

ARBORG BIFROST PARKS & RECREATION COMMISSION

Financial Statements

Year Ended December 31, 2020

ARBORG BIFROST PARKS & RECREATION COMMISSION

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Year Ended December 31, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Members of Arborg Bifrost Parks & Recreation Commission

Qualified Opinion

We have audited the financial statements of Arborg Bifrost Parks & Recreation Commission (the Recreation Commission), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net debt and cash flow 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 Recreation Commission as at December 31, 2020, and the results of its operations and its cash flow 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 Recreation Commission derives revenue from fundraising activities 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 Recreation Commission. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, current assets and net assets as at December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2019 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Recreation Commission 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.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 3 in the financial statements, which indicates that the Recreation Commission incurred a net loss of \$27,081 during the year ended December 31, 2020 and, as of that date, the Recreation Commission's liabilities exceeded its assets by \$288,664. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Recreation Commission's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Recreation Commission'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 Recreation Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Recreation Commission'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 Recreation Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Recreation Commission 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.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
June 29, 2021

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Financial Position

December 31, 2020

	2020	2019 <i>(Revised)</i>
ASSETS		
CURRENT		
Cash <i>(Note 5)</i>	\$ -	\$ 22,748
Accounts receivable <i>(Note 13)</i>	14,828	13,445
Goods and services tax recoverable	592	1,382
Prepaid expenses	-	15,437
	15,420	53,012
PROPERTY AND EQUIPMENT <i>(Notes 2, 6)</i>	1,110,371	1,193,533
	\$ 1,125,791	\$ 1,246,545
LIABILITIES		
CURRENT		
Bank indebtedness <i>(Note 5)</i>	\$ 30,546	\$ -
Accounts payable and accrued liabilities <i>(Notes 10, 13)</i>	36,335	74,577
Employee and government remittance payable <i>(Notes 7, 13)</i>	16,740	28,845
Current portion of deferred revenue <i>(Note 8)</i>	1,000	1,000
Demand loans <i>(Note 9)</i>	350,879	378,794
	435,500	483,216
DEFERRED CONTRIBUTIONS <i>(Notes 10, 11)</i>	957,055	1,016,912
DEFERRED REVENUE <i>(Note 8)</i>	21,900	8,000
	1,414,455	1,508,128
NET DEBT	(288,664)	(261,583)
	\$ 1,125,791	\$ 1,246,545

COMMITMENTS

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Operations

Year Ended December 31, 2020

	2020	2019 <i>(Revised)</i>
REVENUE		
Grants		
Municipality of Bifrost-Riverton <i>(Note 10)</i>	\$ 135,002	\$ 127,599
Town of Arborg <i>(Notes 10, 13)</i>	135,000	125,000
Other <i>(Note 10)</i>	62,781	36,185
Recognition of deferred contributions <i>(Notes 10, 11)</i>	80,320	76,395
Rental	60,378	107,173
In-kind insurance <i>(Note 10)</i>	50,703	-
Admission	30,808	37,994
Fundraising, events and programs	26,830	58,305
Miscellaneous	7,843	9,591
Concession	25,737	45,484
Advertising	15,073	12,652
CEWS wage subsidy <i>(Note 17)</i>	2,277	-
Donations	1,210	492
	<u>633,962</u>	<u>636,870</u>
EXPENSES		
Advertising and promotion	2,995	4,886
Amortization	91,925	90,631
Aquatic centre	805	1,112
Bad debts	4,343	-
Concession supplies	14,209	25,217
Equipment	1,251	3,153
Insurance	66,188	59,292
Interest on long term debt	13,798	13,353
Miscellaneous <i>(Notes 10, 13)</i>	35,046	12,271
Office supplies	3,991	4,498
Professional fees	3,457	3,447
Programming	12,744	24,458
Rent	-	3,850
Repairs and maintenance	63,423	61,253
Utilities <i>(Note 10)</i>	108,012	123,846
Wages and benefits <i>(Note 13)</i>	237,148	261,600
Workers compensation	1,708	1,197
	<u>661,043</u>	<u>694,064</u>
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	(27,081)	(57,194)
	<u>-</u>	
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (27,081)	\$ (57,194)

See notes to financial statements

ARBORG BIFROST PARKS & RECREATION COMMISSION

Statement of Changes in Net Debt

Year Ended December 31, 2020

	2020	2019
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ (247,243)	\$ (194,568)
Correction of error <i>(Note 13)</i>	<u>(14,340)</u>	<u>(9,821)</u>
As restated	(261,583)	(204,389)
Excess (deficiency) of revenue over expenses	<u>(27,081)</u>	<u>(57,194)</u>
NET DEBT - END OF YEAR	<u>\$ (288,664)</u>	<u>\$ (261,583)</u>

ARBORG BIFROST PARKS & RECREATION COMMISSION**Statement of Cash Flow****Year Ended December 31, 2020**

	2020	2019 <i>(Revised)</i>
OPERATING ACTIVITIES		
Cash receipts from customers and grants	\$ 583,070	\$ 571,828
Cash paid to suppliers and employees	(585,890)	(532,506)
Interest paid	(13,798)	(13,354)
Cash flow from (used by) operating activities	<u>(16,618)</u>	25,968
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(8,761)</u>	(39,013)
FINANCING ACTIVITY		
Repayment of demand loans	<u>(27,915)</u>	(15,139)
DECREASE IN CASH	(53,294)	(28,184)
CASH - BEGINNING OF YEAR	<u>22,748</u>	50,932
CASH (DEFICIENCY) - END OF YEAR	<u>\$ (30,546)</u>	\$ 22,748
CASH (DEFICIENCY) CONSISTS OF:		
Cash	\$ -	\$ 22,748
Bank indebtedness	<u>(30,546)</u>	-
	<u>\$ (30,546)</u>	\$ 22,748

See notes to financial statements

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

1. DESCRIPTION OF OPERATIONS

The Arborg Bifrost Parks & Recreation Commission manages the baseball diamonds, curling rink, community hall, arena and water park in Arborg.

Arborg Bifrost Parks & Recreation Commission is a non-profit organization and is exempt from income taxes under Section 149 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Property and equipment

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment are amortized over their estimated useful live using the following rates and methods:

Arena	15 years	straight-line method
Equipment	10 years	straight-line method
Gazebo	15 years	straight-line method
Hall	25 years	straight-line method
Water park	25 years	straight-line method
Dressing rooms	15 years	straight-line method
Mini golf course	15 years	straight-line method

The Recreation Commission regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Recreation Commission follows the deferral method of accounting for contributions. Donations and government grants are recorded when received. Program revenue is recorded when earned, which normally coincides with the running of the program. Under the deferral method, unearned revenue is deferred to future periods until the related expenses are incurred.

3. GOING CONCERN

Given the significant operating loss in the past three fiscal years (2020 - \$27,081; 2019 - \$57,194; 2018 - \$24,429) and accumulated net debt of \$288,664, the Recreation's ability to realize its assets and discharge its liabilities is in doubt.

As described in Note 12, should the Recreation Commission cease operations, the Town of Arborg and the Rural Municipality of Bifrost would be financially responsible to cover any unpaid liabilities.

4. FINANCIAL INSTRUMENTS

The Recreation Commission 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 Recreation Commission's risk exposure and concentration as of December 31, 2020.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Recreation Commission is exposed to credit risk from customers. In order to reduce its credit risk, the Recreation Commission 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 Recreation Commission has a significant number of customers which minimizes concentration of credit risk.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Recreation Commission manages exposure through its normal operating and financing activities. The Recreation Commission is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

5. CASH

The Recreation Commission has an authorized line of credit of \$50,000 of which \$48,176 (2019 - \$16,063) was used as at December 31, 2020. It bears interest at 3.95%. The line of credit is secured by a letter of comfort from the Town of Arborg and the Municipality of Bifrost-Riverton.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

6. PROPERTY AND EQUIPMENT

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Arena	\$ 100,498	\$ 42,518	\$ 100,498	\$ 37,185
Equipment	186,569	68,045	177,807	56,630
Gazebo	14,462	12,321	14,462	11,357
Hall	40,919	22,096	40,919	20,459
Water park	1,119,753	515,418	1,119,753	470,628
Dressing rooms	410,617	105,960	410,617	78,586
Mini golf course	6,175	2,264	6,175	1,853
	\$ 1,878,993	\$ 768,622	\$ 1,870,231	\$ 676,698
Net book value	\$ 1,110,371		\$ 1,193,533	

7. EMPLOYEE AND GOVERNMENT REMITTANCE PAYABLE

	2020	2019
Government remittances	\$ 209	\$ 2,153
Workers compensation	25	25
Vacation and banked time liability	16,506	26,667
	\$ 16,740	\$ 28,845

8. DEFERRED REVENUE

The Recreation Commission received payment for advertising contracts that span numerous years. These amounts have been deferred and will be recognized as revenue over the length of the advertising contracts.

ARBORG BIFROST PARKS & RECREATION COMMISSION

**Notes to Financial Statements
Year Ended December 31, 2020**

9. DEMAND LOANS

	<u>2020</u>	<u>2019</u>
Noventis Credit Union loan bearing interest at prime per annum, repayable in monthly blended payments of \$2,355. The loan matures on September 22, 2034 and is secured by a general security agreement and letters of comfort from the Town of Arborg and Municipality of Bifrost-Riverton.	\$ 305,779	\$ 323,950
Noventis Credit Union loan bearing interest at prime per annum, repayable in annual blended payments of \$32,500. The loan matures on February 1, 2026 and is secured by a general security agreement and letters of comfort from the Town of Arborg and Municipality of Bifrost-Riverton. During the year, the Recreation Commission was not required to make any payments, as they were ahead on their repayment schedule	<u>45,100</u>	<u>54,844</u>
	<u>\$ 350,879</u>	<u>\$ 378,794</u>
Principal repayment terms are approximately:		
2021	\$ 52,056	
2022	32,737	
2023	20,735	
2024	21,352	
2025	21,986	
Thereafter	<u>202,013</u>	
	<u>\$ 350,879</u>	

The loans are classified as a current liability due to its callable feature at any time at the discretion of the Noventis Credit Union.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

10. RELATED PARTY TRANSACTIONS

The following is a summary of the Recreation Commission's related party transactions:

	<u>2020</u>	<u>2019</u>
Town of Arborg <i>(the commission is a reporting entity under the Town of Arborg)</i>		
Grant revenue	\$ 135,000	\$ 125,000
In-kind insurance revenue	25,352	-
Other grants revenue	3,022	10,363
Utilities expense	18,918	23,733
	<u>\$ 182,292</u>	<u>\$ 159,096</u>
Municipality of Bifrost-Riverton <i>(the commission is a reporting entity under the Municipality of Bifrost-Riverton)</i>		
Grant revenue	\$ 135,002	\$ 127,599
In-kind insurance revenue	25,351	-
	<u>\$ 160,353</u>	<u>\$ 127,599</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is \$29,655 (2019 - \$55,299) owing to the Town of Arborg. These amounts have been incurred from the payment of expenses on behalf of the Recreation Commission.

Included in deferred contributions is \$7,780 (2019 - \$8,336) received from the Town of Arborg for the purpose of renovating the curling rink. During the year ended December 31, 2020 \$556 (2019- \$556) was recorded as recognition of deferred contributions revenue.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements Year Ended December 31, 2020

11. DEFERRED CONTRIBUTIONS

The Recreation Commission receives funding from different sources to aid in the construction and purchase of property and equipment. The funding is recognized using the same method of amortization as the asset.

	2020	2019
Opening balance	\$ 1,016,912	\$ 1,081,124
Additions	20,463	12,183
Recognition of deferred contributions	(80,320)	(76,395)
Ending balance	\$ 957,055	\$ 1,016,912

12. ECONOMIC DEPENDENCE

The Recreation Commission receives significant revenue from grants from the Municipality of Bifrost-Riverton and the Town of Arborg. Should these entities substantially change their dealings with the Recreation Commission, management is of the opinion that continued viable operations would be doubtful.

The Municipality of Bifrost-Riverton and the Town of Arborg are financially responsible for the net debt accumulated by the Recreation Commission.

13. CORRECTION OF ERROR

During the 2020 fiscal year, management determined that banked time owing to Tom Chwaliboga should be recorded as liability. In addition, it was determined that Building Sustainable Communities Program grant that had been applied for and recorded as receivable had been denied. Therefore, a prior period adjustment was required. As a result, the previously presented figures for the year ended December 31, 2019 have changed by the following:

- Employee and government remittance payable increased by \$14,337
 - Accounts receivable decreased by \$10,500
 - Accounts payable and accrued liabilities decreased by \$10,497
 - Opening net debt debt increased by \$9,821
 - Wages and benefits expense increased by \$4,516
 - Town of Arborg revenue decreased by \$10,500
 - Miscellaneous expense decreased by \$10,497
-

14. COVID-19

Reactions and restrictions to Coronavirus (COVID-19) continue to evolve and change regularly. Management of the company continues to maintain operations where possible, while looking out for the needs and safety of their clients and employees.

Given the uncertainties on the economy, management cannot predict the effect that this will have on their future operations or cash flows.

ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

15. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of council, and if individual compensation in an amount exceeding \$75,000 annually to any member of council, officer or employee of the Municipality. There were no individuals receiving compensation in excess of \$75,000 for the year ended December 31, 2020.

16. MANITOBA EMPLOYEE BENEFIT PROGRAM

The majority of the employees of the Recreation Commission are members of the Municipal Employees' Pension Plan (MEPP), 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 the 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 Chartered Professional Accountants of Canada 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. 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 Recreation Commission on behalf of its employees are expected to be \$8,139 (2019 - \$4,877) 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.

17. CONTINGENT LIABILITY

During the year, the Recreation Commission received amounts relating to the Canadian Emergency Wage Subsidy (CEWS). This program of the Federal Government is intended to cover up to 75% of employee salaries for organizations who meet specific criteria related to decreased revenue due to the COVID-19 pandemic

During the year ended December 31, 2020, the Centre recognized \$2,277 in funding related to the CEWS program.

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ARBORG BIFROST PARKS & RECREATION COMMISSION

Notes to Financial Statements

Year Ended December 31, 2020

17. CONTINGENT LIABILITY *(continued)*

Given the changing program criteria, and the lack of clarity regarding other aspects of the CEWS program funding, there is a potential that the organization may be required to pay back some or all of the funding received with a further potential for interest and penalties on amounts owing. The Federal Government has announced their intention to perform a significant number of audits in relation to this funding. Management has made their best efforts to apply only for funding that they believe match the criteria of the program, and to only apply for amounts related to applicable salaries.
