

Port Alberni Port Authority
Financial Statements
Year Ended December 31, 2020

Independent Auditor's Report

To the Members of Port Alberni Port Authority

Report on the Financial Statements

Opinion

We have audited the financial statements of Port Alberni Port Authority (the Port Authority), which comprise the statement of financial position as at December 31, 2020, and the statements of equity, income and comprehensive income and 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 Port Authority as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Port Authority in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 Port Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Port Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Port Authority'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.

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Independent Auditor's Report to the Members of Port Alberni Port Authority (*continued*)

As part of an audit in accordance with International Financial Reporting 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 Port Authority'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 Port Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Port Authority 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.

Dusanj & Wirk

Victoria, British Columbia
March 31, 2021

Chartered Professional Accountants

Port Alberni Port Authority
Statement of Financial Position
December 31, 2020

	2020	2019
	\$	\$
Assets		
Current		
Cash and short-term investments (Note 3)	3,623,888	4,089,403
Accounts receivable	342,718	197,764
Inventory	36,627	34,748
Loans receivable (Note 4)	49,998	-
Prepaid expenses	95,862	122,564
	<u>4,149,093</u>	<u>4,444,479</u>
Property and equipment (Notes 5, 6)	<u>12,970,703</u>	<u>11,875,162</u>
Total assets	<u>17,119,796</u>	<u>16,319,641</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	835,360	568,122
Security deposits	202,335	136,660
Unearned revenue	129,504	192,573
	<u>1,167,199</u>	<u>897,355</u>
Deferred government contributions (Note 7)	<u>4,892,439</u>	<u>3,987,324</u>
Total liabilities	<u>6,059,638</u>	<u>4,884,679</u>
Equity		
Reserve for harbour maintenance and development (Note 8)	2,500,000	2,500,000
Retained earnings	8,560,158	8,934,962
	<u>11,060,158</u>	<u>11,434,962</u>
Total liabilities and equity	<u>17,119,796</u>	<u>16,319,641</u>

Commitments (Note 9)

Approved on behalf of the Board


 _____ Chairman


 _____ Director

The accompanying notes are an integral part of these financial statements

Port Alberni Port Authority
Statement of Equity
Year Ended December 31, 2020

	2019 Balance \$	Comprehensive income (loss) \$	Transfers \$	2020 Balance \$
Reserve for Harbour Maintenance & Development	2,500,000	-	-	2,500,000
Retained Earnings	8,934,956	(374,804)	-	8,560,152
	<u>11,434,956</u>	<u>(374,804)</u>	<u>-</u>	<u>11,060,152</u>
	2018 Balance \$	Comprehensive income \$	Transfers \$	2019 Balance \$
Reserve for Harbour Maintenance & Development	2,500,000	-	-	2,500,000
Retained Earnings	8,924,523	10,433	-	8,934,956
	<u>11,424,523</u>	<u>10,433</u>	<u>-</u>	<u>11,434,956</u>

The accompanying notes are an integral part of these financial statements

Port Alberni Port Authority
Statement of Income and Comprehensive Income
Year Ended December 31, 2020

	2020	2019
	\$	\$
Revenues		
Operations	3,642,168	4,096,569
Investment income	28,407	66,344
	<u>3,670,575</u>	<u>4,162,913</u>
Gross revenue charge (Note 11)	69,662	78,937
	<u>3,600,913</u>	<u>4,083,976</u>
Expenses		
City of Port Alberni Accord (Note 12)	95,000	95,000
Fuel purchases	103,021	140,911
Insurance	157,884	134,918
Leases	210,386	213,734
Repairs and maintenance	169,186	259,987
Supplies, service and leases	374,894	455,923
Utilities	256,780	249,506
Wages and benefits	1,978,542	1,975,700
	<u>3,345,693</u>	<u>3,525,679</u>
Income from operations before other items	<u>255,220</u>	<u>558,297</u>
Other items		
Amortization	(630,214)	(577,864)
Gain on disposal of assets	190	30,000
	<u>(630,024)</u>	<u>(547,864)</u>
Income (loss) and comprehensive income (loss) for the year	<u>(374,804)</u>	<u>10,433</u>

The accompanying notes are an integral part of these financial statements

Port Alberni Port Authority
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	(374,804)	10,433
Items not affecting cash:		
Amortization of property, plant and equipment	630,214	577,864
Gain on disposal of assets	(190)	(30,000)
	<u>255,220</u>	<u>558,297</u>
Changes in non-cash working capital:		
Accounts receivable	(144,954)	192,301
Loans receivable	(49,998)	-
Inventory	(1,879)	1,364
Accounts payable and accrued liabilities	267,238	(17,749)
Unearned revenue	(63,069)	80,688
Prepaid expenses	26,702	(58,340)
Security deposits	65,675	18,202
	<u>99,715</u>	<u>216,466</u>
Cash flow from operating activities	<u>354,935</u>	<u>774,763</u>
Investing activities		
Purchase of property and equipment	(1,910,640)	(151,117)
Net proceeds on disposal of property and equipment	190	30,000
Cash flow used by investing activities	<u>(1,910,450)</u>	<u>(121,117)</u>
Financing activities		
Long-term debt	-	(1,663)
Government grants received	1,090,000	-
Cash flow from (used by) financing activities	<u>1,090,000</u>	<u>(1,663)</u>
Increase (decrease) in cash flow	(465,515)	651,983
Cash and short-term investments - beginning of year	<u>4,089,403</u>	<u>3,437,420</u>
Cash and short-term investments - end of year (Note 3)	<u>3,623,888</u>	<u>4,089,403</u>

The accompanying notes are an integral part of these financial statements

Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

1. Business operations

The Port Alberni Port Authority (the "Port Authority") was incorporated on July 1, 1999 in accordance with Section 10 of the Canada Marine Act (CMA) and by Letters Patent of Continuance issued by the Minister of Transport. The Port Authority's registered office is located at 2750 Harbour Rd, Port Alberni, BC.

The Port Authority generates revenue through a variety of operations including deep-sea shipping port, marina management, and property leases.

The Port Authority is exempt from income taxes as it pays a gross revenue charge (federal stipend) as required per the Letters Patent under the authority of the CMA.

2. Significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Port Authority's accounting policies and the financial information presented are consistent with the recommendations of the International Accounting Standards Board (IASB). All amounts are reported in Canadian funds. The financial statements were prepared on the historical cost basis and include the following significant accounting policies which have been applied consistently in all material respects:

The financial statements of Port Alberni Port Authority for the year ended December 31, 2020 were approved and authorized for issue by the Board of Directors on March 31, 2021.

Significant accounting judgements, estimates and assumptions

The preparation of the Port Authority's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Financial instruments

The Port Authority aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of purchase, into the following categories:

i) Financial Assets at Fair Value through Profit or Loss

This category involves financial instruments held for the purpose of selling them in the short-term. All of the financial instruments in this category must meet the definition of financial assets held for trading. The instruments classified in this category are classified in current assets and include cash and short-term investments.

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

2. Significant accounting policies (continued)

Financial assets classified in this category are initially recognized at fair value and the transactions costs are expensed to the income statement. Subsequently, financial assets at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit and loss.

ii) Held-to-maturity Investments

This category involves non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Port Authority has the positive intention and ability to hold to maturity other than those that the Port Authority upon initial recognition designates as at fair value through profit or loss, available for sale, and those that meet the definition of loans and receivables. The Port Authority does not have any instruments classified in this category.

Held to maturity investments are measured at amortized cost using the effective interest method less any allowance for impairment.

iii) Loans and Receivables

This category involves non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They include current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current. The instruments classified in this category are accounts receivable.

Loans and receivables are measured at amortized cost using the effective interest rate method less an appropriate allowance for doubtful receivables.

iv) Available-for-sale Financial Assets

This category involves non-derivative financial instruments that are either designated as such upon initial recognition or are not classified in any of the other categories. The Port Authority does not have any instruments classified in this category.

Available-for-sale assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss. When the asset is sold, the accumulated gains or losses in other comprehensive income are reclassified in the income statement.

v) Financial Liabilities at Fair Value through Profit or Loss

This category involves financial liabilities held for trading. Financial liabilities classified in this category are measured at fair value with unrealized gains and losses recognized through profit and loss. The Port Authority does not have any instruments classified in this category.

vi) Other Financial Liabilities

This category involves other financial liabilities that are initially recorded at fair value less transaction costs. The instruments classified in this category are accounts payable and accrued liabilities.

Other financial liabilities are measured at amortized cost using the effective interest method.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment.

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

2. Significant accounting policies (continued)

Cash and short-term investments

The Port Authority's policy is to disclose bank balances under cash and short-term investments, including bank overdrafts with balances that fluctuate frequently from being positive to overdraft and short-term investments with a maturity period of three months or less from the date of acquisition.

Inventories

Inventories are stated at the lower of cost and net realizable value, with the cost being determined using the FIFO (first in, first out) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct material and labour costs, and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

Property and equipment

Property and equipment are stated at historical cost, less any accumulated depreciation and any impairment losses. Historical cost includes all costs directly attributable to the acquisition. Land is not amortized. Amortization of other items of property and equipment is provided on parts that have homogeneous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives, as follows:

Buildings and parking lot	5-10%	declining balance method
Developments	2.5-10%	declining balance method
Equipment	5-30%	declining balance method
Exploration costs	5 years	straight-line method
Floats	10%	declining balance method
Furniture	20-100%	declining balance method
Harbours	5-100%	declining balance method
Marinas	2.5-20%	declining balance method
Terminals	2.5-10%	declining balance method
Vehicles	20%	declining balance method
Wharves	10%	declining balance method

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The investment properties are measured using the cost method and are included in property and equipment. Amortization is calculated using the straight-line method. Details of the useful lives of the properties are discussed with property and equipment.

Deferred government contributions

Government grants are recognized, in amortization, on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate, through profit and loss.

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

2. Significant accounting policies (continued)

Revenue recognition

Revenue from moorage and camping is recognized over the length of the contract and is subject to cancellation policies for early termination. Revenue from leases is recognized into revenue over the life of the lease. Unrecognized revenue is recorded as unearned revenue. All other revenue is recognized when earned.

Impairment of long lived assets

Long-lived assets consist of property and equipment. The Port Authority performs impairment testing on long-lived assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Non-current assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the reporting date.

3. Cash and short-term investments

The Port Authority's cash and short-term investments are held with commercial banks and investment members in fixed and guaranteed income securities as required by the Canada Marine Act per port authorities' management regulation. Cash and short-term investments consist of the following:

	2020 \$	2019 \$
Cash	47,354	40,465
Short-term investments	3,576,534	4,048,938
	<u>3,623,888</u>	<u>4,089,403</u>

4. Loans receivable

The Port Authority has issued loans receivable of \$49,998 (2019: \$nil) to tenants in lieu of Security Deposits. The loans are non-interest bearing and mature on July 1, 2022 with equipment provided as collateral.

Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

5. Property and equipment

	Cost			December 31, 2020 \$
	January 1, 2020 \$	Additions \$	Disposals \$	
Terminal				
Harbour vehicles	109,557	-	-	109,557
Terminal - berth 1 and 2	4,903,888	14,692	-	4,918,580
Terminal - berth 3	4,631,824	83,470	-	4,715,294
Terminal equipment	1,802,038	1,611	-	1,803,649
	<u>11,447,307</u>	<u>99,773</u>	<u>-</u>	<u>11,547,080</u>
Fisherman's Harbour, Argyle, & Water Street				
Argyle Street development	6,425,378	-	-	6,425,378
Fisherman's harbour	4,254,462	9,750	-	4,264,212
Water Street wharf	285,638	-	-	285,638
Sundry Floats	22,948	-	-	22,948
	<u>10,988,426</u>	<u>9,750</u>	<u>-</u>	<u>10,998,176</u>
Real Estate				
Port Fish building & equipment	1,888,872	1,597,289	-	3,486,161
Kingsway Avenue - parking	330,976	-	-	330,976
Marine Centre Building	254,764	-	-	254,764
Harbour Road	112,069	-	-	112,069
	<u>2,586,681</u>	<u>1,597,289</u>	<u>-</u>	<u>4,183,970</u>
Marinas				
China Creek Marina	4,208,850	69,538	-	4,278,388
Clutesi Haven Marina	2,400,524	90,673	-	2,491,197
Harbour Quay Marina	5,160,540	34,751	-	5,195,291
	<u>11,769,914</u>	<u>194,962</u>	<u>-</u>	<u>11,964,876</u>
Administration				
Environmental protection equipment	34,852	-	-	34,852
Exploration costs	435,868	-	-	435,868
Harbour costs	315,740	6,618	-	322,358
Furniture and equipment	464,975	2,247	-	467,222
	<u>1,251,435</u>	<u>8,865</u>	<u>-</u>	<u>1,260,300</u>
	<u>38,043,763</u>	<u>1,910,639</u>	<u>-</u>	<u>39,954,402</u>

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

5. Property and equipment (continued)

	Accumulated Amortization				Value 2020 \$
	January 1, 2020 \$	Expense \$	Disposals \$	December 31, 2020 \$	
Terminal					
Harbour vehicles	109,557	-	-	109,557	-
Terminal - berth 1 and 2	4,682,186	27,528	-	4,709,714	208,866
Terminal - berth 3	3,441,308	23,649	-	3,464,957	1,250,337
Terminal equipment	1,431,708	49,925	-	1,481,633	322,016
	<u>9,664,759</u>	<u>101,102</u>	<u>-</u>	<u>9,765,861</u>	<u>1,781,219</u>
Fisherman's Harbour, Argyle, & Water Street					
Argyle Street development	2,136,706	164,847	-	2,301,553	4,123,825
Fisherman's harbour	1,530,576	141,844	-	1,672,420	2,591,792
Water Street wharf	193,825	9,181	-	203,006	82,632
Sundry Floats	17,022	1,115	-	18,137	4,811
	<u>3,878,129</u>	<u>316,987</u>	<u>-</u>	<u>4,195,116</u>	<u>6,803,060</u>
Real Estate					
Port Fish building & equipment	1,882,408	45,165	-	1,927,573	1,558,588
Kingsway Avenue - parking	330,976	-	-	330,976	-
Marine Centre Building	220,590	1,753	-	222,343	32,421
Harbour Road	112,069	-	-	112,069	-
	<u>2,546,043</u>	<u>46,918</u>	<u>-</u>	<u>2,592,961</u>	<u>1,591,009</u>
Marinas					
China Creek Marina	3,045,784	77,170	-	3,122,954	1,155,434
Clutesi Haven Marina	1,822,410	45,023	-	1,867,433	623,764
Harbour Quay Marina	4,326,658	127,994	-	4,454,652	740,639
	<u>9,194,852</u>	<u>250,187</u>	<u>-</u>	<u>9,445,039</u>	<u>2,519,837</u>
Administration					
Environmental protection equipment	34,852	-	-	34,852	-
Exploration costs	87,174	87,174	-	174,348	261,520
Harbour costs	312,740	7,570	-	320,310	2,048
Furniture and equipment	450,052	5,160	-	455,212	12,010
	<u>884,818</u>	<u>99,904</u>	<u>-</u>	<u>984,722</u>	<u>275,578</u>
	<u>26,081,427</u>	<u>815,098</u>	<u>-</u>	<u>26,983,699</u>	<u>12,970,703</u>

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

5. Property and equipment (continued)

	Cost			December 31, 2019
	January 1, 2019	Additions	Disposals	
	\$	\$	\$	\$
Terminal				
Harbour vehicles	109,557	-	-	109,557
Terminal - berth 1 and 2	4,866,322	37,566	-	4,903,888
Terminal - berth 3	4,607,931	23,893	-	4,631,824
Terminal equipment	1,782,738	19,300	-	1,802,038
	<u>11,366,548</u>	<u>80,759</u>	<u>-</u>	<u>11,447,307</u>
Fisherman's Harbour, Argyle, & Water Street				
Argyle Street development	6,425,378	-	-	6,425,378
Fisherman's harbour	4,235,948	18,514	-	4,254,462
Water Street wharf	285,638	-	-	285,638
Sundry Floats	22,948	-	-	22,948
	<u>10,969,912</u>	<u>18,514</u>	<u>-</u>	<u>10,988,426</u>
Real Estate				
Port Fish building & equipment	1,885,212	3,660	-	1,888,872
Kingsway Avenue - parking	330,976	-	-	330,976
Marine Centre Building	219,714	35,050	-	254,764
Harbour Road	112,069	-	-	112,069
	<u>2,547,971</u>	<u>38,710</u>	<u>-</u>	<u>2,586,681</u>
Marinas				
China Creek Marina	4,205,057	3,793	-	4,208,850
Clutesi Haven Marina	2,400,524	-	-	2,400,524
Harbour Quay Marina	5,160,540	-	-	5,160,540
	<u>11,766,121</u>	<u>3,793</u>	<u>-</u>	<u>11,769,914</u>
Administration				
Environmental protection equipment	34,852	-	-	34,852
Exploration costs	435,868	-	-	435,868
Harbour costs	309,740	6,000	-	315,740
Furniture and equipment	461,633	3,342	-	464,975
	<u>1,242,093</u>	<u>9,342</u>	<u>-</u>	<u>1,251,435</u>
	<u>37,892,645</u>	<u>151,118</u>	<u>-</u>	<u>38,043,763</u>

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

5. Property and equipment (continued)

	Accumulated Amortization				Value 2019 \$
	January 1, 2019 \$	Expense \$	Disposals \$	December 31, 2019 \$	
Terminal					
Harbour vehicles	109,557	-	-	109,557	-
Terminal - berth 1 and 2	4,656,619	25,567	-	4,682,186	221,702
Terminal - berth 3	3,423,015	18,293	-	3,441,308	1,190,516
Terminal equipment	1,382,813	48,895	-	1,431,708	370,330
	<u>9,572,004</u>	<u>92,755</u>	<u>-</u>	<u>9,664,759</u>	<u>1,782,548</u>
Fisherman's Harbour, Argyle, & Water Street					
Argyle Street development	1,965,347	171,359	-	2,136,706	4,288,672
Fisherman's harbour	1,388,799	141,777	-	1,530,576	2,723,886
Water Street wharf	193,825	-	-	193,825	91,813
Sundry Floats	15,907	1,115	-	17,022	5,926
	<u>3,563,878</u>	<u>314,251</u>	<u>-</u>	<u>3,878,129</u>	<u>7,110,297</u>
Real Estate					
Port Fish building & equipment	1,881,898	510	-	1,882,408	6,464
Kingsway Avenue - parking	330,976	-	-	330,976	-
Marine Centre Building	219,714	876	-	220,590	34,174
Harbour Road	112,069	-	-	112,069	-
	<u>2,544,657</u>	<u>1,386</u>	<u>-</u>	<u>2,546,043</u>	<u>40,638</u>
Marinas					
China Creek Marina	2,968,344	77,440	-	3,045,784	1,163,066
Clutesi Haven Marina	1,785,705	36,705	-	1,822,410	578,114
Harbour Quay Marina	4,201,102	125,556	-	4,326,658	833,882
	<u>8,955,151</u>	<u>239,701</u>	<u>-</u>	<u>9,194,852</u>	<u>2,575,062</u>
Administration					
Environmental protection equipment	34,852	-	-	34,852	-
Exploration costs	-	87,174	-	87,174	348,694
Harbour costs	309,740	3,000	-	312,740	3,000
Furniture and equipment	446,183	3,869	-	450,052	14,923
	<u>790,775</u>	<u>94,043</u>	<u>-</u>	<u>884,818</u>	<u>366,617</u>
	<u>25,426,465</u>	<u>742,136</u>	<u>-</u>	<u>26,168,601</u>	<u>11,875,162</u>

6. Investment properties

Investment properties are comprised of the Port Fish Building and the Marine Centre Building. Included in the Port Authority's income is rental income from investment properties of \$124,780 (2019: \$124,780). A reconciliation of the investment properties' carrying amounts, including their gross carrying amounts and accumulated amortization, is included in Note 5.

Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

7. Deferred government contributions

The Port Authority has received the following government contributions:

	2020 \$	2019 \$
Balance, beginning of year	3,987,324	4,151,595
Amount recognized as amortization	(184,885)	(164,271)
Amounts received during the year	1,090,000	-
Balance, end of year	<u>4,892,439</u>	<u>3,987,324</u>

8. Reserve for harbour maintenance and development

The Port Authority has appropriated equity, under the title "harbour maintenance and development", in the amount of \$2,500,000 (2019: \$2,500,000) for future upgrading and development of the port terminals, marinas, and harbour.

9. Commitments

The Port Authority has a long-term Head Lease with the Province of British Columbia for the management of provincial property in and along the Alberni Inlet. The present lease agreement originated on January 1, 1986 with a term to December 31, 2023. The revenue rate allocation for the term to December 31, 2020 was 50% to the Port Authority.

The Port Authority has a long-term lease with the Regional District of Alberni-Clayoquot for the operation of a campground with a term to December 31, 2029. Annual rent equivalent of 2.4% of the camping revenue is payable each year to the Regional District of Alberni-Clayoquot. A new rent rate is to be negotiated at the beginning of the year 2021. The lease has a cancellation clause of one year for the Port Authority and five years for the Regional District.

The Port Authority has a lease with the City of Port Alberni for Clutesi Haven Marina properties. The term of the lease is to December 31, 2039 with an option to renew for a further 21 years. The rent is \$1 per year and subject to negotiation by mutual agreement for each five year period which commenced January 1, 2015.

The Port Authority has a long-term lease with the Province of British Columbia for the marina lands at China Creek Marina. The term of the lease is to January 31, 2025. The annual fee for use is 4% of the potential gross income from moorage.

The total income earned from subleases for 2020 is \$997,445 (2019: \$899,747). The variable lease payments for 2020 are \$16,289 (2019: \$13,687). The cash outflows for 2020 are \$451,019 (2019: \$417,478).

10. Loan approval

The Port Authority has a facility with a commercial bank to borrow up to \$1 million, providing the equivalent amount of investments are pledged as security. The rate of interest is commercial bank prime. There was no balance payable at year end.

Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

11. Gross revenue charge

In order to maintain its Letters Patent in good standing, the Port Authority is required to annually pay the Minister of Transport a charge on gross revenues. The charge is calculated by reference to gross revenues at a rate of 2% on the first \$10 million and at variable rates thereafter.

12. Municipal Accord - City of Port Alberni

The Port Authority and City of Port Alberni are reviewing the Accord between the parties. In the interest of continued collaboration on the projects of common interest and for the benefit of the community, the Port Authority will continue its payment of \$95,000 per annum until a new agreement is completed. In 2020, the Port Authority contributed \$95,000 towards the DOCK+ Food Hub project in lieu of the payment to the City. This has been reported as part of the deferred capital contributions.

13. Capital management

The Port Authority's objective in managing its capital is to fund operations and property and equipment acquisitions. The Port Authority's capital is comprised of assets and liabilities that are liquid. The Port Authority is not subject to any externally imposed capital requirements.

The Port Authority manages the capital based on changes in economic conditions and risk assessment. The Port Authority has sufficient cash and short-term investments to continue to fund the Port's operations.

	2020 \$	2019 \$
Cash and short-term investments	3,623,888	4,089,403
Accounts payable and accrued liabilities	(835,360)	(568,122)
Net excess	<u>2,788,528</u>	<u>3,521,281</u>

Management has estimated that the Port Authority is committed to expenditures totaling \$408,500 (2019: \$1,689,500) for property and equipment for the next fiscal year.

14. Financial instruments

The fair value of the Port Authority's financial instruments and their related carrying values are categorized as follows:

	2020		2019	
	Book Value \$	Fair Value \$	Book Value \$	Fair Value \$
Financial Assets				
Loans and receivables				
Accounts receivable	342,718	342,718	197,764	197,764
Fair value through profit & loss				
Cash and short-term investments	<u>3,623,888</u>	<u>3,623,888</u>	<u>4,089,403</u>	<u>4,089,403</u>
	<u>3,966,606</u>	<u>3,966,606</u>	<u>4,287,167</u>	<u>4,287,167</u>

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

14. Financial instruments (continued)

	2020		2019	
	Book Value \$	Fair Value \$	Book Value \$	Fair Value \$
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	835,361	835,361	568,128	568,128
Security deposits	202,335	202,335	136,660	136,660
	<u>1,037,696</u>	<u>1,037,696</u>	<u>704,788</u>	<u>704,788</u>

The financial instruments that are measured subsequent to initial recognition at fair value use the following fair value hierarchy to determine fair value:

- i) Level 1 – fair value measurements are derived from quoted market prices of identical assets.
- ii) Level 2 – fair value measurements are derived from valuation techniques developed from observable market data for similar assets or liabilities.
- iii) Level 3 – fair value measurements are derived from valuation techniques developed without observable market data.

Fair value of cash and short-term investments was determined using Level 1 as quoted market prices were available. The fair value of accounts receivable, accounts payable and accrued liabilities, and security deposits approximates their carrying value because of their short-term nature.

15. Financial risks and concentration of risks

Risk Management Policies

The Port Authority, through its financial instruments, is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The following evaluates the nature and extent of the risks at the end of the reporting period. There have been no significant changes to the Port Authority's risk exposure from the prior year.

Credit risk

Credit risk is the potential for financial loss should a counter party in a transaction fail to meet its obligations. The Port Authority is exposed to credit risk from its accounts receivable. In order to reduce this risk, the Port Authority has credit policies which include the analysis of the financial position of its customers and regular review of their credit limits. An allowance for doubtful accounts is established when factors surrounding the credit risk of specific amounts, historical trends, and other information indicate that an amount may not be collectible. At year end, an allowance for doubtful accounts of \$14,134 has been recorded. The Port Authority is not exposed to significant credit risk.

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Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

15. Financial risks and concentration of risks (continued)

Liquidity risk

Liquidity risk is the risk that Port Authority will encounter difficulty in meeting obligations. The Port Authority manages liquidity risk by having a reserve for harbour maintenance and development and sufficient cash and short-term investments. The Port Authority is not exposed to significant liquidity risk.

Currency risk

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 Port Authority does not face significant currency risk exposure.

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 Port Authority is exposed to interest rate risk on its short-term investments. The Port Authority manages interest rate risk by holding investments in accordance with the Canada Marine Act. The Port Authority is not exposed to significant interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Port Authority manages other price risk by holding investments in accordance with the Canada Marine Act.

16. Remuneration

As required by subsection 37(3) of the Canada Marine Act, the Port Authority must disclose the remuneration paid to the directors and president and chief executive officer in its annual financial statements. For the year ended December 31, 2020, directors' remuneration is as follows:

	Salaries and remuneration	Other benefits	Total
	\$	\$	\$
S. Chrest - Director	10,500	-	10,500
J. Cook - Director	10,500	-	10,500
R. Crema - Director	14,700	-	14,700
C. Dick - Director	10,500	-	10,500
A. Haggard - Director	10,500	-	10,500
D. Jonsson - Director	10,500	-	10,500
K. McRae- Director	12,600	-	12,600
Z. Knezevic - CEO	187,775	24,662	212,437
	<u>267,575</u>	<u>24,662</u>	<u>292,237</u>

Port Alberni Port Authority
Notes to Financial Statements
Year Ended December 31, 2020

17. COVID-19 Impact on Operations

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at December 31, 2020, the Port Authority has implemented several operational changes including delaying the opening of the China Creek Marina & Campground until June 2020, increasing expenditures on janitorial supplies, and providing tenants with rent forgiveness and discounts to assist in alleviating the economic challenges faced by businesses as a result of the COVID-19 crisis. The Port Authority also reduced the increase in lease rates for 2021 to provide further relief for tenants.

Management is uncertain of the effects of any future operational changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.