

**Northeast Avalon Arena Regional
Board Inc.
Financial Statements
December 31, 2022**

Northeast Avalon Arena Regional Board Inc.

December 31, 2022

CONTENTS

| | <u>Page</u> |
|------------------------------------|-------------|
| Financial Statements | |
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Operations | 4 |
| Statement of Changes in Net Assets | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 |

Independent Auditors' Report

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, 2022, 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, 2022, 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 08, 2023

Northeast Avalon Arena Regional Board Inc.

Statement of Financial Position

December 31, 2022

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 67,244 | \$ 57,672 |
| Accounts receivable (Note 2) | 84,399 | 90,035 |
| Inventory | 20,643 | 12,872 |
| Prepays | 3,000 | 1,804 |
| | 175,286 | 162,383 |
| Restricted cash | 112,922 | 105,503 |
| Property and equipment (Note 3) | 127,296 | 107,445 |
| | \$ 415,504 | \$ 375,331 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 108,403 | \$ 83,600 |
| Deferred revenue | 1,000 | - |
| Severance payable | 87,684 | 75,523 |
| | 197,087 | 159,123 |
| Deferred contributions (Note 6) | 28,436 | 35,544 |
| Canada Emergency Business Account Loan (Note 7) | 60,000 | 60,000 |
| | 285,523 | 254,667 |
| Net assets (Note 10) | 129,981 | 120,664 |
| | \$ 415,504 | \$ 375,331 |

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, 2022

| | 2022 | 2021 |
|-------------------------------|-----------------|-------------------|
| Revenue | | |
| Rental income | \$ 606,162 | \$ 436,714 |
| Events revenue | 184,449 | 117,587 |
| Advertising revenue | 20,975 | 19,869 |
| COVID related Grants | 17,958 | 94,756 |
| Sale of goods (Note 9) | 16,321 | 221 |
| General skate | 6,148 | 8,151 |
| Interest income | 1,573 | 1,282 |
| Other revenue | 1,419 | 3,405 |
| Grant - Provincial | - | 10,000 |
| | 855,005 | 691,985 |
| Operating expenses | | |
| Salaries and wages | 396,536 | 336,107 |
| Heat and light | 183,252 | 143,670 |
| Repairs and maintenance | 73,956 | 63,175 |
| Insurance | 38,851 | 32,662 |
| Direct costs - events | 33,892 | 19,498 |
| Snow removal | 23,524 | 22,500 |
| Telephone | 14,025 | 12,377 |
| Severance | 12,161 | 7,096 |
| Interest and bank charges | 12,100 | 8,926 |
| Other operating expenses | 10,212 | 7,116 |
| Office expenses | 8,138 | 8,864 |
| Professional fees | 6,750 | 6,750 |
| Garbage removal | 6,163 | 2,938 |
| Advertising and promotion | 4,354 | 1,711 |
| Professional development | 4,074 | 3,813 |
| Bad debt expense | 3,283 | 7,090 |
| | 831,271 | 684,293 |
| Income from operations | 23,734 | 7,692 |
| Depreciation | (14,417) | (13,060) |
| Net income (loss) | \$ 9,317 | \$ (5,368) |

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, 2022

| | 2022 | 2021 |
|--------------------------------|-------------------|-------------------|
| Net assets, beginning of year | \$ 120,664 | \$ 126,032 |
| Net loss | 9,317 | (5,368) |
| Net assets, end of year | \$ 129,981 | \$ 120,664 |

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, 2022

| | 2022 | 2021 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ 9,317 | \$ (5,368) |
| Depreciation | 14,417 | 13,060 |
| | 23,734 | 7,692 |
| Changes in other operating activities: | | |
| Accounts receivable | 5,637 | 47,957 |
| Inventory | (7,772) | 2,411 |
| Prepays | (1,196) | - |
| Accounts payable and accrued liabilities | 24,803 | 12,859 |
| Deferred revenue | 1,000 | - |
| Severance payable | 12,161 | 7,096 |
| | 58,367 | 78,015 |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | 58,367 | 78,015 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property and equipment | (41,376) | - |
| (Increase) decrease in restricted cash | (7,419) | (1,282) |
| | (48,795) | (1,282) |
| NET CASH USED BY INVESTING ACTIVITIES | (48,795) | (1,282) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in cash | 9,572 | 76,733 |
| Cash (bank indebtedness), beginning of year | 57,672 | (19,061) |
| | \$ 67,244 | \$ 57,672 |
| Cash (bank indebtedness), end of year | \$ 67,244 | \$ 57,672 |

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, 2022

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 standards 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 and equipment

Property 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:

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

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, 2022

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, 2022

1. Significant Accounting Policies

Deferred contributions

Property 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. The arena makes estimates with respect to the collectibility of accounts receivable, the valuation of inventory and the estimated useful lives of property and equipment. Actual results could differ from those estimates and may have an impact on future periods.

2. Accounts receivable

Accounts receivable consists of the following:

| | 2022 | 2021 |
|---------------------------------|-----------|-----------|
| Trade accounts receivable | \$ 91,374 | \$ 99,173 |
| Land deposit | 500 | 500 |
| | 91,874 | 99,673 |
| Allowance for doubtful accounts | (7,475) | (9,638) |
| | \$ 84,399 | \$ 90,035 |

3. Property and equipment

Property and equipment consists of the following:

| | Cost | Accumulated Depreciation | 2022 Net Book Value | 2021 Net Book Value |
|-------------------------|------------|--------------------------|---------------------|---------------------|
| Furniture and equipment | \$ 586,050 | \$ 482,076 | \$ 103,974 | \$ 83,774 |
| Leasehold improvements | 309,682 | 309,682 | - | - |
| Shed | 33,091 | 9,769 | 23,322 | 23,671 |
| Computers | 3,531 | 3,531 | - | - |
| | \$ 932,354 | \$ 805,058 | \$ 127,296 | \$ 107,445 |

Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2022

4. Bank indebtedness

Bank indebtedness consists of a \$ 115,000 line of credit payable on demand bearing interest at 4.16%. The balance at the end of the year was \$NIL; (2021 - \$NIL).

5. Accounts payable and accrued liabilities

Accounts payable consists of the following:

| | 2022 | 2021 |
|-----------------------------|-------------------|------------------|
| Trade | \$ 71,563 | \$ 50,848 |
| HST payable | 27,616 | 26,620 |
| Employee deductions payable | 9,224 | 6,132 |
| | \$ 108,403 | \$ 83,600 |

6. Deferred contributions

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

| | 2022 | 2021 |
|------------------------------------|------------------|------------------|
| Balance, beginning of year | \$ 35,544 | \$ 44,428 |
| Amounts deducted from depreciation | (7,108) | (8,884) |
| Balance, end of year | \$ 28,436 | \$ 35,544 |

7. Canada Emergency Business Account Loan

The CEBA loan is unsecured, guaranteed by the Government of Canada, non-interest bearing and if repaid prior to January 1, 2024, \$20,000 of the principal is forgivable. If the loan is not repaid prior to January 1, 2024, the original principal is converted to a three year term loan bearing interest at 5%, repayable in minimum monthly payments of interest only with outstanding principal due in full by December 31, 2025.

Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2022

8. 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.

9. Sale of goods

| | 2022 | 2021 |
|--------------------|------------------|----------|
| Bar | \$ 25,058 | \$ 3,019 |
| Vending | 2,108 | 768 |
| | 27,166 | 3,787 |
| Cost of goods sold | (10,845) | (3,566) |
| | \$ 16,321 | \$ 221 |

10. Net assets

| | Unrestricted Fund | Operating Contingency Fund | Deferred Maintenance Fund | Severance Contingency Fund | 2022 | 2021 |
|----------------------------------|----------------------|----------------------------------|---------------------------------|----------------------------------|-------------------|-------------------|
| Fund balance, beginning of year | \$ 31,197 | \$ 29,822 | \$ 29,822 | \$ 29,822 | \$ 120,662 | \$ 126,032 |
| Net income (loss) | 9,319 | - | - | - | 9,319 | (5,368) |
| Fund balance, end of year | \$ 40,516 | \$ 29,822 | \$ 29,822 | \$ 29,822 | \$ 129,981 | \$ 120,664 |

Northeast Avalon Arena Regional Board Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2022

11. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 impacts the future financial results of Northeast Avalon Arena Regional Board Inc. will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others