

Financial Statements of

SPORT MANITOBA INC.

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

Opinion

We have audited the financial statements of Sport Manitoba Inc. (the Entity) which comprise the statement of financial position as at March 31, 2019, the statements of operations, 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 and the Schedules (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 March 31, 2019 and its results of operations and its 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 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 the 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

June 20, 2019

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Accounts receivable	\$ 469,753	\$ 497,222
Inventories	47,393	29,323
Prepaid expenses and deposits	130,804	177,171
	<u>647,950</u>	<u>703,716</u>
Marketable securities (note 2[g])	100,000	100,000
Long-term accounts receivable (note 8)	66,185	71,276
Capital assets (note 3)	40,691,512	41,518,758
	<u>\$ 41,505,647</u>	<u>\$ 42,393,750</u>

2019

2018

Liabilities, Deferred Contributions and Net Assets

Current liabilities:

Bank indebtedness (note 5)	\$ 141,351	\$ 529,325
Accounts payable and accrued liabilities	1,083,940	1,372,724
Current portion of loans payable (note 6)	625,725	605,483
	<u>1,851,016</u>	<u>2,507,532</u>

Loans payable (note 6)	22,628,301	23,178,456
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Deferred contributions relating to (note 7):

Expenses of future periods	829,942	677,089
Capital assets	15,054,564	14,871,182
	<u>15,884,506</u>	<u>15,548,271</u>

Net assets:

Unrestricted	(2,066,267)	(1,894,214)
Internally restricted (note 2[f]):		
Initiatives program	87,107	87,107
Coaching	26,875	26,875
Future major repairs and upgrades	525,000	525,000
Phase 2 building expenditures	—	300,000
Manitoba Games	289,448	—
Interprovincial games	77,329	—
Princess Royal Pan Am Scholarship endowment (note 2[g])	100,000	100,000
Invested in capital assets (note 10)	2,102,332	2,014,723
	<u>1,141,824</u>	<u>1,159,491</u>

Trust accounts (note 4)

\$ 41,505,647

\$ 42,393,750

See accompanying notes to financial statements.

On behalf of the Board:

Dave Patrack Director

OJ Macdonald Director

SPORT MANITOBA INC.

Statement of Operations

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

	Operating Fund	Canada Games Sport for Life Centre	Capital Asset Funds	2019 Total	2018 Total
Revenue:					
Province of Manitoba:					
Program support	\$ 10,277,518	\$ 250,000	\$ -	\$ 10,527,518	\$ 10,794,959
Sport program funding	2,189,000	-	-	2,189,000	2,201,389
Other grants	4,149	-	-	4,149	5,560
Sport Medicine Centre	715,958	-	-	715,958	623,187
Amortization of deferred contributions	-	-	384,942	384,942	284,163
Manitoba Games	90,525	-	-	90,525	354,000
Other income	776,438	1,188,771	-	1,965,209	1,302,969
Bilateral funding:					
Province of Manitoba	435,273	-	-	435,273	312,273
Federal Government	518,373	-	-	518,373	312,273
	15,007,234	1,438,771	384,942	16,830,947	16,190,773
Expenses:					
Grants:					
Sport groups for sport development	8,555,213	-	-	8,555,213	9,038,937
Bilateral sport development programs	371,127	-	-	371,127	377,254
Sport Medicine Centre	785,579	-	-	785,579	695,458
Administration and services provided:					
Occupancy	1,411,899	908,465	-	2,320,364	2,035,424
Operating	323,730	362,427	-	686,157	547,679
Program	750,156	205,427	-	955,583	1,007,801
Administration	1,114,306	35,095	-	1,149,401	1,098,083
Member services	1,721,657	-	-	1,721,657	1,645,363
Cost recovered from sport groups	(1,011,884)	-	-	(1,011,884)	(986,479)
Amortization	-	-	1,315,417	1,315,417	1,138,622
	14,021,783	1,511,414	1,315,417	16,848,614	16,598,142
Excess (deficiency) of revenue over expenses	\$ 985,451	\$ (72,643)	\$ (930,475)	\$ (17,667)	\$ (407,369)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

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

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Internally restricted phase 2 building expenditures	Internally restricted future major repairs and upgrades	Internally restricted Manitoba Games	Internally restricted Interprovincial Games	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2019 Total	2018 Total
Net assets, beginning of year	\$ (1,894,214)	\$ 87,107	\$ 26,875	\$ 300,000	\$ 525,000	\$ –	\$ –	\$ 100,000	\$ 2,014,723	\$ 1,159,491	\$ 1,566,860
Excess (deficiency) of revenue over expenses	912,808	–	–	–	–	–	–	–	(930,475)	(17,667)	(407,369)
Capital assets acquired	(112,601)	–	–	(300,000)	–	–	–	–	412,601	–	–
Principal payments on loan payable	(605,483)	–	–	–	–	–	–	–	605,483	–	–
Internally imposed restriction (note 2[f])	(366,777)	–	–	–	–	289,448	77,329	–	–	–	–
Net assets, end of year	\$ (2,066,267)	\$ 87,107	\$ 26,875	\$ –	\$ 525,000	\$ 289,448	\$ 77,329	\$ 100,000	\$ 2,102,332	\$ 1,141,824	\$ 1,159,491

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash (Bank indebtedness) Flows

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

	2019	2018
Cash (bank indebtedness) provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (17,667)	\$ (407,369)
Items not involving cash:		
Amortization of capital assets	1,239,847	1,138,622
Amortization of deferred contributions	(384,943)	(284,163)
Amortization of deferred financing fee	75,570	73,157
Change in non-cash operating working capital	(75,074)	(1,609,227)
	837,733	(1,088,980)
Capital activities:		
Additions to capital assets	(412,601)	(3,040,642)
Increase in deferred contributions related to capital assets	568,325	1,152,666
	155,724	(1,887,976)
Financing activities:		
Principal repayments of loan payable	(605,483)	(569,375)
Increase (decrease) in cash	387,974	(3,546,331)
Cash (bank indebtedness), beginning of year	(529,325)	3,017,006
Bank indebtedness, end of year	\$ (141,351)	\$ (529,325)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Notes to Financial Statements

Year ended March 31, 2019

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:

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.

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

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

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

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

Endowment contributions are recognized as an increase in net assets when received.

Revenue from the Sport Medicine Centre and other income are recognized as revenue when earned.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(b) Inventories:

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

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	2 - 20 years
Print shop equipment	3 - 30 years

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is complete and the asset is placed in service.

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

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Operating fund - Unrestricted:

The purpose of the Operating Fund is to record the operations of the organization, which includes operations of The Sport for Life Sport Medicine Centre and excludes operations of the Canada Games Sports for Life Centre.

The Sport for Life Sport Medicine Centre is a multidisciplinary clinic that offers patient care for sport medicine and orthopedic injuries including sport medicine, physiotherapy, athletic therapy, massage, chiropractic and nutrition.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(e) Canada Games Sport for Life Centre - Unrestricted:

Phase 2 of the new Canada Games Sport for Life Centre was completed in June of 2017. The revenue and expenses relating to the operation of the Canada Games Sport for Life Centre is included in this fund in the statement of operations with any deficit or surplus being recorded in unrestricted net assets.

(f) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures must be approved by the Board.

The Board of Directors has also internally restricted certain net assets to be used for coaching initiatives, to fund phase 2 building expenditures, and to fund future major repairs and upgrades required for 145 Pacific Avenue.

During the year, the Board of Directors internally restricted resources of \$289,448 for the 2020 Manitoba Games and \$77,329 for the Interprovincial Games occurring in August 2019. The amounts were transferred from the unrestricted net assets. These internally restricted amounts are not available for other purposes without prior approval of the Board of Directors.

(g) Princess Royal Pan Am Scholarship endowment:

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 fair value.

(h) Capital fund:

The purpose of the funds Invested in Capital Assets is to record capital assets, related debt, and the net investment of the organization in such assets.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(i) 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.

(j) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported 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.

Transaction costs incurred on 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 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 operations.

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

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

The standards 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.

(k) Allocation of general administration expenses:

The organization classifies expenses on the statement of operations by function. The organization allocates certain costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Allocated expenses consist of salaries and benefits which are allocated 65 percent to member services expenses and 35 percent to administration expenses on the basis of the average of individual job positions responsibilities.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,200,000	\$ –	\$ 1,200,000	\$ 1,200,000
Building	43,430,189	4,694,520	38,735,669	39,715,406
Computers	405,739	377,969	27,770	40,734
Furniture and equipment	1,582,791	1,001,205	581,586	560,525
Print shop equipment	254,725	247,649	7,076	2,093
Leasehold improvements	40,576	40,576	–	–
Construction in progress	139,411	–	139,411	–
	\$ 47,053,431	\$ 6,361,919	\$ 40,691,512	\$ 41,518,758

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 \$1,400,917 of assets in trust for KidSport Canada as at March 31, 2019 (2018 - \$1,181,384). 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 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 financial statements for financial reporting purposes.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

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, 2019.

Assets	\$	2,191,186
Liabilities and deferred contributions	\$	25,534
Net assets		2,165,652
	\$	2,191,186
Revenues	\$	2,619,458
Expenses		453,806
Excess of revenues over expenses	\$	2,165,652

5. Bank indebtedness:

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, 2019 in the amount of \$141,351 (2018 - 529,325).

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Loans payable:

	2019	2018
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	\$ 16,485,558	\$ 16,882,795
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	9,906,931	10,115,177
Deferred financing fee	(3,138,463)	(3,214,033)
	23,254,026	23,783,939
Current portion of loans payable	625,725	605,483
	\$ 22,628,301	\$ 23,178,456

Principal repayments over the next five years are as follows:

2020	\$ 625,725
2021	646,644
2022	668,263
2023	690,605
2024	713,694

7. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2019	2018
Balance, beginning of year	\$ 677,089	\$ 569,488
Contributions in the current year	471,706	318,309
Amounts amortized to revenue	(318,853)	(210,708)
Balance, end of year	\$ 829,942	\$ 677,089

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	2019	2018
Future bids and funding, MB Games sponsorship, coaching and programming and storage of equipment	\$ 829,942	\$ 677,089

Deferred contributions related to capital assets represent the unamortized amount of externally restricted contributions that have been received for the construction of the Sport for Life Centre.

	2019	2018
Balance, beginning of year	\$ 14,871,182	\$ 14,002,679
Contributions in the current year	568,324	1,152,666
Amounts amortized to revenue	(384,942)	(284,163)
Balance, end of year	\$ 15,054,564	\$ 14,871,182

Deferred contributions related to capital assets are comprised of the following:

	2019	2018
Sport for Life Centre Phase 1	\$ 9,050	\$ 9,050
Sport for Life Centre Phase 2	15,045,514	14,862,132
	\$ 15,054,564	\$ 14,871,182

As at March 31, 2019, the organization has received pledges of approximately \$201,000 for the Sports for Life Centre Phase 2 that are to be received during fiscal 2020 to 2021, with approximately \$129,000 to be received in fiscal 2020. These pledges will be recorded as deferred contributions related to capital assets when received and will then be amortized to revenue over the useful life of the Sport for Life Centre Phase 2 building.

The organization signed a promissory note dated March 31, 2016 for a total capital contribution of \$6,000,000 for the Sport for Life Centre Phase 2. The promissory note is payable to the Department of Finance of the Province of Manitoba and the payment of this liability is guaranteed and funded by Department of Tourism, Culture, Heritage, Sport and Consumer Protection of the Province of Manitoba. No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. At March 31, 2019, the balance of the promissory note is \$5,666,768 (2018 - \$5,791,531). The promissory note bears interest at 3.38 percent, maturing on June 30, 2046, and is repayable in monthly installments of \$26,536, which includes principal and interest.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (the Hall of Fame), which is a registered charity organized to honour Manitoba athletes and builders. The financial statements of the Hall of Fame have not been consolidated with those of the organization.

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of \$65,000.

The long-term accounts receivable in the amount of \$66,185 (2018 - \$71,276) is owed to the organization from the Hall of Fame and is non-interest bearing and has no fixed terms of repayment.

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2019	2018
Assets	\$ 595,830	\$ 647,381
Liabilities and deferred contributions	\$ 356,392	\$ 435,628
Net assets	239,438	211,753
	\$ 595,830	\$ 647,381
Revenues	\$ 437,827	\$ 399,899
Expenses	410,142	361,252
Excess of revenues over expenses	\$ 27,685	\$ 38,647

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (the Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2019	2018
Assets	\$ 566,721	\$ 557,118
Deferred contributions	\$ 400,515	\$ 401,015
Unrestricted net assets	165,451	155,348
Restricted Bud Tinsley fund	755	755
	\$ 566,721	\$ 557,118
Revenue	\$ 32,488	\$ 24,279
Expenses	22,385	30,028
Excess (deficiency) of revenue over expenses	\$ 10,103	\$ (5,749)

During the year, the Foundation provided \$14,200 (2018 - \$13,998) of scholarship grants to Manitoba athletes.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 40,691,512	\$ 41,518,758
Amounts financed by:		
Loans payable	(23,254,026)	(23,783,939)
Deferred contributions	(15,054,564)	(14,871,182)
Working capital	(280,590)	(319,589)
Bank indebtedness	–	(529,325)
	<hr/>	<hr/>
	\$ 2,102,332	\$ 2,014,723

11. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2019 was \$142,308 (2018 - \$141,011).

12. 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, 2019, the organization has received \$1 million in pledges from these donors for the construction of the Sports for Life Centre which is included in deferred contributions relating to capital assets. The remaining amount of \$1 million will be received during fiscal 2020 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.

SPORT MANITOBA INC.

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. 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, 2019 is the carrying value of these assets.

At March 31, 2019, an allowance for bad debt exists in the amount of \$25,025 (2018 - \$25,025). All other accounts receivable for March 31, 2019 are collectible.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2019.

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.

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

(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 2018.

SPORT MANITOBA INC.

Schedule A - Administration and Services Provided to Sports Groups

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

	2019	2018
Occupancy expenses:		
Interest on loan payable	\$ 542,808	\$ 555,831
Member services	204,032	181,633
Utilities	133,487	228,362
Security and janitorial services	156,894	125,952
Salaries	106,062	91,810
Property repairs and maintenance	42,221	46,832
Insurance and taxes	226,395	282,729
	<hr/>	<hr/>
	\$ 1,411,899	\$ 1,513,149
Operating expenses:		
Courier	\$ 8,795	\$ 15,089
Postage	43,071	40,668
Repairs and maintenance	210,061	109,897
Service bureau fees	1,742	1,630
Stationery	24,511	25,536
Telephone	35,550	26,171
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	\$ 323,730	\$ 218,991
Programs expenses:		
Community & Regional Development	\$ 152,811	\$ 139,290
Communications	76,877	18,850
Coaching Development	73,348	74,356
Fit Kids Healthy Kids	186,643	226,840
Special Projects - Sport Management	7,468	7,140
Kidsport	23,234	23,925
Interprovincial Games	80,070	133,024
Marketing Image & Public Relations	88,936	144,940
Partner Services	6,904	8,319
Respect in Sport	50,330	84,545
Long Term Athlete Development	3,535	-
	<hr/>	<hr/>
	\$ 750,156	\$ 861,229

SPORT MANITOBA INC.

Schedule A - Administration and Services Provided to Sports Groups (continued)

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

	2019	2018
Administration expenses:		
Advertising, marketing and media programs	\$ 22,977	\$ 41,424
Delivery and freight	846	820
Insurance	25,529	12,443
Meetings	17,079	13,346
Membership dues and subscriptions	749	3,513
Office supplies and stationery	7,978	362
Photocopying	7,892	4,936
Postage	3,655	10,121
Printing	3,300	5,203
Professional development	15,763	1,160
Professional fees	31,160	33,281
Salaries and benefits	927,727	885,965
Service bureau fees	4,503	5,774
Telephone	25,913	26,909
Travel	11,105	4,769
Volunteer and staff recognition	8,130	12,138
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	\$ 1,114,306	\$ 1,062,164
Member services expenses:		
Salaries and benefits	\$ 1,721,657	\$ 1,645,363
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Amortization:		
Amortization of other capital assets	\$ 1,239,847	\$ 1,065,465
Amortization of deferred financing fee	75,570	73,157
	<hr/>	<hr/>
	\$ 1,315,417	\$ 1,138,622

SPORT MANITOBA INC.

Schedule B - Administration and Services Provided to Canada Games Sport for Life Centre

Year ended March 31, 2019, with comparative information for 2018 (note 2e)

	2019	2018
Occupancy expenses:		
Interest on loan payable	\$ 346,514	\$ 276,300
Member services	31,840	6,342
Utilities	147,005	40,321
Security and janitorial services	153,678	133,875
Property repairs and maintenance	38,013	25,737
Insurance and taxes	191,415	39,700
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	\$ 908,465	\$ 522,275
Operating expenses:		
Salaries and benefits	\$ 338,246	\$ 310,950
POS Online Software	24,181	17,738
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	\$ 362,427	\$ 328,688
Program expenses:		
Specialty programs/Trainers and Coaches	\$ 162,020	\$ 120,746
Membership - Trainers	43,407	25,826
	<hr/>	<hr/>
	\$ 205,427	\$ 146,572
Administration expenses:		
Delivery and freight	\$ 96	\$ 155
Meetings	702	454
Office supplies and stationery	7,205	9,642
Photocopying	310	389
Postage	3,137	—
Printing	1,187	2,176
Professional development	2,026	13,601
Telephone	1,986	2,987
Travel	18,446	6,515
	<hr/>	<hr/>
	\$ 35,095	\$ 35,919