Financial Statements of

ECONOMIC DEVELOPMENT WINNIPEG INC.

And Independent Auditors' Report thereon

Year ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Directors of Economic Development Winnipeg Inc.

Opinion

We have audited the accompanying financial statements of Economic Development Winnipeg Inc. (the "Entity") which comprise the statement of financial position as at December 31, 2020 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe 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.

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Auditors' Responsibility 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

March 11, 2021

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 458,042	$ 170,177
Investments (note 3)	3,698,777	3,295,398
Accounts receivable	447,810	332,465
Prepaid expenses	52,762	144,427
	4,657,391	3,942,467
Capital assets (note 4)	676,842	543,672
	$ 5,334,233	$ 4,486,139
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 213,591	$ 274,995
Other long-term liabilities	–	146,012
Deferred rent	58,132	53,892
Deferred lease inducement	219,795	255,433
Deferred contributions:		
Future expenses (note 5)	1,533,913	649,694
Net assets:		
Invested in capital assets	676,842	543,672
Unrestricted	1,931,960	1,862,441
Internally restricted:		
Appropriated for sustainability reserve (note 6)	700,000	700,000
	3,308,802	3,106,113
Commitments (note 7)		
	$ 5,334,233	$ 4,486,139

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Revenue and Expenditures

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

	2020	2019
Revenue:		
Funding:		
The City of Winnipeg	$ 3,122,716	$ 4,336,484
Province of Manitoba (note 11)	1,754,000	1,369,410
Government of Canada	1,017,346	208,923
Partnerships and investors contributions	1,211,968	1,530,832
Interest	45,740	74,136
	7,151,770	7,519,785
Expenditures:		
Initiatives and marketing	2,167,938	2,405,203
Personnel	3,954,280	4,119,619
Administrative	473,574	527,496
Occupancy and facilities	353,289	308,479
	6,949,081	7,360,797
Excess of revenue over expenditures	$ 202,689	$ 158,988

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Changes in Net Assets

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

	Invested in capital assets	Unrestricted	Internally restricted	2020 Total	2019 Total
Balances, beginning of year	$ 543,672	$ 1,862,441	$ 700,000	$ 3,106,113	$ 2,947,125
Excess (deficiency) of revenue over expenditures	(139,757)	342,446	–	202,689	158,988
Transfer for acquisition of capital assets	272,927	(272,927)	–	–	–
Balances, end of year	$ 676,842	$ 1,931,960	$ 700,000	$ 3,308,802	$ 3,106,113

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	$ 202,689	$ 158,988
Items not involving cash:		
Amortization of capital assets	139,757	131,539
Amortization of deferred rent	4,240	4,391
Amortization of deferred lease inducements	(35,638)	(35,647)
Change in non-cash operating working capital:		
Accounts receivable	(115,345)	(37,458)
Prepaid expenses	91,665	(64,438)
Accounts payable and accrued liabilities	(207,416)	313,703
Net increase in deferred contributions future expenses	884,219	257,807
	964,171	728,885
Capital activities:		
Purchase of capital assets	(272,927)	(183,638)
Investing activities:		
Investments, net	(403,379)	(609,512)
Increase (decrease) in cash	287,865	(64,265)
Cash, beginning of year	170,177	234,442
Cash, end of year	$ 458,042	$ 170,177

See accompanying notes to financial statements.

1. General:

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

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

2. Significant accounting policies:

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

(a) Revenue recognition:

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

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

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

2. Significant accounting policies (continued):

(b) Financial instruments:

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

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

The Organization did not incur any re-measurement gains and losses during the year ended December 31, 2020 (2019 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

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

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

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

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

2. Significant accounting policies (continued):

(c) Capital assets:

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

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

(d) Deferred rent:

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

(e) Deferred lease inducement:

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

(f) Income taxes:

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

(g) Use of estimates:

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

3. Investments:

Investments consist of investments in money market instruments aggregating $588,777 (2019 - $585,398) and guaranteed investment certificates aggregating $3,110,000 (2019 - $2,710,000). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

4. Capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer hardware and software	$ 247,521	$ 193,327	$ 54,194	$ 75,720
Office furniture and fixtures	251,779	162,372	89,407	84,968
Leasehold improvements	1,038,460	505,219	533,241	382,984
	$ 1,537,760	$ 860,918	$ 676,842	$ 543,672

5. Deferred contributions - future expenses:

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

	2020	2019
Balance, beginning of year	$ 649,694	$ 391,887
Amounts received during the year	3,534,081	2,296,612
	4,183,775	2,688,499
Less: amounts recognized as revenue in the year	(2,649,862)	(2,038,805)
Balance, end of year	$ 1,533,913	$ 649,694

5. Deferred contributions - future expenses (continued):

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

	2020	2019
Tourism Winnipeg Partner initiatives	$ 541,083	$ 122,442
Western Economic Diversification projects	424,623	–
Province of Manitoba PEG Funding	318,800	318,800
Open data project	112,956	125,000
Winnipeg Branding initiative	70,000	–
Our Winnipeg Initiative	66,451	66,451
Yes! Winnipeg Investors' contributions	–	17,000
	$ 1,533,913	$ 649,693

6. Internally restricted:

Sustainability reserve:

In the year ended December 31, 2017, the Board approved an internally restricted sustainability reserve to be funded through a transfer from unrestricted net assets. The sustainability reserve was established to compensate for the unexpected fluctuations in revenue.

7. Commitments:

The Organization is committed under a lease for office space until February 2027. The minimum lease payments over the next five years are as follows:

2021	$ 178,837
2022	195,740
2023	185,267
2024	186,837
2025	186,837

8. Segregated fund:

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

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

	2020	2019
Special event marketing fund:		
Balance, beginning of year	$ 1,388,288	$ 1,158,117
Funds received during the year	699,227	1,126,617
Funds used during the year	(393,123)	(820,933)
Interest earned	8,769	24,487
Administration fee	(100,000)	(100,000)
Balance, end of year, and amount of funds held	$ 1,603,161	$ 1,388,288

A portion of the $1,603,161 held on December 31, 2020 have been committed towards meetings and conventions planned during fiscal 2021. The timing for certain scheduled events is uncertain due to the COVID-19 pandemic and many events previously scheduled for 2021 are in the process of being moved to future years.

Other commitments have been entered into from the fund towards several meetings and conventions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year. Again, the timing of these commitments are subject to change due to the COVID-19 pandemic.

The commitments related to future years are:

2021	$ 468,069
2022	1,079,401
2023	2,520,191

9. Financial risks:

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

(a) Credit risk:

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

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at December 31, 2020 is the carrying value of these assets.

At December 31, 2020, the amount of accounts receivable past due, net of the allowance for doubtful accounts, is $28,958 (2019 - $23,503).

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

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

10. Defined contribution plan:

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

Employer contributions made to the plan during the year amounted to $124,873 (2019 - $108,424).

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

During fiscal 2020, the Organization received funding under the Province of Manitoba's Partners in Economic Growth ("PEG") program, with total revenue recognized during fiscal 2020 of $1,594,000 (2019 - $1,369,410). The amount is represented by $637,600 recognized relating to the Province's 2019/20 fiscal year (April 1, 2019 to March 31, 2020) and $956,400 of revenue from the Province's 2020/21 current fiscal year (April 1, 2020 to March 31, 2021).

During the year, the Organization entered into a formal funding agreement with the Province for the funding to be received for the Province's 2020/21 fiscal year. The agreement includes the payment of three installments. The first installment was received on July 22, 2020 and the second installment was received on November 16, 2020. During the year the Organization recognized $956,400 of the Province's 2020/21 funding, representing the period April 1, 2020 to December 31, 2020. The remainder of the 2020/21 funding will be recognized January 1, 2021 to March 31, 2021 including the final payment of $318,800 once the Province's reporting requirements are considered to be met.

During the year, the Organization also received $160,000 from the Province of Manitoba for a Data Warehouse project which is separate from the PEG funding. This combined with the PEG funding provides for total revenue from the Province of Manitoba of $1,754,000 for the year ending December 31, 2020.

The use of the funds provided by the 2020/21 PEG funding are as follows:

	Recognized in 2020	To be recognized in 2021 (unaudited)	Total (unaudited)
Personnel	$ 509,100	$ 339,400	$ 848,500
Occupancy and facilities	54,000	36,000	90,000
Administrative	45,000	30,000	75,000
Initiatives and marketing	348,300	232,200	580,500
Total	$ 956,400	$ 637,600	$ 1,594,000

12. COVID-19 pandemic impact:

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

12. COVID-19 pandemic impact (continued):

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments 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.

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.