

ASSOCIATION OF MANITOBA MUNICIPALITIES
Financial Statements
Year Ended August 31, 2024

ASSOCIATION OF MANITOBA MUNICIPALITIES

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Year Ended August 31, 2024

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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, 2024, 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, 2024, 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.

(continues)

Independent Auditors' Report to the Members of Association of Manitoba Municipalities *(continued)*

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 11, 2024

ASSOCIATION OF MANITOBA MUNICIPALITIES

Statement of Financial Position

August 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash and short term deposits	\$ 164,555	\$ 251,953
Accounts receivable	482,104	395,443
Prepaid expenses	41,852	26,106
	<u>688,511</u>	<u>673,502</u>
SEGREGATED FUNDS (Note 4)		
General Reserve	1,729,290	1,699,285
Due from AMM Trading Company of Manitoba Ltd. (Note 11)	2,313,652	2,000,000
PROPERTY AND EQUIPMENT (Notes 2, 6)	266,794	288,349
RESTRICTED CASH (Note 5)	85,893	79,905
	<u>\$ 5,084,140</u>	<u>\$ 4,741,041</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,263	\$ 37,214
Goods and services tax payable	15,095	17,538
Deferred income	601,369	474,675
	<u>631,727</u>	<u>529,427</u>
FUNDS HELD FOR OTHER ENTITIES (Note 5)	85,893	79,905
	<u>717,620</u>	<u>609,332</u>
NET ASSETS		
Unrestricted	49,709	169,637
Invested in property and equipment	266,794	288,349
General reserve (Note 9)	4,050,017	3,673,723
	<u>4,366,520</u>	<u>4,131,709</u>
	<u>\$ 5,084,140</u>	<u>\$ 4,741,041</u>

LEASE COMMITMENTS (Note 8)

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, 2024

	2024	2023
REVENUE		
Convention	\$ 694,205	\$ 645,798
Membership dues	432,281	422,474
Trade show	148,529	105,893
Seminar	27,475	23,374
Magazine	23,021	23,158
Rental	21,576	21,576
Investment income	17,520	12,903
Education	13,950	13,575
Associate membership	10,250	9,450
Miscellaneous	3,910	1,736
Corporate membership	1,949	3,342
Advertising - bulletin	1,500	400
	1,396,166	1,283,679
EXPENSES		
Schedule of Expenses (<i>Schedule 1</i>)	2,164,788	2,054,389
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS		
	(768,622)	(770,710)
OTHER ITEMS		
Unrealized gain (loss) on investments	(2,861)	(3,997)
Management fees (<i>Note 11</i>)	630,000	730,000
	627,139	726,003
NET ANNUAL SURPLUS (DEFICIT)		
	\$ (141,483)	\$ (44,707)

ASSOCIATION OF MANITOBA MUNICIPALITIES
Statement of Changes in Net Assets
Year Ended August 31, 2024

	Unrestricted	Invested in Property and Equipment	General Reserve (Note 9)	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 169,637	\$ 288,349	\$ 3,673,723	\$ 4,131,709	\$ 2,278,853
Net annual surplus (deficit)	(119,928)	(21,555)	-	(141,483)	(44,707)
Net annual surplus (deficit) - Reserves	-	-	376,294	376,294	1,897,563
NET ASSETS - END OF YEAR	\$ 49,709	\$ 266,794	\$ 4,050,017	\$ 4,366,520	\$ 4,131,709

ASSOCIATION OF MANITOBA MUNICIPALITIES

Statement of Cash Flow

Year Ended August 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Net annual surplus (deficit) - Operations	\$ (141,483)	\$ (44,707)
Net annual surplus (deficit) - Reserves	376,294	1,897,563
Items not affecting cash:		
Amortization of property and equipment	21,555	21,907
Unrealized gains	2,861	3,997
	<u>259,227</u>	<u>1,878,760</u>
Changes in non-cash working capital:		
Accounts receivable	(86,661)	(192,277)
Accounts payable and accrued liabilities	(21,950)	9,138
Deferred income	126,694	(21,954)
Prepaid expenses	(15,746)	38,590
Goods and services tax payable	(2,443)	(652)
	<u>(106)</u>	<u>(167,155)</u>
Cash flow from operating activities	<u>259,121</u>	<u>1,711,605</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,499)
Net sales (purchases) of segregated funds	(32,867)	(1,296,003)
Cash flow used by investing activities	<u>(32,867)</u>	<u>(1,297,502)</u>
FINANCING ACTIVITY		
Due from (to) AMM Trading Company of Manitoba Ltd.	(313,652)	(407,083)
INCREASE (DECREASE) IN CASH	(87,398)	7,020
CASH - BEGINNING OF YEAR	<u>251,953</u>	<u>244,933</u>
CASH - END OF YEAR	\$ <u>164,555</u>	\$ <u>251,953</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2024

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 deferred contribution 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, 2024

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.

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.

4. SEGREGATED FUNDS FOR GENERAL RESERVES

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.

5. 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 activities. Revenues and expenses relating to these activities have not been included in these financial statements.

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2024

6. PROPERTY AND EQUIPMENT

	2024		2023	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Buildings	\$ 378,676	\$ 225,050	\$ 378,676	\$ 217,476
Computer equipment	8,806	7,817	8,806	5,768
Computer software	2,020	2,020	2,020	2,020
Land	90,000	-	90,000	-
Office equipment	72,941	67,554	72,941	66,816
Sign	20,085	17,072	20,085	15,064
Motor vehicles	45,930	32,151	45,930	22,965
	\$ 618,458	\$ 351,664	\$ 618,458	\$ 330,109
Net book value	\$ 266,794		\$ 288,349	

7. CONTROLLED ENTITY

AMM Trading Company Ltd. 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.

AMM Trading Company Ltd.'s financial information was as follows:

	2024	2023
Balance Sheet		
Assets	\$ 35,902,277	\$ 37,222,464
Liabilities	(32,970,297)	(35,221,759)
Net assets	\$ 2,931,980	\$ 2,000,705
Income Statement		
Sales	\$ 20,309,547	\$ 21,710,901
Cost of sales	(19,942,341)	(21,291,448)
Other revenues	4,107,676	3,280,677
Expenses	(4,474,882)	(4,937,293)
Net annual surplus	\$ -	\$ (1,237,163)
Cash Flow Statement		
Cash flow provided (used) by operating activities	\$ (837,793)	\$ (251,825)
Cash flow provided (used) by investing activities	2,316,673	(1,772,772)
Cash flow provided (used) by financing activities	(2,499,784)	1,922,374
Increase (decrease) in cash for the year	\$ (1,020,904)	\$ (102,223)

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2024

8. LEASE COMMITMENTS

The Association leases a photocopier that expires November 2026, and office space that expires June 2024. Under each lease, the Association is required to make the following lease payments:

2025	\$	5,771
2026		5,771
2027		962

9. 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>2024</u>	<u>2023</u>
<u>General Reserve</u>		
Opening balance	\$ 3,673,723	\$ 1,965,991
Interest received	88,409	53,487
Expenses	(25,767)	(155,924)
Transfers	-	(189,831)
Contribution from (to) Trading Company (Note 11)	313,652	2,000,000
	<u>\$ 4,050,017</u>	<u>\$ 3,673,723</u>

ASSOCIATION OF MANITOBA MUNICIPALITIES

Notes to Financial Statements

Year Ended August 31, 2024

10. MUNICIPAL EMPLOYEES BENEFIT PLAN

The majority of the employees of the Association 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 Association on behalf of its employees are expected to be \$60,948 (2023 - \$56,871) 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, 2022, indicated the plan was 111.6% funded on a going concern basis and had an unfunded solvency liability of \$19.3 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, 2022.

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.

11. RELATED PARTY TRANSACTIONS

The Association controls AMM Trading Company Ltd. through a common board. During the year ended August 31, 2024, the Trading Company contributed \$313,652 (2023 - \$2,000,000) to the Association's reserves, received \$Nil from the Association's General Reserve (2023 - \$Nil), and incurred \$630,000 (2023 - \$730,000) in management fees to the Association, of which \$630,000 had been paid at year end. 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. At August 31, 2024, the Association was owed \$2,313,652 (2023 - \$2,000,000) from the AMM Trading Company.

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 begun to draw their pension. The amount of this obligation as at August 31, 2024 is \$95,451. No liability has been recorded as management does not anticipate any employees becoming eligible within the next 12 months.

ASSOCIATION OF MANITOBA MUNICIPALITIES

**Schedule of Expenses
(Schedule 1)**

Year Ended August 31, 2024

	2024	2023
Functions		
Convention	\$ 388,186	\$ 373,702
Education	13,494	16,166
Municipal seminar	119,123	131,069
Newly elected officials seminar	-	9,308
Resolutions committee	3,730	3,502
Trade show	45,336	66,962
	<u>\$ 569,869</u>	<u>\$ 600,709</u>
Executive		
Board - stipend	\$ 73,090	\$ 66,908
Meeting	219,754	189,851
President's salary	96,288	92,810
	<u>\$ 389,132</u>	<u>\$ 349,569</u>
Other		
Amortization	\$ 21,555	\$ 21,907
Asset Management Seminars	6,511	-
Association fees	2,685	2,625
Bank charges	175	175
Building repairs and maintenance	23,039	24,236
Donations and gifts	23,915	22,861
Insurance	9,384	8,468
Legal and consulting	27,600	14,134
Municipal Election Expenses	-	4,651
Office	40,330	37,260
Postage and stationery	8,042	11,675
Professional fees	15,802	14,100
Promotion materials	29,190	3,486
Property taxes	29,212	30,140
Telephone	12,258	12,166
Vehicle	8,820	10,418
	<u>\$ 258,518</u>	<u>\$ 218,302</u>
Staffing		
Employee benefits	\$ 133,662	\$ 128,225
Management	26,278	24,627
Salaries	773,954	719,971
Staff expenses	10,238	9,272
Staff training and recruitment	2,532	2,394
Workers compensation	605	1,320
	<u>\$ 947,269</u>	<u>\$ 885,809</u>
	<u>\$ 2,164,788</u>	<u>\$ 2,054,389</u>