

Draft - For Discussion Purpose Only

Port of Johnstown
Financial Statements
December 31, 2020

Port of Johnstown

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For the year ended December 31, 2020

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Draft - For Discussion Purposes Only

Management's Responsibility

To the Members of Council, Inhabitants and Ratepayers of the Township of Edwardsburgh/Cardinal:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Port Management Committee is composed primarily of Members who are neither management nor employees of the Organization. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by members of Council of the Township of Edwardsburgh/Cardinal to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, Council, the Committee and management to discuss their audit findings.

General Manager

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Township of Edwardsburgh/Cardinal:

Opinion

We have audited the financial statements of the Port of Johnstown (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in equity 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 Organization as at December 31, 2020, and its financial performance and its 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 Organization 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Cornwall, Ontario

Chartered Professional Accountants

Licensed Public Accountants

Port of Johnstown
Statement of Financial Position
As at December 31, 2020

	2020	2019
Assets		
Current		
Cash	7,750,242	6,404,473
Trade and other receivables (Note 6)	1,785,250	1,256,424
Inventory	7,858	7,858
Prepaid expenses	57,446	45,148
	9,600,796	7,713,903
Non-current		
Investments (Note 7)	5,653,599	5,604,327
Property, plant and equipment (Note 8)	56,834,396	50,672,220
Total assets	72,088,791	63,990,450
Liabilities		
Current		
Trade and other payables (Note 9)	4,184,842	748,326
Deferred revenue	88,786	66,435
	4,273,628	814,761
Non-current		
Deferred capital contributions (Note 10)	26,657,693	25,622,747
	30,931,321	26,437,508
Commitments (Note 13)		
Equity		
Retained earnings	41,113,900	37,562,569
Accumulated other comprehensive income (loss)	43,570	(9,627)
	41,157,470	37,552,942
	72,088,791	63,990,450

Approved on behalf of the Board

Director

Director

Port of Johnstown
Statement of Comprehensive Income
For the year ended December 31, 2020

	2020	2019
Revenues		
Grain services (Note 11)	6,305,178	6,081,078
Berthage and wharfage	1,679,952	1,789,171
Rental income	324,885	284,899
Interest	221,852	255,784
Other	207,976	17,247
	8,739,843	8,428,179
Expenses		
Salaries, wages and benefits	2,506,193	2,569,317
Administration fees	769,715	758,340
Utilities	361,833	330,436
Outside services	314,383	431,171
Insurance	268,685	207,393
Material and supplies	106,191	150,191
Advertising and promotion	76,156	97,690
Community capital funding	65,149	-
Office and administration	64,798	82,780
Honorarium	16,120	16,000
Rental	9,720	9,512
Travel	4,023	10,344
Grain handling losses	-	12,074
	4,562,966	4,675,248
Income before depreciation and amortization and change in fair value of investments	4,176,877	3,752,931
Depreciation and amortization		
Depreciation of property, plant and equipment (Note 8)	1,039,148	965,702
Amortization of deferred capital contributions (Note 10)	(384,677)	(365,127)
	654,471	600,575
Change in fair value of investments (Note 7)	28,925	117,173
Net income for the year	3,551,331	3,269,529
OTHER COMPREHENSIVE INCOME		
Financial instruments		
Change in fair value of fixed rate instruments (Note 7)	53,197	23,521
Total comprehensive income for the year	3,604,528	3,293,050

The accompanying notes are an integral part of these financial statements

Port of Johnstown
Statement of Changes in Equity
For the year ended December 31, 2020

	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total equity</i>
Balance December 31, 2018	34,293,040	(33,148)	34,259,892
Net income for the year	3,269,529	-	3,269,529
Other comprehensive income for the year	-	23,521	23,521
Balance December 31, 2019	37,562,569	(9,627)	37,552,942
Net income for the year	3,551,331	-	3,551,331
Other comprehensive income for the year	-	53,197	53,197
Balance December 31, 2020	41,113,900	43,570	41,157,470

The accompanying notes are an integral part of these financial statements

Port of Johnstown
Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Net income for the year	3,551,331	3,269,529
Depreciation of property, plant and equipment (Note 8)	1,039,148	965,702
Amortization of deferred capital contributions (Note 10)	(384,677)	(365,127)
Change in fair value of investments (Note 7)	(28,925)	(117,173)
	4,176,877	3,752,931
Changes in working capital accounts		
Trade and other receivables	(528,826)	585,616
Inventory	-	12,621
Prepaid expenses	(12,298)	21,964
Trade and other payables	60,854	34,651
Deferred revenue	22,351	3,783
	3,718,958	4,411,566
Financing activity		
Increase in deferred capital contributions (Note 10)	1,419,623	674,469
Investing activities		
Purchases of investments	(1,077,889)	(3,170,290)
Proceeds on disposal of investments	1,110,739	3,048,508
Purchases of property, plant and equipment (Note 8)	(3,825,662)	(3,297,379)
	(3,792,812)	(3,419,161)
Increase in cash resources	1,345,769	1,666,874
Cash resources, beginning of year	6,404,473	4,737,599
Cash resources, end of year	7,750,242	6,404,473

The accompanying notes are an integral part of these financial statements

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

1. Reporting entity

The Port of Johnstown (the "Organization") is an unincorporated government business enterprise operated by the Corporation of the Township of Edwardsburgh/Cardinal (the "Township") to provide seaway services to Eastern Ontario. The Organization has been deemed to be a non-taxable entity and is not subject to income taxes.

The address of the Organization's registered office is 3035 County Road 2, Johnstown, ON.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

3. Capital management

The Organization's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns and benefits to the Township.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may adjust its prices for services or obtain debt from financial institutions.

The Organization manages the following as capital:

Deferred capital contributions	26,657,693	25,622,747
Retained earnings	41,113,900	37,562,569

The Organization monitors capital on the basis of ensuring sufficient prices are charged on services to cover expenses and generate income, which was unchanged from the prior year.

4. Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value. The principal accounting policies are set out in Note 5.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Organization's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Organization's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties 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 prepared based on management's best knowledge of current events and actions that the Organization may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in net income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

4. Basis of preparation *(Continued from previous page)*

Impairment of non-financial assets

The Organization assesses non-financial assets for impairment at the end of each reporting period. If impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where it is not possible to estimate the recoverable amount of an individual asset, the Organization estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Otherwise corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in income unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed by increasing the carrying amount of the asset or cash-generating unit to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in income unless that asset is carried at a revalued amount in which case an impairment reversal is treated as a revaluation increase.

Revenue from contracts with customers

Contracts with customers often include promises to deliver multiple services. Determining whether such bundled services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another service and recognized as a combined unit of accounting may require significant judgment.

Wharfage and grain services (excluding storage) are revenue streams under IFRS 15. The Organization has set prices for each service and charges its clients on completion of each of these services, which is the Organization's performance obligation.

5. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Cash

Cash is comprised of cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Cost comprises all costs of purchases. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Investments

Investments are portfolio investments in equity which are recorded at fair value with adjustments presented in profit or loss and in guaranteed investment certificates and fixed rate investments which are recorded at fair value with adjustments presented in other comprehensive income. They have been classified as long-term assets in concurrence with the maturity dates and management intention of liquidation.

5. Summary of significant accounting policies *(Continued from previous page)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

All assets having limited useful lives are depreciated using the following methods over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition in the case of purchased assets and from the date they are ready for their intended use in the case of self-constructed assets.

The methods of depreciation, useful life and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	Rate
Land improvements	straight-line	100 years
Buildings and fixtures	straight line	5-50 years
Equipment	straight-line	10-60 years
Signs	declining balance	10 %
Paving	straight-line	12-30 years
Vehicles	straight line	5 years
Annex	straight-line	30 years
Marine terminal	straight-line	100 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Provisions

A provision is recognized, if, as a result of a past event, the Organization has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimates.

Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants and funding received from the Federal and Provincial governments for the purchase of property, plant and equipment. Amortization follows that of the related assets.

5. Summary of significant accounting policies *(Continued from previous page)*

Revenue recognition

The following describes the Organization's principal activities from which it generates revenue.

Grain services (excluding storage) and wharfage

The Organization generates revenue from receiving, delivering, drying and fumigating grains and wharfage on loaded grains. Revenue is recognized upon completion of each service.

Each service is distinct in that the client obtains benefit from the service at the time of its occurrence and it is separately identifiable from other services. Arrangement considerations are due when the service is performed.

The Organization does not expect to have any contracts where the period between the services provided to the customer and payment by the customer exceeds one year. Consequently, the Organization does not adjust any of the transaction prices for the time value of money.

Storage revenue

Revenue for storage is recognized monthly based on grains stored at the Organization.

Leases

The Organization assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Organization assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

The Organization, as a lessee, has elected to not recognize right-of-use assets and lease liabilities for short-term leases. Short-term leases are leases with a term of twelve months or less. The Organization recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Organization, as a lessor, assesses at lease inception whether a lease should be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; otherwise it is classified as an operating lease. Lease payments from operating leases are recognized as income on a straight-line basis over the lease term.

Employee benefits

The Organization accrues in its accounts, annually, the estimated liabilities for pensions and other employee future benefits, including lump-sum retiring allowances and self-insured workers' compensation benefits payable to employees in subsequent years under collective agreements, or in accordance with the Organization's policies.

The employees of the Organization participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Organization also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Organization is only one of a number of employers that participate in the plan and the financial information provided to the Organization on the basis of the contractual agreements is usually insufficient to measure the Organization's proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the Organization does not recognize any share of the OMERS pension deficit of \$3.2 billion (2019 - \$3.4 billion) in these financial statements.

The employer amount contributed to OMERS for 2020 was \$160,792 (2019 - \$174,532) for current service and is included as an expense in comprehensive income.

5. Summary of significant accounting policies *(Continued from previous page)*

Other long-term employee benefits include lump-sum retiring allowances available to qualifying employees upon retirement with the Organization, as well as self-insured obligation related to providing workers' compensation benefits.

Lump-Sum retiring allowances are recognized on a consistent manner, when the benefits are earned and at the present value of the defined benefit at the end of the reporting period. Self-insured worker's compensation and other benefits are recognized when the event triggering the obligation occurs since the level of benefits provided does not vary with years of service.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Organization, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of profit (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from profit (loss). The Organization's other comprehensive income (loss) represents adjustments to the fair value of investments in fixed rate instruments.

Contingent liabilities and contingent assets

All contingent liabilities are continually reviewed to determine whether an outflow of economic benefits has become probable. Where a contingent liability becomes probable that an outflow of future economic benefits will be required, a provision is recognized in the period in which the change in probability occurs. If at the end of the reporting period it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

Financial instruments

Financial assets

Recognition and initial measurement

The Organization recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

The Organization recognizes and derecognizes purchases and sales of investments on the settlement date, which is the date that the financial asset is delivered to or by the Organization. Any change in the fair value of the asset between the date the Organization commits to selling or purchasing the financial asset and the settlement date is recognized on a basis consistent with the classification of the financial asset.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Organization determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

5. Summary of significant accounting policies *(Continued from previous page)*

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash and trade and other receivables.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income are comprised of investments in fixed rate instruments and guaranteed investment certificates.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of equity investments.
- Designated at fair value through profit or loss – On initial recognition, the Organization may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Organization does not hold any financial assets designated to be measured at fair value through profit or loss.

Refer to Note 7 for more information about financial instruments held by the Organization, their measurement basis, and their carrying amount.

Business model assessment

The Organization assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Organization considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Organization's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Organization reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

5. Summary of significant accounting policies *(Continued from previous page)*

Impairment

The Organization recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Organization commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Organization's accounting policies for impairment of financial assets.

The Organization applies the simplified approach for trade and other receivables. Using the simplified approach, the Organization records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Organization assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include default events. For financial assets assessed as credit-impaired at the reporting date, the Organization continues to recognize a loss allowance equal to lifetime expected credit losses.

Financial assets are written off when the Organization has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Organization derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Organization recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Organization measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Organization derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

5. Summary of significant accounting policies *(Continued from previous page)*

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Organization has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

Standards issued but not yet effective

The Organization has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2020 but are not yet effective. Unless otherwise stated, the Organization does not plan to early adopt any of these new or amended standards and interpretations.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Organization does not expect these amendments to have a material impact on its financial statements.

IAS 16 Property, Plant, and Equipment

Amendments to IAS 16, issued in May 2020, prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Organization does not expect the amendments to have a material impact on its financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Organization does not expect the amendments to have a material impact on its financial statements.

6. Trade and other receivables

	2020	2019
Trade receivables	1,316,802	1,206,386
Sales taxes receivable	410,385	-
Interest receivable	63,063	55,038
	<u>1,790,250</u>	<u>1,261,424</u>
Less: Allowance for expected credit losses	5,000	5,000
	<u>1,785,250</u>	<u>1,256,424</u>

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

7. Investments

	2020	2019
Guaranteed investment certificates		
Recorded at fair value, bearing interest between 1.00% - 2.33% and maturing between February 2021 - May 2021 (2019 - bearing interest between 2.33% - 3.15% and maturing between July 2020 - May 2021)	3,020,169	3,130,908
Fixed rate instruments		
Recorded at fair value with cost of \$1,808,227 (2019 - \$1,750,825)	1,826,656	1,716,056
Equity investments		
Recorded at fair value with cost of \$545,485 (2019 - \$525,000)	806,774	757,363
	<u>5,653,599</u>	<u>5,604,327</u>

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

8. Property, plant and equipment

	Land and land improvements	Building	Equipment	Paving	Vehicles	Annex and marine terminal	Assets under construction	Total
Cost								
Balance January 1, 2019	595,925	2,594,100	5,362,225	442,680	42,127	44,652,554	139,498	53,829,109
Additions	-	270	34,061	-	-	-	3,263,048	3,297,379
Transfer from assets under construction	-	249,441	443,778	-	-	-	(693,219)	-
Balance at December 31, 2019	595,925	2,843,811	5,840,064	442,680	42,127	44,652,554	2,709,327	57,126,488
Additions								
Transfer from assets under construction	-	-	-	-	25,000	-	7,176,324	7,201,324
Balance at December 31, 2020	595,925	3,708,349	6,168,026	442,680	67,127	47,108,499	6,237,206	64,327,812
Accumulated depreciation								
Balance January 1, 2019	2,979	549,548	2,122,470	144,963	4,213	2,664,393	-	5,488,566
Depreciation charge for the year	5,958	77,050	182,358	14,982	8,425	676,929	-	955,702
Balance at December 31, 2019	8,937	626,598	2,304,828	159,945	12,638	3,341,322	-	6,454,268
Depreciation charge for the year	9,459	88,467	191,831	14,654	10,925	723,812	-	1,039,148
Balance at December 31, 2020	18,396	715,065	2,496,659	174,599	23,563	4,065,134	-	7,493,416
Net book value								
At December 31, 2019	586,988	2,217,213	3,535,236	282,735	29,489	41,311,232	2,709,327	50,672,220
At December 31, 2020	577,529	2,993,284	3,671,367	268,081	43,564	43,043,365	6,237,206	56,834,396

Included in current year's additions are invoices totaling \$3,375,662 that have not been paid as at December 31, 2020. These were treated as non-cash items on the statement of cash flows.

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

9. Trade and other payables

Included in trade and other payables are wages payable of \$113,146 (2019 - \$77,878), accrued retiring allowances of \$340,317 (2019 - \$312,636) and government remittances of \$94,431 (2019 - 81,591).

10. Deferred capital contributions

	2020	2019
Opening balance	25,622,747	25,313,405
Contributions received in the year	1,419,623	674,469
Amortization taken in the year	(384,677)	(365,127)
	<u>26,657,693</u>	<u>25,622,747</u>

During the prior year, the Township (on behalf of the Organization) and the Government of Canada (the "Government") entered into an agreement by which the Government will provide contributions up to a maximum of \$4,805,000 for capital expenditures on two projects started last year. As at year end, the Organization has received \$2,094,091 (2019 - \$674,469) of funding under this agreement.

11. Grain services

Grain services include the following services:

	2020	2019
Receiving	1,971,316	1,497,394
Storage	1,795,413	2,141,172
Drying	1,013,427	970,861
Fumigation	280,070	212,168
Delivery	1,244,952	1,259,483
	<u>6,305,178</u>	<u>6,081,078</u>

12. Related party transactions

Key management compensation of the Organization

The key management personnel of the Organization has been defined as members of its management committee and executive management team members. Key management personnel remuneration includes the following expenses:

	2020	2019
Salary	391,334	389,793
Other benefits	49,634	32,595
Post-employment benefits	24,795	48,513
	<u>465,763</u>	<u>470,901</u>
Committee member's honorarium	16,120	16,000
Total remuneration	<u>481,883</u>	<u>486,901</u>

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

12. Related party transactions *(Continued from previous page)*

Transactions with the Township

	2020	2019
Administration fees paid	769,715	758,340

13. Commitments

The Organization is committed to pay to the Township a total contribution of \$628,000 over eight years commencing in 2014. A contribution of \$31,000 (2019 - \$50,000) was made during the year and is disclosed as part of advertising and promotion. The Organization's committed annual contributions for the remaining year is \$12,000.

During the year, the Organization entered into a construction contract totaling \$12,234,127 of which \$6,076,384 was expended in the year and the balance is expected to be in 2021 when construction is completed.

14. Fair value measurements

The Organization classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Organization to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

Financial assets measured at fair value

The Organization's financial assets measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

	2020		
	Fair Value	Level 1	Level 2
Investments			
Equity investments	806,774	806,774	-
Fixed rate instruments	1,826,656	-	1,826,656
Guaranteed investment certificates	3,020,169	-	3,020,169
Total	5,653,599	806,774	4,846,825

Port of Johnstown
Notes to the Financial Statements
For the year ended December 31, 2020

14. Fair value measurements (Continued from previous page)

	2019		
	Fair Value	Level 1	Level 2
Investments			
Equity investments	757,363	757,363	-
Fixed rate instruments	1,716,056	-	1,716,056
Guaranteed investment certificates	3,130,908	-	3,130,908
Total	5,604,327	757,363	4,846,964

Financial instruments not measured at fair value

The carrying amount of cash, trade receivables and trade and other payables is a reasonable approximation of fair value due to their short-term nature.

15. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss to the Organization because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash, trade receivables and investments.

The Organization manages its credit risk by holding its cash and investments with reputable financial institutions and on trade receivables by performing regular credit assessments of its customers and providing allowances for potentially uncollectible receivables.

Credit-impaired financial assets are identified through regular reviews of past due balances and credit assessments of its customers and if considered impaired are reduced to their recoverable amount with impairment recorded in income for the year.

There has been no change in risk or process from prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is not exposed to significant interest rate risk as it has no debt and its cash, fixed rate instruments and guaranteed investment certificates all bear fixed rates.

There has been no change in risk or process from prior year.

15. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Organization enters into transactions to purchase goods and services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Organization's future net cash flows for the possibility of negative net cash flow.

The Organization manages the liquidity risk resulting from trade and other payables by ensuring sufficient cash is available in its operating bank and paying its obligations by the due date.

All financial liabilities are due within one year.

There has been no change in risk or process from prior year.

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 foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization enters into transactions to invest in equity and fixed rate instruments for which the market price fluctuates. The risk is limited to investments as listed in Note 7.

There has been no change in risk from prior year.

Credit concentration

As at December 31, 2020, two customers accounted for 30% of trade receivables (2019 two customers - 47%).