

Financial Statements of

KIDSPORT SOCIETY OF CALGARY

Year ended December 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Members of KidSport Society of Calgary

We have audited the accompanying financial statements of KidSport Society of Calgary, which comprise the statement of financial position as at December 31, 2014, the statements of operations, 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 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.

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 an 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, KidSport Society of Calgary derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of KidSport Society of Calgary. Therefore, we were not able to determine whether, as at and for the year ended December 31, 2014 any adjustments might be necessary to contribution revenue and excess of revenues over expenses reported in the statement of operations and changes in net assets, excess of revenues over expenses reported in the statement of cash flows and current assets and net assets reported in the statement of financial position.

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Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of KidSport Society of Calgary, 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.

Comparative Information

The financial statements of KidSport Society of Calgary as at December 31, 2013 and for the year then ended are unaudited. Accordingly, we do not express an opinion on them.

KPMG LLP

Chartered Accountants

April 21, 2015
Calgary, Canada

KIDSPORT SOCIETY OF CALGARY

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013 (unaudited)
Assets		
Current assets:		
Cash	\$ 903,661	\$ 776,576
Accounts receivable	116,648	93,906
Prepaid expenses	7,500	-
	<u>\$ 1,027,809</u>	<u>\$ 870,482</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 13,500	\$ 23,680
Deferred contributions (note 4)	96,434	35,207
	<u>109,934</u>	<u>58,887</u>
Net assets:		
Internally restricted (note 5)	761,495	634,758
Unrestricted	156,380	176,837
	<u>917,875</u>	<u>811,595</u>
Commitments (note 6)		
	<u>\$ 1,027,809</u>	<u>\$ 870,482</u>

See accompanying notes to financial statements.

On behalf of the Board:

Wilson Acton, Chair

William Hopkins, Treasurer

KIDSPORT SOCIETY OF CALGARY

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013 (unaudited)
Revenues:		
Contributions (note 9)	\$ 1,537,421	\$ 1,382,932
Interest	459	258
	<u>1,537,880</u>	<u>1,383,190</u>
Expenses:		
Distributions (note 10)	1,093,559	755,800
General and administrative (note 11)	295,068	236,063
Operational (note 12)	40,838	59,503
Bank fees	2,135	1,184
	<u>1,431,600</u>	<u>1,052,550</u>
<u>Excess of revenues over expenditures</u>	<u>\$ 106,280</u>	<u>\$ 330,640</u>

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

	Internally restricted	Unrestricted	2014 Total	2013 Total (unaudited)
Balance, beginning of year	\$ 634,758	\$ 176,837	\$ 811,595	\$ 480,955
Excess of revenues over expenses	–	106,280	106,280	330,640
Less transfers to internally restricted	126,737	(126,737)	–	–
Balance, end of year	\$ 761,495	\$ 156,380	\$ 917,875	\$ 811,595

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013 (unaudited)
Cash from operating activities:		
Excess of revenues over expenditures	\$ 106,280	\$ 330,640
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(22,742)	15,221
Increase in prepaid expenses	(7,500)	-
(Decrease) increase in accounts payable and accrued liabilities	(10,180)	21,229
Increase in deferred contributions	61,227	35,207
	<u>127,085</u>	<u>402,297</u>
Increase in cash	127,085	402,297
Cash, beginning of year	776,576	374,279
Cash, end of year	<u>\$ 903,661</u>	<u>\$ 776,576</u>

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Notes to Financial Statements

Year ended December 31, 2014

1. Nature of operations:

KidSport Society of Calgary (the "Society") was incorporated in 2002 under the laws of Alberta as a not-for-profit organization under the Alberta Societies Act. Its principle activity is to provide support to and remove financial barriers that prevent children the opportunity to participate in organized sports.

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

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations in Part III of the CPA Handbook, the more significant of which, are as follows:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year 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.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society 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 transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society 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 the Society 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.

KIDSPORT SOCIETY OF CALGARY

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Year ended December 31, 2014

2. Significant accounting policies (continued):

(c) Contributed services and goods:

Because of the difficulty of determining their fair value, if any, various contributed services and goods are not recognized in these financial statements.

(d) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. By their nature these amounts are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. Accounts payable and accrued liabilities:

The Society had no government remittance payable as at December 31, 2014 (2013 - \$4,653).

4. Deferred contributions:

Deferred contributions relate to restricted funding received in the current and prior fiscal years, which is designated for specific expenditures. The deferred contributions consist of the unspent portion of externally restricted funds received in relation to the Big Give Project and received from the Alberta Gaming and Liquor Commission.

(a) The Big Give Project:

Restricted contributions for The Big Give Project recognized in revenue during the year of \$78,235 (2013 - \$70,452) are included in funding revenue.

(b) Alberta Gaming & Liquor Commission:

Restricted contributions from the Alberta Gaming & Liquor Commission recognized in revenue during the year of \$31,459 (2013 - \$37,490) are included in funding revenue. The monies received from the Alberta Gaming & Liquor Commission is held in a separate Casino cash account. The expenses paid out of the account are certain office and payroll costs as approved by the Alberta Gaming & Liquor Commission.

KIDSPORT SOCIETY OF CALGARY

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Year ended December 31, 2014

4. Deferred contributions (continued):

The changes in the deferred contributions balance for the year were as follows:

	2014	2013 (unaudited)
The Big Give Project		
Balance, beginning of year	\$ 3,748	\$ -
Restricted contributions received during the year	94,454	74,200
Restricted contributions recognized	(78,235)	(70,452)
	19,967	3,748
Alberta Gaming & Liquor Commission		
Balance, beginning of year	31,459	-
Restricted contributions received during the year	76,467	68,849
Restricted contributions recognized	(31,459)	(37,390)
	76,467	31,459
	\$ 96,434	\$ 35,207

5. Internally restricted:

	2014	2013 (unaudited)
Kids account	\$ 683,750	\$ 563,154
Other	77,745	71,604
	\$ 761,495	\$ 634,758

Internally restricted net assets consists of funds donated to KidSport that are internally restricted based on internally established guidelines approved by the Board of Directors (the "Board"). Funds on deposit in the Kids account are restricted for funding of kid's sport registration fees and programs as approved by the Board.

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Year ended December 31, 2014

6. Commitments:

Under the terms of an extension to the lease agreement for office space expiring September 2016 and a vehicle lease expiring April 2017, the Society is committed to making the following payments:

2015	\$	19,188
2016		9,225
2017		1,476
	\$	29,889

7. Related party transactions:

During the year, the Society paid legal fees in the amount of \$3,132 (2013 - \$2,076) to an entity where an associate of the law firm was on the Society's Board of Directors.

For tax receipting purposes, KidSport Society of Calgary remits certain donations received to KidSport Society of Alberta. Upon completion of the tax receipting, KidSport Society of Alberta remits the donations back to KidSport Society of Calgary. Occasionally donations are made directly to KidSport Society of Alberta, which are for KidSport Society of Calgary. During the year, KidSport Society of Calgary received a combination of donations directly and indirectly of \$356,912 (2013 - \$302,175) from KidSport Society of Alberta and \$97,234 was receivable back from KidSport Society of Alberta as at December 31, 2014 (2013 - \$92,414).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. Financial instruments:

(a) Fair values:

The fair value of financial assets and liabilities approximate their carrying amounts due to the imminent or short term nature of these financial assets and liabilities or their respective terms and conditions.

KIDSPORT SOCIETY OF CALGARY

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Year ended December 31, 2014

8. Financial instruments (continued):

(b) Risk management:

The Society is exposed to the following risks as a result of holding financial instruments:

(i) Credit risk:

The Society's exposure to credit risk arises from the possibility that the counterparty to a transaction might fail to perform under its contractual commitment resulting in a financial loss to the Society. The Society is exposed to credit risk on cash and cash equivalents and accounts receivable from its contributors. Concentration of credit risk arises as a result of exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political, or other conditions. The Society monitors credit risk by assessing the collectability of the amounts. Of the accounts receivable at year end, \$97,403 (2013 - \$93,906) is receivable from KidSport Alberta and KidSport Canada which are considered to have low credit risk. The Society mitigates its credit risk on cash and cash equivalents by dealing with Canadian commercial banks in which cash is held.

(ii) Liquidity risk:

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

(iii) Interest rate risk on deposits:

Interest rate risk arises on cash. The Society is exposed to interest rate risk due to fluctuations in the bank interest rates.

There has been no change to the risk exposure's from 2013.

9. Contributions

	2014	2013 (unaudited)
Strategic Partners	\$ 412,113	\$ 387,735
Major Events	465,067	520,554
Casino (AGLC)	31,459	37,390
Other Funding Sources (including corporate, personal and sports club donations)	628,782	437,253
	<u>\$ 1,537,421</u>	<u>\$ 1,382,932</u>

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Year ended December 31, 2014

10. Distributions:

	2014	2013 (unaudited)
Registration fees by sport		
Soccer	\$ 265,638	\$ 221,822
Hockey	231,910	148,733
Gymnastics	92,997	61,076
Dance	71,950	42,079
Martial Arts	49,423	28,441
Basketball	43,166	32,305
Football	32,213	28,375
Skating	17,539	15,186
Skiing / snowboarding	15,008	11,377
Baseball	11,690	10,173
Swimming	10,469	8,120
Lacrosse	10,175	11,962
Other	63,289	44,164
	915,467	663,813
The Big Give	78,235	70,452
School Equipment Grants	48,975	—
Comrie's Sports Equipment Bank Equipment Grant	35,000	—
Equipment funding	7,980	18,038
Diversity Cup	5,947	—
Skate Shack II	1,935	3,497
	\$ 1,093,539	\$ 755,800

11. General and administrative expenses:

	2014	2013 (unaudited)
Wages and benefits	\$ 213,388	\$ 175,211
Rent expense	27,586	16,124
Insurance costs	5,836	16,080
Staff parking and mileage	7,049	6,440
Office supplies and equipment	10,385	8,206
Staff training, dues and meals	857	210
Courier/ Postage	3,929	3,174
Telephone and internet	3,025	3,031
Audit and Legal	16,632	2,076
Consulting	3,675	3,000
Bookkeeping and payroll services	2,406	2,511
	\$ 295,068	\$ 236,063

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Year ended December 31, 2014

12. Operational expenses:

	2014	2013 (unaudited)
Shaw Charity Classic	\$ 9,202	\$ –
Casino expenses	4,750	–
Tax receipting costs	1,894	3,491
Calgary Marathon	978	2,330
Calgary Corporate Challenge	487	624
Calgary Motor Dealers Association Vehicles and Violins	471	1,745
Retro's Bowlerama	–	22,474
Perron Party	–	2,980
Miscellaneous fundraising events	1,239	4,748
	19,021	39,643
Volunteer recruiting/appreciation	7,470	2,334
Vehicle lease	5,904	3,936
Donor appreciation events	4,794	11,163
Advocacy Printing	2,717	1,153
Jerseys, Golf Shirts, T-shirts	604	2,428
AGM costs	328	97
	\$ 40,838	\$ 59,503