

**Portage Regional Recreation
Authority Inc.
Financial Statements
For the Year Ended December 31, 2021**

Portage Regional Recreation Authority Inc.
Financial Statements
For the Year Ended December 31, 2021

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Management's Responsibility

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

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, 2021, 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, 2021, 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.

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
May 13, 2022

Portage Regional Recreation Authority Inc.
Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 2,980,933	\$ 1,054,528
Accounts receivable (Note 3)	103,402	117,519
Inventories	340	340
Prepaid expenses	41,978	41,190
	<u>3,126,653</u>	<u>1,213,577</u>
Capital Assets (Note 4)	<u>1,103,855</u>	<u>1,163,464</u>
	<u>\$ 4,230,508</u>	<u>\$ 2,377,041</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 1,119,461	\$ 99,375
Unearned revenue (Note 5)	509,571	426,937
Current portion of long-term debt (Note 6)	33,182	31,602
Current portion of obligation under capital lease (Note 7)	-	702
	<u>1,662,214</u>	<u>558,616</u>
Long-term debt (Note 6)	<u>35,869</u>	<u>69,052</u>
Deferred contributions for capital assets (Note 8)	<u>49,015</u>	<u>33,598</u>
	<u>1,747,098</u>	<u>661,266</u>
Net Assets		
Capital Reserve	274,846	185,252
Community Club Reserve	658,927	598,387
Unrestricted	1,549,637	932,136
	<u>2,483,410</u>	<u>1,715,775</u>
	<u>\$ 4,230,508</u>	<u>\$ 2,377,041</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	2021 Total	2020 Total
Balance, beginning of the year	\$ 185,252	\$ 598,387	\$ 932,136	\$ 1,715,775	\$ 1,219,946
Excess (deficiency) of revenues over expenses	106,148	60,540	600,947	767,635	495,829
Transfers	140,000	-	(140,000)	-	-
Invested in Capital Assets	(156,554)	-	156,554	-	-
Balance, end of the year	\$ 274,846	\$ 658,927	\$ 1,549,637	\$ 2,483,410	\$ 1,715,775

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)	2021	2020
Revenue			
Grants			
City of Portage la Prairie	\$ 1,452,775	\$ 1,452,770	\$ 1,417,775
R.M. of Portage la Prairie	484,301	484,257	472,592
Canada Emergency Wage Subsidy	-	414,065	611,611
Other	39,000	62,390	57,073
User fees	863,500	427,782	502,057
Rentals	562,500	299,659	429,748
Advertising	26,500	43,873	26,258
Donations	5,000	105,187	39,459
Sale of goods	33,500	11,256	9,525
Sale of service	35,410	35,887	27,897
Security reimbursement	-	58,320	-
	<u>3,502,486</u>	<u>3,395,446</u>	<u>3,593,995</u>
Expenses			
Amortization of property, plant and equipment	-	216,163	192,520
Bank charges and interest	19,800	28,409	26,597
Board	4,000	4,355	3,575
Canada Day	28,000	4,675	-
Contract services	285,934	283,894	271,545
Facility maintenance	330,148	218,296	237,330
Grants and contributions	116,265	65,100	81,095
Insurance	157,950	168,509	163,047
Interest on long term debt	26,750	4,601	3,670
Marketing	18,750	8,675	14,241
Meals and entertainment	6,500	6,004	5,998
Mobile stage	18,000	2,113	4,365
Office supplies	11,000	6,766	8,241
Professional fees	15,000	93,459	105,883
Rent	24,000	26,043	25,218
Security	-	58,320	-
Software and IT support	45,000	39,418	42,602
Supplies	100,500	76,436	67,859
Taxes	11,000	8,325	8,369
Tickets	-	-	6,000
Training and conferences	10,000	6,002	4,608
Transfer to capital reserve	140,000	-	-
Utilities	425,760	401,550	385,086
Vehicle	8,000	10,551	4,620
Wages and benefits	1,700,129	1,531,490	1,457,043
	<u>3,502,486</u>	<u>3,269,154</u>	<u>3,119,512</u>
Excess (deficiency) of revenues over expenses before other items	-	126,292	474,483
Other items			
Interest income	-	27,582	15,417
Amortization of deferred capital contributions	-	6,818	5,929
Legal settlement (Note 15)	-	606,943	-
	<u>-</u>	<u>641,343</u>	<u>21,346</u>
Excess of revenue over expenses	\$ -	\$ 767,635	\$ 495,829

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	2021	2020
Cash flows from operating activities		
Excess of revenues over expenses	\$ 767,635	\$ 495,829
Items not affecting cash:		
Amortization of capital assets	216,163	192,520
Amortization of deferred capital contributions	(6,818)	(5,929)
	<u>976,980</u>	<u>682,420</u>
Changes in non-cash working capital:		
Accounts receivable	14,117	(51,771)
Inventories	-	2,069
Prepaid expenses	(787)	(2,932)
Accounts payable and accrued liabilities	1,020,087	(51,650)
Deferred contributions	82,631	151,510
	<u>2,093,028</u>	<u>729,646</u>
Cash flows from investing activities		
Acquisition of property and equipment	(156,554)	(71,328)
Cash flows from financing activities		
Repayment of long-term debt	(31,602)	(32,631)
Repayment of capital lease obligation	(702)	(2,300)
Advances of deferred capital contributions	22,235	39,527
	<u>(10,069)</u>	<u>4,596</u>
Net increase in cash	1,926,405	662,914
Cash, beginning of the year	1,054,528	391,614
Cash, end of the year	\$ 2,980,933	\$ 1,054,528

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies

Nature and Purpose of Organization	The Entity is a non-profit organization incorporated in Manitoba who 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>

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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.

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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.

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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.

Portage Regional Recreation Authority Inc.
Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

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.

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.

Contributed Services 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.

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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 Entity'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.

	2021	2020
Stride Credit Union capital savings account bearing interest at 1.8%	\$ 188,431	\$ 179,321
Stride Credit Union community club savings account bearing interest at 1.8%	609,721	390,704
	<u>\$ 798,152</u>	<u>\$ 570,025</u>

The remaining cash balance is not subject to internal restriction.

3. Accounts Receivable

	2021	2020
Trade	\$ 59,345	\$ 34,376
Goods and Services Tax receivable	9,779	13,318
Government Wage Subsidy receivable	25,695	69,825
	<u>\$ 94,819</u>	<u>\$ 117,519</u>

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 842,525	\$ 182,851	\$ 823,124	\$ 140,725
Computers	29,866	19,886	9,905	9,905
Equipment	523,582	283,087	450,750	204,550
Outdoor recreation facilities	553,333	359,627	508,973	276,627
Vehicles	22,730	22,730	22,730	20,211
	<u>1,972,036</u>	<u>868,181</u>	<u>1,815,482</u>	<u>652,018</u>
		<u>\$ 1,103,855</u>		<u>\$ 1,163,464</u>

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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:

	2021	2020
Balance, beginning of year	\$ 426,937	\$ 275,430
Amount received during the year	588,591	1,225,279
Less: Amount recognized as revenue during the year	(505,957)	(1,073,772)
Balance, end of year	<u>\$ 509,571</u>	<u>\$ 426,937</u>

Included in unearned revenue is \$363,193 (2020 - \$363,193) received from the City of Portage la Prairie and \$40,355 (2020 - \$nil) received from the Rural Municipality of Portage la Prairie related to 2022 operations. The remainder of the unearned revenue is related to customer prepayments for memberships and programs.

6. Long-term Debt

	2021	2020
Manitoba Hydro PAYS unsecured loan bearing interest at 4.89% in monthly instalments of \$738, including interest due April 2023.	\$ 10,830	\$ 18,936
Manitoba Hydro PAYS unsecured loan bearing interest at 5.00% in monthly instalments of \$2,247, including interest due April 2024.	58,221	81,717
	69,051	100,653
Current portion	(33,182)	(31,602)
Long-term portion of debt	<u>\$ 35,869</u>	<u>\$ 69,051</u>

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

2022	\$ 33,182
2023	28,222
2024	7,647
	<u>\$ 69,051</u>

Portage Regional Recreation Authority Inc.
Notes to Financial Statements

December 31, 2021

7. Obligation Under Capital Lease

	<u>2021</u>	<u>2020</u>
National Leasing Telephone lease, repaid during the year.		
	\$ -	\$ 702
Current portion	-	(702)
Long-term portion of obligations	<u>\$ -</u>	<u>\$ -</u>

8. Deferred Contributions for Capital Assets

Deferred contributions for 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:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 33,598	\$ -
Add: restricted contributions related to capital asset purchases	13,652	39,527
Less: amounts amortized to revenue	<u>(6,818)</u>	<u>(5,929)</u>
Ending balance	<u>\$ 40,432</u>	<u>\$ 33,598</u>

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 \$1,452,770 (2020 - \$1,417,775) of grant funding.

Transactions with the Rural Municipality of Portage la Prairie amounted to \$484,257 (2020 - \$472,592) of grant funding.

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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 2021, \$140,000 was transferred into the Capital Reserve account (2020 - \$120,000) from the unrestricted surplus. Revenues in the year are comprised of \$102,977 from external grants and donations (2020 - \$5,929) and \$3,171 from interest (2020 - \$9). This resulted in a excess of revenue over expenses of \$106,148 (2020 - \$5,938). 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 2021, transfers from the Capital Reserve for these expenditures totaled \$156,554 (2020 - \$71,328).

The Capital Reserve is funded by internally restricted cash as outlined in Note 2. The total cash value set aside for the Capital Reserve at year end was \$188,431 (2020 - \$179,321) resulting in an underfunded reserve in the amount of \$86,415 (2020 - \$5,931).

The Community Club Reserve is funded by the City of Portage La Prairie and the Rural Municipality of Portage la Prairie. In 2021, \$116,265 was received from these sources (2020 - \$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. Cash reserved for use in the Community Club Reserve is segregated and interest earned on these funds is allocated to the Community Club Reserve and the interest earned in 2021 amounted to \$8,333 (2020 - \$6,122). In 2021, grant expenses amounted to \$64,058 (2021 - \$78,784). These transactions resulted in revenue over expenses of \$60,540 (2020 - (\$23,436)).

The Community Club Reserve is funded by internally restricted cash as outlined in Note 2. The total cash value set aside for the Community Club Reserve at year end was \$609,721 (2020 - \$390,704) resulting in an underfunded reserve in the amount of \$49,206 (2020 - \$207,683).

Portage Regional Recreation Authority Inc.

Notes to Financial Statements

December 31, 2021

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 \$86,668 (2020 - \$81,117) 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.

12. Commitments

The Entity has an agreement in place with the City of Portage la Prairie for providing a safety officer to the Entity. The contract spans from April 1, 2021 through March 31, 2024 and stipulates that the cost of the position will be split, with 75% covered by City of Portage la Prairie and 25% covered by the Entity. The Entity will pay quarterly to the City of Portage for their portion of the costs. The Entity paid \$24,600 related to this contract (2020 - \$nil).

Portage Regional Recreation Authority Inc. Notes to Financial Statements

December 31, 2021

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.

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

Portage Regional Recreation Authority Inc.

Notes to Financial Statements

December 31, 2021

14. Financial Uncertainty Related to COVID-19

The impact of COVID-19 in Canada and on the global economy is ongoing. 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 their facilities 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.

15. Legal Settlement

During 2021, the Entity settled an outstanding legal proceeding with Tower Engineering Group for \$1.5 million. As the City of Portage la Prairie and the Rural Municipality of Portage la Prairie directly funded repairs to the building related to the deficient construction work, proceeds of the settlement will be allocated 67/33 to the City of Portage la Prairie and Rural Municipality of Portage la Prairie after legal costs are recovered. Calculations of the proceeds are as follows:

Legal Settlement	\$ 1,500,000
City of Portage la Prairie	(598,336)
Rural Municipality of Portage la Prairie	(294,703)
	<hr/>
Legal settlement income	\$ 606,961

The Board approved transfer of \$198,965 legal settlement income to the Hextall Fund subsequent to year end to account for legal costs incurred and paid through the Community Club Reserve investments. The remaining portion of \$407,996 was not internally restricted as of year end.
