

Financial Statements of

**ECONOMIC DEVELOPMENT
WINNIPEG INC.**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Directors of Economic Development Winnipeg Inc.

We have audited the accompanying financial statements of Economic Development Winnipeg Inc. which comprise the statement of financial position as at December 31, 2017, the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Economic Development Winnipeg Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

March 13, 2018

Winnipeg, Canada

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Financial Position

December 31, 2017, with comparative information for 2016

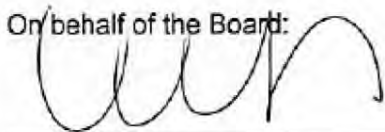
	2017	2016
Assets		
Current assets:		
Cash	\$ 1,360,070	\$ 716,741
Investments (note 3)	678,422	674,325
Accounts receivable	428,000	478,131
Prepaid expenses	169,902	123,483
	<u>2,636,394</u>	<u>1,992,680</u>
Capital assets (note 4)	574,711	567,809
	<u>\$ 3,211,105</u>	<u>\$ 2,560,489</u>

Liabilities, Deferred Contributions and Net Assets

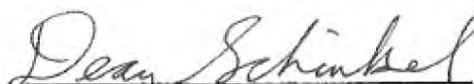
Current liabilities:		
Accounts payable and accrued liabilities	\$ 139,497	\$ 417,622
Deferred rent	38,452	25,967
Deferred lease inducement	332,305	360,000
Deferred contributions:		
Future expenses (note 5)	498,548	253,758
Net assets:		
Invested in capital assets	574,711	567,809
Unrestricted	1,277,592	935,333
Internally restricted:		
Appropriated for stabilization fund (note 6)	350,000	—
	<u>2,202,303</u>	<u>1,503,142</u>
Commitments (note 7)		
	<u>\$ 3,211,105</u>	<u>\$ 2,560,489</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Revenue and Expenditures

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Funding:		
The City of Winnipeg	\$ 3,490,979	\$ 2,812,200
Province of Manitoba	1,092,800	1,412,000
Partnerships and investors contributions	1,535,602	1,261,435
Interest	18,985	11,188
	<u>6,138,366</u>	<u>5,496,823</u>
Expenditures:		
Initiatives and marketing	1,881,152	1,588,748
Personnel	2,872,519	3,318,371
Administrative	390,223	303,298
Occupancy and facilities	295,311	222,974
	<u>5,439,205</u>	<u>5,433,391</u>
Excess of revenue over expenditures	<u>\$ 699,161</u>	<u>\$ 63,432</u>

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Invested in capital assets	Unrestricted	Internally restricted	2017 Total	2016 Total
Balances, beginning of year	\$ 567,809	\$ 935,333	\$ –	\$ 1,503,142	\$ 1,439,710
Excess (deficiency) of revenue over expenditures	(87,172)	786,333	–	699,161	63,432
Transfer to internally restricted net assets (note 6)	–	(350,000)	350,000	–	–
Transfer for acquisition of capital assets	94,074	(94,074)	–	–	–
Balances, end of year	\$ 574,711	\$ 1,277,592	\$ 350,000	\$ 2,202,303	\$ 1,503,142

See accompanying notes to financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 699,161	\$ 63,432
Items not involving cash:		
Amortization of capital assets	87,172	38,662
Amortization of deferred rent	12,485	17,649
Amortization of deferred lease inducement	(27,695)	–
Change in non-cash operating working capital:		
Accounts receivable	300,131	(40,184)
Prepaid expenses	(46,419)	15,885
Accounts payable and accrued liabilities	(278,125)	227,576
Net increase (decrease) in deferred contributions future expenses	(5,210)	24,153
	741,500	347,173
Capital activities:		
Purchase of capital assets	(94,074)	(530,604)
Investing activities:		
Investments, net	(4,097)	171,644
Increase (decrease) in cash	643,329	(11,787)
Cash, beginning of year	716,741	728,528
Cash, end of year	\$ 1,360,070	\$ 716,741
Supplementary cash flow information:		
Deferred lease inducement	\$ –	\$ 360,000

See accompanying notes to consolidated financial statements.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements

Year ended December 31, 2017

1. General:

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

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

2. Significant accounting policies:

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

(a) Revenue recognition:

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

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

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

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(b) Financial instruments:

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

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

The Organization did not incur any re-measurement gains and losses during the year ended December 31, 2017 (2016 - nil) and therefore a statement of re-measurement gains and losses is not required to be included in these financial statements.

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

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

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

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

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(c) Capital assets:

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

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

(d) Deferred rent:

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

(e) Deferred lease inducement:

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

(f) Income taxes:

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

(g) Use of estimates:

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

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Investments:

Investments consist of investments in money market instruments aggregating \$567,872 (2016 - \$563,779) and guaranteed investment certificates aggregating \$110,550 (2016 - \$110,546). The fair value of investments has been determined using Level 1 of the fair value hierarchy.

4. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	\$ 160,220	\$ 81,874	\$ 78,346	\$ 64,075
Office furniture and fixtures	192,492	62,260	130,232	125,499
Leasehold improvements	692,902	326,769	366,133	378,235
	\$ 1,045,614	\$ 470,903	\$ 574,711	\$ 567,809

5. Deferred contributions - future expenses:

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

	2017	2016
Balance, beginning of year	\$ 253,758	\$ 229,605
Amounts received during the year	1,308,260	1,016,521
	1,562,018	1,246,126
Less: amounts recognized as revenue in the year	(1,063,470)	(992,368)
Balance, end of year	\$ 498,548	\$ 253,758

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

	2017	2016
Yes! Winnipeg:		
Province of Manitoba funding	\$ 67,500	\$ 135,000
Investors' contributions	138,000	100,000
Team Winnipeg	25,558	13,228
Winnipeg Tour Connection	17,490	5,530
Our Winnipeg Initiative	125,000	—
Open data project	125,000	—
	\$ 498,548	\$ 253,758

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Internally restricted:

Stabilization fund:

The Stabilization Fund was established by the Board of Directors during the year to internally restrict net assets of the organization for funds to be available to compensate for fluctuations in future revenues from government funding or investor contributions. During the year, \$350,000 was transferred to the stabilization fund from unrestricted net assets. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

7. Commitments:

The Organization is committed under a lease for office space for a total of \$1,472,000. The minimum lease payments over the next five years are as follows:

2018	\$	145,000
2019		152,000
2020		153,000
2021		160,000
2022		160,000

8. Segregated fund:

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

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

	2017	2016
Special event marketing fund:		
Balance, beginning of year	\$ 760,504	\$ 781,507
Funds received during the year	1,000,000	1,117,200
Funds used during the year	(977,794)	(1,142,118)
Interest earned	5,320	3,915
Balance, end of year, and amount of funds held	\$ 788,030	\$ 760,504

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Segregated fund (continued):

The funds of \$788,030 held on December 31, 2017, have been committed from the special event marketing fund towards several tourism attractions occurring during fiscal 2018. In addition, the following commitments have been entered into from the special marketing fund towards several tourism attractions utilizing funds to be received within the fiscal years or carried over from the previous fiscal year:

2018	\$	416,134
2019		272,420
2020		1,015,687
2021		74,405

9. Financial risks:

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

(a) Credit risk:

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

The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at December 31, 2017 is the carrying value of these assets.

At December 31, 2017, all accounts receivable were current, there were no amounts past due.

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

There have been no significant changes to the credit risk exposure from 2016.

ECONOMIC DEVELOPMENT WINNIPEG INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

All accounts payable and accrued liabilities are due within fiscal 2017.

There have been no significant changes to the liquidity risk exposure from 2016.

10. Defined contribution plan:

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

Employer contributions made to the plan during the year amounted to \$92,701 (2016 - \$108,060).