

Canada's Sports Hall of Fame

Financial Statements
December 31, 2020



Independent auditor's report

To the Board of Governors of Canada's Sports Hall of Fame

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canada's Sports Hall of Fame (the Organization) as at December 31, 2020 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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In preparing the 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 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 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 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 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 financial statements, including the disclosures, and whether the 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.

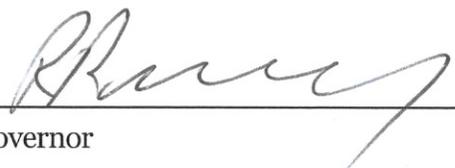
PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 8, 2021

Canada's Sports Hall of Fame
Statement of Financial Position
As at December 31, 2020

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 134,115 | 73,676 |
| Accounts receivable | 49,194 | 83,270 |
| Inventory | - | 9,435 |
| Prepaid expenses | 44,004 | 65,936 |
| | 227,313 | 232,317 |
| Long-term investments | - | 50,000 |
| Capital assets (note 5) | 14,202,337 | 15,346,154 |
| | 14,429,650 | 15,628,471 |
| Liabilities | | |
| Current liabilities | | |
| Bank debt (note 8) | 672,805 | 828,856 |
| Accounts payable and accrued liabilities | 122,942 | 78,388 |
| | 795,747 | 907,244 |
| Deferred contributions - Exhibits (notes 2 & 6) | 374,705 | 435,139 |
| Deferred contributions – Hall of Fame (note 7) | 14,124,417 | 15,129,310 |
| Long-term debt (note 9) | 60,000 | - |
| | 15,354,869 | 16,471,693 |
| Net assets | | |
| Endowment (note 4) | - | 50,000 |
| Unrestricted | (925,219) | (893,222) |
| | (925,219) | (843,222) |
| | 14,429,650 | 15,628,471 |



 Governor



 Governor

The accompanying notes are an integral part of these financial statements.
 Subsequent events – Note 12

Canada's Sports Hall of Fame
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2020

| Revenue | 2020 | 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Amortization of deferred contributions - Hall of Fame | 1,004,893 | 1,043,502 |
| Program grants (note 2) | 688,505 | - |
| Donations and sponsorships | 503,544 | 393,265 |
| Salary grants (note 2) | 304,196 | 138,302 |
| Amortization of deferred contributions - Exhibits | 81,737 | 50,280 |
| Exhibits | 32,403 | 27,422 |
| Admissions | 10,478 | 82,465 |
| Education program | 3,406 | 28,265 |
| Facility rental | 3,100 | 41,715 |
| Sundry | 812 | - |
| Retail store sales | 577 | 6,167 |
| Digital Media | 403 | 1,749 |
| Interest and investment income | 313 | 741 |
| Induction celebrations dinner | - | 547,850 |
| Inspire Canada Gala | - | 283,577 |
| Amortization of deferred contributions - Website | - | 3,638 |
| | 2,634,367 | 2,648,938 |
| Expenses | | |
| Amortization of capital assets | 1,143,817 | 1,165,616 |
| Salaries and benefits (note 11) | 843,559 | 941,568 |
| Administration | 179,663 | 304,773 |
| Consulting fees | 167,337 | 245,069 |
| Utilities | 76,872 | 79,467 |
| Exhibits and programs | 62,641 | 46,690 |
| Information technology | 43,324 | 78,529 |
| Bank and credit card financing charges | 39,234 | 26,785 |
| Insurance | 37,955 | 37,298 |
| Marketing | 30,641 | 64,074 |
| Professional fees | 24,871 | 19,215 |
| Miscellaneous expense | 5,520 | 37,504 |
| Board and committees | 5,340 | 6,002 |
| Inspire Canada Gala | 4,190 | 84,644 |
| Induction celebrations dinner | 1,400 | 374,304 |
| Cost of sales - retail store | - | 4,446 |
| | 2,666,364 | 3,515,984 |
| Deficiency of revenues over expenses | (31,997) | (867,046) |
| Net assets - Beginning of year | (843,222) | 23,824 |
| Wind-down of Endowment (note 4) | (50,000) | - |
| Net assets - End of year | (925,219) | (843,222) |

The accompanying notes are an integral part of these financial statements

Canada's Sports Hall of Fame

Statement of Cash Flows

For the year ended December 31, 2020

| | 2020 | 2019 |
|--|-----------------|------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Deficiency of revenue over expenses | (31,997) | (867,046) |
| Amortization of deferred contributions | (1,086,630) | (1,097,419) |
| Amortization of capital assets | 1,143,817 | 1,165,616 |
| Wind-down of Endowment (note 4) | (50,000) | - |
| | <u>(24,810)</u> | <u>(798,849)</u> |
| Changes in non-cash working capital | | |
| | <u>(72,429)</u> | <u>(8,865)</u> |
| | <u>(97,239)</u> | <u>(807,714)</u> |
| Investing activities | | |
| Purchase of capital assets | - | (4,949) |
| Deferred contributions – Exhibits | 203,729 | (9,125) |
| | <u>203,729</u> | <u>(14,074)</u> |
| Financing activities | | |
| Bank debt (repaid) drawn | (156,051) | 828,856 |
| Wind-down of Endowment (note 4) | 50,000 | - |
| Long-term debt | 60,000 | - |
| | <u>(46,051)</u> | <u>828,856</u> |
| Increase in cash | 60,439 | 7,068 |
| Cash — Beginning of year | <u>73,676</u> | <u>66,608</u> |
| Cash — End of year | <u>134,115</u> | <u>73,676</u> |

The accompanying notes are an integral part of these financial statements

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

1 Nature of business

Canada's Sports Hall of Fame ("CSHoF") was originally incorporated on November 25, 1971 without share capital under the Canada Corporations Act and subsequently issued a Certificate of Continuance under the Canada Not-for-Profit Corporations Act on October 11, 2013. CSHoF is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes. It is CSHoF's mission to recognize and cherish Canadians who have achieved the highest level of sporting accomplishment and who have the passion and purpose to go beyond their success, educating all Canadians on the value, history and culture of sport in this country.

In March 2020, due to the pandemic and subsequent health restrictions our physical museum was closed, however Canada's Sports Hall of Fame continued to select and recognize a new Class of Canadian athletes and sport builders, offer our curriculum-aligned education programs, bring dynamic curatorial experiences to the community through travelling exhibits, as well as nurture partnerships across diverse communities to ensure we are supporting the connections between sport and social purpose across our nation.

2 COVID-19 impact on operations and related funding

As a result of the pandemic in 2020 management assessed the impact of COVID-19 and took measures that severely hampered normal operations for the year which included cancelling both the May 2020 Gala and Induction ceremonies as well as curtailing in-person education programs. CSHoF has continued to operate online and provide virtual outreach education programs, social media campaigns as well as community travelling exhibits during the year. For the upcoming year, the COVID-19 global pandemic conditions will be monitored and operations will proceed that will provide a safe environment while allowing CSHoF to meet its mandate.

As part of the Government of Canada's COVID-19 Economic Response plan, CSHoF received funding through the following programs:

a) Canada Emergency Wage Subsidy

Due to the decrease in revenue as a result of COVID-19, CSHoF received the Canada Emergency Wage Subsidy to cover a portion of employee salaries from March 15 to December 31, 2020 in the amount of \$184,828 (2019 - \$nil), with no amounts owing as at December 31, 2020. The revenue amount is included in Salary Grants in the Statement of Operations.

b) Canadian Experiences Fund Contribution

During the year, the Minister responsible for Western Economic Diversification Canada provided a non-repayable contribution in the amount of \$500,000 to expand and develop digital programs and traveling exhibits beyond Calgary. This contribution was used to fund costs relating to these initiatives during the current year. The revenue amount is included in Program Grants in the Statement of Operations.

c) Museum Assistance Program Grant

During the year, the Minister of Canadian Heritage provided a grant in the amount of \$100,000 to carry out activities as part of the Museum Assistance Program's COVID-19 Emergency Support Fund Component. This grant will be used for costs incurred from January 1 to March 31, 2021. The total amount of the grant is included in Deferred Contributions – Exhibits in the Statement of Financial Position.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

3 Summary of significant accounting policies

Basis of accounting

CSHoF prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Comparative figures

Certain comparative figures have been reclassified to conform to the current presentation.

Revenue recognition

CSHoF follows the deferral method of accounting for contributions. 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. Restricted contributions related to capital assets are deferred and recognized as revenue as the related capital assets are amortized. Other externally restricted contributions are deferred and recognized as revenue in the period when the related expenses are recognized.

CSHoF may receive government subsidies which provide immediate financial assistance as compensation for costs or expenditures to be incurred. CSHoF recognizes government subsidies as revenue when received or receivable and when there is reasonable assurance that conditions attached to the subsidies are met.

Revenue from retail store sales, admissions, education programs, facility rentals and offsite exhibits are recognized as the related goods and services are provided.

Revenue from the sale of tickets and sponsorships for the Induction Celebrations Dinner and other special events are recognized in the period that the events are held.

Endowment contributions are recognized as direct increases in net assets.

Interest and investment income is recorded when earned.

Contributed goods and services

CSHoF receives donations of goods and services throughout the year that are used in operations. These items are not recognized in the financial statements.

Volunteers contribute many hours to assist CSHoF in carrying out its mandate. Volunteer services are not recognized in the financial statements.

Collections held for exhibition

CSHoF maintains a wide array of artifacts and other sports memorabilia held for public exhibition. Collection costs held for exhibit are recorded as expenditures in the Statement of Operations at cost, if purchased, or at their estimated fair value, if determinable, at the date of contribution for donated collection exhibits. During 2020 and 2019 there were no items donated to the collection recorded in the financial statements.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

Investments

Long-term investments consist of GIC's with initial maturity dates greater than one year from the date of the Statement of Financial Position.

Inventory

CSHoF maintains inventory for sale in the retail store. Items held as inventory are recorded at the lower of cost based on the weighted average cost method and net realizable value.

Capital assets

Capital assets are recorded at cost less accumulated amortization and any provision for impairment. The cost for contributed capital assets is considered to be fair value at the date of contribution. The cost of capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components. Amortization is provided on a straight-line basis over the following periods:

| | |
|-------------------------|----------|
| Building | |
| Structural | 40 years |
| Mechanical | 20 years |
| External | 20 years |
| Decorative | 10 years |
| Media production | 5 years |
| Furniture and equipment | 5 years |
| Website | 5 years |
| Computer equipment | 3 years |

Capital assets are tested for impairment when conditions indicate that a capital asset no longer contributes to CSHoF's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-downs of capital assets are recognized as expenses in the Statement of Operations and Changes in Net Assets. Write-downs are not subsequently reversed.

Financial instruments

CSHoF initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and liabilities at amortized cost, other than long-term investments which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable, accrued liabilities and bank indebtedness.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

It is management's opinion that CSHoF's exposure to risk on its financial instruments is summarized as follows:

a) Credit and liquidity risk

CSHoF's credit and liquidity risk exposure relates to cash, accounts receivable and bank indebtedness. Cash balances are denominated in local currency and held with reputable Canadian financial institutions. Accounts receivable consists of amounts owing that are not significant which management considers are fully collectible. Management does not consider CSHoF to be exposed to significant credit risk. Liquidity risk is the risk that CSHoF will not be able to meet all of its financial obligations as they become due. Management is currently considering various strategic alternatives related to managing CSHoF's bank indebtedness and liquidity risk may include, but are not limited to potential alternatives such as monetization of certain CSHoF's capital assets or historic artifacts.

b) Bank Indebtedness

CSHoF recognizes risk associated with bank indebtedness and its ability to repay loans pending the sale or lease of some or all its long term assets.

c) Interest rate, currency and other price risk

Long-term investments are limited to GIC's held with a reputable Canadian financial institution. Cash balances, long-term-investments and accounts receivable are denominated in local currency. Management does not consider CSHoF to be exposed to significant interest rate, currency and other price risk.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include amortization of capital assets, amortization of deferred contributions, and accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

4 Endowment

In 2006, Maple Leaf Sports and Entertainment Ltd. ("MLSE") contributed \$50,000 to establish the Steve Stavro Scholarship Fund. Annual income generated from the fund was used to subsidize the employment of students to work at CSHoF.

During the year, MLSE gave approval to CSHoF to wind down the endowment and allow CSHoF to use the funds for operating activities. The amount is included as a donation in the Statement of Operations.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

5 Capital assets

| | | | 2020 | 2019 |
|-------------------------|-------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net | Net |
| | \$ | \$ | \$ | \$ |
| Building | | | | |
| Structural | 10,373,454 | 2,448,448 | 7,925,006 | 8,184,342 |
| Mechanical | 7,829,844 | 3,728,980 | 4,100,864 | 4,494,801 |
| External | 3,668,511 | 1,742,542 | 1,925,969 | 2,109,394 |
| Decorative | 1,986,974 | 1,887,626 | 99,348 | 298,045 |
| Media production | 8,353,579 | 8,353,579 | - | - |
| | <u>32,212,362</u> | <u>18,161,175</u> | <u>14,051,187</u> | <u>15,086,582</u> |
| Furniture and equipment | 649,550 | 620,005 | 29,545 | 65,018 |
| Website | 1,535,779 | 1,414,174 | 121,605 | 194,554 |
| Computer equipment | 106,005 | 106,005 | - | - |
| | <u>34,503,696</u> | <u>20,301,359</u> | <u>14,202,337</u> | <u>15,346,154</u> |

Under the terms of the agreement with the CODA, title to the land upon which the building is constructed is vested with CODA. Given the terms of the lease CSHoF has the beneficial ownership of the building, therefore the financial statements account for these costs as capital assets of CSHoF.

6 Deferred contributions - Exhibits

Deferred contributions for operations represent externally restricted funding which relate to expenditures for exhibits and programs that have not yet occurred. Deferred contributions for capital represent externally restricted contributions for various capital assets. The balance at December 31, 2020 consists of the following:

| | 2020 | 2019 |
|--|----------------|----------------|
| | \$ | \$ |
| Exhibits and Programs - Operations | 260,296 | 240,584 |
| Virtual Museum of Canada Project - Capital | 103,409 | 155,779 |
| Virtual Distance Learning Studio - Capital | 11,000 | 31,186 |
| Interactives - Capital | - | 7,590 |
| | <u>374,705</u> | <u>435,139</u> |

Amortization of the capital amounts into revenue will commence when the related assets are put into use, over the same period as the related assets are amortized, as outlined in Note 3.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

7 Deferred contributions — Hall of Fame

Deferred contributions related to original cost of the construction and furniture acquisitions for the Hall of Fame represent restricted contributions with which the Hall of Fame was originally constructed, as well as further contributions restricted for additions to the Hall of Fame. These amounts are recognized as revenue as the related assets are amortized, as outlined in Note 3.

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Balance — Beginning of year | 15,129,310 | 16,172,812 |
| Amounts amortized to revenue in amortization of deferred contributions — Hall of Fame | (1,004,893) | (1,043,502) |
| Balance — End of year | 14,124,417 | 15,129,310 |

8 Credit facility agreement

CSHoF has a credit facility agreement with a commercial financial institution for a demand operating line of credit for \$1.0 million. Interest is calculated at the prime rate plus 1.5% per annum.

During 2020 and 2019 CSHoF drew amounts against the operating line of credit to fund operations. As at December 31, 2020 the balance of the Line of Credit is \$672,805 (2019 - \$828,856). CSHoF is in compliance with the financial covenant contained in this agreement at December 31, 2020.

9 Long-term debt

During the year CSHoF applied for and received a \$60,000 loan under the Canada Emergency Business Account (“CEBA”) program established by the Government of Canada. The loan has an interest rate of 0% per year until December 31, 2022 and 5% per year starting on January 1, 2023. No principal repayment is required before December 31, 2022. If the loan remains outstanding after December 31, 2022, only interest payments are required until full principal is due on December 31, 2025. Loan repayment can occur in whole or in part after April 1, 2021. If the loan is fully repaid on or before December 31, 2022, \$20,000 of the balance is eligible for complete forgiveness.

Canada's Sports Hall of Fame

Notes to Financial Statements

December 31, 2020

10 Fundraising expenses

As required under Section 7 (2) of the Alberta Charitable Fundraising Regulation, the following amounts are disclosed:

| | 2020 | 2019 |
|--|--------|--------|
| | \$ | \$ |
| Amounts paid as remuneration to employees whose principal duties involve fundraising | 84,198 | 84,198 |
| Direct expenses incurred for the purposes of soliciting contributions | - | - |

11 Government remittances

Payroll source deductions amounting to \$23,635 owed to the federal government at December 31, 2020 (2019 - \$16,881) were withheld by the third party payroll service used by CSHoF and remitted on January 15th of the following year.

12 Subsequent events

Subsequent to December 31, 2020 an agreement in principle is in place with the Canadian Museum of History to purchase the tangible artifact collection owned by CSHoF. A term sheet has been sent to the Canadian Museum of History and is currently being reviewed. The estimated purchase price of the collection is \$5.3 million. These funds will be used to establish an endowment fund that will be able to fund future operations of CSHoF. A key condition of the sale is that CSHoF will be able to borrow an agreed upon set of artifacts annually for the creation of exhibits and used in education programs. This arrangement as well as CSHoF's continued ownership of intangible assets will enable CSHoF to maintain its Museum status which will allow CSHoF to continue to access critical government grant programs, private sector donations and maintain its charitable organization status.

At this time our museum will remain closed to the public through to the end of 2022 however, Canada's Sports Hall of Fame remains committed to delivering our mission – *educating all Canadians on the value, history and culture of sport in this country* – and we are proud to be expanding the ways in which we are doing so. Museums play a pivotal role in community building, sustainability, employment, culture, and tourism and can be part of shaping communities through digital and physical initiatives. Work toward reimagining our future and extending our impact across Canada is in progress.