Financial Statements of

VIVO FOR HEALTHIER GENERATIONS SOCIETY

And Independent Auditors' Report thereon

Year ended August 31, 2021, with comparative information for the period from January 1, 2020 to 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, 2021;
- 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, 2021, 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 2, 2022

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Financial Position

As at August 31, 2021, with comparative information as at August 31, 2020

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	2021	2020
Assets								
Current assets								
Cash and cash equivalents	$ 78,377	$ 118,531	$ 426,583	$ –	$ –	$ 12,107,908	$ 12,731,399	$ 14,619,506
Accounts receivable	484,888	–	267	43,078	7,585	64,533	600,351	684,557
Grant receivable (note 12)	–	–	105,484	–	–	21,514,427	21,619,911	6,129,454
Prepaid expenses	40,065	–	–	–	–	–	40,065	53,943
Investments (note 3)	–	–	–	3,060,574	727,844	293,770	4,082,188	3,546,770
	603,330	118,531	532,334	3,103,652	735,429	33,980,638	39,073,914	25,024,230
Grant receivable (note 12)	–	–	254,873	–	–	14,450,000	14,704,873	14,753,785
Capital assets (note 5)	–	–	–	–	878,968	–	878,968	1,095,107
	$ 603,330	$ 118,531	$ 787,207	$ 3,103,652	$ 1,614,397	$ 48,430,638	$ 54,657,755	$ 40,883,122
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued liabilities (note 6)	$ 700,201	$ –	$ 37,483	$ –	$ –	$ 413,590	$ 1,151,274	$ 2,123,244
Unearned revenue	295,023	–	–	–	–	–	295,023	412,198
	995,224	–	37,483	–	–	413,590	1,446,297	2,535,442
Net assets:								
Unrestricted	(391,894)	–	–	–	–	–	(391,894)	(182,979)
Restricted (note 7)	–	118,531	749,724	3,103,652	735,429	48,017,048	52,724,384	37,435,552
Invested in capital assets	–	–	–	–	878,968	–	878,968	1,095,107
	(391,894)	118,531	749,724	3,103,652	1,614,397	48,017,050	53,211,458	38,347,680
Commitments and contingencies (notes 4 and 8)								
Subsequent events (notes 2(b),12 and 13)								
	$ 603,330	$ 118,531	$ 787,207	$ 3,103,652	$ 1,614,397	$ 48,430,638	$ 54,657,755	$ 40,883,122

The accompany 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

For the year ended August 31, 2021, with comparative figures for the eight-month period ended August 31, 2020

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	2021	2020
Revenue:								
Admissions	$ 586,061	$ –	$ –	$ –	$ –	$ –	$ 586,061	$ 972,300
Programs and services	309,355	–	–	–	–	–	309,355	290,360
Facility rentals	475,091	–	–	–	–	–	475,091	365,187
Interest and other	(24,377)	61	6,225	183,794	67,087	142,216	375,006	380,634
Grants and donations (note 13)	2,718,173	170,558	80,000	–	–	22,650,522	25,619,253	873,406
Tenant lease	222,215	–	–	–	–	–	222,215	116,235
	4,286,518	170,619	86,225	183,794	67,087	22,792,738	27,586,981	2,998,122
Expenses:								
Salaries and benefits	2,631,708	11,226	401,671	–	–	210,513	3,255,118	2,449,855
Building operations	1,246,424	–	–	–	–	–	1,246,424	708,421
Administration and general	592,507	–	–	13,914	4,513	88	611,022	594,783
Amortization	–	–	–	–	231,187	–	231,187	173,789
Programs and service supplies	90,181	–	–	–	–	–	90,181	61,380
Project costs	–	40,862	425,176	–	–	7,105,427	7,571,465	2,139,997
Capital maintenance expense	–	–	–	5,922	–	–	5,922	29,455
Marketing	1,420	–	–	–	–	–	1,420	50,452
Loss on disposal of capital assets	–	–	–	–	–	–	–	14,451
	4,562,240	52,088	826,847	19,836	235,700	7,316,028	13,012,739	6,222,583
Excess (deficiency) of revenues over expenses before other income (losses)	(275,722)	118,531	(740,622)	163,958	(168,613)	15,476,710	14,574,242	(3,222,461)
Other income (losses):								
Change in unrealized gain (loss) on investments (note 3)	1,807	–	–	216,237	70,138	1,354	289,536	(31,745)
Excess (deficiency) of revenues over expenses	$ (273,915)	$ 118,531	$ (740,622)	$ 380,195	$ (98,475)	$ 15,478,064	$ 14,863,778	$ (3,256,206)

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

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Changes in Net Assets

For the year ended August 31, 2021, with comparative figures for the eight-month period ended August 31, 2020

	Unrestricted Operating Fund	Restricted Operating Fund	Vivo Play Project Fund	Head Lease Reserve Fund	Capital Asset Fund	Expansion Fund	2021	2020
Balance, beginning of year	$ (182,979)	$ –	$ 1,490,346	$ 5,688,457	$ 1,712,872	$ 29,638,986	$ 38,347,680	$ 41,603,886
Excess (deficiency) of revenues over expenses	(273,915)	118,531	(740,622)	380,195	(98,475)	15,478,064	14,863,778	(3,256,206)
Transfers from Head Lease Reserve Fund to Unrestricted Operating Fund (note 4(b))	65,000	–	–	(65,000)	–	–	–	–
Transfers from Head Lease Reserve Fund to Expansion Fund	–	–	–	(2,900,000)	–	2,900,000	–	–
Balance, end of year	$ (391,894)	$ 118,531	$ 749,724	$ 3,103,652	$ 1,614,397	$ 48,017,048	$ 53,211,458	$ 38,347,680

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

VIVO FOR HEALTHIER GENERATIONS SOCIETY

Statement of Cash Flows

For the year ended August 31, 2021, with comparative figures for the eight-month period ended August 31, 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 14,863,778	$ (3,256,206)
Items not affecting cash:		
Amortization	231,187	173,789
Loss on disposal of capital assets	–	14,451
Change in unrealized (gain) loss on investments	(289,536)	31,745
Reinvested investment income	(245,882)	(152,227)
	14,559,548	(3,188,448)
Changes in non-cash working capital items:		
Accounts receivable	84,206	(467,909)
Grants receivable	(15,441,545)	606,394
Prepaid expenses	13,878	73,274
Accounts payable and accrued liabilities	(971,970)	1,261,822
Unearned revenue	(117,175)	(118,887)
	(1,873,059)	(1,833,754)
Investing activities:		
Proceeds from sale of investments	–	3,450,000
Purchase of capital assets	(15,048)	(139,131)
	(15,048)	3,310,869
(Decrease) increase in cash and cash equivalents	(1,888,107)	1,477,115
Cash and cash equivalents, beginning of year	14,619,506	13,142,391
Cash and cash equivalents, end of year	$ 12,731,399	$ 14,619,506
Cash and cash equivalents represented by:		
Unrestricted	$ 78,377	$ 594,235
Restricted	12,653,022	14,025,271
	$ 12,731,399	$ 14,619,506

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

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.
- 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").

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 year ended August 31, 2021 are presented with comparative information for the eight-month period ended August 31, 2020.

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.

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.

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 worldwide, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and magnitude of the impact on the overall economy related to the COVID-19 pandemic is not known at this time.

At the time of approval of these financial statements, the 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 the Society is not known at this time.

The uncertainties around the outbreak of COVID-19 pandemic required the use of judgments and estimates which resulted in no material impacts for the year ended August 31, 2021.

While the disruption related to COVID-19 is currently expected to be temporary, there is considerable uncertainty around its duration. The Society is unclear if this disruption will negatively impact its future operating results. The related financial impact and duration cannot be reasonably estimated at this time. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported on the statement of operations in the periods in which they become known. Consequently, actual results could differ from those estimates.

Management and the Board recognized the challenges relating to reduced capacity due to the pandemic and construction and made the decision to modify its operations as of November 30, 2021, to mitigate losses until the completion of construction in early 2023. With this decision, the Society expects to have sufficient liquidity to continue with its modified level of operations, complete the expansion project in early 2023, and subsequently initiate full operations utilizing it new, expanded facility.

2. Significant accounting policies (continued):

(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.

(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 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 when received or when collection is reasonably assured.

2. Significant accounting policies (continued):

(f) Revenue recognition (continued):

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.

(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.

2. Significant accounting policies (continued):

(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. All building improvements, capital projects or capital repairs are expensed in the year incurred in the appropriate restricted fund.

(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.

(k) 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, 2021	Cost	Market value	2021 Market return
Total investments	$ 3,371,181	$ 4,082,188	9.37%

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

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:

	2021	2020
Capital facility maintenance reserve	$ 192,453	$ (30,878)
Capital equipment replacement reserve	70,138	12,471
Restricted operating reserve	23,784	(8,421)
Unrestricted operating reserve	1,807	(5,158)
Expansion reserve	1,354	241
Total unrealized gain (loss)	$ 289,536	$ (31,745)

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 year, the Board approved a transfer of $2,900,000 from the Capital Maintenance Reserve to the Expansion Fund.

For the eight-month period ended August 31, 2020, the Board approved a transfer up to $500,000 from the Capital Maintenance Reserve to the Unrestricted Operating Fund as required. During the year ended August 31, 2021, $65,000 was transferred (eight-month period ended August 31, 2020 – $265,000).

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 9% (August 31, 2020 – 5%) and a contribution to the capital facility maintenance fund of $nil in 2021 (August 31, 2020 – $nil), with varied contributions to cover LCP expenditures over the lease term of $6,704,465 (August 31, 2020 – $6,733,920).

5. Capital assets:

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
	$ 3,344,451	$ 2,465,483	$ 878,968

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

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $14,267 (2020 – $972), which includes amounts payable for GST.

7. Restricted net assets:

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

	2021	2020
Externally restricted:		
Expansion fund	$ 48,017,048	$ 29,638,984
Capital facility maintenance reserve	2,601,585	5,392,436
Vivo Play project	749,724	1,490,346
Operating reserve	502,067	296,021
Restricted operating reserve	118,531	–
Total externally restricted	51,988,955	36,817,787
Internally restricted:		
Capital equipment replacement reserve	714,464	596,800
Capital assets to be purchased	20,965	20,965
Total internally restricted	735,429	617,765
	$ 52,724,384	$ 37,435,552

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 $287,500 in consumption fees from July 1, 2021 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, 2021 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 uncertainties related to COVID-19. The Society's management and Board have made decisions related to operations to support the financial position of the Society, as outlined further in note 2(b).

(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.

There have been no changes in risk exposure from 2020, other than those described in note 2(b) related to the COVID-19 pandemic.

10. Fundraising costs:

During the year, Vivo incurred fundraising costs of $238,629 (eight-month period ended August 31, 2020 – $73,795), of which $193,414 (eight-month period August 31, 2020 – $19,033) was payroll related costs.

11. Tenant leases:

Tenant lease revenue for the year ended August 31, 2021 includes cost recovery amounts of $41,821 (eight-month period August 31, 2020 – $27,510) 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 2021, $35,964,433 is receivable. Subsequent to the year the Society has received $5,513,160 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 2021, $360,357 is receivable from PHAC.

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, the Society met the eligibility requirements and received $1,387,479 (eight-month period ended August 31, 2020 – $527,253), of which $74,415 (2020 – $nil) 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 the Society received the $74,415.

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 period, the Society met the eligibility requirements and received $583,063 (eight-month period ended August 31, 2020 – $nil), of which $128,294 (2020 – $nil) 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 the Society received $104,731.

14. Volunteer hours (unaudited):

Volunteers contributed approximately 1,184 hours between September 1, 2020 and August 31, 2021 to assist the Society in facilitating its delivery of activities (eight-month period ended August 31, 2020 – 405 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.