

ASSOCIATION OF MANITOBA MUNICIPALITIES
Financial Statements
Year Ended August 31, 2020

ASSOCIATION OF MANITOBA MUNICIPALITIES

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Year Ended August 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Association of Manitoba Municipalities

Opinion

We have audited the financial statements of Association of Manitoba Municipalities (the Association), which comprise the statement of financial position as at August 31, 2020, and the statements of income - unrestricted operations, changes in net assets and cash flow 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 Association as at August 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 Opinion

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 Association 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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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 Association'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 Association'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 Association 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
October 1, 2020

ASSOCIATION OF MANITOBA MUNICIPALITIES

Statement of Financial Position

August 31, 2020

	2020	2019
ASSETS		
CURRENT		
Accounts receivable	\$ 482,071	\$ 455,085
Prepaid expenses	13,488	35,233
	<u>495,559</u>	490,318
SEGREGATED FUNDS		
General Reserve (Note 8)	854,863	377,759
Due from AMM Trading Company of Manitoba Ltd. (Note 10)	1,013,642	683,790
PROPERTY AND EQUIPMENT (Notes 2, 5)	294,704	313,391
RESTRICTED CASH (Note 4)	95,088	47,285
	<u>\$ 2,753,856</u>	<u>\$ 1,912,543</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 16,093	\$ 21,115
Accounts payable and accrued liabilities	33,698	28,337
Goods and services tax payable	21,734	15,056
Deferred income	460,382	472,785
	<u>531,907</u>	537,293
FUNDS HELD FOR OTHER ENTITIES (Note 4)	95,088	47,285
	<u>626,995</u>	584,578
NET ASSETS		
Unrestricted	(79,790)	(53,347)
Invested in property and equipment	294,704	313,392
General reserve (Note 8)	1,911,947	1,067,920
	<u>2,126,861</u>	1,327,965
	<u>\$ 2,753,856</u>	<u>\$ 1,912,543</u>
LEASE COMMITMENTS (Note 7)		

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

ASSOCIATION OF MANITOBA MUNICIPALITIES
Statement of Income - Unrestricted Operations
Year Ended August 31, 2020

	2020	2019
REVENUE		
Convention	\$ 437,561	\$ 461,339
Membership dues	415,474	414,590
Rental	20,940	20,940
Education	17,450	24,775
Magazine	10,598	10,355
Associate membership	8,700	9,050
Investment income	6,916	7,883
Corporate membership	4,149	8,213
Seminar	1,450	99,190
Advertising - bulletin	600	600
Miscellaneous	349	1,924
Asset Management grant	-	77,746
Trade show	-	78,294
	924,187	1,214,899
EXPENSES		
Schedule of Expenses (<i>Schedule 1</i>)	1,704,183	2,032,791
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS		
	(779,996)	(817,892)
OTHER ITEMS		
Unrealized gain (loss) on investments	(6,135)	5,616
Management fees (<i>Note 10</i>)	741,000	880,000
	734,865	885,616
NET ANNUAL SURPLUS (DEFICIT)	\$ (45,131)	\$ 67,724

ASSOCIATION OF MANITOBA MUNICIPALITIES

Statement of Changes in Net Assets

Year Ended August 31, 2020

	Unrestricted	Invested in Property and Equipment	General Reserve (Note 8)	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ (53,347)	\$ 313,392	\$ 1,067,920	\$ 1,327,965	\$ 1,282,502
Net annual surplus (deficit)	(21,987)	(23,144)	-	(45,131)	67,724
Net annual surplus (deficit) - Reserves	-	-	844,027	844,027	(22,261)
Additions (disposals) of property and equipment	(4,456)	4,456	-	-	-
NET ASSETS - END OF YEAR	\$ (79,790)	\$ 294,704	\$ 1,911,947	\$ 2,126,861	\$ 1,327,965

ASSOCIATION OF MANITOBA MUNICIPALITIES

Statement of Cash Flow

Year Ended August 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Net annual surplus (deficit) - Operations	\$ (45,131)	\$ 67,724
Net annual surplus (deficit) - Reserves	844,027	(22,261)
Items not affecting cash:		
Amortization of property and equipment	23,144	23,525
Unrealized gains	6,135	(5,616)
	<u>828,175</u>	<u>63,372</u>
Changes in non-cash working capital:		
Accounts receivable	(26,985)	(14,970)
Accounts payable and accrued liabilities	5,363	(1,519)
Deferred income	(12,403)	(20,885)
Prepaid expenses	21,745	21,559
Goods and services tax payable	6,678	(4,906)
	<u>(5,602)</u>	<u>(20,721)</u>
Cash flow from operating activities	<u>822,573</u>	<u>42,651</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,456)	(2,376)
Net sales (purchases) of segregated funds	(813,095)	(224,374)
Cash flow used by investing activities	<u>(817,551)</u>	<u>(226,750)</u>
INCREASE (DECREASE) IN CASH	5,022	(184,099)
CASH AND SHORT TERM DEPOSITS- BEGINNING OF YEAR	<u>(21,115)</u>	162,984
CASH AND SHORT TERM DEPOSITS (BANK INDEBTEDNESS)- END OF YEAR	\$ (16,093)	\$ (21,115)

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2020

1. DESCRIPTION OF BUSINESS

The Association of Manitoba Municipalities (the "Association") was established to provide lobbying activities, professional development seminars and to aid in the development of policies that are of importance to its member municipalities in the Province of Manitoba. The Association is exempt from income tax on its earnings 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 combined 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. Amortization is recorded on the straight-line basis using the following annual rates:

Buildings	2.5%
Computer equipment	30%
Computer software	100%
Office equipment	10%
Sign	10%
Motor vehicles	20%

The Association 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.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Association's revenues are recognized when earned and collection is reasonably assured.

The investment revenue of the General reserve is recognized in the restricted fund.

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2020

3. FINANCIAL INSTRUMENTS

The Association 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 Association's risk exposure as of August 31, 2020.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association is exposed to credit risk from its members. Since the Association's members consists of primarily government authorities there is a minimal risk that a counterparty will fail to perform its obligations.

Market Risk

The Association invests in publicly traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the Association is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

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 Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. RESTRICTED CASH / FUNDS HELD FOR OTHER ENTITIES

Restricted cash represents funds held in a bank account in the Association's name relating to other activities and programs which are not a part of the Association's operations, including special projects funded by the Provincial Government, Federation of Canadian Municipalities member expenses funded by the member municipalities and other miscellaneous projects. These funds are restricted for use on these operations. Revenues and expenses relating to these operations have not been included in these financial statements.

5. PROPERTY AND EQUIPMENT

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Buildings	\$ 378,676	\$ 194,756	\$ 378,676	\$ 187,182
Computer equipment	38,795	35,949	37,396	32,005
Computer software	2,020	1,285	550	550
Land	90,000	-	90,000	-
Office equipment	67,151	65,166	65,563	64,626
Sign	20,085	9,038	20,085	7,030
Motor vehicles	41,715	37,544	41,715	29,201
	<u>\$ 638,442</u>	<u>\$ 343,738</u>	<u>\$ 633,985</u>	<u>\$ 320,594</u>
Net book value	<u>\$ 294,704</u>		<u>\$ 313,391</u>	

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2020

6. CONTROLLED ENTITY

AMM Trading Company Ltd. (formerly known as MTCML) offers member municipalities group discounts on various products and services. The Trading Company is a not-for-profit organization which is controlled by the Association through a common board.

Trading Company's financial information was as follows:

	<u>2020</u>	<u>2019</u>
Balance Sheet		
Assets	\$ 28,816,996	\$ 22,926,136
Liabilities	<u>(24,508,744)</u>	<u>(19,058,079)</u>
Net assets	<u>\$ 4,308,252</u>	<u>\$ 3,868,057</u>
Income Statement		
Sales	\$ 14,078,332	\$ 14,874,365
Cost of sales	<u>(13,899,569)</u>	<u>(14,619,388)</u>
Other revenues	1,585,137	1,007,545
Expenses	<u>(1,763,898)</u>	<u>(1,195,521)</u>
Net annual surplus	<u>\$ 2</u>	<u>\$ 67,001</u>

7. LEASE COMMITMENTS

The Association leases a photocopier that expires February 2022, and office space that expires June 2024. Under each lease, the Association is required to make the following lease payments:

2021	\$ 44,006
2022	38,418
2023	32,093
2024	27,512

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2020

8. GENERAL RESERVE

This reserve has been established to fund major repairs, renovations, and expansion of the building, potential severances and other expenses as deemed necessary by the Board of Directors.

	<u>2020</u>	<u>2019</u>
<u>General Reserve</u>		
Opening balance	\$ 1,067,920	\$ 1,090,181
Interest received	7,197	7,440
Other income	3,291	30,721
Expenses	(188,728)	(360,360)
Contribution to Trading Company (Note 10)	-	(383,852)
Contribution from Trading Company (Note 10)	1,013,642	683,790
Transfer from ERB	8,625	-
	<u>\$ 1,911,947</u>	<u>\$ 1,067,920</u>

Segregated funds for reserves exceed the reserves due to investments being recorded at market value and the accumulated unrealized gains and losses being recognized in the general operations.

9. MUNICIPAL EMPLOYEES BENEFIT PLAN

The majority of the employees of the Municipality 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 Municipality on behalf of its employees are expected to be \$63,740 (2019 - \$63,136) 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, 2018 indicated the plan was 101.3% funded on a going concern basis and had an unfunded solvency liability of \$229.8 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, 2018.

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.

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2020

10. RELATED PARTY TRANSACTIONS

The Association controls AMM Trading Company Ltd. through a common board. During the year ended August 31, 2020, the Trading Company contributed \$1,013,642 (2019 - \$683,790) to the Association's reserves, received \$Nil from the Association's General Reserve (2019 - \$383,852), and paid \$741,000 (2019 - \$880,000) in management fees to the Association. These amounts were determined by the board.

Amounts owing from the Trading Company have arisen from the transactions described above. These amounts have no terms of repayment and are not interest bearing. The outstanding amount is expected to be paid within the next twelve months, as such they have been classified as current.

11. COMMITMENTS

Subsequent to year-end, the Association entered into an agreement with People First HR Services to provide human resources support to the Association for the period of December 2020 to November 2022 at a total cost of \$147,000.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

13. CONTINGENT LIABILITY

Employees of the Association can become eligible to receive 25% of their accumulated sick leave upon retirement after they have began to draw their pension. The amount of any such obligation has not been determined, and any amounts paid will be expensed in the year they are incurred.

14. SUBSEQUENT EVENTS

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

Operations in the historical financial statements, as presented, do not give rise to potential going-concern issues. However, given the uncertainties on the economy, management cannot predict the effect that this will have on their future operations or cash flows.

ASSOCIATION OF MANITOBA MUNICIPALITIES

Schedule of Expenses

(Schedule 1)

Year Ended August 31, 2020

	2020	2019
Functions		
Convention	\$ 306,360	\$ 403,972
Education	18,275	28,918
Housing conference	2,754	-
Municipal seminar	7,638	85,489
Newly elected officials seminar	-	7,773
Resolutions committee	5,438	2,591
Trade show	7,100	48,027
	<u>\$ 347,565</u>	<u>\$ 576,770</u>
Executive		
Board - stipend	\$ 73,176	\$ 47,558
Board - sundry	-	395
Communication allowance	800	1,807
Meeting	147,518	175,173
President's salary	89,160	74,869
	<u>\$ 310,654</u>	<u>\$ 299,802</u>
Other		
Amortization	\$ 23,144	\$ 23,525
Asset Management	-	77,746
Association fees	2,580	2,865
Bank charges	182	234
Building repairs and maintenance	19,137	20,866
Donations and gifts	15,195	25,791
Insurance	3,454	4,400
Legal	28,618	27,739
Office	54,184	57,645
Postage and stationery	11,225	23,166
Professional fees	15,414	15,150
Promotion materials	1,388	157
Property taxes	32,776	31,165
Telephone	14,185	13,752
Vehicle	6,775	7,756
	<u>\$ 228,257</u>	<u>\$ 331,957</u>
Staffing		
Employee benefits	\$ 114,443	\$ 117,652
Management	35,927	45,272
Salaries	655,474	646,469
Staff expenses	4,185	12,018
Staff training and recruitment	7,033	2,307
Workers compensation	645	544
	<u>\$ 817,707</u>	<u>\$ 824,262</u>
	<u>\$ 1,704,183</u>	<u>\$ 2,032,791</u>

See notes to financial statements