Financial Statements of

VIVO FOR HEALTHIER GENERATIONS SOCIETY

And Independent Auditors’ Report thereon

Eight month period ended August 31, 2020

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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, 2020;
- the statement of operations for the eight month period then ended;
- the statement of changes in net assets for the eight month period then ended;
- the statement of cash flows for the eight month period 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, 2020, and its results of operations and its cash flows for the eight month period 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity's future operations are dependent on its ability to operate the facility at a capacity that allows for the generation of cash flows to fund operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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
November 25, 2020

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Financial Position

August 31, 2020, with comparative figures for December 31, 2019

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	August 31, 2020 Total	December 31, 2019 Total
Assets								
Current assets								
Cash and cash equivalents	$ 594,235	$ -	$ 652,213	$ 2,712,777	$ -	$ 10,660,281	$ 14,619,506	$ 13,142,391
Accounts receivable	530,795	-	509	55,579	86,434	11,240	684,557	216,648
Grant receivable (note 13)	-	-	273,834	-	-	5,855,620	6,129,454	5,649,860
Prepaid expenses	53,943	-	-	-	-	-	53,943	127,217
Investments (note 3)	22,126	-	-	2,920,101	587,961	16,582	3,546,770	6,876,288
	1,201,099	-	926,556	5,688,457	674,395	16,543,723	25,024,230	26,012,404
Grant receivable (note 13)	-	-	609,405	-	-	14,144,380	14,753,785	15,839,773
Capital assets (note 5)	-	-	-	-	1,095,107	-	1,095,107	1,144,216
	$ 1,201,099	$ -	$ 1,535,961	$ 5,688,457	$ 1,769,502	$ 30,688,103	$ 40,883,122	$ 42,996,393
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued liabilities (note 6)	$ 971,880	$ -	$ 45,615	$ -	$ 56,630	$ 1,049,119	$ 2,123,244	$ 861,422
Unearned revenue	412,198	-	-	-	-	-	412,198	531,085
	1,384,078	-	45,615	-	56,630	1,049,119	2,535,442	1,392,507
Net assets:								
Unrestricted	(182,979)	-	-	-	-	-	(182,979)	327,895
Restricted (note 7)	-	-	1,490,346	5,688,457	617,765	29,638,984	37,435,552	40,131,775
Invested in capital assets	-	-	-	-	1,095,107	-	1,095,107	1,144,216
	(182,979)	-	1,490,346	5,688,457	1,712,872	29,638,984	38,347,680	41,603,886
Going concern (note 1)								
Subsequent events (note 3 and 15)								
Commitments and contingencies (note 4 and 8)								
	$ 1,201,099	$ -	$ 1,535,961	$ 5,688,457	$ 1,769,502	$ 30,688,103	$ 40,883,122	$ 42,996,393

See accompanying notes to the financial statements.

Approved on behalf of the Board: ______________________ Director ______________________ Director

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Operations

Eight month period ended August 31, 2020, with comparative figures for year ended December 31, 2019

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	August 31, 2020 Total	December 31, 2019 Total
Revenue:								
Admissions	$ 972,300	$ -	$ -	$ -	$ -	$ -	$ 972,300	$ 3,851,837
Programs and services	290,360	-	-	-	-	-	290,360	1,496,296
Facility rentals	365,187	-	-	-	-	-	365,187	1,238,940
Interest and other	45,783	-	2,765	208,839	13,054	110,193	380,634	699,514
Grants and donations (note 14)	628,012	-	200,000	-	-	45,394	873,406	17,036,569
Tenant lease	116,235	-	-	-	-	-	116,235	270,595
Sponsorships	-	-	-	-	-	-	-	25,039
	2,417,877	-	202,765	208,839	13,054	155,587	2,998,122	24,618,790
Expenses:								
Salaries and benefits	1,953,399	-	253,938	-	-	242,518	2,449,855	5,447,049
Building operations	708,421	-	-	-	-	-	708,421	1,449,330
Administration and general	567,918	-	-	18,299	8,481	85	594,783	752,849
Amortization	-	-	-	-	173,789	-	173,789	279,691
Programs and service supplies	61,380	-	-	-	-	-	61,380	164,872
Project costs	-	-	239,561	-	-	1,900,436	2,139,997	1,652,965
Capital maintenance expense	-	-	-	29,455	-	-	29,455	47,919
Marketing	50,452	-	-	-	-	-	50,452	171,943
Renovation costs	-	-	-	-	-	-	-	69,649
Loss on disposal of capital assets	-	-	-	-	14,451	-	14,451	10,668
	3,341,570	-	493,499	47,754	196,721	2,143,039	6,222,583	10,046,935
Excess (deficiency) of revenues over expenses before other income (losses)	(923,693)	-	(290,734)	161,085	(183,667)	(1,987,452)	(3,222,461)	14,571,855
Other income (losses):								
Change in unrealized gain (loss) on investments (note 3)	(5,158)	-	-	(39,299)	12,471	241	(31,745)	670,032
Excess (deficiency) of revenues over expenses	$ (928,851)	$ -	$ (290,734)	$ 121,786	$ (171,196)	$ (1,987,211)	$ (3,256,206)	$ 15,241,887

See accompanying notes to financial statements.

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Changes in Net Assets

Eight month period ended August 31, 2020, with comparative figures for the year ended December 31, 2019

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	August 31, 2020 Total	December 31, 2019 Total
Balance, beginning of period	$ 327,895	$ -	$ 1,781,080	$ 5,981,671	$ 1,887,045	$ 31,626,195	$ 41,603,886	$ 26,361,999
Excess (deficiency) of revenues over expenses	(928,851)	-	(290,734)	121,786	(171,196)	(1,987,211)	(3,256,206)	15,241,887
Transfers from Operating Reserve to Unrestricted Operating Fund (note 4(b))	150,000	-	-	(150,000)	-	-	-	-
Transfers from Capital Maintenance Reserve to Unrestricted Operating Fund (note 4(b))	265,000	-	-	(265,000)	-	-	-	-
Transfers from Capital Asset Fund to Unrestricted Operating Fund	2,977	-	-	-	(2,977)	-	-	-
Balance, end of period	$ (182,979)	$ -	$ 1,490,346	$ 5,688,457	$ 1,712,872	$ 29,638,984	$ 38,347,680	$ 41,603,886

See accompanying notes to financial statements.

VIVO FOR HEALTHIER GENERATIONS SOCIETY
Statement of Cash Flows

Eight month period ended August 31, 2020, with comparative figures for the year ended December 31, 2019

	2020	2019
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (3,256,206)	$ 15,241,887
Items not affecting cash:		
Amortization	173,789	279,691
Loss on disposal of capital assets	14,451	10,668
Change in unrealized (gain) loss on investments	31,745	(670,032)
Reinvested investment income	(152,227)	(376,799)
	(3,188,448)	14,485,415
Changes in non-cash working capital items:		
Accounts receivable	(467,909)	33,441
Grants receivable	606,394	(9,761,821)
Prepaid expenses	73,274	3,704
Accounts payable and accrued liabilities	1,261,822	131,907
Unearned revenue	(118,887)	(67,077)
	(1,833,754)	4,825,569
Investing activities:		
Proceeds on sale of investments	3,450,000	1,945,000
Purchase of capital assets	(139,131)	(178,402)
	3,310,869	1,766,598
Increase in cash and cash equivalents	1,477,115	6,592,167
Cash and cash equivalents, beginning of period	13,142,391	6,550,224
Cash and cash equivalents, end of period	$ 14,619,506	$ 13,142,391
Cash and cash equivalents represented by:		
Unrestricted	$ 594,235	$ 877,839
Restricted	14,025,271	12,264,552
	$ 14,619,506	$ 13,142,391

See accompanying notes to financial statements.

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1. Nature of operations and going concern:

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.
- 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 Society's Board approved a change to its fiscal period from December 31 to August 31 on February 12, 2020. The change aligns the business operating cycle and fiscal periods. The financial statements for the period ended August 31, 2020 are presented with comparatives for the fiscal year ended December 31, 2019.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. However, as a result of the factors outlined below, there is a material uncertainty that may cast significant doubt about the appropriateness of the use of the going concern assumption.

The Society has incurred expenses in excess of revenue and negative cash flow from operations during the period as a result of the COVID-19 pandemic.

On March 15, 2020, The City of Calgary named Vivo for Healthier Generations in a closure order under State of Local Emergency to slow the transmission of the COVID-19 virus.

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1. Nature of operations and going concern (continued):

The State of Local Emergency resulted in the complete cessation of Vivo's main source of revenue generation for 5.5 months. Throughout the closure, Vivo undertook to minimize operating expenses, including removing ice sheets and draining the pool which resulted in reduced expenses by $1.2 million, which is a 48% decrease from the same period in 2019. However, there were several expenses, specifically to operate the facility and sustain core business operations, which had to be maintained, such as utilities, building operations and security. Vivo has drawn down its operating reserve to its mandated minimum of $250,000 and utilized its opening cash balance to mitigate its cashflow issues. Without additional support, Vivo will reach a cash deficit position by the end of 2020. This includes all of the estimated external funding sources that Vivo expects to leverage this year. Vivo did launch an online version of its programs in May; however, revenue generation from this venture has been minimal. Vivo has been able to utilize the Federal Government Emergency Wage Subsidies (CEWS) and Government of Alberta COVID-19 Social Service Fund. As of August 31, 2020, Vivo was awaiting the outcome of an application to The City of Calgary Emergency Resiliency Fund (note 15) for partners in the amount of $640,800 for eligible expenses.

Despite these efforts, given the current economic environment and continued government restrictions, Vivo is anticipating a 40% to 60% decrease in revenue for the four months ending December 31, 2020 compared to the same period in 2019. Moreover, these ongoing government restrictions result in uncertainty with respect to forecasting operating results through Vivo’s fiscal year ending August 31, 2021.

The ability of the Society to continue as a going concern and realize its asset and discharge its liabilities in the normal course of business is dependent on the ability to operate the facility at a capacity that allows for the generation of cash flows to fund operations.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of the assets, reported expenses, and the balance sheet classifications used to reflect them on a liquidation basis which could materially differ from accounting principles applicable to a going concern.

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 future facility expansion.

(b) Measurement uncertainty:

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 period. 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. 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.

2. Significant accounting policies (continued):

(b) Measurement uncertainty (continued):

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 worldwide, resulting in an economic slowdown.

At the time of approval of these financial statements, Vivo for Healthier Generations Society has reviewed its financial activities in response to the COVID-19 pandemic. These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to Vivo for Healthier Generations Society is not known at this time (note 1).

(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.

2. Significant accounting policies (continued):

(e) Investments:

Vivo records its investments on the statement of financial position at their 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 rather than specific projects 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.

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.

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.

(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.

3. Investments:

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

August 31, 2020	Cost	Market value	2020 Market return
Total investments	$ 3,125,299	$ 3,546,770	5.74%

December 31, 2019	Cost	Market value	2019 Market return
Total investments	$ 6,423,071	$ 6,876,288	16.33%

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:

	August 31, 2020	December 31, 2019
Capital facility maintenance reserve	$ (30,878)	$ 515,932
Capital equipment replacement reserve	12,471	100,496
Unrestricted operating reserve	(5,158)	11,421
Restricted operating reserve	(8,421)	40,686
Expansion reserve	241	1,497
Total unrealized (loss) gain	$ (31,745)	$ 670,032

Subsequent to year end as at September 30, 2020, the investments had earned an unrealized gain of $21,508.

The Board of Directors of Vivo has engaged the services of Mawer Investment Management Ltd. to carry out the daily investment decisions and oversee the funds. Through its Audit and Finance Committee, the Board monitors the performance of the investment manager as well as compliance with Vivo's Statement of Investment Policies and Procedures which includes asset allocation targets and permitted and restricted investments. The Audit and Finance Committee reports to the Board bi-monthly.

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.

During the period, the Board approved a transfer of $150,000 from the Operating Reserve to the Unrestricted Operating Fund and further approved the transfer of up to $500,000 from the Capital Maintenance Reserve to the Unrestricted Operating Fund as required. At August 31, 2020, $265,000 was transferred relating to this.

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% (December 31, 2019 - 5%) and a contribution to the capital facility maintenance fund of $nil in 2020 (December 31, 2019 - $nil), with varied contributions to cover LCP expenditures over the lease term of $6,733,920 (December 31, 2019 - $5,954,243).

5. Capital assets:

August 31, 2020	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 881,198	$ 682,270	$ 198,928
Fitness equipment	925,192	740,434	184,758
Leasehold improvements – detached	445,762	177,255	268,507
Computer hardware	553,311	374,451	178,860
Computer software	250,553	154,164	96,389
Automotive (ice re-surfacer)	162,963	94,908	68,055
Intangibles	110,423	10,813	99,610
	$ 3,329,402	$ 2,234,295	$ 1,095,107

December 31, 2019	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 955,963	$ 721,340	$ 234,623
Fitness equipment	945,309	718,510	226,799
Leasehold improvements – detached	401,209	163,523	237,686
Computer hardware	522,015	333,119	188,896
Computer software	245,353	123,400	121,953
Automotive (ice re-surfacer)	153,945	75,572	78,373
Intangibles	64,743	8,857	55,886
	$ 3,288,537	$ 2,144,321	$ 1,144,216

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $972 (December 31, 2019 - $6,587), which includes amounts payable for GST.

7. Restricted net assets:

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

	August 31, 2020	December 31, 2019
Externally restricted:		
Expansion fund	$ 29,638,984	$ 31,626,195
Capital facility maintenance reserve	5,392,436	5,535,119
Vivo Play project	1,490,346	1,781,080
Operating reserve	296,021	446,552
Capital assets to be purchased	-	2,976
Total externally restricted	36,817,787	39,391,922
Internally restricted:		
Capital equipment replacement reserve	596,800	714,734
Capital assets to be purchased	20,965	25,119
Total internally restricted	617,765	739,853
	$ 37,435,552	$ 40,131,775

8. Commitments and contingencies:

(a) On June 23, 2020, Vivo entered into a 2 year fixed price electricity contract commencing on July 1, 2020 resulting in a future commitment of approximately $575,000 in consumption fees from July 1, 2020 to June 30, 2022. 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, 2020 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.

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. Liquidity risk is impacted by the item disclosed in note 1.

(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 has entered into a 2 year fixed price electricity contract to June, 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.

10. Volunteer hours (unaudited):

Volunteers contributed approximately 405 hours between January 1, 2020 and August 31, 2020 to assist the Society in facilitating its delivery of activities (year ended December 31, 2019 – 10,500 hours). Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. The number of volunteer hours has not been subjected to audit procedures.

11. Fundraising costs:

During the period, Vivo incurred fundraising costs of $73,795 (year ended December 31, 2019 - $123,532), of which $19,033 (year ended December 31, 2019 - $88,733) was payroll related costs.

12. Tenant leases:

Tenant lease revenue includes cost recovery amounts of $27,510 (year ended December 31, 2019 - $50,630) for utilities and building operations.

13. Grant receivable:

The current grant receivable represents an outstanding instalment payment due from the Provincial Government of Alberta's $15 million grant to be utilized for the purpose of facility expansion. The third and final annual instalment is delayed due to the pandemic and is expected by March 31, 2021.

The Federal Government of Canada's $15 million grant through the Government of Alberta is also receivable at the end of August 31, 2020. Payment for the first two claims is expected in the next fiscal period and total $855,620. The remaining $14,144,380 will be reimbursed based on expenses incurred.

The Vivo Play Project grant receivable amount of $ 883,239 includes $726,210 remaining from the Public Health Agency of Canada of which $116,805 is anticipated within the next fiscal period. Also included in current grants receivable is $157,029 from other funders.

14. Government assistance:

The Government of Canada created a program called the Canada Emergency Wage Subsidy, ("CEWS") to provide wage assistance to entities who experienced a decrease in revenues resulting from the COVID-19 outbreak. During the period, the Society met the eligibility requirements and received $527,253 (year ended December 31, 2019 – $nil). The entire amount is non-repayable and has been recognized under Grants and Donations in the statement of operations for the period ended August 31, 2020.

15. Subsequent events:

(a) On November 18, 2018, the City of Calgary has announced funding support in the amount of $22.5 million for the facility's expansion. The grant agreement is currently being drafted.

(b) During 2020, the City of Calgary announced the approval of our application for the Emergency Resiliency Fund in the amount of $640,800. The was received on November 20, 2020.