

Thunder Bay Port Authority
Financial Statements
For the year ended December 31, 2022

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Schedule of Expenses	22

Independent Auditor's Report

To the Board Members of Thunder Bay Port Authority

Opinion

We have audited the financial statements of Thunder Bay Port Authority (the Port Authority), which comprise the statement of financial position as at December 31, 2022 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 Port Authority as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 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 IFRS, 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.

Independent Auditor's Report (cont'd)

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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 8, 2023

Thunder Bay Port Authority Statement of Financial Position

As at December 31 (expressed in CAD \$) 2022 2021

Assets

Current

Cash (Note 3)	\$ 3,592,313	\$ 5,948,226
Accounts receivable (Note 4)	409,420	401,147
Short term investments (Note 5)	6,456,618	3,659,849
Prepaid expenses	102,002	129,197
	10,560,353	10,138,419

Non-current

Long term investments (Note 5)	7,788,930	7,808,067
Property, plant and equipment (Note 6)	27,384,281	27,466,499
	\$45,733,564	\$ 45,412,985

Liabilities and Equity

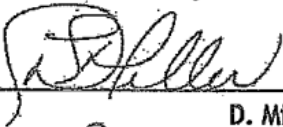
Current

Accounts payable and accrued liabilities	\$ 910,806	\$ 862,243
Deferred rental income	19,713	29,753
	930,519	891,996

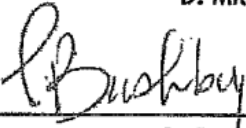
Equity

Contributed surplus	27,711,964	27,711,964
Retained earnings	17,091,081	16,809,025
	44,803,045	44,520,989
	\$45,733,564	\$ 45,412,985

On behalf of the Board:



 D. Miller, Director



 P. Bushby, Director

Thunder Bay Port Authority Statement of Comprehensive Income

For the year ended December 31 (expressed in CAD \$)	2022	2021
Operating revenues		
Terminal	\$ 2,726,181	\$ 2,497,699
Harbour and Harbour Park	815,321	837,858
Intercity	121,259	80,423
	<u>3,662,761</u>	<u>3,415,980</u>
Expenses (Schedule)		
Terminal	1,067,825	778,469
Harbour and Harbour Park	105,227	98,122
Intercity	43,990	61,118
Administrative	1,370,159	1,246,213
	<u>2,587,201</u>	<u>2,183,922</u>
Earnings from operations before the following	1,075,560	1,232,058
Payments in lieu of municipal taxes (Note 7)	(372,747)	(512,350)
Gross revenue charge (Note 8)	(81,777)	(74,212)
Depreciation	(745,071)	(758,658)
	<u>(1,199,605)</u>	<u>(1,345,220)</u>
Loss from operations	(124,035)	(113,162)
Investment income	406,091	317,077
	<u>406,091</u>	<u>317,077</u>
Net income and comprehensive income for the year	\$ 282,056	\$ 203,915

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Statement of Changes in Equity

For the year ended December 31, 2022 (expressed in CAD \$)

	Contributed Surplus	Retained Earnings	Total
Equity, January 1, 2021	\$ 27,711,964	\$ 16,605,110	\$ 44,317,074
Net income and comprehensive income for the year	-	203,915	203,915
Equity, December 31, 2021	27,711,964	16,809,025	44,520,989
Net income and comprehensive income for the year	-	282,056	282,056
Equity, December 31, 2022	\$27,711,964	\$17,091,081	\$44,803,045

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Statement of Cash Flows

For the year ended December 31 (expressed in CAD \$)	2022	2021
Cash flows from operating activities		
Net income and comprehensive income for the year	\$ 282,056	\$ 203,915
Items not involving cash		
Depreciation	745,071	758,658
	<u>1,027,127</u>	<u>962,573</u>
Change in non-cash working capital balances		
Accounts receivable	(8,273)	103,621
Prepaid expenses	27,195	(48,954)
Accounts payable and accrued liabilities	48,563	202,377
Deferred rental income	(10,040)	(6,623)
	<u>1,084,572</u>	<u>1,212,994</u>
Cash flows from investing activities		
Purchase of investments	(3,691,642)	(1,864,131)
Disposals of investments	914,010	6,226,162
Purchase of property, plant and equipment	(662,853)	(469,912)
Receipt of government grants for property, plant and equipment	-	255,106
	<u>(3,440,485)</u>	<u>4,147,225</u>
Increase (decrease) in cash during the year	(2,355,913)	5,360,219
Cash, beginning of year	5,948,226	588,007
Cash, end of year	\$ 3,592,313	\$ 5,948,226

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

1. Nature and Purpose of Organization

The Thunder Bay Port Authority is a corporation without share capital created under the Canada Marine Act effective July 1, 1999. The Port Authority is charged with the management and administration of the Port of Thunder Bay and is also responsible for initiating and supporting effective efforts on behalf of the Port and in the interests of national and regional trade and local economic and social objectives. The Port Authority's head office is located at 100 Main Street, Thunder Bay, Ontario, Canada.

2. Basis of Preparation

Statement of Compliance

The Thunder Bay Port Authority is classified as a Government Business Enterprise ("GBE"). As a GBE, the financial statements of the Port Authority have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on March 8, 2023.

Basis of measurement

These financial statements were prepared on a historical cost basis, unless otherwise indicated in the financial statements. The functional and presentation currency is the Canadian dollar.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities include the determination of the estimated useful life and potential impairment of property, plant and equipment and their components (Note 6), the determination of the expected credit loss ("ECL") (Note 4), and the calculation of payments in lieu of municipal taxes (Note 7). Actual results could differ from management's best estimates as additional information becomes available in the future.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

3. Cash

	2022	2021
Cash on hand and bank balances	\$ 1,169,302	\$ 1,276,834
Cash held in investment broker accounts	2,423,011	4,671,392
	\$ 3,592,313	\$ 5,948,226

4. Accounts Receivable

(a) Recognition and initial measurement

The Port Authority initially recognizes accounts receivable on the date on which they are originated. Accounts receivable are initially measured at fair value.

(b) Classification and subsequent measurement

Accounts receivable are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss.

(c) Fair value measurement

Due to its short term nature, the carrying amount of the trade receivables approximate fair value.

(d) Credit risk

Credit risk is the risk of financial loss to the Port Authority if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Port Authority's accounts receivable. The Port Authority's exposure to credit loss equates to the carrying amount of these financial instruments.

The Port Authority mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectibility of accounts receivable and records a loss allowance, which reduces receivables to the amount management reasonably believes will be collected.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

4. Accounts receivable (cont'd)

The following summarizes the industry concentration of accounts receivable credit risk:

	2022		2021	
Shipping and transportation	\$266,377	65.06%	\$238,410,	59.43%
Warehousing and storage	112,240	27.41%	151,851	37.85%
Other	30,803	7.53%	10,886	2.72%
	\$409,420	100.0%	\$401,147	100.0%

The following table provides information about the exposure to credit risk and ECLs for accounts receivable by level of delinquency.

	2022			2021		
	Gross	Loss Allowance	Net	Gross	Loss Allowance	Net
Current	\$ 332,845	NIL	\$ 332,845	\$ 291,610	NIL	\$ 291,610
31-60 days	50,286	NIL	50,286	60,776	NIL	60,776
61- 90 days	12,208	NIL	12,208	47,066	NIL	47,066
Over 90 days	14,081	NIL	14,081	1,695	NIL	1,695
	\$ 409,420	NIL	\$ 409,420	\$ 401,147	NIL	\$ 401,147

The Port Authority measures the loss allowance at an amount equal to the lifetime ECL for accounts receivables. The lifetime ECL is estimated based on the expected losses over the expected life of the accounts receivable arising from default events occurring in the lifetime of the instrument.

The Port Authority reviews balances on a customer by customer basis to measure the lifetime ECL of accounts receivable. The Port Authority develops loss rates based on historical default and loss experiences for the individual customer in question, adjusted for current economic conditions and other relevant economic variables impacting the Port Authority's customers. This basis is used as the Port Authority's customers have remained consistent year over year. The same factor is considered when determining whether to write off accounts receivable. This generally occurs when there is no realistic prospect of recovery. However accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

5. Investments

(a) Recognition and initial measurement

Cash in investment broker accounts and guaranteed investment certificates are being held to be invested in bonds. The Port Authority recognizes debt instruments on the date on which they are originated. The instruments are initially measured at fair value.

(b) Classification and subsequent measurement

The Port Authority classifies its bonds at amortized cost as the documented investment strategy requires the instruments to be held to collect contractual cash flows to maturity, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Derecognition

The Port Authority derecognizes investments when the contractual rights to the cash flows from the investment expires. On derecognition, if not held to maturity, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

(d) Amortised cost measurement

The following is a breakdown of the investments:

	Cost	2022 Fair Value	Cost	2021 Fair Value
Guaranteed investment certificates	1,850,000	1,850,000	600,000	600,000
Accrued interest	110,531	110,531	95,374	95,374
Bonds and debentures				
-maturing within one year	5,596,087	5,471,739	3,164,475	3,187,338
-maturing between 1 and 5 years	4,013,214	3,851,089	5,714,770	5,926,445
-maturing in more than 5 years	2,675,716	2,429,384	1,893,297	1,929,323
Short term investments	14,245,548 6,456,618	13,712,743 6,332,270	11,467,916 3,659,849	11,738,480 3,682,712
Long term investments	\$ 7,788,930	\$ 7,380,473	\$ 7,808,067	\$ 8,055,768

The bonds and debentures, which are held in provincial and federal crown and corporate issues, have effective yields ranging from approximately 1.10% to 5.30% (2021 - 1.10% to 3.93%).

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

5. Long Term Investments (cont'd)

(e) Risks

The Port Authority is exposed to credit risk relating to its bond holdings in its investment portfolio. The Port Authority mitigates its credit risk in respect of investments in bonds by adhering to investment policies that comply with the requirements of the Canada Marine Act and the Port Authorities Management Regulations. These requirements restrict bond investments to those that have a AA rating or better according to either Moody's Investors Service or Standard & Poor's. The Port Authority's investment brokers monitor the bond ratings to ensure the bonds held meet the minimum rating requirement on the date of purchase. It is the intention of the Port Authority to hold all bond investments until maturity and as a result it does not involve itself in active trading of bonds or any other investments. The Port Authority is also exposed to credit risk arising from the cash being held at financial institutes being over the federally insured limit of \$500,000.

The maximum exposure to investment credit risk is the carrying value of investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

The following summarizes the industry concentration of investment credit risk:

	2022	2021
Provincial bonds	40.39%	48.78%
Municipal bonds	13.56%	16.23%
Banks and financial institutions	44.90%	34.99%
Corporate bonds	1.15%	0.00%
	100%	100%

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in market interest rates. The Port Authority is exposed to interest rate risk arising from the possibility that changes in interest rates will effect the value of fixed income denominated investments when they are renewed.

Market risk arises from the Port Authority's use of interest bearing, tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Port Authority does not have direct exposure to equity investments in its portfolio; however, since the Port Authority invests in corporate bonds, it exposes itself to the fluctuations in price that are inherent in such a market.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

5. Long Term Investments (cont'd)

(f) Fair value hierarchy

The Port Authority applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

Level I - Quoted prices in active markets for identical assets or liabilities;

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and

Level III - Inputs that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Cash	\$ 2,423,011	\$ -	\$ -	\$ 2,423,011
Guaranteed investment certificates	1,850,000			1,850,000
Bonds and debentures	-	11,862,743	-	11,862,743
	\$ 4,273,011	\$ 11,862,743	\$ -	\$ 16,135,754
December 31, 2021				
Cash	\$ 4,671,392	\$ -	\$ -	\$ 4,671,392
Guaranteed investment certificates	600,000			600,000
Bonds and debentures	-	11,138,480	-	11,138,480
	\$ 5,271,392	\$ 11,138,480	\$ -	\$ 16,409,872

There has been no change in hierarchy levels during the year.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

6. Property, Plant and Equipment

On initial recognition, property, plant and equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Port Authority.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, breakwalls, dredging and land reclamation contributed by the Government of Canada, which is not depreciated.

When significant components 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 carrying amount of replaced property, plant and equipment is derecognized as replaced. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in comprehensive income and is provided on a straight-line basis, commencing when the asset is available for use, using rates based on the estimated useful life of the asset. Depreciation rates are as follows:

Wharf, terminal, and other buildings	-	2 to 5%
Rail trackage	-	4%
Marine equipment and storage	-	5 to 15%
Automotive equipment	-	30%
Other equipment	-	5 to 20%
Harbour park - infrastructure	-	5%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Government Grants

Government grants are recognized at fair value when it is reasonably assured that the grant will be received and the Port Authority will comply with all attached conditions. Government grants relating to property and equipment are deducted from the cost therein and depreciation is recorded on a net basis.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

6. Property, Plant and Equipment (cont'd)

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended December 31, 2022									
Cost, beginning balance	\$ 28,689,326	\$ 2,683,021	\$ 225,141	\$ 223,058	\$ 3,568,063	\$ 673,100	\$ 11,259,545	\$ 724,505	\$ 48,045,759
Additions	602,519	12,470	-	-	12,764	26,200	-	8,900	662,853
Cost, ending balance	29,291,845	2,695,491	225,141	223,058	3,580,827	699,300	11,259,545	733,405	48,708,612
Accumulated depreciation, beginning balance	16,282,001	1,285,902	215,553	222,683	2,009,336	563,785	-	-	\$ 20,579,260
Depreciation	503,660	74,148	604	375	156,047	10,237	-	-	745,071
Accumulated depreciation, ending balance	16,785,661	1,360,050	216,157	223,058	2,165,383	574,022	-	-	21,324,331
Net Book Value	\$ 12,506,184	\$ 1,335,441	\$ 8,984	\$ -	\$ 1,415,444	\$ 125,278	\$ 11,259,545	\$ 733,405	\$ 27,384,281

During 2020 and continuing on through 2022, the Port Authority committed to purchasing property in the amount of \$900,000, subject to approval from the Minister of Transport.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

6. Property, Plant and Equipment (cont'd)

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended									
December 31, 2021									
Cost, beginning balance	\$28,482,155	\$ 2,426,748	\$ 225,141	\$ 223,058	\$ 3,561,595	\$ 673,100	\$11,259,545	\$ 724,505	\$47,575,847
Additions	207,171	256,273	-	-	6,468	-	-	-	469,912
Cost, ending balance	28,689,326	2,683,021	225,141	223,058	3,568,063	673,100	11,259,545	724,505	48,045,759
Accumulated depreciation, beginning balance	15,772,084	1,218,920	214,949	212,053	1,850,558	552,038	-	-	19,820,602
Depreciation	509,917	66,982	604	10,630	158,778	11,747	-	-	758,658
Accumulated depreciation, ending balance	16,282,001	1,285,902	215,553	222,683	2,009,336	563,785	-	-	20,579,260
Net Book Value	\$12,407,325	\$ 1,397,119	\$ 9,588	\$ 375	\$ 1,558,727	\$ 109,315	\$11,259,545	\$ 724,505	\$27,466,499

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

7. Payments in Lieu of Municipal Taxes

Under the Constitution Act, 1867, the federal government is exempt from local taxation. Thunder Bay Port Authority is an agent of the federal government for the purposes of Section 28 (2)(a) of the Canada Marine Act. To recognize the services it receives from the Municipality, the Port Authority pays its fair share of the cost of local government. Payments are estimated in accordance with the provisions of the Payments in Lieu of Taxes Act. Accruals for current year and any adjustments for prior years are evaluated each year and charges, if any, are made in the current period's financial statements based upon the best available information relating to valuation of property.

8. Gross Revenue Charge

Under its letters patent, the Port Authority is required to pay a gross revenue charge to the Minister of Transport equal to 2% of the calculated gross revenue, including investment income, for the fiscal year.

9. Pension Plan Expense

The Port Authority maintains a defined contribution pension plan for its full-time employees with more than six months of continuous service and part-time employees with more than two years of continuous service. Pension benefits are vested after two years of continuous membership in the plan. Pension expense is equal to the Port Authority's contribution for the year.

Pension expense of \$61,462 (2021 - \$60,460) is included in Administrative and \$3,275 (2021 - \$4,225) is included in Harbour and Harbour Park on the Statement of Comprehensive Income.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

10. Revenue Recognition

	2022	2021
Throughput, berthage and storage revenue	\$ 1,670,413	\$ 1,599,812
Shipping revenue	642,079	664,284
Lease revenue (Note 11)	1,350,269	1,151,884
	\$ 3,662,761	\$ 3,415,980

Terminal revenues include throughput, storage and leasing revenue. Harbour park revenues include leasing revenue, while intercity revenues include berthage and leasing revenue.

Throughput and storage revenues are recognized monthly based on goods handled and stored at Port facilities.

Lease revenue from leasing property and storage space in buildings is recognized monthly on a straight line basis over the period of the agreements. Any lease revenues that have been prepaid by tenants have been recorded as deferred rental income.

Berthage revenue is recognized over the period of time a vessel is docked.

Harbour revenue from vessels entering the Port is based upon cargo volumes and is recognized at the time the vessels leave the port.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

11. Operating Leases

The Port Authority leases out a number of warehouse and storage facilities under operating leases. A lease is an agreement whereby the Port Authority, the lessor, conveys to the tenant, the lessee, in return for a payment, or a series of payments, the right to use an asset, generally land and buildings, for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the Port Authority are classified as operating leases. Operating lease rentals are recognized on a straight-line basis over the period of the lease. As at December 31, 2022 and 2021, the Port Authority did not have any finance lease agreements.

Future minimum lease receipts

The following table provides the future minimum lease receipts under non-cancellable operating leases in effect as at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Expired in 2022	\$ -	\$ 740,004
Expiring in 2023	574,245	524,264
Expiring in 2024	456,860	405,404
Expiring in 2025	174,445	160,287
Expiring in 2026	83,387	81,788
Expiring after 2026	-	1,202,038
Expiring in 2027	83,387	-
Expiring after 2027	1,125,849	-
	<u>\$ 2,498,173</u>	<u>\$ 3,113,785</u>

The following table provides the amount of lease rentals that were included in operating revenues for the year ended December 31, 2022:

	<u>2022</u>	<u>2021</u>
Terminal	\$ 1,130,260	\$ 933,445
Harbour and Harbour Park	173,242	173,574
Intercity	46,767	44,865
	<u>\$ 1,350,269</u>	<u>\$ 1,151,884</u>

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

12. Directors and Key Management Remuneration

In accordance with disclosure required by Section 37(3) of the Canada Marine Act, the following amounts were paid to directors and key management during the year:

	2022	2021
Tracy Buckler, Director	16,669	19,913
Patrick Bushby, Director	20,099	18,965
Wade Robertson, Director	20,347	19,439
Bonnie Skene, Chair	28,192	27,974
Dianne Miller, Chair of Audit Committee	24,024	22,995
Charla Robinson, Chair of Governance Committee	20,836	22,047
Tim Heney, Chief Executive Officer - salary	246,660	237,584
- benefits	22,480	21,798

13. Capital and Liquidity Risk Management

The Port Authority's objective when managing capital is to maintain adequate levels of funding to support its operations and to maintain corporate and administrative functions. The Port Authority manages its capital structure and makes adjustments to it in light of economic conditions. As the Port Authority is a government business enterprise, its original source of capital is from the contribution of capital assets from the Canadian Government. The Port Authority is not exposed to any externally imposed capital requirements.

Liquidity risk is the risk that the Port Authority will not be able to meet financial obligations as they become due. The Port Authority's policy is to ensure that it will always have sufficient cash to meet its liabilities when they become due. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Port Authority strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due. The Port Authority monitors cash balances regularly and has access to long-term investments, which can be readily converted into cash should it be required. The Port Authority's accounts payable and accrued liabilities are contractually due within the next twelve months.

14. Standards, Amendments and Interpretations Not Yet Effective

There are no other standards, interpretations or amendments issued, but not yet effective that the Port Authority anticipates may have a material effect on the financial statements once adopted.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2022 (expressed in CAD \$)

15. Contingencies

There are outstanding claims against the Port Authority that have been referred to legal counsel and reported to the Port Authority's insurers, as applicable. With respect to the insurable claims, the Port Authority expects that its liability, if any, will be limited to the amount of the insurance deductible.

Thunder Bay Port Authority Schedule of Expenses

For the year ended December 31 (expressed in CAD \$)	2022	2021
Terminal		
Equipment operator	\$ 77,006	\$ 17,032
Insurance	127,137	105,351
Miscellaneous	631	684
Mobile equipment repairs and maintenance	50,343	21,873
Professional fees	-	21,539
Property repairs and maintenance	475,770	299,434
Security	133,147	124,106
Utilities	203,791	188,450
	<u>\$ 1,067,825</u>	<u>\$ 778,469</u>
Harbour and Harbour Park		
Harbour services	\$ 14,875	\$ 6,813
Insurance	36,715	26,716
Miscellaneous	4,196	3,555
Professional fees	4,574	6,925
Vessel	4,195	1,955
Salaries, wages and benefits	40,672	52,158
	<u>\$ 105,227</u>	<u>\$ 98,122</u>
Intercity		
Insurance	\$ 4,221	\$ 3,716
Maintenance and repairs	9,877	7,124
Professional fees	-	16,281
Security	13,073	13,943
Utilities	16,819	20,054
	<u>\$ 43,990</u>	<u>\$ 61,118</u>
Administrative		
Automotive	\$ 13,297	\$ 12,516
Board travel, meetings and other	41,796	2,861
Honoraria	137,979	138,845
Insurance	19,009	18,041
Maintenance	4,025	9,309
Management travel, meetings and other	20,888	3,054
Office	159,315	142,741
Promotion	94,734	60,310
Professional fees	23,809	50,132
Salaries, wages and benefits	841,494	807,960
Seminars and training	13,813	444
	<u>\$ 1,370,159</u>	<u>\$ 1,246,213</u>

The accompanying notes are an integral part of these financial statements.