

Sport P.E.I. Inc.

Financial Statements
March 31, 2023

Draft

May , 2023

Independent Auditor's Report

To the Directors of Sport P.E.I. Inc.

Opinion

We have audited the financial statements of Sport P.E.I. Inc., which comprise the statement of financial position as at March 31, 2023, and the statements of operations - unrestricted, changes in net assets - unrestricted, operations and changes in net assets - restricted and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sport P.E.I. Inc. as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sport P.E.I. Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the 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 Sport P.E.I. Inc.'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 Sport P.E.I. Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sport P.E.I. Inc.'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 Sport P.E.I. Inc.'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 Sport P.E.I. Inc.'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 Sport P.E.I. Inc. 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.

Chartered Professional Accountants

Sport P.E.I. Inc.

Statement of Financial Position

As at March 31, 2023

	2023	2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,236,892	1,299,824
Accounts receivable (note 3)	45,178	24,626
Prepaid expenses	7,879	2,634
Restricted funds (note 4)	720,046	501,356
	<u>2,009,995</u>	<u>1,828,440</u>
Capital assets (note 5)	<u>7,425</u>	<u>6,863</u>
	<u>2,017,420</u>	<u>1,835,303</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	123,631	155,208
Due to Royalty Centre (note 7)	554,583	561,387
Deferred revenue (schedule)	273,487	215,000
	<u>951,701</u>	<u>931,595</u>
Severance liability (note 8)		
Net assets		
Unrestricted	345,673	402,352
Internally restricted (note 4)	720,046	501,356
	<u>1,065,719</u>	<u>903,708</u>
	<u>2,017,420</u>	<u>1,835,303</u>

Approved by the Board of Directors

Director

Director

Sport P.E.I. Inc.

Statement of Changes in Net Assets - Unrestricted For the year ended March 31, 2023

	2023 \$	2022 \$
Net assets - Beginning of year	402,352	413,189
Net loss for the year	<u>(56,679)</u>	<u>(10,837)</u>
Net assets - End of year	<u>345,673</u>	<u>402,352</u>

Draft

Sport P.E.I. Inc.

Statement of Operations - Unrestricted

For the year ended March 31, 2023

	2023 Budget (unaudited) \$	2023 \$	2022 \$
Revenue			
Grant - Province of Prince Edward Island	195,000	195,000	195,000
Grant - PSO Administrator Program	102,000	98,248	-
Grant - other government funding (note 9)	-	116,885	134,245
Grant - other	117,142	8,918	4,933
Administration fee - KidSport PEI	-	10,000	-
- Royalty Centre (note 9)	85,000	85,375	99,000
- PEI Amateur Sport Fund	2,750	2,750	2,850
Sport PEI awards	11,800	11,875	15,930
Corporate sponsorship	20,000	21,000	20,000
Membership dues	8,825	8,925	9,200
Fundraising revenue	-	-	8,810
Insurance recovery - sports organizations	92,000	94,343	76,978
Interest	2,000	1,677	1,391
Miscellaneous	3,000	6,815	4,208
Event registration	15,500	7,950	9,833
PSO payroll service revenue	5,750	5,750	5,063
Print shop revenue	5,250	4,928	5,039
Vending machine commission	500	444	322
	<u>666,517</u>	<u>680,883</u>	<u>592,802</u>
Expenses			
Advertising	8,500	3,399	11,368
Awards banquet	17,000	16,387	16,377
Bank charges	1,500	788	1,306
Dues and registration	4,000	3,231	3,483
Framing and scrolling	6,500	7,960	4,302
Insurance	270	246	270
Insurance - sports organizations	89,500	92,358	75,160
Meetings and functions	22,000	22,596	27,422
Miscellaneous	1,000	1,244	876
NCCP expenses	16,500	16,391	16,798
Program support	40,000	37,588	52,930
Printing, postage and office	29,050	23,659	24,030
Professional development	3,000	55	378
Professional fees	10,000	33,419	20,134
Scholarship	6,000	6,000	6,000
Travel	3,250	1,638	204
Wages and levies (note 7)	450,000	466,495	337,676
Website	1,600	1,100	1,725
Amortization	2,000	3,008	3,200
	<u>711,670</u>	<u>737,562</u>	<u>603,639</u>
Operating loss	<u>(45,153)</u>	<u>(56,679)</u>	<u>(10,837)</u>
Other income (expense)			
COVID 19 emergency support funding	26,355	7,719	8,094
COVID expenses	(26,355)	(7,719)	(8,094)
	<u>-</u>	<u>-</u>	<u>-</u>
Excess expenses for the year	<u>(45,153)</u>	<u>(56,679)</u>	<u>(10,837)</u>

Sport P.E.I. Inc.

Statement of Operations and Changes in Net Assets - Restricted For the year ended March 31, 2023

	KidSport P.E.I. \$	Severance pay \$	Sports development and infrastructure \$	2023 \$	2022 \$
Revenue					
Program revenue	394,043	-	-	394,043	74,574
Interest	1,045	240	169	1,454	1,289
	395,088	240	169	395,497	75,863
Expenses					
Program expenses	176,807	-	-	176,807	75,202
Excess revenue for the year	218,281	240	169	218,690	661
Balance - Beginning of year	440,241	38,605	22,510	501,356	500,695
Balance - End of year	658,522	38,845	22,679	720,046	501,356

Sport P.E.I. Inc.

Statement of Cash Flows

For the year ended March 31, 2023

	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenses) for the year		
- unrestricted	(56,679)	(10,837)
- restricted - KidSport P.E.I.	218,281	346
- restricted - Severance pay	240	287
- restricted - Sports development and infrastructure	169	28
Item not affecting working capital		
Amortization	3,008	3,200
	<u>165,019</u>	<u>(6,976)</u>
Net change in non-cash working capital balances		
Decrease (increase) in accounts receivable	(20,552)	1,980
Increase in prepaid expenses	(5,245)	(328)
Increase (decrease) in accounts payable and accrued liabilities	(31,577)	78,252
Increase in deferred revenue	58,487	100,213
	<u>166,132</u>	<u>173,141</u>
Investing activity		
Purchase of capital assets	(3,570)	(3,283)
Financing activity		
Increase (decrease) in due to Royalty Centre	(6,804)	146,541
Net change in cash and cash equivalents	<u>155,758</u>	<u>316,399</u>
Cash and cash equivalents - Beginning of year	<u>1,801,180</u>	<u>1,484,781</u>
Cash and cash equivalents - End of year	<u>1,956,938</u>	<u>1,801,180</u>
Cash and cash equivalents consist of		
Cash and cash equivalents	1,236,892	1,299,824
Restricted fund - KidSport P.E.I. (note 4)	658,522	440,241
Restricted fund - severance pay (note 4)	38,845	38,605
Restricted fund - sports development and infrastructure (note 4)	22,679	22,510
	<u>1,956,938</u>	<u>1,801,180</u>

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

1 Purpose of organization

The objective and purpose of Sport P.E.I. Inc. is to promote, advance and encourage the playing of sports in the Province of Prince Edward Island.

The company is a non-profit organization and is therefore tax exempt under Section 149(1)(1) of the *Income Tax Act*.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents consists of cash in bank and deposits that are cashable GICs with maturity dates of less than one year.

Fund accounting

Sport P.E.I. Inc. follows the restricted fund method of accounting for contributions.

The Unrestricted Fund accounts for the organization's program delivery, fundraising and administrative activities.

The Restricted Fund reports resources that have been appropriated by the Board of Directors for KidSport P.E.I., severance payments and sport development and infrastructure.

Amortization

Capital assets are accounted for at cost and amortized on the basis of their useful life using the following rates and methods.

Amortization of furniture and equipment is calculated using the declining balance method at the annual rate of 20%. Computer equipment is being amortized on a straight-line basis over three years.

In the year of acquisition, amortization is recorded at one-half of the normal annual rate; no amortization is recorded in the year of disposal.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset excess the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

Revenue recognition

Unrestricted contributions are recognized in the Unrestricted Fund in the year earned. Restricted contributions are recognized as revenue of the restricted funds. Program revenue is recognized when received or receivable if collectibility is reasonably assured. Interest revenue is recognized when earned. Amounts that have been recorded in advance of services being rendered are recorded as deferred revenue until the organization discharges the obligations that led to the collection of funds.

Government assistance

Government assistance relating to operations are recorded as revenue in the year it is received or receivable when the organization discharges any obligations that led to the receipt of any government assistance.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the estimated useful life of capital assets. Actual results could differ from those estimates.

Financial instruments

(a) Measurement of financial instruments

Sport P.E.I. Inc.'s financial instruments consist of cash and cash equivalents, accounts receivable, restricted funds, accounts payable and accrued liabilities and due to Royalty Centre.

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, Sport P.E.I. Inc. determines whether there are indications of possible impairment. When there is an indication of impairment, and Sport P.E.I. Inc. determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess expenses.

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

(c) Risks

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The organization is exposed to credit risk in connection with the collection of its accounts receivable. The organization mitigates this risk by performing continuous evaluation of its accounts receivable.
- ii) Liquidity risk: The organization's exposure to liquidity risk is dependent on the collection of accounts receivable or raising of funds to meet commitments and sustain operations. The organization controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

3 Accounts receivable

	2023	2022
	\$	\$
Trade receivable	42,172	18,322
HST receivable	3,006	6,304
	45,178	24,626

4 Restricted funds

The Board of Directors of Sport P.E.I. Inc. has internally restricted funds for the KidSport P.E.I. program. The program receives non-receipted donations and uses these funds to allow children and families with financial barriers to participate in organized sports. Balances pertaining to KidSport Canada are not included in these financial statements.

The Board of Directors of Sport P.E.I. Inc. has internally restricted funds for severance pay and sport development and infrastructure. These funds, including interest earned, have been restricted for specifically designated purposes. Any contribution or withdrawal of these funds require Board approval.

Effective March 31, 2023, the Board authorized the transfer of nil (2022 - nil) from unrestricted funds to the severance pay fund.

The Restricted Fund balances are as follows:

	KidSport P.E.I.	Severance Pay	Sports Development and Infrastructure	2023	2022
	\$	\$	\$	\$	\$
Cash and deposits	658,522	37,450	27,213	723,185	504,903
Due from (to) unrestricted	-	1,395	(4,534)	(3,139)	(3,547)
	658,522	38,845	22,679	720,046	501,356

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

5 Capital assets

	2023		2022	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and equipment	39,534	37,791	1,743	2,179
Computer equipment	68,972	63,290	5,682	4,684
	108,506	101,081	7,425	6,863

6 Accounts payable and accrued liabilities

	2023 \$	2022 \$
Trade payables and accrued liabilities	82,761	85,188
Payroll withholding taxes	40,870	32,338
Government contributions payable	-	37,682
	123,631	155,208

7 Due to Royalty Centre

Due to Royalty Centre relates to a Memorandum of Understanding between Sport P.E.I. Inc. and the Province of Prince Edward Island whereby Sport P.E.I. Inc. collects revenue and pays bills relating to the Royalty Centre. Under the Memorandum of Understanding, Sport P.E.I. Inc. is to use all revenue collected to cover the expenses of the Royalty Centre.

During the year, \$299,805 (2022 - \$255,402) in wages and levies were paid and charged to Royalty Centre. These expenses are not reflected in the Sport P.E.I. Inc. wages and levies.

Sport P.E.I. Inc.'s financial statements do not reflect the activities of Royalty Centre. Separate audited financial statements have been prepared for Royalty Centre.

Amounts due to Royalty Centre are non-interest bearing with no specific repayment terms.

8 Severance liability

In accordance with the organization's benefits policy, employees with more than five years' continuous service are entitled, under certain conditions, to a specified level of severance pay. At March 31, 2023, this liability is estimated to total \$58,681 (2022 - \$48,612) and has not been recorded in the accounts. The funding of this liability will first be drawn from the restricted fund which has a current balance of \$38,845 (2022 - \$38,605).

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

9 Government assistance

During the year, Sport P.E.I. Inc. received \$85,375 (2022 - \$99,000) from the Department of Transportation, Infrastructure and Energy for managing the operations of the Royalty Centre. This funding is included in administration fee on the Statement of Operations - Unrestricted.

Sport P.E.I. Inc. also received other government assistance for the following projects recognized as revenue on the Statement of Operations - Unrestricted:

	2023	2022
	\$	\$
PEI Alliance for Mental Well-Being	43,818	-
Home team PEI	42,789	38,643
Women in sport	15,000	12,494
Gender, Equity, Diversity, Inclusion	8,258	-
Job for Youth	7,020	-
Job creation	-	31,323
Festival & events stability program	-	29,818
Women secretariat grant	-	15,000
Other government funding projects	-	6,967
	<u>116,885</u>	<u>134,245</u>

10 Commitments

The minimum annual lease payments over the next five years under an operating lease expiring in 2028 are as follows:

	\$
Year ending March 31, 2024	2,155
2025	2,155
2026	2,155
2027	2,155
2028	539

Sport P.E.I. Inc.

Notes to Financial Statements

March 31, 2023

11 Related party transactions

Sport P.E.I. Inc. is a member of the Canadian Council of Provincial and Territorial Sport Federations Inc. (CCPTSF). Sport P.E.I. Inc. is a licensed chapter of KidSport Canada Inc., as such, the organization administers the Funds established by the KidSport P.E.I. (Prince Edward Island Chapter).

In the current and previous year, KidSport Canada Inc. and Sport P.E.I. Inc. management agreed to recognize non-receipted funding (grants, fundraising) received from KidSport P.E.I. as revenue in Sport P.E.I. Inc. Prior to this agreement this revenue was recognized in KidSport Canada Inc. Receipted donations continue to be reported by KidSport Canada Inc.

Sport P.E.I. Inc. administers the funds for KidSport P.E.I. which includes receiving non receipted donations and paying program costs. The bank account is in the name of Sport P.E.I. Inc. and is reported as a restricted asset on these financial statements.

12 Economic dependence

Sport P.E.I. Inc. receives funding from government. Because the organization's major source of income is derived from government funding, its ability to continue viable operations is dependent upon maintaining these funding sources from government.

Sport P.E.I. Inc.

Schedule of Deferred Revenue

For the years ended March 31, 2023 and March 31, 2022

Schedule

	Future Project \$	Home Team PEI \$	COVID Emergency Funding \$	PSO Admin \$	Women In Sport \$	Coaching and Workshops \$	GEDI \$	True Sport \$	2023 Total \$
Deferred revenue - Beginning	42,827	35,835	26,356	93,677	16,306	-	-	-	215,001
Government funding received	-	22,000	-	80,000	40,000	10,000	37,500	25,000	214,500
Other funding received	-	-	-	16,000	-	-	-	-	16,000
Amount recognized as revenue	-	(42,789)	(7,719)	(98,248)	(15,000)	-	(8,258)	-	(172,014)
Deferred Revenue - Ending	42,827	15,046	18,637	91,429	41,306	10,000	29,242	25,000	273,487

	Future Project \$	Home Team PEI \$	Leadership \$	Women's Secretariat Grant \$	COVID Emergency Funding \$	PSO Admin \$	Women in Sport \$	2022 Total \$
Deferred revenue - Beginning	42,827	19,478	5,000	15,000	32,482	-	-	114,787
Government funding received	-	55,000	-	-	1,967	125,000	28,800	210,767
Amount recognized as revenue	-	(38,643)	(5,000)	(15,000)	(8,094)	(31,323)	(12,494)	(110,554)
Deferred Revenue - Ending	42,827	35,835	-	-	26,355	93,677	16,306	215,000