,493)
Donations received	1,116	47,538
Interest received	1,528	1,558
Interest and bank charges paid	(10,524)	(13,099)
Cash provided by operating transactions	254,127	279,340
Capital transactions		
Purchase of capital assets	-	(21,540)
Cash used in capital transactions	-	(21,540)
Financing transactions		
Repayment of promissory note	(92,200)	(286,000)
Cash used in financing transactions	(92,200)	(286,000)
Increase (decrease) in cash during year	161,927	(28,200)
Cash position, beginning of year	230,754	258,954
Cash position, end of year	\$ 392,681	\$ 230,754
Cash consists of:		
Cash	\$ 289,900	\$ 129,501
Temporary investments	102,781	101,253
	\$ 392,681	\$ 230,754

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Notes to the Financial Statements Year Ended March 31, 2019

1. NATURE OF OPERATIONS

Newfoundland and Labrador Sports Centre Inc. (the "organization") was incorporated under the Corporations Act of Newfoundland and Labrador on April 3, 2008. The organization is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the Province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The organization is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with generally accepted accounting principles for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The organization does not prepare a statement of re-measurement gains and losses as the organization does not enter into relevant transactions or circumstances that are addressed by that statement.

Cash

Cash includes cash in bank and balances with financial institutions, net of overdrafts.

Temporary investments

Temporary investments consist of guaranteed investment certificates with maturities of less than a year.

Capital assets

Capital assets are recorded on the Statement of Financial Position at cost and are amortized as follows:

Building	40 years	straight-line method
Equipment	5 years	straight-line method

Capital assets are written down when conditions indicate that they no longer contribute to the organization's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Prepaid expenses

Prepaid expenses include amounts paid in advance for services, insurance, and workers compensation and are charged to expense over the periods expected to benefit from it.

Financial instruments

The organization's financial instruments recognized in the statement of financial position consist of cash, temporary investments, HST receivable, accounts receivable, payables and accruals and promissory notes payable. The organization generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Receivables are classified as loans and accounts payable are classified as other financial liabilities. Both are measured at amortized cost.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Notes to the Financial Statements March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The organization's carrying value of cash, temporary investments, HST receivable/payable, accounts receivable, payables and accruals and promissory notes payable approximates its fair value due to the immediate or short term maturity of these instruments.

Revenues

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the organization, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

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.

Rental revenue is recognized on the accrual basis in accordance with the terms of the corresponding lease agreements.

Interest revenue is recognized on the accrual basis as earned.

Donation revenue is recognized when received.

Expenditures

Expenditures are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities.

Inter-entity transactions are recorded at the exchange amount when they are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Notes to the Financial Statements March 31, 2019

3. 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 March 31, 2019.

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 customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. 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 customers which minimizes concentration of credit risk.

4. PAYABLES AND ACCRUALS

	2019	2018
Accounts payable	\$ 35,050	\$ 12,004
Accrued liabilities	17,794	15,790
	\$ 52,844	\$ 27,794

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent government transfers received with associated stipulations relating to specific projects or programs, resulting in a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified and the liability is settled.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

**Notes to the Financial Statements
March 31, 2019**

6. PROMISSORY NOTE PAYABLE

Promissory note payable to a private individual in the amount of \$157,800 (2018 - \$250,000), bearing interest at prime plus 0.5% annually with monthly interest payments.

Principal repayment terms in respect of the promissory note to a private individual are as noted below:

- Payment of the amount of funding received from the Government of Newfoundland and Labrador allocated solely for the extension to the Centre and the Benvon's Room.
- Payment of the HST rebate received on the extension to the Centre and the Benvon's Room.
- Annual payment of the income received from the rental of the Benvon's Room to a maximum of the Centre's Adjusted Annual Surplus (calculated as the annual surplus per the Statement of Operations and Accumulated Surpluses plus annual amortization expense)
- Additional principal payments at the discretion of the Board.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Notes to the Financial Statements March 31, 2019

7. TANGIBLE CAPITAL ASSETS

	2019			
	Land	Building	Equipment	Total
Cost				
Opening balance	\$ 280,000	\$ 9,845,698	\$ 548,610	\$ 10,674,308
Additions	-	-	-	-
Closing balance	280,000	9,845,698	548,610	10,674,308
Accumulated amortization				
Opening balance	-	2,099,780	548,610	2,648,390
Amortization	-	246,142	-	246,142
Closing balance	-	2,345,922	548,610	2,894,532
Net book value	\$ 280,000	\$ 7,499,776	\$ -	\$ 7,779,776
				2018
	Land	Building	Equipment	Total
Cost				
Opening balance	\$ 280,000	\$ 9,824,158	\$ 548,610	\$ 10,652,768
Additions	-	21,540	-	21,540
Closing balance	280,000	9,845,698	548,610	10,674,308
Accumulated amortization				
Opening balance	-	1,853,638	548,610	2,402,248
Amortization	-	246,142	-	246,142
Closing balance	-	2,099,780	548,610	2,648,390
Net book value	\$ 280,000	\$ 7,745,918	\$ -	\$ 8,025,918

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Notes to the Financial Statements March 31, 2019

8. RELATED PARTY TRANSACTIONS

The organization received an annual operating grant from the Government of Newfoundland and Labrador in the amount of \$411,600 (2018-\$411,600).

9. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.