

Financial Statements of

**VIVO FOR HEALTHIER GENERATIONS
SOCIETY**

And Independent Auditors' Report thereon

Year ended August 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Vivo for Healthier Generations Society

Opinion

We have audited the financial statements of Vivo for Healthier Generations Society (the Entity), which comprise:

- the statement of financial position as at August 31, 2022;
- the statement of operations for year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including 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 August 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

February 22, 2023

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Financial Position

August 31, 2022, with comparative information for 2021

| | Unrestricted Operating Fund | Restricted Operating Fund | Vivo Play Project Fund | Head Lease Reserve Fund | Capital Asset Fund | Expansion Fund | 2022 | 2021 |
|--|-----------------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------|-------------------|---------------|---------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 618,345 | \$ 316,757 | \$ 149,188 | \$ — | \$ — | \$ 2,895,600 | \$ 3,979,890 | \$ 12,731,399 |
| Accounts receivable | 700,209 | 2,534 | 352 | — | 30 | 738,103 | 1,441,228 | 600,351 |
| Grant receivable (note 12) | — | — | 16,942 | — | — | 24,533,141 | 24,550,083 | 21,619,911 |
| Prepaid expenses | 14,766 | — | — | — | — | — | 14,766 | 40,065 |
| Investments (note 3) | 656,388 | — | — | 2,610,154 | 235,169 | 16,447 | 3,518,158 | 4,082,188 |
| | 1,989,708 | 319,291 | 166,482 | 2,610,154 | 235,199 | 28,183,291 | 33,504,125 | 39,073,914 |
| Grant receivable (note 12) | — | — | — | — | — | — | — | 14,704,873 |
| Capital assets (note 5) | — | — | — | — | 940,724 | — | 940,724 | 878,968 |
| | \$ 1,989,708 | \$ 319,291 | \$ 166,482 | \$ 2,610,154 | \$ 1,175,923 | \$ 28,183,291 | \$ 34,444,849 | \$ 54,657,755 |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities (note 6) | \$ 1,830,939 | \$ — | \$ 6,166 | \$ — | \$ — | \$ 4,736,311 | \$ 6,573,416 | \$ 1,151,274 |
| Unearned revenue | 504,239 | — | — | — | — | — | 504,239 | 295,023 |
| | 2,335,178 | — | 6,166 | — | — | 4,736,311 | 7,077,655 | 1,446,297 |
| Net assets: | | | | | | | | |
| Unrestricted | (345,470) | — | — | — | — | — | (345,470) | (391,894) |
| Restricted (note 7) | — | 319,291 | 160,316 | 2,610,154 | 235,199 | 23,446,980 | 26,771,940 | 52,724,384 |
| Invested in capital assets | — | — | — | — | 940,724 | — | 940,724 | 878,968 |
| | (345,470) | 319,291 | 160,316 | 2,610,154 | 1,175,923 | 23,446,980 | 27,367,194 | 53,211,458 |
| Commitments and contingencies (notes 4 and 8) | | | | | | | | |
| Subsequent events (notes 8, 9(b), 12 and 13) | | | | | | | | |
| | \$ 1,989,708 | \$ 319,291 | \$ 166,482 | \$ 2,610,154 | \$ 1,175,923 | \$ 28,183,291 | \$ 34,444,849 | \$ 54,657,755 |

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Director

Director

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Operations

Year ended August 31, 2022, with comparative information for 2021

| | Unrestricted Operating Fund | Restricted Operating Fund | Vivo Play Project Fund | Head Lease Reserve Fund | Capital Asset Fund | Expansion Fund | 2022 | 2021 |
|--|-----------------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | | | | |
| Admissions | \$ 37,375 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 37,375 | \$ 586,061 |
| Programs and services | 600,343 | 11,350 | - | - | - | - | 611,693 | 309,355 |
| Facility rentals | 950,374 | - | - | - | - | - | 950,374 | 475,091 |
| Interest and other | 149,228 | 2,064 | 8,079 | 236,416 | 83,070 | 131,884 | 610,741 | 375,006 |
| Grants and donations (note 13) | 1,662,056 | 466,473 | 93,911 | - | - | 1,607,177 | 3,829,617 | 25,619,253 |
| Tenant lease | 226,082 | - | - | - | - | - | 226,082 | 222,215 |
| | <u>3,625,458</u> | <u>479,887</u> | <u>101,990</u> | <u>236,416</u> | <u>83,070</u> | <u>1,739,061</u> | <u>6,265,882</u> | <u>27,586,981</u> |
| Expenses: | | | | | | | | |
| Salaries and benefits | 1,675,228 | 219,148 | 480,550 | - | - | 726,963 | 3,101,889 | 3,255,118 |
| Building operations | 1,165,227 | - | - | - | - | - | 1,165,227 | 1,246,424 |
| Administration and general | 610,828 | - | - | 26,767 | 8,819 | 241,530 | 887,944 | 611,022 |
| Amortization | - | - | - | - | 288,654 | - | 288,654 | 231,187 |
| Programs and service supplies | 122,304 | - | - | - | - | - | 122,304 | 90,181 |
| Project costs | - | 59,979 | 210,848 | - | - | 25,336,311 | 25,607,138 | 7,571,465 |
| Capital maintenance expense | - | - | - | 12,332 | - | - | 12,332 | 5,922 |
| Marketing | - | - | - | - | - | - | - | 1,420 |
| | <u>3,573,587</u> | <u>279,127</u> | <u>691,398</u> | <u>39,099</u> | <u>297,473</u> | <u>26,304,804</u> | <u>31,185,488</u> | <u>13,012,739</u> |
| Excess (deficiency) of revenues over expenses before other income (losses) | 51,871 | 200,760 | (589,408) | 197,317 | (214,403) | (24,565,743) | (24,919,606) | 14,574,242 |
| Other income (losses): | | | | | | | | |
| Change in unrealized gain (loss) on investments (note 3) | (5,447) | - | - | (690,815) | (224,071) | (4,325) | (924,658) | 289,536 |
| Excess (deficiency) of revenues over expenses | \$ 46,424 | \$ 200,760 | \$ (589,408) | \$ (493,498) | \$ (438,474) | \$ (24,570,068) | \$ (25,844,264) | \$ 14,863,778 |

The accompany notes are an integral part of the financial statements.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Changes in Net Assets

Year ended August 31, 2022, with comparative information for 2021

| | Unrestricted Operating Fund | Restricted Operating Fund | Vivo Play Project Fund | Head Lease Reserve Fund | Capital Asset Fund | Expansion Fund | 2022 | 2021 |
|--|-----------------------------------|---------------------------------|------------------------------|-------------------------------|-----------------------|-------------------|---------------|---------------|
| Balance, beginning of year | \$ (391,894) | \$ 118,531 | \$ 749,724 | \$ 3,103,652 | \$ 1,614,397 | \$ 48,017,048 | \$ 53,211,458 | \$ 38,347,680 |
| Excess (deficiency) of revenues over expenses | 46,424 | 200,760 | (589,408) | (493,498) | (438,474) | (24,570,068) | (25,844,264) | 14,863,778 |
| Balance, end of year | \$ (345,470) | \$ 319,291 | \$ 160,316 | \$ 2,610,154 | \$ 1,175,923 | \$ 23,446,980 | \$ 27,367,194 | \$ 53,211,458 |

The accompany notes are an integral part of the financial statements.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---------------------|----------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| (Deficiency) excess of revenues over expenses | \$ (25,844,264) | \$ 14,863,778 |
| Items not affecting cash: | | |
| Amortization | 288,654 | 231,187 |
| Change in unrealized loss (gain) on investments | 924,658 | (289,536) |
| Reinvested investment income | (360,627) | (245,882) |
| | (24,991,579) | 14,559,548 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (840,877) | 84,206 |
| Grants receivable | 11,774,701 | (15,441,545) |
| Prepaid expenses | 25,299 | 13,878 |
| Accounts payable and accrued liabilities | 5,422,142 | (971,970) |
| Unearned revenue | 209,216 | (117,175) |
| | (8,401,098) | (1,873,059) |
| Investing activities: | | |
| Purchase of capital assets | (350,411) | (15,048) |
| Decrease in cash and cash equivalents | (8,751,509) | (1,888,107) |
| Cash and cash equivalents, beginning of year | 12,731,399 | 14,619,506 |
| Cash and cash equivalents, end of year | \$ 3,979,890 | \$ 12,731,399 |
| Cash and cash equivalents represented by: | | |
| Unrestricted | \$ 618,345 | \$ 78,377 |
| Restricted | 3,361,545 | 12,653,022 |
| | \$ 3,979,890 | \$ 12,731,399 |

The accompany notes are an integral part of the financial statements.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements

Year ended August 31, 2022, with comparative information for 2021

1. Nature of operations:

Vivo for Healthier Generations Society (“Vivo” or the “Society”), is a charity on a mission to raise healthier generations in Calgary and beyond. Our roots are in north-central Calgary where we operate a leading regional recreation centre and a community-based research and innovation lab.

We are making a difference by:

- Championing Canadians of all generations to enjoy healthier lives, by getting them more active, more often everywhere;
- Co-creating and acting as a strong catalyst with the community where they live, work and play;
- Turning new knowledge into action and creating new solutions; and
- Embracing life-long learning and supporting others in acquiring the skills and knowledge to thrive in their everyday lives.

Vivo (formerly known as Cardel Place) was created in 1997 as a collaborative community project to develop and maintain the Nose Creek regional recreation facility on behalf of The City of Calgary which opened to the public in September of 2004. The Society entered into a 25-year Lease Agreement with The City of Calgary (the “City”) on September 1, 2004 (the “Operating Agreement”).

Vivo broke ground in April 2021 on its 135,000 square foot project of new and renovated spaces that are inclusive, accessible, and sustainable. The new spaces will include a first of its kind signature indoor park, aquatics upgrade, expanded boutique-style fitness, vital community spaces and a social research and innovation lab.

Funding for the \$62 million expansion project is provided in part by the Government of Canada, Province of Alberta, City of Calgary and the Calgary Foundation. The remaining 10% of project costs will be raised through a capital campaign called “All In for Community” as well as the Society’s own contribution from reserves.

As a result of the expansion project, certain revenue generating activities, by necessity, have been limited. The Society has closely managed its cashflows through to completion of the expansion project when full capacity revenue generating activities will resume. For additional details related to how the Society expects to manage its cashflows through to completion of the expansion project, refer to note 9(b).

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 2

Year ended August 31, 2022, with comparative information for 2021

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook.

(a) Restricted fund accounting:

Vivo accounts for its activities using the following funds:

(i) Unrestricted Operating Fund:

This fund accounts for Vivo's program delivery and administrative activities and reports unrestricted resources.

(ii) Restricted Operating Fund:

This fund reports Vivo's restricted funds related to specific term projects.

(iii) Vivo Play Project Fund:

This fund reports income and expenditures related to a project funded by the Public Health Agency of Canada within the Healthy Living and Chronic Disease Prevention – Multi-Sectoral Partnerships program.

(iv) Head Lease Reserve Fund:

This fund reports the assets, liabilities, revenues and expenses related to the Capital Maintenance Reserve and Operating Reserve as required under the lease agreement with the City (note 4(b)).

(v) Capital Asset Fund:

This fund reports Vivo's capital assets and activities related to the internally restricted Capital Equipment Replacement Reserve.

(vi) Expansion Fund:

This fund reports Vivo's restricted funds related to facility expansion.

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant financial statement items subject to estimates include amortization of capital assets, the fair value of investments and the allocation of investment gains/losses between funds and reserve balances.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 3

Year ended August 31, 2022, with comparative information for 2021

2. Significant accounting policies (continued):

(b) Use of estimates (continued):

In addition, estimates are used to determine the sufficiency of the Head Lease Reserve and the Capital Equipment Replacement Reserve to meet the Lifecycle Plan (“LCP”) which tracks, over the period of the lease, capital repairs to the facility as well as equipment replacement. Actual results could differ from those estimates.

In January 2020, the World Health Organization declared the Novel Coronavirus (“COVID-19”) outbreak a global health emergency and on March 11, 2020, it was declared a global pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of nonessential businesses, and physical distancing, have caused material disruption to businesses in Calgary and worldwide, resulting in an economic slowdown. Accordingly, economic uncertainties have arisen.

As at the reporting date, the Society assessed the financial impact of the COVID-19 pandemic and did not identify any significant impacts to its financial statements as at August 31, 2022. The Society will continue to monitor this as part of its risk assessment process.

(c) Cash and cash equivalents:

Vivo considers all deposits with original maturities of three months or less to be cash equivalents.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured 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. Vivo has not elected to carry any such financial instruments at fair value. 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 financing costs and acquisition-related transaction costs which are amortized using the straight-line method or effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period. If there is an indicator of impairment, Vivo determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Vivo expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 4

Year ended August 31, 2022, with comparative information for 2021

2. Significant accounting policies (continued):

(e) Investments:

Vivo records its investments on the statement of financial position at fair value based on closing prices as at the end of the reporting period.

(f) Revenue recognition:

Vivo follows the restricted fund method of accounting for contributions.

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

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Operating Fund in the year to which they relate. When a portion of the restricted contribution relates to a future period, it is deferred and recognized in that subsequent period. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or when collection is reasonably assured.

Investment income, which is recorded on the accrual basis, represents interest income received on deposits, realized gains and losses on disposal and unrealized gains and losses at each reporting period. The amount recorded for unrealized gains and losses each period is the change in the difference between the cost and the fair value of investments held at the beginning and the end of each period. Accordingly, this amount is dependent on the changes in the fair value of the investments held as well as the timing of the sale of the investments.

At the time of the sale of an investment, any amounts previously recorded for unrealized gains or losses are then included in realized gains and losses calculated on an average cost basis. Investment income earned on contributions with internal and external use restrictions are recognized as income in the appropriate restricted fund, while other investment income is recorded in the Unrestricted Operating Fund. Investments in funds have been internally pooled and net investment income is allocated proportionately based on the net assets of the funds.

Fees from admissions, programs and services and facility rentals are recognized as revenue in the period in which these services are rendered and collection is reasonably assured. Fees collected for services not yet rendered are reflected as unearned revenue of the Unrestricted Operating Fund at the end of the year.

Tenant lease revenues, including cost recoveries for utilities and building operations, are recognized each month as the rent becomes due.

Grants and sponsorships are recognized when the amount is received, or collection is reasonably assured.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 5

Year ended August 31, 2022, with comparative information for 2021

2. Significant accounting policies (continued):

(g) Contributed materials and services:

Vivo records the value of contributed materials when a fair value can be reasonably estimated and when the materials are used in the normal course of Vivo's operations and otherwise would have been purchased. Due to the difficulty in determining the fair value of contributed services, no recognition is provided in Vivo's financial statements.

(h) Capital assets:

Purchased capital assets are recorded in the Capital Asset Fund at cost. Contributed capital assets are recorded in the Capital Asset Fund at fair value at the date of contribution. In instances where fair value (estimated market / appraisal value) cannot be reasonably determined, the capital assets are recorded at nominal value. Vivo provides for amortization using the declining balance method designed to amortize the cost of the capital assets over their estimated useful lives. Amortization expense is reported in the Capital Asset Fund and the annual amortization rates are as follows:

| | |
|--|-----------|
| Furniture and fixtures | 5 to 20% |
| Fitness equipment | 10 to 30% |
| Leasehold improvements – detached | 5 to 10% |
| Computer hardware and software | 30% |
| Automotive (ice re-surfacer) | 10% |
| Intangibles (domain name and trademarks) | 10% |

Repairs and maintenance costs are charged to expense as incurred. Betterments which are considered to extend the estimated life of a capital asset are capitalized. When a capital asset no longer contributes to Vivo's ability to provide services, its carrying amount is written down to its residual value.

Under the Operating Agreement between Vivo and the City of Calgary dated September 10, 2004, the facility and any improvements are the property of the City and, accordingly are not recorded as capital assets in these financial statements.

(i) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 6

Year ended August 31, 2022, with comparative information for 2021

2. Significant accounting policies (continued):

(j) Government assistance:

The Society applies for financial assistance under available government incentive programs. Government assistance relating to expenses of the period are recorded as revenue on the statement of operations.

3. Investments:

The return on investment of the marketable securities is as follows:

| August 31, 2022 | Cost | Market value | 2022 Market return |
|-------------------|--------------|--------------|--------------------|
| Total investments | \$ 3,730,184 | \$ 3,518,158 | (14.24)% |

| August 31, 2021 | Cost | Market value | 2021 Market return |
|-------------------|--------------|--------------|--------------------|
| Total investments | \$ 3,371,181 | \$ 4,082,188 | 9.37% |

The investment manager's market return on investments includes interest income, dividends, capital gains and unrealized gains (losses). Unrealized gains (losses) are included in these financial statements as follows:

| | 2022 | 2021 |
|---------------------------------------|--------------|------------|
| Capital facility maintenance reserve | \$ (614,831) | \$ 192,453 |
| Capital equipment replacement reserve | (224,071) | 70,138 |
| Restricted operating reserve | (75,984) | 23,784 |
| Unrestricted operating reserve | (5,447) | 1,807 |
| Expansion reserve | (4,325) | 1,354 |
| Total unrealized (loss) gain | \$ (924,658) | \$ 289,536 |

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 7

Year ended August 31, 2022, with comparative information for 2021

4. Capital disclosures:

(a) Objectives, policies and processes for managing capital:

Vivo defines its capital as its net assets. Vivo's objective in managing capital is to maintain sufficient cash and cash equivalents to provide programs and services to north central Calgary and area residents and maintain the equipment and facility. Vivo manages capital through an annual budgeting process. Cash flows are monitored on an ongoing basis to ensure adequate resources are on hand to meet required operating and capital expenditures. Vivo's capital is maintained through revenue received from the services provided as well as grants, donations and sponsorship received externally from individuals or organizations.

(b) Compliance with restrictions:

The City requires Vivo to have minimum balances for the capital facility maintenance reserve and the operating reserve. The initial amount of the capital facility maintenance and operating reserves was required by the City under the terms of the head lease to be \$1,800,000 and \$250,000, respectively. The capital facility maintenance reserve is to be used to protect the integrity of the facility and must be maintained to an amount sufficient to generate interest and investment returns to fund expenditures as outlined in the LCP.

The operating reserve is to be used exclusively for unanticipated operational costs or actual shortfalls from operations. The operating reserve must be maintained at a minimum amount of the lesser of 10% of the annual estimated operating expenditures of the facility or \$250,000, subject to an annual inflationary factor adjustment.

The Society has met all restrictions imposed by its contributors and the City. In completing the cash flow forecast to ensure the restrictions are met on the capital facility maintenance reserve, the Society has assumed an annual return on investments of 5% (2021 – 9%) and a contribution to the capital facility maintenance fund of \$nil in 2022 (2021 – \$nil), with varied contributions to cover LCP expenditures over the lease term of \$7,068,276 (2021 – \$6,704,465).

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 8

Year ended August 31, 2022, with comparative information for 2021

5. Capital assets:

| August 31, 2022 | Cost | Accumulated amortization | Net book value |
|-----------------------------------|---------------------|--------------------------|-------------------|
| Furniture and fixtures | \$ 886,054 | \$ 736,870 | \$ 149,184 |
| Fitness equipment | 1,118,962 | 882,870 | 236,092 |
| Leasehold improvements – detached | 448,521 | 218,081 | 230,440 |
| Computer hardware | 585,382 | 489,341 | 96,041 |
| Computer software | 382,556 | 281,937 | 100,619 |
| Automotive (ice re-surfacer) | 162,963 | 112,602 | 50,361 |
| Intangibles | 110,423 | 32,436 | 77,987 |
| | <u>\$ 3,694,861</u> | <u>\$ 2,754,137</u> | <u>\$ 940,724</u> |

| August 31, 2021 | Cost | Accumulated amortization | Net book value |
|-----------------------------------|---------------------|--------------------------|-------------------|
| Furniture and fixtures | \$ 886,054 | \$ 711,694 | \$ 174,360 |
| Fitness equipment | 925,191 | 791,845 | 133,346 |
| Leasehold improvements – detached | 448,521 | 198,500 | 250,021 |
| Computer hardware | 560,746 | 438,737 | 122,009 |
| Computer software | 250,553 | 198,002 | 52,551 |
| Automotive (ice re-surfacer) | 162,963 | 104,420 | 58,543 |
| Intangibles | 110,423 | 22,285 | 88,138 |
| | <u>\$ 3,344,451</u> | <u>\$ 2,465,483</u> | <u>\$ 878,968</u> |

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$14,882 (2021 – \$14,267), which includes amounts payable for GST.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 9

Year ended August 31, 2022, with comparative information for 2021

7. Restricted net assets:

Major categories of externally and internally imposed restrictions on net assets are as follows:

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| Externally restricted: | | |
| Expansion fund | \$ 23,446,980 | \$ 48,017,048 |
| Capital facility maintenance reserve | 2,144,316 | 2,601,585 |
| Vivo Play project | 160,316 | 749,724 |
| Operating reserve | 465,838 | 502,067 |
| Restricted operating reserve | 319,291 | 118,531 |
| Total externally restricted | 26,536,741 | 51,988,955 |
| Internally restricted: | | |
| Capital equipment replacement reserve | 235,199 | 714,464 |
| Capital assets to be purchased | – | 20,965 |
| Total internally restricted | 235,199 | 735,429 |
| | \$ 26,771,940 | \$ 52,724,384 |

8. Commitments and contingencies:

(a) On September 15, 2022, Vivo entered into a 4-year fixed price natural gas contract commencing on November 1, 2022 resulting in a future commitment of approximately \$472,000 in consumption fees over the life of the contract. Vivo may terminate this contract with penalty.

On September 23, 2022, Vivo entered into a 4-year fixed price electricity contract commencing on July 1, 2023 resulting in a future commitment of approximately \$1,950,000 in consumption fees over the life of the contract. Vivo may terminate this contract with penalty.

(b) The nature of the Vivo's activities is such that it is periodically subject to litigation or claims. With respect to claims at August 31, 2022 and subsequent to year-end, management believes Vivo has valid defenses and appropriate insurance coverage in place. In the event any matters are resolved in favour of the claimant, management believes that such claims would not have a material effect on the Vivo's financial position.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

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Year ended August 31, 2022, with comparative information for 2021

9. Financial risks:

(a) Credit risk:

Vivo's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, accounts receivable and investments. Vivo limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. While the carrying value of Vivo cash and cash equivalents and accounts receivable represent the maximum exposure to credit risk, Vivo is not subject to credit risk on deposits held in excess of government insured amounts, as deposits are fully insured by the Government of Alberta. Vivo believes there is no significant concentration of credit risk.

(b) Liquidity risk:

Vivo ensures that there is sufficient capital in order to meet short term business requirements after taking into account cash flows available from operations and the Society's holding of cash and cash equivalents. Vivo's cash and cash equivalents are invested in business accounts which are available on demand for Vivo's operations. Subsequent to year end, the Society received funding of \$606,135 from the City of Calgary's Emergency Resiliency Fund. In addition, the Society has access to an established line-of-credit of \$500,000 that is currently undrawn. The Society also avails itself of other grant funding opportunities and would look to generate funds on the disposition of older fitness equipment as the expansion project is completed.

(c) Commodity price risk:

Vivo is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the facility. To mitigate this risk, Vivo entered into 4-year fixed price electricity and natural gas contracts in September of 2022 (note 8(a)).

(d) Market risk:

The risk to Vivo's earnings that arises from the fluctuations and degree of volatility in the market value of its investments. Market risk consists of price risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage market risk, Vivo has established a target mix of investment types designed to achieve optimal returns within reasonable risk tolerances.

There have been no changes to Vivo's risk exposures from 2021.

10. Fundraising costs:

During the year, Vivo incurred fundraising costs of \$170,841 (2021 – \$238,629), of which \$151,983 (2021 – \$193,414) was payroll related costs.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Notes to Financial Statements, Page 11

Year ended August 31, 2022, with comparative information for 2021

11. Tenant leases:

Tenant lease revenue includes cost recovery amounts of \$33,490 (2021 – \$41,821) for utilities and building operations.

12. Grant receivable:

Vivo has executed funding agreements with both the City of Calgary and the Government of Canada to be utilized for the purpose of the facility expansion. Funding is disbursed based on actual expenditures incurred. As of August 31 2022, \$24,533,141 (2021 – \$35,964,433) is receivable. Subsequent to year end, the Society has received \$10,789,407 of the funding.

Vivo entered into an agreement with the Public Health Agency of Canada (PHAC) for the Vivo Play Project. Funding is disbursed based on actual expenditures incurred. As of August 31 2022, \$16,942 (2021 – \$360,357) is receivable from PHAC. Subsequent to year end, Vivo received the full amount of the funding.

13. Government assistance:

The Government of Canada created a program called the Canada Emergency Wage Subsidy, (“CEWS”) to provide wage assistance to entities experiencing a decrease in revenues resulting from the COVID-19 outbreak. During the year, Vivo met the eligibility requirements and received \$641,476 (2021 – \$1,387,479), of which \$42,874 (2021 – \$74,415) was receivable as at year end. The entire amount is non-repayable and has been recognized under Grants and Donations in the statement of operations. Subsequent to the year Vivo received the \$42,874.

The Government of Canada created a program called the Canada Emergency Rent Subsidy, (“CERS”) to provide rent assistance to entities who experienced a decrease in revenues resulting from the COVID-19 outbreak. During the year, Vivo met the eligibility requirements and received \$400,095 (2021 – \$583,063), of which \$253,125 (2021 – \$128,294) was receivable as at year end. The entire amount is non-repayable and has been recognized under Grants and Donations in the statement of operations. Subsequent to the year Vivo received the \$253,125.