

**LEAF RAPIDS TOWN
PROPERTIES LTD.**

Financial Statements
For the year ended March 31, 2021

LEAF RAPIDS TOWN PROPERTIES LTD.

Financial Statements

For the year ended March 31, 2021

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the company are safeguarded.

The Deputy Minister is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

The responsibility of the external auditor is to express an independent professional opinion on whether the financial statements of Leaf Rapids Town Properties Ltd. are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

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INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To those charged with governance of Leaf Rapids Town Properties Ltd.

Opinion

We have audited the financial statements of Leaf Rapids Town Properties Ltd. (the Company), which comprise the statement of financial position as at March 31, 2021 and the statement of operations, the statement of change in net financial assets and the 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 Company as at March 31, 2021, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Emphasis of Matter

We draw attention to Notes 1 and 3 of the financial statements, which describes the dissolution of the Company and the transfer of assets to the Provincial Government. Our opinion is not modified in respect to this matter.

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 Company 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 these financial statements in accordance with PSAS, 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 Company'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 an intention exists to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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.
- 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.

Office of the Auditor General
Winnipeg, Manitoba
July 8, 2021

LEAF RAPIDS TOWN PROPERTIES LTD.
Statement of Financial Position

As at March 31	2021	2020
Financial Assets		
Cash and cash equivalents (Note 5)	\$ 168,559	\$ 1,499,540
Accounts receivable (Note 6)	262,149	24,854
GST receivable	12,632	17,585
Developed lots held for resale	1	1
	<u>443,341</u>	<u>1,541,980</u>
Liabilities		
Accounts payable and accrued liabilities	13,650	150,952
Deferred revenue	-	17,115
	<u>13,650</u>	<u>168,067</u>
Net financial assets	<u>429,691</u>	<u>1,373,913</u>
Non-financial Assets		
Prepaid expenses	-	4,822
Tangible capital assets (Note 7)	1	1
	<u>1</u>	<u>4,823</u>
Accumulated surplus (Note 8)	<u>\$ 429,692</u>	<u>\$ 1,378,736</u>

Approved on behalf of the Province of Manitoba:

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On March 31, 2021, subsequent to the reported financial information presented in the financial statements, Leaf Rapids Town Properties Ltd. was dissolved (Note 3).

LEAF RAPIDS TOWN PROPERTIES LTD. Statement of Operations

For the year ended March 31	2021 Budget	2021 Actual	2020 Actual
Revenue			
Rentals	\$ 314,000	\$ 314,254	\$ 314,177
Administrative expenses paid for by the Province of Manitoba	151,000	182,443	224,500
Cost recoveries and other revenue	-	4	15
Grant - Province of Manitoba	-	-	11,053,205
	<u>465,000</u>	<u>496,701</u>	<u>11,591,897</u>
Expenses			
Repairs and maintenance	787,000	648,015	724,418
Utilities	212,000	228,132	219,979
Administrative expenses	151,000	182,443	224,500
Property taxes	215,000	178,408	237,781
Janitorial	119,000	117,560	117,042
Snow removal	32,000	32,973	25,383
Professional fees	17,000	14,416	29,264
Insurance	11,000	12,925	8,040
Supplies and office	13,000	9,880	12,670
Vehicle and travel	13,000	9,750	9,382
Telephone	6,000	8,188	8,050
Sundry	2,000	3,056	2,876
Salaries and benefits	-	-	295
Bad debts	-	-	15
Hospital link roof	50,000	-	-
	<u>1,628,000</u>	<u>1,445,745</u>	<u>1,619,695</u>
Surplus (deficit) before other item	(1,163,000)	(949,044)	9,972,202
Other Item			
Interest expense (Note 9)	260,000	-	253,205
Surplus (deficit) for the year	(1,423,000)	(949,044)	9,718,997
Accumulated surplus (deficit), beginning of year	1,378,736	1,378,736	(8,340,261)
Accumulated surplus (deficit), end of year	\$ (44,264)	\$ 429,692	\$ 1,378,736

On March 31, 2021, subsequent to the reported financial information presented in the financial statements, Leaf Rapids Town Properties Ltd. was dissolved (Note 3).

LEAF RAPIDS TOWN PROPERTIES LTD.
Statement of Change in Net Financial Assets

For the year ended March 31	2021	2021	2020
	Budget	Actual	Actual
Annual surplus (deficit)	\$ (1,423,000)	\$ (949,044)	\$ 9,718,997
Other Non-financial Assets			
Change in prepaid expenses	-	4,822	(228)
Increase (decrease) in net financial assets	(1,423,000)	(944,222)	9,718,769
Net financial assets (net debt), beginning of year	1,373,913	1,373,913	(8,344,856)
Net financial assets (net debt), end of year	\$ (49,087)	\$ 429,691	\$ 1,373,913

On March 31, 2021, subsequent to the reported financial information presented in the financial statements, Leaf Rapids Town Properties Ltd. was dissolved (Note 3).

LEAF RAPIDS TOWN PROPERTIES LTD. Statement of Cash Flows

For the year ended March 31	2021	2020
Cash provided by (applied to):		
Operating Activities		
Annual surplus (deficit)	\$ (949,044)	\$ 9,718,997
Adjustments for non-cash item		
Forgiveness of loan payable	-	(10,800,000)
	<u>(949,044)</u>	<u>(1,081,003)</u>
Changes in:		
Accounts receivable	(237,295)	(10,350)
GST receivable	4,953	(662)
Accounts payable and accrued liabilities	(137,302)	(235,911)
Deferred revenue	(17,115)	1,050
Prepaid expenses	4,822	(228)
	<u>(1,330,981)</u>	<u>(1,327,104)</u>
Capital Activities	-	-
Investing Activities	-	-
Financing Activities		
Loan proceeds - Province of Manitoba	-	1,600,000
Increase (decrease) in cash and cash equivalents during the year	(1,330,981)	272,896
Cash and cash equivalents, beginning of year	1,499,540	1,226,644
Cash and cash equivalents, end of year	\$ 168,559	\$ 1,499,540
Represented by		
Cash	\$ 167,689	\$ 1,498,674
Short-term deposits	870	866
	<u>\$ 168,559</u>	<u>\$ 1,499,540</u>
Interest paid	\$ -	\$ 96,804

On March 31, 2021, subsequent to the reported financial information presented in the financial statements, Leaf Rapids Town Properties Ltd. was dissolved (Note 3).

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

1. Nature of Operations

Leaf Rapids Town Properties Ltd. (the "Company") was incorporated in 1971 under the Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Company has managed, leased and operated its physical assets and properties in Leaf Rapids. The Company is economically dependent on the Province of Manitoba.

On March 31, 2021, the Company was dissolved under the Corporations Act as per Subsection 203(3). As disclosed in Note 3, all assets and liabilities were transferred subsequent to year end to the Province of Manitoba Department of Central Services, a related entity within the government reporting entity.

The Company is exempt from tax under Section 149(1)(d) of the Income Tax Act of Canada.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The Province of Manitoba sets the date of dissolution. Different practices exist regarding timing of accounting for the dissolution, either before or after the date of dissolution. When management determines that the accounting year ends after the date of dissolution, the statement of financial position reports no assets and/or liabilities as at the year end date, and the statement of operations reports the net amount of liabilities or assets transferred upon dissolution as revenue or expense. When management determines that the accounting year ends before the date of dissolution, the dissolution is a subsequent event, and the statement of financial position reports assets and/or liabilities as at before the dissolution, and no dissolution revenue or expense is reported in the current year statement of operations. Management has determined the Company's accounting year ended immediately prior to the dissolution. Accordingly, the statement of financial position reports assets and liabilities immediately prior to the dissolution, and the statement of operations does not include an amount related to the dissolution.

The following notes and policies will not apply beyond the dissolution date (Note 3).

b. Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for other government organizations as established by the Public Sector Accounting Board.

c. Developed Lots

Developed lots held for resale were written down, in a previous year, to a nominal value of \$1. Property taxes and any other related costs are charged to operations.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

d. Administrative Support

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

e. Income Taxes

These financial statements do not reflect any provision for corporation income taxes as the Company considers itself to be exempt from tax under Section 149(1)(d) of the Income Tax Act of Canada.

f. Revenue Recognition

(i) Government Transfers

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to a liability.

(ii) Exchange Transactions

Product revenue is recognized when the goods are shipped or delivered and title and risk of loss pass to the customer. Service revenue is recognized when the rendering of services is completed or substantially completed. Deferred revenue relates to rental revenue received in advance.

(iii) Other Revenue

Rental revenue is recorded on an accrual basis as earned over the rental term. All other revenues are recorded on an accrual basis.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

g. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

h. Non-financial Assets

Non-financial assets do not normally provide resources to discharge liabilities of the Company. These assets are normally employed to provide future services.

(i) Prepaid Expenses

Prepaid expenses are payments for goods and services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(ii) Tangible Capital Assets

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, building and equipment were written down to reflect the reduction in their useful lives (Note 11). Accordingly, there is no amortization for 2021.

i. Use of Estimates

Financial statements prepared in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that can affect the reported balances of assets, liabilities, disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

3. Dissolution of the Company

The Province of Manitoba as sole shareholder of the Corporation directed that the Company begin the process of winding down and for it to be dissolved completely. On December 3, 2020, the Company's Board of Directors passed a Shareholder's Resolution to begin the process of winding down the Company.

In order for this to be accomplished, it has been approved to transfer the Company's assets and liabilities to the Department of Central Services through the budgeting process of the Province. The approval is for the asset and liability transfer to be effective on or before March 31, 2021.

On March 31, 2021, subsequent to the reporting period of the financial statements, the Company was dissolved under the Corporations Act as per Subsection 203(3). As a result, assets and liabilities were transferred to the Province of Manitoba Department of Central Services. The following carrying values were transferred at the date of dissolution:

Cash	\$ 168,559
Accounts receivable	274,781
Developed lots held for resale	1
Tangible capital assets	1
Accounts payable	<u>(13,650)</u>
Net assets transferred due to dissolution	<u>\$ 429,692</u>

4. Financial Instruments and Financial Risk Management

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Company records its financial assets at cost, which include cash and cash equivalents, accounts receivable and GST receivable. The Company also records its financial liabilities at cost, which include accounts payable and accrued liabilities and the loans payable to the Province of Manitoba.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gains or loss occurs.

The Company did not incur any remeasurement gains and losses during the year (Nil in 2020).

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

4. Financial Instruments and Financial Risk Management (continued)

Financial Risk Management - Overview

The Company has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Company to credit risk consist principally of cash, accounts receivable, and GST receivable.

The maximum exposure of the Company to credit risk at March 31 is:

	2021	2020
Cash and cash equivalents	\$ 168,559	\$ 1,499,540
Accounts receivable	262,149	24,854
GST receivable	12,632	17,585
	<u>\$ 443,340</u>	<u>\$ 1,541,979</u>

Cash and cash equivalents: The Company is not exposed to significant credit risk as these amounts are held by the Minister of Finance or a Chartered Bank.

Accounts receivable: The Company is not exposed to significant credit risk as the accounts receivable are due from a large client base or the federal government. The Company manages this credit risk through close monitoring of overdue accounts.

The Company establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

The Company manages liquidity risk by maintaining adequate cash balances and by reviewing its cash flows to ensure adequate funding will be received to meet the obligations.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchanges rates, will affect the Company's income or the fair values of its financial instruments.

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 interest rate exposure relates to cash and cash equivalents. The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with bank and short-term deposits with original maturities of three months or less.

6. Accounts Receivable

	2021	2020
Interest receivable - Minister of Finance	\$ 252,687	\$ -
Trade	9,462	24,854
	<u>\$ 262,149</u>	<u>\$ 24,854</u>

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

For the year ended March 31, 2021

7. Tangible Capital Assets

	2021			2020	
	Cost	Accumulated Write Down	Accumulated Amortization	Net Book Value	Net Book Value
Commercial Properties					
Land	\$ 478,766	\$ 478,765	\$ -	\$ 1	\$ 1
Buildings	1,627,110	561,919	1,065,191	-	-
Equipment	14,246	4,110	10,136	-	-
Non-Commercial Properties					
Land	414,692	414,692	-	-	-
Buildings	4,701,479	-	4,701,479	-	-
Other Property					
Land	82,301	82,301	-	-	-
Buildings	857,752	321,652	536,100	-	-
Equipment	201,311	60,217	141,094	-	-
	\$ 8,377,657	\$ 1,923,656	\$ 6,454,000	\$ 1	\$ 1

8. Accumulated Surplus (Deficit)

	2021	2020
Deficit	\$ (2,177,757)	\$ (1,242,364)
Share capital	2,621,100	2,621,100
Surplus (deficit)	\$ 443,342	\$ 1,378,736

Share capital is as follows:

Authorized:

40,000 common shares, not to exceed \$40,000

26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed \$2,621,000 with a redemption price of \$100 per share

The issued capital is as follows:

	2021	2020
100 common shares	\$ 100	\$ 100
26,210 preferred shares	2,621,000	2,621,000
	\$ 2,621,100	\$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

LEAF RAPIDS TOWN PROPERTIES LTD. Notes to Financial Statements

For the year ended March 31, 2021

9. Interest Expense

	2021	2020
Interest expense on loans from the Province of Manitoba	\$ -	\$ 253,205

10. Related Party Transactions

All issued shares of the Company are held by the Minister of Finance of the Province of Manitoba. Administrative expenses of \$182,443 (\$224,500 in 2020) were paid by the Province of Manitoba for the Company. The Company has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2021. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2021	2020
Cash and cash equivalents	\$ 870	\$ 866
Accounts receivable	252,687	-
Account payable and accrued liabilities	13,650	14,200

11. Write Down of Assets to Net Realizable Value

The viability of the Company was dependant on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Company determined the net realizable value of the Town Centre land to be \$100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by \$123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by \$1,064,414. In 2002, the cost of land, buildings and equipment had been written down by \$320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine.

During the 2015 fiscal year, the Company began a project to upgrade its fire alarm, sprinkler system and emergency generator. The total cost of this project was approximately \$577,900 in the 2016 fiscal year (\$1,504,000 in 2015) and this amount was included in repairs and maintenance expenses.

During the 2016 fiscal year, the Company entered into two separate contracts to repair its roof. The contracts were for approximately \$229,000 and \$87,000 respectively, and were completed as at March 31, 2016. The actual amount spent on the roof repairs under these contracts total approximately \$316,000. This was included in repairs and maintenance expenses.