

Financial Statements of

**ECONOMIC DEVELOPMENT
WINNIPEG INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of Economic Development Winnipeg Inc.

Opinion

We have audited the financial statements of Economic Development Winnipeg Inc. (the "Entity"), which comprise the statement of financial position as at December 31, 2019 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 the financial statements in accordance with Canadian public sector accounting 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.



- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

March 16, 2020

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 170,177	\$ 234,442
Investments (note 3)	3,295,398	2,685,886
Accounts receivable	332,465	295,007
Prepaid expenses	144,427	79,989
	<u>3,942,467</u>	<u>3,295,324</u>
Capital assets (note 4)	543,672	491,573
	<u>\$ 4,486,139</u>	<u>\$ 3,786,897</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 274,995	\$ 107,304
Other long-term liabilities	146,012	–
Deferred rent	53,892	49,501
Deferred lease inducement	255,433	291,080
Deferred contributions:		
Future expenses (note 5)	649,694	391,887
Net assets:		
Invested in capital assets	543,672	491,573
Unrestricted	1,862,441	1,755,552
Internally restricted:		
Appropriated for sustainability reserve (note 6)	700,000	700,000
	<u>3,106,113</u>	<u>2,947,125</u>
Commitments (note 7)		
	<u>\$ 4,486,139</u>	<u>\$ 3,786,897</u>

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed _____ Director

Original Document Signed _____ Director

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Revenue and Expenditures

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Funding:		
The City of Winnipeg	\$ 4,336,484	\$ 3,802,613
Province of Manitoba (note 11)	1,369,410	1,103,290
Government of Canada	208,923	–
Partnerships and investors contributions	1,530,832	1,244,214
Interest	74,136	46,958
	<u>7,519,785</u>	<u>6,197,075</u>
Expenditures:		
Initiatives and marketing	2,405,203	1,791,777
Personnel	4,119,619	2,959,673
Administrative	527,496	399,346
Occupancy and facilities	308,479	301,457
	<u>7,360,797</u>	<u>5,452,253</u>
Excess of revenue over expenditures	<u>\$ 158,988</u>	<u>\$ 744,822</u>

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Invested in capital assets	Unrestricted	Internally restricted	2019 Total	2018 Total
Balances, beginning of year	\$ 491,573	\$ 1,755,552	\$ 700,000	\$ 2,947,125	\$ 2,202,303
Excess (deficiency) of revenue over expenditures	(131,539)	290,527	–	158,988	744,822
Transfer for acquisition of capital assets	183,638	(183,638)	–	–	–
Balances, end of year	\$ 543,672	\$ 1,862,441	\$ 700,000	\$ 3,106,113	\$ 2,947,125

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 158,988	\$ 744,822
Items not involving cash:		
Amortization of capital assets	131,539	114,015
Amortization of deferred rent	4,391	11,049
Amortization of deferred lease inducements	(35,647)	(41,225)
Change in non-cash operating working capital:		
Accounts receivable	(37,458)	132,993
Prepaid expenses	(64,438)	89,913
Accounts payable and accrued liabilities	313,703	(32,193)
Net increase (decrease) in deferred contributions future expenses	257,807	(106,661)
	728,885	912,713
Capital activities:		
Purchase of capital assets	(183,638)	(30,877)
Investing activities:		
Investments, net	(609,512)	(2,007,464)
Decrease in cash	(64,265)	(1,125,628)
Cash, beginning of year	234,442	1,360,070
Cash, end of year	\$ 170,177	\$ 234,442

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements

Year ended December 31, 2019

1. General:

Economic Development Winnipeg Inc. (“EDW” or the “Organization”) is the City of Winnipeg’s lead Organization for economic development and tourism development. EDW is an arm’s length Organization led by an independent private sector Board of Directors appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the Organization.

EDW facilitates investment promotion and attraction, capacity building, marketing and the management of market information. EDW leads global investment attraction, and local business retention and expansion, with its Yes! Winnipeg sales team. EDW is also responsible for the City’s tourism development activities, which it orchestrates through its Tourism Winnipeg team. Tourism Winnipeg’s mission is to facilitate a healthy, prosperous, responsible and fully integrated tourism industry that enhances Winnipeg’s economic growth.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of re-measurement gains and losses until they are realized when they are transferred to the Statement of Revenue and Expenditures.

The Organization did not incur any re-measurement gains and losses during the year ended December 31, 2019 (2018 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Revenue and Expenditures and any unrealized gain is adjusted through the statement of re-measurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the Statement of Revenue and Expenditures.

All financial instruments recognized at fair value are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

(d) Deferred rent:

As part of the Organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease. This lease also has escalating rents which are expensed on a straight-line basis over the period of the lease.

(e) Deferred lease inducement:

The Organization leases its office space. Landlord inducements are deferred and amortized as reductions to rent expense on a straight-line basis over the same period.

(f) Income taxes:

The Organization is a not-for-profit organization under the *Income Tax Act* and, accordingly, is exempt from income taxes, providing certain requirements of the *Income Tax Act* are met.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Investments:

Investments consist of investments in money market instruments aggregating \$585,398 (2018 - \$575,886) and guaranteed investment certificates aggregating \$2,710,000 (2018 - \$2,110,000). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	\$ 240,145	\$ 164,425	\$ 75,720	\$ 77,284
Office furniture and fixtures	218,815	133,847	84,968	90,420
Leasehold improvements	805,874	422,890	382,984	323,869
	<u>\$ 1,264,834</u>	<u>\$ 721,162</u>	<u>\$ 543,672</u>	<u>\$ 491,573</u>

5. Deferred contributions - future expenses:

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2019	2018
Balance, beginning of year	\$ 391,887	\$ 498,548
Amounts received during the year	2,296,612	865,793
	<u>2,688,499</u>	<u>1,364,341</u>
Less: amounts recognized as revenue in the year	(2,038,805)	(972,454)
Balance, end of year	<u>\$ 649,694</u>	<u>\$ 391,887</u>

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Deferred contributions - future expenses (continued):

Deferred contributions for future expenses are related to the following initiatives:

	2019	2018
Province of Manitoba 2019/20 PEG Funding	\$ 318,800	\$ –
Yes! Winnipeg Investors' contributions	17,000	86,000
Team Winnipeg	36,139	23,528
Winnipeg Tour Connection	78,653	32,359
Our Winnipeg Initiative	66,451	125,000
Open data project	125,000	125,000
Other	7,651	–
	<u>\$ 649,694</u>	<u>\$ 391,887</u>

6. Internally restricted:

Sustainability reserve:

In the year ended December 31, 2017, the Board approved an internally restricted sustainability reserve to be funded through a transfer from unrestricted net assets. During the year ended December 31, 2019, no amounts were transferred to the sustainability reserve from unrestricted net assets (2018 - \$350,000). The sustainability reserve was established to compensate for the unexpected fluctuations in revenue.

7. Commitments:

The Organization is committed under a lease for office space for a total of \$1,306,376. The minimum lease payments over the next five years are as follows:

2020	\$ 170,526
2021	177,940
2022	179,423
2023	186,837
2024	186,837

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Segregated fund:

The Organization holds funds that are segregated for partners (including the Organization) in a separate account for a special event marketing fund. This fund is held in interest-bearing accounts for the benefit of special event marketing activities. Payments to the special event marketing fund are based on recommendations approved by The City of Winnipeg's council on October 22, 2008.

The balance of this fund and the income and expenditures associated therewith is not included in these financial statements.

	2019	2018
Special event marketing fund:		
Balance, beginning of year	\$ 1,158,117	\$ 788,030
Funds received during the year	1,126,617	1,000,000
Funds used during the year	(820,933)	(641,353)
Interest earned	24,487	11,440
Administration fee	(100,000)	–
Balance, end of year, and amount of funds held	\$ 1,388,288	\$ 1,158,117

The funds of \$1,388,288 held on December 31, 2019, have been committed from the special event marketing fund towards several tourism attractions occurring during fiscal 2020. In addition, the following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year:

2020	\$ 1,283,177
2021	886,129
2022	717,250

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Financial risks:

The Organization has exposure to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable, cash and investments.

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at December 31, 2019 is the carrying value of these assets.

At December 31, 2019, the amount of accounts receivable past due, net of the allowance for doubtful accounts, is \$23,503 (2018 - \$26,747).

The maximum exposure to investment credit risk is as disclosed in note 3.

There have been no significant changes to the credit risk exposure from 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2020. Other long-term liabilities are due in fiscal 2021.

There have been no significant changes to the liquidity risk exposure from 2018.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Defined contribution plan:

The employees of the Organization are members of a voluntary group registered retirement savings plan administered by RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to \$108,424 (2018 - \$90,565).

11. Funding from the Province of Manitoba - Partners in Economic Growth (PEG):

During fiscal 2019, the Organization received funding under the Province of Manitoba's Partners in Economic Growth ("PEG") program, with total revenue recognized during fiscal 2019 of \$1,369,410 (2018 - \$1,103,290). The amount is represented by \$413,010 recognized relating to the Province's 2018/19 fiscal year (April 1, 2018 to March 31, 2019) and \$956,400 of revenue from the Province's 2019/20 current fiscal year (April 1, 2019 to March 31, 2020).

During the year, the Organization entered into a formal funding agreement with the Province for the funding to be received for the Province's 2019/20 fiscal year. The agreement includes the payment of three instalments. The first instalment was received on October 4, 2019 and the second instalment was received on November 4, 2019. During the year the Organization recognized \$956,400 of the Province's 2019/20 funding, representing the period April 1, 2019 to December 31, 2019. The remainder of the 2019/20 funding of \$637,600 will be recognized January 1, 2020 to March 31, 2020 including the final payment of \$318,800 once the Province's reporting requirements are considered to be met.

The use of the funds provided by the 2019/20 PEG funding are as follows:

	Recognized in 2019	To be recognized in 2020 (unaudited)	Total (unaudited)
Personnel	\$ 506,160	\$ 337,440	\$ 843,600
Occupancy and facilities	54,000	36,000	90,000
Administrative	45,000	30,000	75,000
Initiatives and marketing	351,240	234,160	585,400
	<u>\$ 956,400</u>	<u>\$ 637,600</u>	<u>\$ 1,594,000</u>