

Consolidated Financial Statements of

SPORT MANITOBA INC.

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

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, 2021, the consolidated statements of operations and accumulated surplus, remeasurement gains and 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, 2021 and its consolidated results of operations, its consolidated remeasurement gains and 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 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.
- 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 23, 2021

SPORT MANITOBA INC.

Consolidated Statement of Financial Position

As at March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash (note 5)	\$ 1,762,131	\$ –
Restricted cash (note 2[f])	100,000	100,000
Accounts receivable (note 14)	1,603,036	846,182
Marketable securities	459,787	553,193
	<u>3,924,954</u>	<u>1,499,375</u>
Financial liabilities:		
Bank indebtedness (note 5)	–	680,379
Accounts payable and accrued liabilities (note 14)	1,984,374	1,070,455
Unearned revenue - expenses of future periods	1,718,096	472,816
Loans payable (note 6)	22,142,621	22,708,627
Promissory note (note 7)	5,404,265	5,537,728
	<u>31,249,356</u>	<u>30,470,005</u>
Net debt	(27,324,402)	(28,970,630)
Non-financial assets:		
Tangible capital assets (note 3)	39,213,539	40,200,870
Inventories	42,219	36,902
Prepaid expenses and deposits	115,671	102,679
	<u>39,371,429</u>	<u>40,340,451</u>
Accumulated surplus	\$ 12,047,027	\$ 11,369,821
Accumulated surplus is comprised of:		
Accumulated operating surplus:		
Invested in tangible capital assets	\$ 11,666,652	\$ 11,954,515
Surplus (deficit) accumulated from general operations (note 11)	363,203	(565,508)
	<u>12,029,855</u>	<u>11,389,007</u>
Accumulated remeasurement gains (losses)	17,172	(19,186)
	<u>\$ 12,047,027</u>	<u>\$ 11,369,821</u>

Trust accounts (note 4)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

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Original Document Signed Director

SPORT MANITOBA INC.

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Province of Manitoba:			
Program support	\$ 10,804,700	\$ 9,961,564	\$ 10,395,852
Sport program funding	2,253,500	2,253,500	2,197,000
Government of Canada (note 14):			
Canada emergency wage subsidy	–	6,856,818	–
Federal emergency COVID relief funding	–	4,047,698	–
Canada emergency rent	–	190,628	–
Canada Games Sport for Life Centre	1,278,000	350,065	1,213,705
Sport Medicine Centre	988,500	404,870	675,746
Manitoba Games	441,000	51,057	50,000
Sports Hall of Fame special events	209,354	82,546	314,174
Sports Hall of Fame museum and gallery	5,550	34,270	99,871
Program and other income	1,147,554	625,066	826,022
Bilateral funding:			
Province of Manitoba	502,473	390,653	458,540
Federal government	502,473	390,653	461,373
Total revenue	18,133,104	25,639,388	16,692,283
Expenses (note 10):			
Grants:			
Sport groups for sport development (note 14)	9,345,230	17,356,031	8,716,220
Bilateral sport development programs	431,400	275,490	393,132
Sport Medicine Centre	922,638	526,225	805,982
Sports Hall of Fame special events	74,175	6,143	184,372
Sports Hall of Fame museum and gallery	67,710	153,395	155,516
Manitoba Foundation for Sports scholarships	11,500	11,500	11,702
Administration and services provided:			
Occupancy	2,498,778	2,425,765	2,627,504
Operating	862,330	596,833	657,188
Program	973,743	494,787	862,494
Administration	1,190,776	1,165,175	1,233,548
Member services	1,639,604	1,790,272	1,727,407
Cost recovered from sport groups	(1,083,625)	(617,998)	(952,356)
Amortization of tangible capital assets	1,107,293	1,152,592	1,122,669
Amortization of deferred financing fee	77,200	80,638	80,326
Total expenses	18,118,752	25,416,848	17,625,704
Annual surplus (deficit) before capital funding	14,352	222,540	(933,421)
Government transfers related to capital		318,308	318,308
Capital contributions from non-government		100,000	140,000
		418,308	458,308
Annual surplus (deficit)		640,848	(475,113)
Accumulated operating surplus, beginning of year		11,389,007	11,864,120
Accumulated operating surplus, end of year		\$ 12,029,855	\$ 11,389,007

See accompanying notes to consolidated financial statements.

SPORT MANITOBA INC.

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement losses, beginning of year	\$ (19,186)	\$ (4,045)
Unrealized gains (losses) attributable to investments	29,502	(19,599)
Realized gains, reclassified to statement of operations and changes in accumulated surplus, attributable to investments	6,856	4,458
Net remeasurement gain (loss) for the year	36,358	(15,141)
Accumulated remeasurement gains (losses), end of year	\$ 17,172	\$ (19,186)

See accompanying notes to consolidated financial statements.

SPORT MANITOBA INC.

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus (deficit)	\$ 640,848	\$ (475,113)
Acquisition of tangible capital assets	(165,261)	(358,422)
Amortization of tangible capital assets	1,152,592	1,122,669
Change in inventories	(5,317)	10,491
Change in prepaid expenses and deposits	(12,992)	35,334
Change in accumulated remeasurement gains (losses)	36,358	(15,141)
Change in net debt	1,646,228	319,818
Net debt, beginning of year	(28,970,630)	(29,290,448)
Net debt, end of year	\$ (27,324,402)	\$ (28,970,630)

See accompanying notes to consolidated financial statements.

SPORT MANITOBA INC.

Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating transactions:		
Annual surplus (deficit)	\$ 640,848	\$ (475,113)
Items not involving cash:		
Amortization of tangible capital assets	1,152,592	1,122,669
Amortization of deferred financing fee	80,638	80,326
Change in non-cash operating working capital	1,384,036	(447,557)
	<u>3,258,114</u>	<u>280,325</u>
Capital transactions:		
Additions to tangible capital assets	(165,261)	(358,422)
Increase (decrease) in investments	129,764	(16,810)
	<u>(35,497)</u>	<u>(375,232)</u>
Financing transactions:		
Principal repayments of loan payable	(133,463)	(625,725)
Principal repayments of promissory note	(646,644)	(129,040)
	<u>(780,107)</u>	<u>(754,765)</u>
Increase (decrease) in cash position	2,442,510	(849,672)
Cash (bank indebtedness), beginning of year	(680,379)	169,293
Cash (bank indebtedness), end of year	<u>\$ 1,762,131</u>	<u>\$ (680,379)</u>

See accompanying notes to consolidated financial statements.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements

Year ended March 31, 2021

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 funded through an agreement with the Province of Manitoba which expired on March 31, 2020. Both the organization and the Province of Manitoba operated under the expired agreement during fiscal 2021. A new agreement is expected to be finalized between the organization and the Province of Manitoba during fiscal 2022.

2. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) without Sections PS4200-4270.

(b) Controlled entities:

The organization consolidates all entities 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 include 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.

(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.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

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.

(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.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

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

Amortization methods, useful lives and residual values are reassessed annually or more frequently when there is an indication that they have changed.

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

(f) Restricted cash:

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 included in restricted cash at March 31, 2021.

(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.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

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 gains and losses.

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

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 as at March 31, 2021, consistent with investments held at March 31, 2020. There were no transfers from level 1, level 2 and level 3 in 2021 or 2020.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(i) Government assistance:

Government assistance related to current expenses is included in the determination of revenue for the year when the related expenditures are incurred. A liability to repay government assistance, if any, is recorded in the period in which the conditions arise that causes the assistance to become repayable. Grants payable to sport partners relating to government assistance collected by the organization on their behalf, are recorded as a payable and grant expense when the related government assistance is earned.

3. Tangible capital assets:

Cost	March 31, 2020	Additions	March 31, 2021
Land	\$ 1,200,000	\$ –	\$ 1,200,000
Building and improvements	43,481,753	26,381	43,508,134
Computers	459,896	106,941	566,837
Furniture and equipment	2,686,230	31,848	2,718,078
Print shop equipment	250,270	91	250,361
Leasehold improvements	40,576	–	40,576
	\$ 48,118,725	\$ 165,261	\$ 48,283,986

Accumulated amortization	March 31, 2020	Additions	March 31, 2021
Building and improvements	\$ 5,569,661	\$ 879,488	\$ 6,449,149
Computers	407,074	37,021	444,095
Furniture and equipment	1,657,163	234,250	1,891,413
Print shop equipment	243,381	1,833	245,214
Leasehold improvements	40,576	–	40,576
	\$ 7,917,855	\$ 1,152,592	\$ 9,070,447

Net book value	2021	2020
Land	\$ 1,200,000	\$ 1,200,000
Building and improvements	37,058,985	37,912,092
Computers	122,742	52,822
Furniture and equipment	826,665	1,029,067
Print shop equipment	5,147	6,889
	\$ 39,213,539	\$ 40,200,870

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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 \$1,307,709 of assets in trust for KidSport Canada as at March 31, 2021 (2020 - \$1,269,845). 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.

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, 2021:

	2021	2020
Assets	\$ 2,106,107	\$ 1,934,446
Liabilities	\$ 305,847	\$ 109,600
Net assets	1,800,260	1,824,846
	\$ 2,106,107	\$ 1,934,446
Revenues	\$ 265,301	\$ 130,624
Expenses	289,887	471,430
Deficiency of revenues over expenses	\$ (24,586)	\$ (340,806)

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

5. Bank indebtedness and cash:

	2021	2020
Bank indebtedness - operating line of credit	\$ -	\$ (972,243)
Cash	1,762,131	291,864
	<u>\$ 1,762,131</u>	<u>\$ (680,379)</u>

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, 2021 in the amount of nil (2020 - \$972,243).

6. Loans payable:

	2021	2020
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	\$ 15,651,338	\$ 16,075,216
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	9,468,781	9,691,548
Deferred financing fee	(2,977,498)	(3,058,137)
	<u>\$ 22,142,621</u>	<u>\$ 22,708,627</u>

Principal repayments over the next five years and thereafter are as follows:

2022	\$ 668,263
2023	690,605
2024	713,694
2025	737,555
2026	762,214
Thereafter	18,570,290

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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, 2021, the balance of the promissory note is \$5,404,265 (2020 - \$5,537,728). 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.

Principal repayments over the next five years and thereafter are as follows:

2022	\$	138,037
2023		142,769
2024		147,663
2025		152,724
2026		157,960
Thereafter		4,665,112

8. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2021 was \$144,641 (2020 - \$139,821).

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, 2021, the organization has received \$1.4 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 \$600,000 will be received during fiscal 2022 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 Consolidated Financial Statements (continued)

Year ended March 31, 2021

10. Classification of expenditures by object:

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

	Budget	2021	2020
Salaries and benefits	\$ 3,166,304	\$ 3,306,502	\$ 3,033,509
Grants and transfer payments	9,776,631	17,726,679	9,109,352
Transportation	9,840	4,294	5,895
Communication	312,390	271,517	298,699
Supplies and services	1,095,875	1,069,519	1,157,691
Debt servicing	1,040,178	1,105,317	1,130,347
Minor capital	5,800	69,006	35,738
Amortization of capital assets	1,184,493	1,152,592	1,122,669
Other operating	1,527,241	711,422	1,731,804
	\$ 18,118,752	\$ 25,416,848	\$ 17,625,704

11. Accumulated surplus:

Surplus (deficit) accumulated from general operations includes unrestricted deficit and an internally restricted reserve created for future funding of building expenditures.

	2021	2020
Building reserve	\$ 1,025,000	\$ 525,000
Unrestricted deficit	(661,797)	(1,090,508)
	\$ 363,203	\$ (565,508)

Upon approval of the organization's financial statements, the Board of Directors approved a transfer of \$500,000 from unrestricted deficit to the building reserve.

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.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

12. Financial risks (continued):

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, 2021 is the carrying value of these assets.

All accounts receivable for March 31, 2021 are considered collectible by management.

The maximum exposure to investment credit risk is the fair value of the marketable securities at March 31, 2021.

There have been no significant changes to the credit risk exposure from 2020, other than the impact noted from the COVID-19 pandemic (note 14).

(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 2022.

There have been no significant changes to the liquidity risk exposure from 2020, other than the impact noted from the COVID-19 pandemic (note 14).

(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 interest rate risk exposure from 2020.

13. Economic dependence:

The organization received approximately 48 percent (2020 - 75 percent) of its operating revenue from the Province of Manitoba as operating grants and is economically dependent on the Province of Manitoba for continued operations.

SPORT MANITOBA INC.

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

14. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread to the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

As a result of the COVID-19 pandemic, during fiscal 2021 and as of the date of approval of these financial statements, the organization has experienced closure of its facilities for periods of time, reduced capacity within the facilities based on public health recommendations, part-time and casual employees being put on leave and mandatory working from home requirements for those able to do so.

The organization has accessed certain government assistance programs to assist with the impact of COVID-19 on the organization's operations, which includes access to government subsidies to assist with the organization's expenditures. During fiscal 2021, the organization has recognized approximately \$6.9 million (2020 - nil) under the Canada Emergency Wage Subsidy (CEWS) for reimbursements of salaries, including salaries of its sport partners. The organization granted approximately \$5 million to its sport partners relating to the CEWS grant, based on the sport partner's portion of the reimbursement of salaries, which is included in grant expenses. As at March 31, 2021, claims receivable related to the CEWS of \$774 thousand (2020 - nil) is included in accounts receivable, as well as the related CEWS grant payable to sport partners in the amount of \$473 thousand (2020 - nil).

In addition, in fiscal 2021, the organization received approximately \$4 million from the Government of Canada for COVID relief funding, of which the organization granted approximately \$3.7 million to its sport partners.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on the organization is not known at this time.

15. Comparative information:

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year annual deficit.

SPORT MANITOBA INC.

Schedule 1 - Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Operating Fund	Capital Asset	2021 Total	2020 Total
Revenue:				
Province of Manitoba:				
Program support	\$ 9,961,564	\$ -	\$ 9,961,564	\$ 10,395,852
Sport program funding	2,253,500	-	2,253,500	2,197,000
Government of Canada:				
Federal Government Emergency Funding Grant	6,856,818	-	6,856,818	-
Canada emergency rent	190,628	-	190,628	-
Federal emergency COVID relief funding	4,047,698	-	4,047,698	-
Canada Games Sport for Life Centre	350,065	-	350,065	1,213,705
Sport Medicine Centre	404,870	-	404,870	675,746
Manitoba Games	51,057	-	51,057	50,000
Sports Hall of Fame special events	114,610	-	114,610	314,174
Sports Hall of Fame museum and gallery	2,206	-	2,206	99,871
Other income	625,066	-	625,066	826,022
Bilateral funding:				
Province of Manitoba	390,653	-	390,653	458,540
Federal government	390,653	-	390,653	461,373
Total revenue	\$ 25,639,388	\$ -	\$ 25,639,388	\$ 16,692,283
Expenses:				
Grants:				
Sport groups for sport development	\$ 17,356,031	\$ -	\$ 17,356,031	\$ 8,716,220
Bilateral sport development programs	275,490	-	275,490	393,132
Sport Medicine Centre	526,225	-	526,225	805,982
Sports Hall of Fame special events	6,143	-	6,143	184,372
Sports Hall of Fame museum and gallery	153,395	-	153,395	155,516
Manitoba Foundation for Sports scholarships	11,500	-	11,500	11,702
Administration and services provided:				
Occupancy	2,425,765	-	2,425,765	2,627,504
Operating	596,833	-	596,833	657,188
Program	494,787	-	494,787	862,494
Administration	1,165,175	-	1,165,175	1,233,548
Member services	1,790,272	-	1,790,272	1,727,407
Cost recovered from sport groups	(617,998)	-	(617,998)	(952,356)
Amortization of tangible capital assets	-	1,152,592	1,152,592	1,122,669
Amortization of deferred financing fee	80,638	-	80,638	80,326
Total expenses	\$ 24,264,256	\$ 1,152,592	\$ 25,416,848	\$ 17,625,704
Government transfers related to capital	-	318,308	318,308	318,308
Capital contributions	-	100,000	100,000	140,000
Excess (deficiency) of revenue over expenses	\$ 1,375,132	\$ (734,284)	\$ 640,848	\$ (475,113)