

Financial Statements of

KIDSPORT SOCIETY OF CALGARY

Year ended December 31, 2016



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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, 2016, 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 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 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 years ended December 31, 2016 and 2015, any adjustments might be necessary to contribution revenue and excess (deficiency) of revenues over expenses reported in the statements of operations and changes in net assets, excess (deficiency) of revenues over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2015.

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 as at December 31, 2016, 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.

KPMG LLP

Chartered Professional Accountants

April 18, 2017
Calgary, Canada

KIDSPORT SOCIETY OF CALGARY

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 742,244	\$ 404,626
Short-term investments (note 3)	253,460	243,854
Accounts receivable	186,011	235,541
	<u>1,181,715</u>	<u>884,021</u>
Capital Assets (note 4)	48,550	57,926
	<u>\$ 1,230,265</u>	<u>\$ 941,947</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 17,304	\$ 98,282
Deferred contributions (note 7)	13,628	9,499
	<u>30,932</u>	<u>107,781</u>
Deferred capital contributions (note 6)	19,885	22,095
Net assets:		
Internally restricted (note 8)	836,692	430,517
Unrestricted	342,756	381,554
	<u>1,179,448</u>	<u>812,071</u>
Commitments (note 9)		
Subsequent event (note 13)		
	<u>\$ 1,230,265</u>	<u>\$ 941,947</u>

See accompanying notes to financial statements.

On behalf of the Board:



Wilson Acton, Chair



Curtis Loyns, Treasurer

KIDSPORT SOCIETY OF CALGARY

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Contributions (note 12)	\$ 1,884,067	\$ 1,663,946
City of Calgary grant (note 13)	200,000	-
Interest	1,572	1,575
Amortization of deferred capital contributions (note 6)	2,210	762
	<u>2,087,849</u>	<u>1,666,283</u>
Expenses:		
Distributions (note 14)	1,229,254	1,370,655
General and administrative	313,904	342,071
Fundraising	145,628	26,650
Operational	29,983	11,966
Calgary Foundation endowment payment (note 3)	-	10,000
Bank fees	1,933	3,837
Change in unrealized (gain) loss on short-term investments (note 3)	(9,606)	6,146
Amortization of capital assets	9,376	762
	<u>1,720,472</u>	<u>1,772,087</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 367,377</u>	<u>\$ (105,804)</u>

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Internally restricted	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	\$ 430,517	\$ 381,554	\$ 812,071	\$ 917,875
Excess (deficiency) of revenues over expenses	-	367,377	367,377	(105,804)
Less transfers from unrestricted to internally restricted	406,175	(406,175)	-	-
Balance, end of year	\$ 836,692	\$ 342,756	\$ 1,179,448	\$ 812,071

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2015	2014
Cash from operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 367,377	\$ (105,804)
Items not involving cash:		
Change in unrealized (gain) loss on investments	(9,606)	6,146
Amortization of capital assets	9,376	762
Amortization of deferred capital contributions	(2,210)	(762)
	<u>364,937</u>	<u>(99,658)</u>
Changes in non-cash operating working capital:		
Accounts receivable	49,531	(118,893)
Prepaid expenses	-	7,500
Accounts payable and accrued liabilities	(80,978)	84,782
Deferred contributions	4,128	(86,935)
	<u>337,618</u>	<u>(213,204)</u>
Financing:		
Deferred capital contributions received	-	22,857
Investments:		
Purchases of investments	-	(250,000)
Purchase of capital assets	-	(58,688)
	<u>-</u>	<u>(308,688)</u>
(Decrease) increase in cash and cash equivalents	337,618	(499,035)
Cash and cash equivalents, beginning of year	404,626	903,661
Cash and cash equivalents, end of year	<u>\$ 742,244</u>	<u>\$ 404,626</u>

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Notes to Financial Statements

Year ended December 31, 2016

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 Chartered Professional Accountants ("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) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(c) 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 carries its short term investments at fair value (note 3).

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.

KIDSPORT SOCIETY OF CALGARY

Notes to Financial Statements, page 2

Year ended December 31, 2016

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

(d) Capital assets

Capital assets are recorded at historical cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets commencing when the asset is ready for use. The estimated useful lives of the Database and Trailer are 5 years and 10 years respectively.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(e) Contributed services

Volunteers assist the Foundation in carrying out certain activities. Due to uncertainty in determining fair value of the service and given that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

(f) Donated equipment and materials

Donated equipment and materials are recorded at fair market value if it can be reasonably determined. If fair market value cannot be reasonably determined, donated equipment and materials are recorded at nominal value.

(g) 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. Specific estimates made in the preparation of these financial statements include the estimate of useful lives of capital assets, the amount of deferred contributions, estimates for accrued liabilities and collectability of accounts receivable. 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.

KIDSPORT SOCIETY OF CALGARY

Notes to Financial Statements, page 3

Year ended December 31, 2016

3. Short term investments and endowments:

The Society invests in a managed fund with the Calgary Foundation. This fund is 100 percent owned by the Society, not externally restricted and is recorded at fair value. As at December 31, 2016, the fair value of the fund is \$253,460 (2015 – 243,854). For the year ended December 31, 2016 the Society has recorded a change in unrealized gain on short-term investments of \$9,606 (2015 – \$6,146 loss) in the Statement of Operations.

During the fiscal 2015, the Society contributed \$10,000 to an endowment set up as a perpetuity and is owned by the Calgary Foundation. Any net investment income earned is not externally restricted. For the year ended December 31, 2016 the Society has recorded no net income (2015 - \$nil) in the Statement of Operations.

4. Capital assets:

		2016	2016	2015
	Cost	Accumulated depreciation	Net book value	Net book value
Database	\$ 35,831	\$ 7,166	\$ 28,665	\$ 35,831
Trailer	22,858	2,972	19,885	22,095
	\$ 58,689	\$ 10,138	\$ 48,550	57,926

During the year, the Society recognized amortization expense of \$2,210 (2015 - \$762) related to the Trailer and \$7,166 related to the Database.

5. Accounts payable and accrued liabilities:

The Society had no government remittance payable as at December 31, 2016 (2015 - \$nil).

6. Deferred capital contributions

Deferred capital contributions represent restricted contributions received and designated to be used for capital purposes and comprise the following:

	2016	2015
Balance, beginning of year	\$ 22,095	\$ -
Capital assets purchased with restricted contributions provided by funders	-	22,857
Amortization of deferred capital contributions	(2,210)	(762)
Balance, end of year	\$ 19,885	\$ 22,095

KIDSPORT SOCIETY OF CALGARY

Notes to Financial Statements, page 4

Year ended December 31, 2016

7. 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, received from the Alberta Gaming and Liquor Commission and received for the Skate Shack Capital Asset.

(a) The Big Give Project:

Restricted contributions for The Big Give Project recognized in revenue during the year of \$6,994 (2015 - \$24,967) 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 \$72,185 (2015 - \$66,986) 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.

(c) Skate Shack:

Restricted contributions received for purchase of the Skate Shack are transferred to deferred capital contributions and recognized into revenue as the asset is depreciated. Amounts recognized in revenue during the year of \$nil (2015 - 5,018) for expenditures incurred are included in funding revenue.

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

	2016	2015
The Big Give Project		
Balance, beginning of year	\$ -	\$ 19,967
Restricted contributions received during the year	11,100	5,000
Restricted contributions recognized	(6,994)	(24,967)
	4,106	-
Alberta Gaming & Liquor Commission		
Balance, beginning of year	9,499	76,467
Restricted contributions received during the year	70,023	-
Restricted contributions recognized	(70,000)	(66,968)
	9,522	9,499
Skate Shack		
Balance, beginning of year	-	-
Restricted contributions received during the year	-	27,875
Amounts transferred to deferred capital contributions	-	(22,857)
Restricted contributions recognized	-	(5,018)
	-	-
	\$ 13,628	9,499

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Year ended December 31, 2016

8. Internally restricted:

	2016	2015
Kids account	\$ 579,062	\$ 232,585
Other	257,630	197,932
	<u>\$ 836,692</u>	<u>\$ 430,517</u>

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.

9. Commitments:

Under the terms of an extension to the lease agreement for office space expiring September 2019 and a vehicle lease expiring April 2017, the Society is committed to making the following payments:

2017	\$ 8,856
2018	7,934
2019	2,030
	<u>\$ 18,820</u>

10. Related party transactions:

During the year, the Society paid legal fees in the amount of \$1,166 (2015 - \$1,627) to an entity where a Partner 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 \$644,635 (2015 - \$496,524) from KidSport Society of Alberta and \$72,793 was receivable back from KidSport Society of Alberta as at December 31, 2016 (2015 - \$118,274).

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.

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Year ended December 31, 2016

11. 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.

(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, \$72,793 (2015 - \$118,274) is receivable from KidSport Alberta 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 and cash equivalents. 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 2015.

KIDSPORT SOCIETY OF CALGARY

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Year ended December 31, 2016

12. Contributions:

	2016	2015
Strategic Partners	\$ 292,668	\$ 339,018
Major Events	485,555	335,903
Casino (AGLC) (note 7)	72,185	66,968
Other Funding Sources (including corporate, personal and sports club donations)	1,033,659	922,057
	<u>\$ 1,884,067</u>	<u>\$ 1,663,946</u>

13. City of Calgary's Emergency Resiliency Fund

During the year, the Society applied for and received a grant from the City of Calgary equal to \$200,000 (2015 - \$nil). The grant is an unrestricted contribution. The Emergency Resiliency Fund (ERF) is an emergency fund established by Calgary City Council in December 2015 to help non-profit organizations experiencing excess demand as a result of the current economic downturn and global events. In 2017, the Society has reapplied and the City of Calgary has approved an amount of \$100,000.

14. Distributions:

	2016	2015
Registration fees by sport		
Soccer	\$ 347,572	\$ 404,825
Hockey	291,855	277,523
Gymnastics	108,200	115,382
Dance	64,344	89,930
Martial Arts	61,652	82,667
Basketball	76,935	75,391
Football	39,320	52,615
Skating	23,337	26,478
Skiing / snowboarding	11,839	19,382
Baseball	12,937	12,664
Swimming	12,301	11,676
Lacrosse	18,731	17,870
Other	117,185	59,790
	<u>1,186,208</u>	<u>1,246,193</u>
The Big Give	6,994	26,659
School Equipment Grants	-	492
Comrie's Sports Equipment Bank Equipment Grant	35,087	90,875
Equipment funding	-	-
Diversity Cup	-	3,720
Skate Shack II	965	2,716
	<u>\$ 1,229,254</u>	<u>\$ 1,370,655</u>

KIDSPORT SOCIETY OF CALGARY

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Year ended December 31, 2016

15. Donations and fundraising

In raising \$1,884,067 (2015 - \$1,663,946) in donations and fundraising revenues, the Society incurred \$286,312 (2015 - \$137,608) for the purpose of soliciting contributions including \$129,709 (2015 - \$100,976) for employee expenses.