Financial Statements of

KIDSPORT SOCIETY OF CALGARY

Year ended December 31, 2018

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of KidSport Society of Calgary

Qualified Opinion

We have audited the financial statements of Kidsport Society of Calgary (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017
- the contributions and (deficiency) excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017
- the (deficiency) excess of revenues over expenditures reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017.

Our opinion on the financial statements for the year ended December 31, 2017 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 qualified opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

As described in the "***Basis for Qualified Opinion***" section above, we were unable to obtain sufficient appropriate audit evidence about revenue from fundraising activities. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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.

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

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

Auditors’ 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 auditors’ 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 16, 2019

KIDSPORT SOCIETY OF CALGARY

Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 615,363	$ 941,378
Short-term investments (note 3)	378,940	380,168
Accounts receivable (note 10)	92,212	142,571
	1,086,515	1,464,117
Capital assets (note 4)	29,646	39,098
	$ 1,116,161	$ 1,503,215
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 77,469	$ 36,263
Deferred contributions (note 7)	-	6,245
	77,469	42,508
Deferred capital contributions (note 6)	15,313	17,599
	92,782	60,107
Net assets:		
Internally restricted (note 8)	651,204	967,478
Unrestricted	372,175	475,630
	1,023,379	1,443,108
Commitments (note 9)		
	$ 1,116,161	$ 1,503,215

See accompanying notes to financial statements.

Approved on behalf of the board:

Wilson Acton, Chair

Curtis Loyns, Treasurer

KIDSPORT SOCIETY OF CALGARY

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Contributions (note 10 and 12)	$ 1,830,959	$ 2,232,046
City of Calgary grant	-	100,000
Interest	5,494	3,364
Amortization of deferred capital contributions (note 6)	2,286	2,286
	1,838,739	2,337,696
Expenses:		
Distributions (note 13)	1,686,119	1,529,645
General and administrative	361,784	322,821
Fundraising	182,724	213,550
Operational	15,373	23,371
Amortization of capital assets	9,452	9,452
Bank fees	1,788	1,905
	2,257,240	2,100,744
Change in unrealized gain (loss) on short-term investments (note 3)	(1,228)	26,708
(Deficiency) excess of revenues over expenditures	$ (419,729)	$ 263,660

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Internally restricted	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ 967,478	$ 475,630	$ 1,443,108	$ 1,179,448
(Deficiency) excess of revenues over expenses	-	(419,729)	(419,729)	263,660
Less transfers from internally restricted to unrestricted	(316,274)	316,274	-	-
Balance, end of year	$ 651,204	$ 372,175	$ 1,023,379	$ 1,443,108

See accompanying notes to financial statements.

KIDSPORT SOCIETY OF CALGARY

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash from operating activities:		
(Deficiency) excess of revenues over expenditures	$ (419,729)	$ 263,660
Items not involving cash:		
Change in unrealized loss (gain) on investments	1,228	(26,708)
Amortization of capital assets	9,452	9,452
Amortization of deferred capital contributions	(2,286)	(2,286)
	(411,335)	244,118
Changes in non-cash operating working capital:		
Accounts receivable	50,359	43,440
Accounts payable and accrued liabilities	41,206	18,959
Deferred contributions	(6,245)	(7,383)
	(326,015)	299,134
Investments:		
Purchases of investments	-	(100,000)
	-	(100,000)
(Decrease) increase in cash and cash equivalents	(326,015)	199,134
Cash and cash equivalents, beginning of year	941,378	742,244
Cash and cash equivalents, end of year	$ 615,363	$ 941,378

See accompanying notes to financial statements.

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.

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, 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.

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. During the year, the Society did not contribute to the managed fund. As at December 31, 2018, the fair value of the fund is $378,940 (2017 – $380,168) and the net contribution to the fund up to December 31, 2018 is $350,000 (2017 – $350,000). For the year ended December 31, 2018 the Society has recorded a change in unrealized loss on short-term investments of $1,228 (2017 – gain of $26,708) in the Statement of Operations.

4. Capital assets:

			2018	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Database	$ 35,831	$ 21,498	$ 14,333	$ 21,499
Trailer	22,932	7,619	15,313	17,599
	$ 58,763	$ 29,117	$ 29,646	$ 39,098

During the year, the Society recognized amortization expense of $2,286 (2017 - $2,286) related to the Trailer and $7,166 (2017 – $7,166) related to the Database.

5. Accounts payable and accrued liabilities:

The Society had no government remittance payable as at December 31, 2018 (2017 - $nil).

6. Deferred capital contributions

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

	2018	2017
Balance, beginning of year	$ 17,599	$ 19,885
Capital assets purchased with restricted contributions provided by funders	–	–
Amortization of deferred capital contributions	(2,286)	(2,286)
Balance, end of year	$ 15,313	$ 17,599

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 Genesis Basketball.

(a) The Big Give Project:

Restricted contributions for The Big Give Project recognized in revenue during the year of $4,046 (2017 - $60) 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 $nil (2017 - $74,138) 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) Genesis Basketball:

Restricted contributions received for Genesis Basketball recognized in revenue during the year of $2,199 (2016 - $11,700) are included in funding revenue.

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

	2018	2017
The Big Give Project		
Balance, beginning of year	$ 4,046	$ 4,106
Restricted contributions received during the year	-	-
Restricted contributions recognized	(4,046)	(60)
	–	4,046
Alberta Gaming & Liquor Commission		
Balance, beginning of year	–	9,522
Restricted contributions received during the year	–	64,616
Restricted contributions recognized	–	(74,138)
	–	–
Genesis Basketball		
Balance, beginning of year	2,199	–
Restricted contributions received during the year	–	13,899
Restricted contributions recognized	(2,199)	(11,700)
	–	2,199
	$ –	$ 6,245

8. Internally restricted:

	2018	2017
Kids account	$ 494,279	$ 758,331
Other	156,925	209,147
	$ 651,204	$ 967,478

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, the Society is committed to making the following payments:

2019	$ 2,030

10. Related party transactions:

During the year, the Society paid legal fees in the amount of $nil (2017 - $767) to a law firm where one of the Partner's is a member of 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 $519,879 (2017 - $475,823) from KidSport Society of Alberta and $1,341 was receivable back from KidSport Society of Alberta as at December 31, 2018 (2017 - $133,310).

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.

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, $1,341 (2017 - $133,310) 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 exposures from 2017.

12. Contributions:

	2018	2017
Strategic Partners	$ 580,935	$ 616,259
Major Events	531,843	619,413
Casino (AGLC) (note 7)	–	74,138
Other Funding Sources (including corporate, personal and sports club donations)	718,181	922,236
	$ 1,830,959	$ 2,232,046

13. Distributions:

	2018	2017
Registration fees by sport		
Soccer	$ 420,132	$ 372,659
Hockey	342,459	452,023
Gymnastics	138,006	134,108
Dance	123,081	74,358
Martial Arts	118,117	81,568
Basketball	123,956	100,060
Football	95,919	57,084
Skating	34,914	26,016
Skiing / snowboarding	16,088	13,671
Baseball	22,154	19,446
Swimming	17,919	16,473
Lacrosse	27,870	20,582
Other	149,655	103,492
	1,630,270	1,471,540
School Equipment Grants	18,920	6,556
Comrie’s Sports Equipment Bank Equipment Grant	30,000	30,000
Diversity Cup	–	3,146
Skate Shack II	684	3,643
Genesis Basketball Program	2,199	11,700
Other Programs	4,046	3,060
	$ 1,686,119	$ 1,529,645

14. Donations and fundraising

In raising $1,830,959 (2017 - $2,232,046) in donations and fundraising revenues, the Society incurred $277,145 (2017 - $296,031) for the purpose of soliciting contributions including $78,104 (2017 - $73,770) for employee expenses.

15. Comparative information:

Certain comparative information has been reclassified, where applicable, to conform with the presentation adopted in the current year.