

Consolidated Financial Statements of

**SPORT MANITOBA INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

### **Opinion**

We have audited the consolidated financial statements of Sport Manitoba Inc. (the "Entity") which comprise the consolidated statement of financial position as at March 31, 2020, the consolidated statements of operations and accumulated surplus, remeasurement losses, changes in net debt and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial position of the Entity as at March 31, 2020 and its consolidated results of operations, its consolidated remeasurement losses, its consolidated changes in net debt and its consolidated cash flows for the year 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 consolidated 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 consolidated 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 consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Winnipeg, Canada

June 17, 2020

# SPORT MANITOBA INC.

## Consolidated Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

	2020	2019 (Restated, note 11)
Financial assets:		
Cash (note 5)	\$ –	\$ 169,293
Restricted cash and marketable securities (note 2[f])	100,000	100,000
Accounts receivable	846,182	476,923
Marketable securities	553,193	551,524
	<u>1,499,375</u>	<u>1,297,740</u>
Financial liabilities:		
Bank indebtedness (note 5)	680,379	–
Accounts payable and accrued liabilities	1,070,455	1,094,484
Unearned revenue - expenses of future periods	472,816	572,910
Loans payable (note 6)	22,708,627	23,254,026
Promissory note (note 7)	5,537,728	5,666,768
	<u>30,470,005</u>	<u>30,588,188</u>
Net debt	(28,970,630)	(29,290,448)
Non-financial assets:		
Tangible capital assets (note 3)	40,200,870	40,965,117
Inventories	36,902	47,393
Prepaid expenses and deposits	102,679	138,013
	<u>40,340,451</u>	<u>41,150,523</u>
Accumulated surplus	<u>\$ 11,369,821</u>	<u>\$ 11,860,075</u>
Accumulated surplus is comprised of:		
Invested in tangible capital assets	\$ 11,954,515	\$ 12,044,323
Deficit accumulated from general operations	(565,508)	(180,203)
	<u>11,389,007</u>	<u>11,864,120</u>
Accumulated remeasurement losses	(19,186)	(4,045)
	<u>\$ 11,369,821</u>	<u>\$ 11,860,075</u>

Trust accounts (note 4)  
Subsequent event (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board

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Director

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Director

# SPORT MANITOBA INC.

## Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019 (Restated, note 11)
<b>Revenue:</b>			
Province of Manitoba:			
Program support	\$ 10,485,619	\$ 10,395,852	\$ 10,527,518
Sport program funding	2,253,500	2,197,000	2,189,000
Other grants	—	—	4,150
Canada Games Sport for Life Centre	1,206,850	1,213,705	1,188,771
Sport Medicine Centre	895,500	675,746	715,958
Manitoba Games	229,500	50,000	90,525
Sports Hall of Fame special events	398,414	314,174	308,881
Sports Hall of Fame museum and gallery	49,246	99,871	59,755
Other income	853,100	826,022	802,079
Bilateral funding:			
Province of Manitoba	312,273	458,540	435,273
Federal government	461,373	461,373	518,373
<b>Total revenue</b>	<b>17,145,375</b>	<b>16,692,283</b>	<b>16,840,283</b>
<b>Expenses:</b>			
Grants:			
Sport groups for sport development	8,871,454	8,716,220	8,543,213
Bilateral sport development programs	388,100	393,132	371,127
Sport Medicine Centre	826,104	805,982	773,348
Sports Hall of Fame special events	160,373	184,372	154,578
Sports Hall of Fame museum and gallery	132,022	155,516	158,348
Manitoba Foundation for Sports scholarships	—	11,702	14,200
Administration and services provided:			
Occupancy	2,579,756	2,627,504	2,513,911
Operating	647,730	657,188	686,158
Program	1,019,995	862,494	955,583
Administration	1,235,101	1,233,548	1,182,976
Member services	1,734,025	1,727,407	1,721,657
Cost recovered from sport groups	(1,079,740)	(952,356)	(1,011,884)
Amortization of tangible capital assets	1,255,577	1,122,669	1,323,903
Amortization of deferred financing fee	—	80,326	75,570
<b>Total expenses</b>	<b>17,770,497</b>	<b>17,625,704</b>	<b>17,462,688</b>
Annual deficit before capital funding	(625,122)	(933,421)	(622,405)
Government transfers related to capital	318,308	318,308	318,308
Capital contributions from non-government	100,000	140,000	568,324
	418,308	458,308	886,632
Annual surplus (deficit) (note 11)	(206,814)	(475,113)	264,227
Accumulated surplus, beginning of year (note 11)		11,864,120	11,599,893
<b>Accumulated surplus, end of year</b>		<b>\$ 11,389,007</b>	<b>\$ 11,864,120</b>

See accompanying notes to consolidated financial statements.

# SPORT MANITOBA INC.

## Consolidated Statement of Remeasurement Losses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement losses, beginning of year	\$ (4,045)	\$ (9,192)
Unrealized gains (losses) attributable to investments	(19,599)	1,269
Realized gains, reclassified to statement of operations and changes in accumulated surplus, attributable to investments	4,458	3,878
Net remeasurement gain (loss) for the year	(15,141)	5,147
Accumulated remeasurement losses, end of year	\$ (19,186)	\$ (4,045)

See accompanying notes to consolidated financial statements.

# SPORT MANITOBA INC.

## Consolidated Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus (deficit)	\$ (475,113)	\$ 264,227
Acquisition of tangible capital assets	(358,422)	(424,830)
Amortization of tangible capital assets	1,122,669	1,323,903
Change in inventories	10,491	(18,070)
Change in prepaid expenses and deposits	35,334	44,468
Change in accumulated remeasurement gains (losses)	(15,141)	5,147
Change in net debt	319,818	1,194,845
Net debt, beginning of year	(29,290,448)	(30,485,293)
Net debt, end of year	\$ 28,970,630	\$ 29,290,448

See accompanying notes to consolidated financial statements.



# SPORT MANITOBA INC.

## Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019 (Restated, note 11)
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficit)	\$ (475,113)	\$ 264,227
Items not involving cash:		
Amortization of tangible capital assets	1,122,669	1,323,903
Amortization of deferred financing fee	80,326	75,570
Change in non-cash operating working capital	(447,557)	(92,184)
	<u>280,325</u>	<u>1,571,516</u>
Capital transactions:		
Additions to tangible capital assets	(358,422)	(424,830)
Increase (decrease) in investments	(16,810)	98,321
	<u>(375,232)</u>	<u>(326,509)</u>
Financing transactions:		
Principal repayments of loan payable	(625,725)	(605,483)
Principal repayments of promissory note	(129,040)	(124,763)
	<u>(754,765)</u>	<u>(730,246)</u>
Increase (decrease) in cash position	(849,672)	514,761
Cash (bank indebtedness), beginning of year	169,293	(345,468)
Cash (bank indebtedness), end of year	<u>\$ (680,379)</u>	<u>\$ 169,293</u>

See accompanying notes to consolidated financial statements.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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## 1. General:

Sport Manitoba Inc. (the “organization”) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province’s sport policy. The organization’s purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires on March 31, 2020.

## 2. Significant accounting policies:

### (a) Basis of presentation:

Adoption of Public Sector Accounting Standards (PSAS) without Sections 4200 - 4270:

The Province of Manitoba directed not-for-profit organizations, including Sport Manitoba Inc., to change their basis of accounting from Canadian PSAS for Government Not-for-Profit Organizations (PSAS for GNFPOs), which includes Sections PSAS 4200 - PSAS 4270 to PSAS without Sections PSAS 4200 - PSAS 4270 for the fiscal year beginning April 1, 2019.

Amounts related to March 31, 2019 and April 1, 2018 were previously presented in accordance with PSAS for GNFPO. These amounts have been restated as required to be compliant with the accounting policies of the organization under PSAS. Reconciliations and descriptions relating to the transition from PSAS for GNFPO to PSAS are included in note 11.

The most significant changes as a result of adopting this basis of accounting include:

- Deferred contributions tangible capital assets will no longer be recognized by the organization unless very specific criteria are met.
- Contributions receivable, now referred to as capital funding receivable, may be recognized in certain circumstances where capital expenditures are undertaken on a reimbursement basis.
- Deferred contributions - expenses of future periods, now referred to as unearned revenue, will be recognized when the organization receives one-time funding for multi-year specific projects and other purposes. Any unspent funds at the end of a fiscal year will be recognized as unearned revenue in the consolidated statement of financial position.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 2. Significant accounting policies (continued):

- Promissory notes payable associated with the financing of capital projects will be recognized in the consolidated statement of financial position.
- Cash provided to pay down the principal and interest on the debt associated with funded tangible capital assets will be recognized upon receipt of the funding.
- Accounts of Manitoba Sports Hall of Fame and Museum Incorporated and Manitoba Foundation for Sports Inc. are now included in the consolidated financial statements.

Financial statement presentation:

- The organization's budget will be presented in the statement of operations along with current year and comparative year actual amounts.
- The consolidated statement of financial position will present financial assets and liabilities to determine a net debt position; non-financial assets are shown separately and the accumulated surplus is the sum of the above-noted items.
- The statement of changes in fund balances will be replaced by the consolidated statement of changes in net debt, which presents the activity during the year that contributed to the change in the net debt position on the statement of financial position.

### (b) Controlled entities:

The organization consolidates all organizations that it controls through the ability to determine the strategic operating, capital, investing and financial policies, including Manitoba Sports Hall of Fame and Museum Incorporated and Manitoba Foundation for Sports Inc.

The organization's operations includes the operations of both The Sport for Life Sport Medicine Centre and The Canada Games Sports for Life Centre.

All significant inter-company transactions and balances have been eliminated.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 2. Significant accounting policies (continued):

### (c) Revenue recognition:

Government transfers are recognized as revenue in the period in which all eligibility criteria have been met and the amounts are authorized. When revenue is received without eligibility criteria and with stipulations, it is recognized when the transfer from the government is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the organization. If the obligation does meet the definition of a liability, the related revenue is recognized as the obligation is settled.

Funding received for the acquisition or development of tangible capital assets is recognized as revenue in one of two ways:

- i. Assets funded by approved/funded debt: revenue is recognized when the debt principal and interest payment funding is received.
- ii. Assets funded by an allocation of cash: revenue is recognized immediately when all eligibility criteria are met and no stipulations exist. If stipulations exist and the funding obligation meets the definition of a liability for the organization, the revenue is deferred until the stipulations are met.

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the organization if the amount can be reasonably estimated and collection is reasonably assured. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

Revenue from services rendered and other income are recognized as revenue when earned.

Investment income is recognized as revenue in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

### (d) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 2. Significant accounting policies (continued):

### (e) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Incremental interest incurred during the construction of tangible capital assets is included in cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value. Amortization is computed using the straight-line method over the estimated useful lives of the assets, commencing the date the assets are ready for use as follows:

Asset	Term
Building	50 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

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Amortization methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed. During fiscal 2020, the organization reassessed the estimated useful life for buildings increasing the term from 40 years to 50 years, resulting in a decrease in amortization expense of approximately \$220,000 during the year.

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

### (f) Restricted cash and marketable securities:

The organization received \$100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to \$3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at its fair value of \$100,000 and is held in restricted cash at March 31, 2020 (in a restricted guaranteed investment certificate as at March 31, 2019).

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 2. Significant accounting policies (continued):

### (g) Use of estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### (h) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other 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 remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

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 operations and any unrealized gain is adjusted through the statement of remeasurement losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement losses are reversed and recognized in the statement of operations.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 2. Significant accounting policies (continued):

PSAS require an organization to classify fair value measurements 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.

The organization's investments are classified as level 2 at March 31, 2020. There were transfers from level 1 to level 2 of approximately \$135,000 during the year ended March 31, 2020, and there were no transfers in or out of level 3.

## 3. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals/ Transfers	Balance at March 31, 2020
Land	\$ 1,200,000	\$ –	\$ –	\$ 1,200,000
Building and improvements	43,430,189	51,564	–	43,481,753
Computers	411,315	48,581	–	459,896
Furniture and equipment	2,289,997	256,822	139,411	2,686,230
Print shop equipment	254,725	1,455	(5,910)	250,270
Leasehold improvements	40,576	–	–	40,576
Construction in progress	139,411	–	(139,411)	–
	<b>\$ 47,766,213</b>	<b>\$ 358,422</b>	<b>\$ (5,910)</b>	<b>\$ 48,118,725</b>

Accumulated amortization	Balance at March 31, 2019	Additions	Disposals	Balance at March 31, 2020
Building and improvements	\$ 4,694,520	\$ 875,141	\$ –	\$ 5,569,661
Computers	379,921	27,153	–	407,074
Furniture and equipment	1,438,430	218,733	–	1,657,163
Print shop equipment	247,649	1,642	(5,910)	243,381
Leasehold improvements	40,576	–	–	40,576
	<b>\$ 6,801,096</b>	<b>\$ 1,122,669</b>	<b>\$ (5,910)</b>	<b>\$ 7,917,855</b>

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

### 3. Tangible capital assets (continued):

Net book value	2020	2019
Land	\$ 1,200,000	\$ 1,200,000
Building and improvements	37,912,092	38,735,669
Computers	52,822	31,394
Furniture and equipment	1,029,067	851,567
Print shop equipment	6,889	7,076
Construction in progress	–	139,411
	<u>\$ 40,200,870</u>	<u>\$ 40,965,117</u>

### 4. Trust accounts:

KidSport Canada Trust Account:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding \$1,269,845 of assets in trust for KidSport Canada as at March 31, 2020 (2019 - \$1,400,917). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets, together with the related obligations, donation income and grant expenses have not been recorded in these consolidated financial statements for financial reporting purposes.

2017 Canada Summer Games Legacy Trust:

On April 30, 2018, the organization signed a Trust Agreement with the trustees of the 2017 Canada Games Host Society Legacy Fund Trust (2017 Canada Summer Games Legacy Trust). The Trust Agreement engaged the services of the organization to arrange for and oversee the management of the 2017 Canada Summer Games Legacy Trust. Specific management of the 2017 Canada Summer Games Legacy Trust's investments will be handled by an independent third party engaged by the organization. These trust assets together with the related obligations, revenue and expenses have not been recorded in these consolidated financial statements for financial reporting purposes.



# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 4. Trust Accounts (continued):

The following represents the financial position and the results of operations of the 2017 Canada Summer Games Trust Account as at and for the year ended March 31, 2020:

	2020	2019
Assets	\$ 1,934,446	\$ 2,191,186
Liabilities	\$ 109,600	\$ 25,534
Net assets	1,824,846	2,165,652
	\$ 1,934,446	\$ 2,191,186
Revenues	\$ 130,624	\$ 2,619,458
Expenses	471,430	453,806
Excess (deficiency) of revenues over expenses	\$ (340,806)	\$ 2,165,652

## 5. Bank indebtedness and cash:

	2020	2019
Bank indebtedness - operating line of credit	\$ (972,243)	\$ (141,351)
Cash	291,864	310,644
	\$ (680,379)	\$ 169,293

The organization has an operating line of credit to a maximum of \$2,650,000. The operating line of credit is due on demand and bears interest at prime plus 0.5 percent. The organization had utilized the operating line of credit at March 31, 2020 in the amount of \$972,243 (2019 - \$141,351).

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 6. Loans payable:

	2020	2019
Loan payable to Province of Manitoba bearing interest at 3.25%, unsecured, repayable in monthly installments of \$78,337 including interest, maturing March 31, 2045	\$ 16,075,216	\$ 16,485,558
Loan payable to Province of Manitoba bearing interest at 3.375%, unsecured, repayable in monthly installments of \$45,536 including interest, maturing April 30, 2047	9,691,548	9,906,931
Deferred financing fee	(3,058,137)	(3,138,463)
	<u>\$ 22,708,627</u>	<u>\$ 23,254,026</u>

Principal repayments over the next five years are as follows:

2021	\$ 646,644
2022	668,263
2023	690,605
2024	713,694
2025	737,555
Thereafter	19,251,866

## 7 Promissory note:

On March 31, 2016, the organization signed a promissory note with the Department of Finance of the Province of Manitoba for \$6,000,000 to assist in the funding of the construction of the Sport for Life Centre Phase 2.

At March 31, 2020, the balance of the promissory note is \$5,537,728 (2019 - \$5,666,768). The promissory note bears interest at 3.38 percent, maturing on June 30, 2046, and is repayable in monthly installments of \$26,526, which includes principal and interest.

The payment of this promissory note is guaranteed and funded by the Province of Manitoba.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 7 Promissory note (continued):

Principal repayments over the next five years are as follows:

2021	\$	133,463
2022		138,037
2023		142,769
2024		147,663
2025		152,724
Thereafter		4,823,072

## 8 Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2020 was \$139,821 (2019 - \$142,308).

## 9. Pledge arrangement:

In 2014, the organization received a pledge arrangement from certain donors of approximately \$2 million to be paid over a 10 year period. As of March 31, 2020, the organization has received \$1.2 million in pledges from these donors for the construction of the Sports for Life Centre which is included in accumulated surplus - invested in tangible capital assets. The remaining amount of \$800,000 will be received during fiscal 2021 to 2024, with payments expected annually of \$200,000. The remaining pledges are to support the operations of the organization and will be included in revenue when received.

## 10. Classification of expenditures by object:

The statement of operations reports the expenditures by function; the following classifies those same expenditures by object:

	Budget	2020	2019 (Restated, note 11)
Salaries and benefits	\$ 2,667,731	\$ 3,033,509	\$ 3,099,079
Grants and transfer payments	9,259,554	9,109,352	8,914,340
Transportation	11,955	5,895	9,737
Communication	322,150	298,699	305,013
Supplies and services	1,078,300	1,157,691	1,036,000
Debt servicing	1,060,021	1,130,347	1,159,438
Minor capital	5,000	35,738	15,103
Amortization of capital assets	1,183,749	1,122,669	1,323,903
Other operating	1,785,694	1,731,804	1,599,675
	\$ 17,374,154	\$ 17,625,704	\$ 17,462,288

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

## 11. Restatement of prior period consolidated financial statements:

### *Reconciliation of accumulated surplus and annual surplus*

Certain accounting policies previously applied under PSAS for GNFPOs have been amended to comply with PSAS without Sections PSAS 4200 - PSAS 4270. The comparative figures for March 31, 2019 were restated to reflect these adjustments. The following reconciliations provide a description of the effect of transition:

	Annual surplus for the year ended March 31, 2019	Accumulated surplus at April 1, 2018
Excess (deficiency) of revenue over expenses and fund balances, PSAS for GNFPOs	\$ (17,667)	\$ 1,159,491
<i>Adjustments:</i>		
Consolidated entities, net eliminations	(20,604)	630,617
Reversal of amortization of deferred contributions previously recorded as revenue	(384,942)	–
Government transfers related to capital	318,308	–
Capital contribution revenue	568,324	–
Interest expense on loans payable	(193,545)	–
Recognition of capital contributions previously deferred as an opening accumulated surplus adjustment	–	9,079,654
Recognition of contributions for future expenses previously deferred as an opening accumulated surplus adjustment	–	720,939
Other	(5,647)	9,192
Annual surplus and accumulated surplus, PSAS without Sections 4200 - 4270	\$ 264,227	\$ 11,599,893

## 12. 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 counterpart 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 marketable securities.

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 March 31, 2020 is the carrying value of these assets.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## 12. Financial risks (continued):

All accounts receivable for March 31, 2020 are considered collectible by management.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2020.

There have been no significant changes to the credit risk exposure from 2019.

### (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 2021.

There have been no significant changes to the liquidity risk exposure from 2019.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the organization to cash flow interest risk. The organization is not exposed to this risk as its loans payable have fixed interest rates.

There has been no change to the risk exposures from 2019.

## 13. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the organization has experienced closure of its various facilities commencing in March 2020 based on public health recommendations and temporary termination of part-time and casual employees and mandatory working from home requirements for those able to do so as a result of the COVID-19 pandemic. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end.

# SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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## **13. Subsequent event (continued):**

Management completed this assessment and determined that no adjustments were required in these financial statements. At this time, there are also other factors which present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations of the organization. An estimate of the financial effect of these items is not practicable at this time.

# SPORT MANITOBA INC.

## Schedule 1 - Statement of Operations

Year ended March 31, 2020, with comparative information for 2019 (restated)

	Operating Fund	Capital Asset	2020 Total	2019 Total
<b>Revenue:</b>				
Province of Manitoba:				
Program support	\$ 10,395,852	\$ –	\$ 10,395,852	\$ 10,527,518
Sport program funding	2,197,000	–	2,197,000	2,189,000
Other grants	–	–	–	4,150
Canada Games Sport for Life Centre	1,213,705	–	1,213,705	1,188,771
Sport Medicine Centre	675,746	–	675,746	715,958
Manitoba Games	50,000	–	50,000	90,525
Sports Hall of Fame special events	314,174	–	314,174	308,881
Sports Hall of Fame museum and gallery	99,871	–	99,871	59,755
Other income	826,022	–	826,022	802,079
Bilateral funding:				
Province of Manitoba	458,540	–	458,540	435,273
Federal government	461,373	–	461,373	518,373
<b>Total revenue</b>	<b>\$ 16,692,283</b>	<b>\$ –</b>	<b>\$ 16,692,283</b>	<b>\$ 16,840,283</b>
<b>Expenses (note 19):</b>				
Grants:				
Sport groups for sport development	\$ 8,716,220	\$ –	\$ 8,716,220	\$ 8,543,213
Bilateral sport development programs	393,132	–	393,132	371,127
Sport Medicine Centre	805,982	–	805,982	773,348
Sports Hall of Fame special events	184,372	–	184,372	154,578
Sports Hall of Fame museum and gallery	155,516	–	155,516	158,348
Manitoba Foundation for Sports scholarships	11,702	–	11,702	14,200
Administration and services provided:				
Occupancy	2,627,504	–	2,627,504	2,513,911
Operating	657,188	–	657,188	686,158
Program	862,494	–	862,494	955,583
Administration	1,233,548	–	1,233,548	1,182,976
Member services	1,727,407	–	1,727,407	1,721,657
Cost recovered from sport groups	(952,356)	–	(952,356)	(1,011,884)
Amortization of tangible capital assets	–	1,122,669	1,122,669	1,323,903
Amortization of deferred financing fee	80,326	–	80,326	75,570
<b>Total expenses</b>	<b>\$ 16,503,035</b>	<b>\$ 1,122,669</b>	<b>\$ 17,625,704</b>	<b>\$ 17,462,688</b>
Government transfers related to capital		318,308	318,308	318,308
Capital contributions		140,000	140,000	568,324
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 189,248</b>	<b>\$ (664,361)</b>	<b>\$ (475,113)</b>	<b>\$ 264,227</b>