# MANITOBA CARDIAC INSTITUTE (REH-FIT) INC.

## Non-consolidated Financial Statements

**For the year ended March 31, 2022**

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**Contents**

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# Independent Auditor's Report

**To the Board of Directors of Manitoba Cardiac Institute (Reh-Fit) Inc.**

**Opinion**

We have audited the non-consolidated financial statements of **Manitoba Cardiac Institute (Reh-Fit) Inc.** (the "Organization"), which comprise the non-consolidated statement of financial position as at March 31, 2022, and the non-consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and the results of its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these 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 non-consolidated 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated 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 auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

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

We 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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 15, 2022

# MANITOBA CARDIAC INSTITUTE (REH-FIT) INC.
## Non-consolidated Statement of Financial Position

| March 31 | | 2022 | | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents (Note 3) | $ | **1,088,510** | $ | 1,054,953 |
| Accounts receivable | | **107,082** | | 99,326 |
| Prepaid expenses | | **91,360** | | 78,694 |
| Inventory | | **8,804** | | 15,314 |
| | | **1,295,756** | | 1,248,287 |
| **Property and equipment** (Note 4) | | **6,136,103** | | 6,562,433 |
| | $ | **7,431,859** | $ | 7,810,720 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 5) | $ | **346,779** | $ | 357,314 |
| Due to Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. (Note 6) | | **-** | | 286 |
| Memberships and fees paid in advance | | **516,247** | | 525,776 |
| | | **863,026** | | 883,376 |
| **Deferred contributions** (Note 7) | | **4,007,349** | | 4,332,550 |
| | | **4,870,375** | | 5,215,926 |
| **Commitments and contingency** (Notes 8 and 9) | | | | |
| **Net assets** | | **2,561,484** | | 2,594,794 |
| | $ | **7,431,859** | $ | 7,810,720 |

Approved by the Board:

John Schubert. Director

Charles Steele Director

# MANITOBA CARDIAC INSTITUTE (REH-FIT) INC.
## Non-consolidated Statement of Operations and Changes in Net Assets

| For the year ended March 31 | 2022 | 2021 |
|---|---|---|
| **Revenue** | | |
| Membership and user fees | $ 1,793,634 | $ 1,487,120 |
| Government assistance | 621,729 | 1,035,602 |
| WRHA Service Purchase Agreement funding | 711,017 | 752,280 |
| Amortization of deferred contributions | 473,375 | 453,918 |
| Ancillary services | 281,117 | 269,332 |
| Programs | 202,470 | 137,292 |
| Gift from Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. | 163,812 | 265,000 |
| Other | 104,641 | 146,508 |
| | 4,351,795 | 4,547,052 |
| **Expenses** | | |
| Compensation | 1,997,545 | 2,070,660 |
| Amortization of property and equipment | 854,092 | 820,219 |
| Facility and operations | 542,924 | 567,200 |
| Administrative | 369,146 | 343,420 |
| Gift to Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. | 310,000 | 450,000 |
| Ancillary services | 171,185 | 167,801 |
| Programs | 88,727 | 50,340 |
| Membership and marketing | 51,486 | 41,041 |
| | 4,385,105 | 4,510,681 |
| **Excess (deficiency) of revenue over expenses** | (33,310) | 36,371 |
| **Net assets**, beginning of year | 2,594,794 | 2,558,423 |
| **Net assets**, end of year | $ 2,561,484 | $ 2,594,794 |

The accompanying notes are an integral part of these non-consolidated financial statements.

# MANITOBA CARDIAC INSTITUTE (REH-FIT) INC.
## Non-consolidated Statement of Cash Flows

| For the year ended March 31 | 2022 | 2021 |
| --- | --- | --- |
| **Cash Provided by (Used in)** | | |
| **Cash Flows from Operating Activities** | | |
| Excess (deficiency) of revenue over expenses | **$ (33,310)** | $ 36,371 |
| Adjustments for non-cash items | | |
| Amortization of property and equipment | **854,092** | 820,219 |
| Amortization of deferred contributions | **(473,375)** | (453,918) |
| Gain on disposal of property and equipment | **(4,265)** | (12,193) |
| | **343,142** | 390,479 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | **(7,756)** | (27,796) |
| Prepaid expenses | **(12,666)** | (248) |
| Inventory | **6,510** | (1,467) |
| Accounts payable and accrued liabilities | **(10,535)** | (275,377) |
| Memberships and fees paid in advance | **(9,529)** | (529,159) |
| Net cash provided by (used in) operating activities | **309,166** | (443,568) |
| **Cash Flows from Investing Activities** | | |
| Purchase of property and equipment | **(427,831)** | (203,804) |
| Proceeds on disposal of property and equipment | **4,334** | 12,193 |
| Net cash used in investing activities | **(423,497)** | (191,611) |
| **Cash Flows from Financing Activities** | | |
| Receipt of deferred contributions | **148,174** | 51,375 |
| Proceeds (repayment) from Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. | **(286)** | 226 |
| Net cash provided by financing activities | **147,888** | 51,601 |
| **Increase (decrease) in cash and cash equivalents** | **33,557** | (583,578) |
| **Cash and cash equivalents**, beginning of year | **1,054,953** | 1,638,531 |
| **Cash and cash equivalents**, end of year | **$ 1,088,510** | $ 1,054,953 |

**For the year ended March 31, 2022**

## 1. Nature of the Organization

The Manitoba Cardiac Institute (Reh-Fit) Inc. (the "Organization") is a non-profit organization incorporated under The Corporations Act of Manitoba and is a registered Canadian charity exempt from income tax under section 149 of the Income Tax Act. The Organization's mission is to enhance the health and well-being of its members and the community by providing innovative health and fitness services through assessment, education and exercise in a supportive environment.

## 2. Summary of Significant Accounting Policies

Basis of Accounting

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Membership fees and income from programs and other activities are recognized when earned and collection is reasonably assured.

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Contributions restricted for the purchase of capital assets are amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized in revenue when received. Contributions are recorded as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed Services

Volunteers contribute numerous hours per year to assist the Organization in carrying out its mandate. Due to the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

## 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and investments having a maturity of less than three months.

Inventory

Inventory is stated at the lower of average cost and net realizable value. Cost is determined on a first-in, first-out basis.

Property and Equipment

Tangible capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

| | |
|---|---|
| Building | 25 years straight-line basis |
| Parking lots | 20 years straight-line basis |
| Equipment | 3 to 10 years straight-line basis |

Use of Estimates

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Government Assistance

The Organization has made applications and received financial assistance under COVID-19 government incentive programs during the year.

Government assistance is included in income in the period in which qualifying expenditures are made, providing there is reasonable assurance of receipt.

**For the year ended March 31, 2022**

## 3. Cash and Cash Equivalents

| | 2022 | 2021 |
|---|---|---|
| Cash in bank | $ 345,539 | $ 313,641 |
| High interest e-savings accounts | 742,971 | 741,312 |
| | $ 1,088,510 | $ 1,054,953 |

The cash and cash equivalents balance is reflective of memberships and fees paid in advance.

Credit Facility

The Organization has a demand credit facility with Royal Bank, for $500,000, available for operating needs. The line of credit bears interest at the bank's prime rate, calculated and payable monthly. The line of credit is collateralized by a general security agreement, a collateral mortgage covering 1390 Taylor Avenue and an assignment of insurance.

## 4. Property and Equipment

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Land | $ 297,591 | $ - | $ 297,591 | $ 297,591 | $ - | $ 297,591 |
| Parking lots | 783,608 | 373,287 | 410,321 | 783,608 | 331,288 | 452,320 |
| Building | 13,424,165 | 8,576,953 | 4,847,212 | 13,104,783 | 8,004,174 | 5,100,609 |
| Equipment | 3,268,701 | 2,687,722 | 580,979 | 3,237,048 | 2,525,135 | 711,913 |
| | $ 17,774,065 | $ 11,637,962 | $ 6,136,103 | $ 17,423,030 | $ 10,860,597 | $ 6,562,433 |

## 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes $21,716 ($6,513 in 2021) for government remittances payable. All accounts are current with the respective filing agencies.

## 6. Due to Manitoba Cardiac Institute (Reh-Fit) Foundation Inc.

The Manitoba Cardiac Institute (Reh-Fit) Inc. is supported by the Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. (the "Foundation"). The Foundation was established July 21, 1999 to support and promote the welfare and good of the Organization by appealing for funds and acquiring, accepting or receiving grants, gifts, donations, bequests or other money. The Foundation is incorporated under The Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Organization has a significant economic interest in the Foundation in that all resources of the Foundation must be provided to the Organization or used for its benefit. In addition, the Organization could control the Foundation under certain circumstances by becoming its sole member and, as sole member, electing the Directors of the Foundation.

The balance due to the Foundation has arisen from transactions in the normal course of operations between the organizations and has no security, repayment terms or interest charged.

The following summarizes the Organization's related party transactions for the year:

| | **2022** | 2021 |
|---|---|---|
| Gift from the Foundation | **$ 163,812** | $ 265,000 |
| Gift to Building & Equipment Fund in the Foundation | **$ 310,000** | $ 450,000 |

The Foundation's Building & Equipment Fund of $5,196,739 was established to accumulate funds to make gifts to the Organization for use in maintaining, repairing, replacing and expanding the facilities and equipment used in its activities.

The Foundation's Endowment Fund of $114,213 reports the receipt of funds established from gifts by donors which are designated to remain under the Foundation's management in perpetuity.

The Foundation's financial statements have not been consolidated in the Organization's non-consolidated financial statements. Financial statements of the Foundation are available on request. Financial summaries of the Foundation as at March 31, 2022 and 2021 and for the years then ended are as follows:

| | **2022** | 2021 |
|---|---|---|
| Cash and cash equivalents | **$ 5,366,886** | $ 5,011,732 |
| Accounts receivable | **285** | 284 |
| Accrued interest | **6,000** | - |
| Due from Manitoba Cardiac Institute (Reh-Fit) Inc. | **-** | 286 |
| | **$ 5,373,171** | $ 5,012,302 |

## 6. Due to Manitoba Cardiac Institute (Reh-Fit) Foundation Inc. (continued)

| | 2022 | 2021 |
|---|---|---|
| Accounts payable and accrued liabilities | **$ 6,066** | $ 6,149 |
| Fund Balances | | |
| Restricted | **5,310,952** | 4,951,425 |
| Unrestricted | **56,153** | 54,728 |
| | **$ 5,373,171** | $ 5,012,302 |
| Revenues | | |
| Fundraising events, donations and investment income | **$ 232,218** | $ 308,219 |
| Gift from Manitoba Cardiac Institute (Reh-Fit) Inc. | **310,000** | 450,000 |
| | **542,218** | 758,219 |
| Fundraising and administrative expenses | **17,454** | 29,969 |
| | **524,764** | 728,250 |
| Gifts to Manitoba Cardiac Institute (Reh-Fit) Inc. | | |
| General and donor-specified | **163,812** | 265,000 |
| Excess of revenues over expenses | **$ 360,952** | $ 463,250 |

## 7. Deferred Contributions

Deferred contributions related to capital assets represent the funded portion of capital assets that will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. The changes in the deferred contributions balance for the year are as follows:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | **$ 4,332,550** | $ 4,735,093 |
| Other contributions | **148,174** | 51,375 |
| | **4,480,724** | 4,786,468 |
| Amounts amortized to revenue | **(473,375)** | (453,918) |
| Ending balance | **$ 4,007,349** | $ 4,332,550 |

## 8. Commitments

A portion of the land on which the Organization is situated is leased from the City of Winnipeg for a lease payment of $1 per year, until December 31, 2102.

In addition to the land, the Organization has entered into operating lease agreements for office equipment. The future minimum annual lease payments for the next three years are as follows:

| | | |
|---|---|---|
| 2023 | $ | 5,614 |
| 2024 | | 4,699 |
| 2025 | | 946 |
| | $ | 11,259 |

## 9. Contingency

When the Organization opened, the Kinsmen Club of Winnipeg made a grant to the Organization of $300,000, followed by a grant of $75,000 in 1985. The grant was made subject to the following condition: In the event of the sale of the assets by the Organization, the sale may only take place after consultation with and the approval of the Kinsmen Club of Winnipeg; and further, should such sale occur, then after the retirement of all debts and financial obligations of the Organization, the remaining amount up to $375,000 is to be returned to the Kinsmen Club of Winnipeg for re-allocation to service funding in the community. The sum of $375,000 represents the total of the contributions made by the Kinsmen Club of Winnipeg to date.

## 10. Capital Replacement Plan

The Organization follows prudent budgeting policies whereby future capital replacements are planned to be funded from operations and the Foundation. The capital replacement plan has been created with accepted industry standards for asset replacement and has been adopted as management's annual goal of approximately $1,500,000 ($1,500,000 in 2021).

## 11. Financial Instrument Risk Disclosures

The Organization is exposed to different types of risk in the normal course of operations, including credit risk, market risk and liquidity risk. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organization's activities. The risks have not changed from the previous year.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Organization, in the normal course of operations provides credit to its members and is exposed to credit risk from its receivables. The Organization mitigates credit risk on its receivables by limiting exposure to any one member. The Organization is exposed to credit risk from its investments. Credit risk from its investments is managed through investment leadership from the Finance Committee and by investing in high quality and insured financial products.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Organization is not exposed to significant interest rate risk as its cash and cash equivalents are held in short-term investments or variable rate products.

The Organization is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting similar financial instruments traded in the market. The Organization limits its exposure to other price risks by investing in low risk investment vehicles.

## 11. Financial Instrument Risk Disclosures (continued)

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is not exposed to significant liquidity rate risk as its liquidity risk arises from accounts payable and sufficient assets are on hand as memberships and fees are paid in advance.

## 12. Uncertainty Due to COVID-19

The COVID-19 pandemic has had and continues to have a significant effect on the Canadian and global economies. On March 17, 2020, in response to the pandemic, the Organization temporarily closed its facility. Subsequently, on March 18, 2020, the Province of Manitoba issued Public Health Orders requiring all facilities in Manitoba like those of the Organization to close. As restrictions eased, the Organization was able to reopen its facility on June 15, 2020 at restricted capacity, but subsequent provincial Public Health Orders required it to again close the facility to members for exercise on November 12, 2020. The facility remained closed to members for exercise until February 16, 2021, when easing of restrictions permitted it to reopen again at restricted capacity. In the current year, the Public Health Orders required fitness facilities to close from May 9, 2021 to June 28th, 2021 and again restricted capacity upon reopening. These closures and capacity restrictions have adversely affected the Organization's membership and user fees, ancillary services revenue and program revenue. Although, the Organization has taken measures to mitigate these losses, including the use of government assistance, it is difficult, due to the possibility of further closures and the significant economic uncertainty caused by the pandemic, to reliably measure the potential impact of the pandemic on future financial results.

## 13. Disposition of Land for Construction of Waverley Underpass and Widening of Taylor Avenue

In connection with the construction of the Waverley Street underpass and the widening of Taylor Avenue, the City of Winnipeg expropriated a portion of the Organization's property and also utilized another portion as a temporary workspace during the construction period. The City offered $350,000 for the land taken for the construction project, which has a book value of $117,157, and $291,600 as compensation for the use of the temporary workspace. Based on an independent valuation which the Organization has received, the offer was declined as being insufficient. Negotiations with the City of Winnipeg continue and in the meantime this transaction has not been reflected in these financial statements.