

**Portage Regional Recreation  
Authority Inc.  
Financial Statements  
For the Year Ended December 31, 2020**

**Portage Regional Recreation Authority Inc.**  
**Financial Statements**  
**For the Year Ended December 31, 2020**

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## Management's Responsibility

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To the Directors of Portage Regional Recreation Authority Inc.

The accompanying financial statements are the responsibility of management of Portage Regional Recreation Authority Inc. and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Standards Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal control and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Directors of the Entity met with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

BDO Canada LLP as the Entity's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Board of Directors and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Entity in accordance with Canadian public sector accounting standards for not-for-profit organizations.



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## Independent Auditor's Report

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To the Directors of Portage Regional Recreation Authority Inc.

### Opinion

We have audited the financial statements of Portage Regional Recreation Authority Inc. (the "Entity"), which comprise the statement of financial position as at December 31, 2020, the statements of operations, changes in net assets and statement of 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 Entity as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector 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 Entity 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.

### Other Matters

The financial statements for the year ended December 31, 2019 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements on April 20, 2020.

### 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 public sector 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

*BDO Canada LLP*

Chartered Professional Accountants

Brandon, Manitoba  
April 22, 2021

**Portage Regional Recreation Authority Inc.**  
**Statement of Financial Position**

December 31	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 484,503	\$ 10,758
Restricted cash (Note 2)	570,025	380,856
Accounts receivable (Note 3)	117,519	65,749
Inventories	340	2,410
Prepaid expenses	41,190	38,258
	<u>1,213,577</u>	<u>498,031</u>
Capital Assets (Note 4)	1,163,465	1,284,655
	<u>\$ 2,377,042</u>	<u>\$ 1,782,686</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 99,378	\$ 151,028
Unearned revenue (Note 5)	426,937	275,430
Current portion of long-term debt (Note 7)	31,602	30,000
Current portion of obligation under capital lease (Note 8)	702	2,300
	<u>558,619</u>	<u>458,758</u>
Long-term debt (Note 7)	69,051	103,281
Obligation under capital lease (Note 8)	-	702
Deferred contributions for capital assets (Note 8)	33,598	-
	<u>661,268</u>	<u>562,741</u>
<b>Net Assets</b>		
Capital Reserve	185,252	130,642
Community Club Reserve	598,386	588,538
Unrestricted	932,136	500,765
	<u>1,715,774</u>	<u>1,219,945</u>
	<u>\$ 2,377,042</u>	<u>\$ 1,782,686</u>

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

**Portage Regional Recreation Authority Inc.**  
**Statement of Changes in Net Assets**

For the year ended December 31	Capital Reserve	Community Club Reserve	Unrestricted	2020 Total	2019 Total
Balance, beginning of the year	\$ 130,642	\$ 588,538	\$ 500,765	\$ 1,219,945	\$ 1,267,291
Excess (deficiency) of revenues over expenses	5,938	(23,436)	513,327	495,829	(47,346)
Transfers	120,000	33,284	(153,284)	-	-
Invested in Capital Assets	(71,328)	-	71,328	-	-
Balance, end of the year	\$ 185,252	\$ 598,386	\$ 932,136	\$ 1,715,774	\$ 1,219,945

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

## Portage Regional Recreation Authority Inc. Statement of Operations

For the year ended December 31	Budget (unaudited)	2020	2019
<b>Revenue</b>			
Grants			
City of Portage la Prairie	\$ 1,417,775	\$ 1,417,775	\$ 1,288,886
R.M. of Portage la Prairie	472,592	472,592	429,626
Canada Emergency Wage Subsidy	-	611,611	-
Other	39,000	57,073	49,400
User fees	814,500	502,057	732,708
Rentals	721,600	429,748	650,184
Advertising	34,500	26,258	24,086
Donations	5,000	39,459	35,000
Sale of goods	33,500	9,525	31,850
Sale of service	27,212	27,897	31,534
	<u>3,565,679</u>	<u>3,593,995</u>	<u>3,273,274</u>
<b>Expenses</b>			
Amortization of property, plant and equipment	-	192,520	170,441
Bank charges and interest	19,800	26,597	26,562
Board	4,000	3,575	3,505
Canada Day	28,000	-	26,111
Contract services	285,004	271,545	185,671
Facility maintenance	295,560	237,330	372,346
Grants and contributions	125,265	81,095	68,848
Insurance	157,950	163,047	145,758
Interest on long term debt	26,750	3,670	7,234
Marketing	20,000	14,241	20,491
Meals and entertainment	11,000	5,998	10,673
Mobile stage	18,000	4,365	12,257
Office supplies	12,750	8,241	10,053
Professional Fees	14,000	105,883	34,318
Rent	26,000	25,218	24,131
Software and IT support	43,000	42,602	37,073
Supplies	113,500	67,859	78,610
Taxes	28,500	8,369	27,492
Tickets	-	6,000	13,063
Training and conferences	13,000	4,608	8,335
Transfer to capital reserve	186,500	-	-
Utilities	419,100	385,086	395,044
Vehicle	8,000	4,620	9,934
Wages and benefits	1,715,500	1,457,043	1,653,779
	<u>3,571,179</u>	<u>3,119,512</u>	<u>3,341,729</u>
Excess (deficiency) of revenues over expenses before other items	<u>(5,500)</u>	<u>474,483</u>	<u>(68,455)</u>
Other items			
Interest Income	5,500	15,417	19,143
Gains (losses) on disposal of investments	-	-	1,966
Amortization of deferred capital contributions	-	5,929	-
	<u>5,500</u>	<u>21,346</u>	<u>21,109</u>
Excess (deficiency) of revenue over expenses	<u>\$ -</u>	<u>\$ 495,829</u>	<u>\$ (47,346)</u>

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



**Portage Regional Recreation Authority Inc.**  
**Statement of Cash Flows**

For the year ended December 31	2020	2019
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 495,829	\$ (47,346)
Items not affecting cash:		
Amortization of capital assets	192,520	170,441
Gain on investment	-	(1,966)
Amortization of deferred capital contributions	(5,929)	-
	<u>682,420</u>	<u>121,129</u>
Changes in non-cash working capital:		
Accounts receivable	(51,771)	7,972
Inventories	2,069	181
Prepaid expenses	(2,932)	(32,854)
Accounts payable and accrued liabilities	(51,650)	(194,016)
Deferred contributions	151,510	14,958
	<u>729,646</u>	<u>(82,630)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	-	(35,000)
Disposal of investments	-	36,966
Acquisition of property and equipment	(71,328)	(151,694)
	<u>(71,328)</u>	<u>(149,728)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(32,631)	(26,134)
Repayment of capital lease obligation	(2,300)	(2,493)
Advances of deferred capital contributions	39,527	-
	<u>4,596</u>	<u>(28,627)</u>
<b>Net increase (decrease) in cash</b>	<b>662,914</b>	<b>(260,985)</b>
<b>Cash, beginning of the year</b>	<b>391,614</b>	<b>652,599</b>
<b>Cash, end of the year</b>	<b>\$ 1,054,528</b>	<b>\$ 391,614</b>
<b>Represented by:</b>		
Cash	\$ 484,503	\$ 10,758
Internally restricted cash	570,025	380,856
	<u>\$ 1,054,528</u>	<u>\$ 391,614</u>

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

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies

Nature and Purpose of Organization	The Entity is a non-profit organization incorporated in Manitoba. The Entity is responsible for the provision of recreation and leisure facilities and programs for the benefit of citizens in the Portage la Prairie region. The entity is funded in part by the City of Portage La Prairie and the Rural Municipality of Portage la Prairie and is governed by the Board of Directors. Any surplus it generates is non-taxable.
Basis of Accounting	The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Entity follows the deferral method of accounting for restricted contributions.</p> <p>Revenue from municipal and government grants are recognized as revenue in the year in which the grants are committed and collection is reasonably assured.</p> <p>Revenue from capital grants is recognized as revenue in the year in which the related amortization expense is recognized.</p> <p>Revenue from user fees, services, rentals and advertising is recognized in the period in which the service is rendered and collection is reasonably assured.</p> <p>Revenue from donations is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Revenue from investing activities is recognized in the period in which the income is earned.</p>

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for not-for-profit organizations 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 dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

#### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business.

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies (continued)

#### Funded Reserves

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Entity, funded reserves are maintained. Accordingly, resources are classified for accounting and reporting purposes into reserve accounts. These reserve accounts are held in accordance with the objectives specified by the Entity or in accordance with the directives issued by the Board of Directors. Three reserve accounts are maintained: Unrestricted, Capital Reserve, and Community Club Reserve.

The Unrestricted Fund is used to account for all revenue and expenses related to general operations of the Entity.

The Capital Reserve is used to account for the maintenance and upkeep of the jointly owned City and RM's capital assets that the Entity manages, and to present the flow of funds related to the maintenance and upkeep of those capital assets and unexpended capital resources. The Capital Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.

The Community Club Reserve is used to account for provision of funding to other recreation organizations within the Rural Municipality of Portage la Prairie and to present the flow of funds related to this endeavour. The Community Club Reserve is an accumulating reserve and any amounts not expended in the current year are carried forward to the next year.



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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies (continued)

#### Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Contributed capital assets are subsequently amortized. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized.

Construction in progress is not amortized until the capital asset is substantially complete and ready for use.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Building	Straight-line	5%
Computers	Straight-line	50%
Equipment	Straight-line	15%
Outdoor recreation facilities	Straight-line	15%
Vehicles	Straight-line	15%

When a capital asset no longer contributes to an Entity's ability to provide goods and services, or the future economic benefits or service potential of the capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.



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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 1. Significant Accounting Policies (continued)

<b>Financial Instruments</b>	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>
<b>Contributed Services</b>	<p>Volunteers contribute many hours per year to assist the Entity in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

### 2. Internally Restricted Cash

Restricted cash arises from funds allocated to the Capital Reserve, Equipment Reserve and Community Club Reserve by the Board of Directors for the maintenance and upkeep of the organization's capital assets, the purchase of capital assets and to provide funds to organizations and clubs that provide recreation initiatives within the region. These funds are not subject to any external restriction.

	2020	2019
Stride Credit Union capital deserve account bearing interest at 0.21%	\$ 179,321	\$ -
Stride Credit Union community club reserve account bearing interest at 1.70%	390,704	380,856
	<u>\$ 570,025</u>	<u>\$ 380,856</u>

### 3. Accounts Receivable

	2020	2019
Trade	\$ 34,376	\$ 61,980
Goods and Services Tax receivable	13,318	3,769
Government Wage Subsidy receivable	69,825	-
	<u>\$ 117,519</u>	<u>\$ 65,749</u>

### 4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 823,124	\$ 140,725	\$ 823,124	\$ 99,569
Computers	9,905	9,905	9,905	5,910
Equipment	443,794	201,767	372,465	135,198
Outdoor recreation facilities	508,973	276,627	508,973	200,281
Vehicles	22,730	20,211	22,730	16,801
Equipment under capital lease	6,956	2,782	6,956	1,739
	<u>1,815,482</u>	<u>652,017</u>	<u>1,744,153</u>	<u>459,498</u>
	<u>\$ 1,163,465</u>		<u>\$ 1,284,655</u>	

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 5. Unearned Revenue

Unearned revenue relates to funds received for services that have not yet been provided. The funds will be recognized as revenue as the services occur. Changes in the unearned revenue balance are as follows:

	2020	2019
Balance, beginning of year	\$ 275,430	\$ 260,473
Amount received during the year	1,225,279	2,328,592
Less: Amount recognized as revenue during the year	<u>(1,073,772)</u>	<u>(2,313,635)</u>
Balance, end of year	<u>\$ 426,937</u>	<u>\$ 275,430</u>

Included in unearned revenue is \$363,193 (2019 - \$143,209) received from the City of Portage la Prairie related to 2021 operations. The remainder of the unearned revenue is related to customer prepayments for memberships and programs.

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### 6. Long-term Debt

	2020	2019
Manitoba Hydro PAYS unsecured loan bearing interest at 4.89% in monthly instalments of \$738, including interest due April 2023.	\$ 18,936	\$ 29,187
Manitoba Hydro PAYS unsecured loan bearing interest at 5.00% in monthly instalments of \$2,247, including interest due April 2024.	81,717	104,094
	<u>100,653</u>	<u>133,281</u>
Current portion	<u>(31,602)</u>	<u>(30,000)</u>
Long-term portion of debt	<u>\$ 69,051</u>	<u>\$ 103,281</u>

Principal repayments on long-term debt over the next four years are as follows:

2021	\$ 31,602
2022	33,182
2023	28,222
2024	<u>7,647</u>
	<u>\$ 100,653</u>

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 7. Obligation Under Capital Lease

	2020	2019
National Leasing Telephone lease bearing interest at 5.00% payable in monthly instalments of \$233, including interest until April 2021.	\$ 702	\$ 3,002
Current portion	(702)	(2,300)
Long-term portion of obligations	<u>\$ -</u>	<u>\$ 702</u>

Future minimum lease payments under the capital leases for the subsequent year are as follows:

2021	\$ 704
Less: imputed interest	(2)
	<u>\$ 702</u>

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### 8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of restricted contributions used to purchase capital assets. The changes in the deferred contributions balance for the year are as follows:

	2020	2019
Beginning balance	\$ -	\$ -
Add: restricted contributions related to capital asset purchases	39,527	-
Less: amounts amortized to revenue	(5,929)	-
Ending balance	<u>\$ 33,598</u>	<u>\$ -</u>

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### 9. Economic Dependence

The continuance of the Entity's operations is dependent upon funding received from the City of Portage la Prairie and the Rural Municipality of Portage la Prairie. The City of Portage la Prairie provides funding during the year equal to 75% of the approved budgeted operating loss for the period and the Rural Municipality of Portage la Prairie provides funding equal to 25% of the approved budgeted operating loss for the year.

Transactions with the City of Portage la Prairie amounted to \$1,417,775 (2019 - \$1,288,886) of grant funding.

Transactions with the Rural Municipality of Portage la Prairie amounted to \$472,592 (2019 - \$429,626) of grant funding.

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 10. Funded Reserves

A portion of revenue from the Entity's operations is transferred into the Capital Reserve with the approval of the Board of Directors. In 2020, \$120,000 was transferred into the Capital Reserve account (2019 - \$120,000) from the unrestricted surplus. Revenues in the year are comprised of \$5,929 from external grants and donations (2019 - \$38,808) and \$9 from interest (2019 - an increase in value of securities- \$1,966). This resulted in a excess of revenue over expenses of \$5,938 (2019 - (\$9,423)). Only those expenditures that exceed \$1,500 and were not planned for in the annual budget are eligible for payment from the Capital Reserve. In 2020, transfers from the Capital Reserve for these expenditures totaled \$71,328 (2019 - \$37,686).

The Community Club Reserve is funded by the City of Portage La Prairie and the Rural Municipality of Portage la Prairie. In 2020, \$116,265 was received from these sources (2019 - \$116,265). This reserve is used to provide funds to organizations and clubs that provide recreation initiatives within the Rural Municipality of Portage la Prairie. In 2020, \$145,822 was spent on recreation initiatives (2019 - \$87,894). Cash reserved for use in the Community Club Reserve is segregated and interest earned on these funds is allocated to the Community Club Reserve. In 2020, interest earned amounted to \$6,122 (2019 - \$10,527). These transactions resulted in a deficiency of revenue over expenses of \$23,436 (2019 - \$38,898). In 2020, \$NIL (2019 - \$39,555) of the Community Club Reserve was transferred to invested in capital assets.

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## Portage Regional Recreation Authority Inc.

### Notes to Financial Statements

December 31, 2020

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#### 11. Defined Benefit and Contribution Plans and Other Post-Employment Benefits

##### *Multi-employer plans*

The Entity participates in the Municipal Employees' Pension Plan (MEPP) on behalf of its employees, which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the CPA Handbook section PS3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. Prior to the contribution rate increase noted below, the MEPP required that employees contribute 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the Municipal Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions to MEPP made during the year by the PRRA on behalf of its employees amounted to \$81,117 (2019 - \$75,145) and are included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2019 indicated the plan was 99.7% funded on a going concern basis and had an unfunded solvency liability of \$288.8 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2019.

In 2010, the Government of Manitoba enacted a regulation which permits sponsors of public sector pension plans, including MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

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**Portage Regional Recreation Authority Inc.**  
**Notes to Financial Statements**

December 31, 2020

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**12. Commitments**

The Entity's has entered into various agreements with estimated minimum annual payments as follows:

2021	\$	40,800
2022		13,000
2023		13,000
2024		13,000
2025		13,000
	\$	<u>92,800</u>

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## Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2020

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### 13. Financial Instruments

The Entity, as part of its operations, carries a number of financial instruments. It is management's opinion that the organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise noted.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Entity is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Entity is exposed to this risk mainly in respect of its accounts receivable.

#### Liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Entity will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Entity is exposed to this risk mainly in respect of its accounts payable and long-term debt.

The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Entity is exposed to interest rate risk on its fixed rate financial instruments. Fixed-interest instruments subject the Entity to a fair value risk.

There have not been any changes in the risks from the prior year.

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**Portage Regional Recreation Authority Inc.**  
**Notes to Financial Statements**

**December 31, 2020**

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**14. Financial Uncertainty Related to COVID-19**

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The Entity's ability to meet obligations as they come due is dependent on the continued ability to generate earnings and cash flows, including the use of existing credit facilities. The Entity has complied with all mandated closures and health and safety requirements and the facility has re-opened subsequent to year end on a limited access basis, subject to capacity constraints in place by the provincial government. Management is actively monitoring the affect on its financial condition, liquidity, operations, industry and workforce.

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